Securing the future for Ohio's Police & Firefighters

2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Ohio Police & Fire Pension Fund

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEARS ENDED DEC. 31, 2013 AND 2012

PREPARED THROUGH THE COMBINED EFFORTS OF OP&F STAFF

Ohio Police & Fire Pension Fund

SECURING THE FUTURE FOR OHIO'S POLICE AND FIREFIGHTERS

PRUDENGE • INTEGRITY • EMPATHY

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Columbus, Ohio 43215

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www.op-f.org

TABLE OF CONTENTS

TABLE OF CONTENTS

BOARD OF TRUSTEES

About the Board of Trustees

Ohio law provides for the Ohio Police & Fire Pension Fund (OP&F) Board of Trustees to be comprised of nine members. There are six employee members elected to four-year terms by their respective member groups: two active representatives of police departments, two active representatives of fire departments, one retired police officer and one retired firefighter. The Board of Trustees also includes three statutory members. Each statutory member – one appointed by the Governor of Ohio, one by the Ohio Treasurer of State, and one appointed jointly by the Ohio Senate President and the Ohio Speaker of the House – must have professional investment expertise.

The OP&F Board of Trustees appoints the Executive Director, an actuary, and other advisors necessary for the transaction of business. By law, the Ohio Treasurer of State is custodian of OP&F's funds. The Board of Trustees meets monthly, except for one month each year. In 2013, the Board did not meet in the month of July and in 2014 the Board of Trustees will not meet in the month of July. The Board of Trustees receives no compensation, but is reimbursed for necessary expenses.

Board of Trustee Members *(left to right, top to bottom)*

David A. Witner, Chair
Cuyahoga Falls Fire, term began on June 7, 2010, expires on June 1, 2014. Re-appointed to a new four-year term expiring on June 3, 2018.

John L. Wainscott
Retired, Cincinnati Police, term began on June 4, 2012, expires on June 5, 2016.

Edward L. Montgomery
Columbus Police, term began on June 4, 2012, expires on June 5, 2016.

William E. Deighton
Retired, Cleveland Fire, term began on June 6, 2011, expires on May 31, 2015.

Scott W. Huff, Chair-Elect
Cleveland Police, term began on June 6, 2011, expires on May 31, 2015.

David J. Owsiany
Investment Expert Member, appointed by the Ohio Treasurer of State, term began on Jan. 6, 2011, expires on Jan. 6, 2015.

J. David Heller
Investment Expert Member, appointed by the Ohio Senate and the Ohio House of Representatives, term began on Nov. 5, 2012, expires on Nov. 6, 2016.

Daniel J. Desmond
Toledo Fire, term began on March 6, 2014, expires on May 31, 2015.

Scott D. Roulston
Investment Expert Member, appointed by the Governor of Ohio, term began on March 6, 2013, expires on Sept. 27, 2016.

ADMINISTRATIVE STAFF

Executive Staff *(left to right)*

Scott K. Miller
Financial Services Director

J. Keith Byrd
Deputy Executive Director

Jennifer L. Harville
Member Services Director

Mark A. Jordan
Internal Auditor/Privacy and Ethics Officer

Mary Beth Foley
General Counsel

Theodore G. Hall
Chief Investment Officer

John J. Gallagher, Jr.
Executive Director

Professional Consultants *(not pictured)*

Actuary
Buck Consultants, LLC

Legal Counsel
Ohio Attorney General, the Honorable Mike DeWine

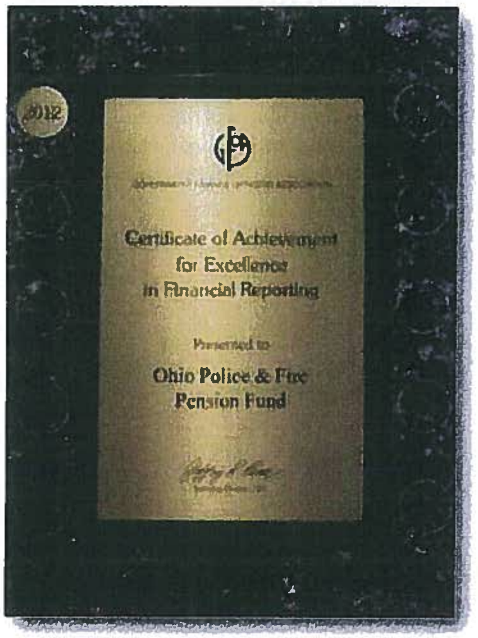
Custodian of OP&F's Funds
Ohio Treasurer of State, Josh Mandel

Independent Accountants
McGladrey LLP
(Under contract with the Ohio Auditor of State)

Investment Consultants and Money Managers
(See page 51)

AWARDS

OP&F has been recognized by financial experts for their commitment to the highest possible fiscal standards. OP&F is honored to have been recognized with the following:



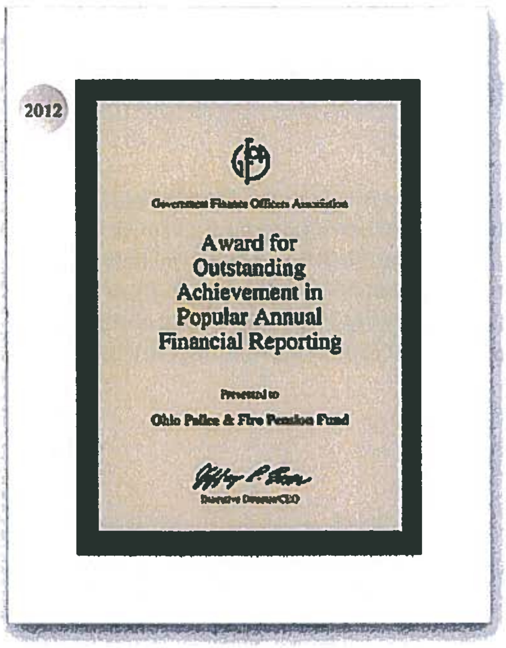
2012 Certificate of Achievement for Excellence in Financial Reporting

For 24 years, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OP&F for its Comprehensive Annual Financial Report. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

2013 Distinguished Budget Presentation Award

OP&F was again recognized by GFOA's Distinguished Budget Presentation Award in 2013, representing the twelfth consecutive year OP&F has achieved this distinction. OP&F has received the award annually since 2002. The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

AWARDS


2012

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Ohio Police & Fire Pension Fund

Executive Director/CEO

2012 Award for Outstanding Achievement in Popular Annual Financial Reporting

For 12 years, the GFOA has awarded a Certificate of Outstanding Achievement in Popular Annual Financial Reporting to OP&F for its Popular Annual Financial Report. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports.


Public Pension Coordinating Council

Recognition Award for Administration 2013

Presented to

Ohio Police & Fire Pension Fund

In recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

2013 Public Pension Standards Award

Awarded to OP&F by the Public Pension Coordinating Council (PPCC). OP&F has received the award annually since 2009. This award recognizes OP&F's professional standards attained for administration. The PPCC's standards were established in 2002 to reflect expectations for public retirement system management and administration. These standards serve as a benchmark by which to measure public defined benefit plans. The PPCC's goals include promoting excellence in pension plan design and administration.

LETTER OF TRANSMITTAL

Ohio Police & Fire Pension Fund

140 East Town Street / Columbus, Ohio 43215-5164 / Tel. (614) 228-2975 / www.op-f.org

June 25, 2014

Dear Chair and Members of the Board of Trustees:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Ohio Police & Fire Pension Fund (OP&F) for the fiscal years ending Dec. 31, 2013 and 2012. This CAFR was prepared to aid interested parties in assessing OP&F's financial status on Dec. 31, 2013, and its results for the year then ended.

Accounting System and Internal Controls

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S.) applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB). Additional information on OP&F's significant accounting policies is contained in the Notes to the Basic Financial Statements in the Financial Section.

Management is responsible for establishing and maintaining an effective internal control structure designed to ensure that the assets of OP&F are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of Basic Financial Statements in conformity with accounting principles generally accepted in the U.S. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

(1) the cost of a control should not exceed the benefits likely to be derived; and
(2) the valuation of costs and benefits requires estimates and judgments by management.

Management believes its internal control structure meets these objectives.

OP&F History and Overview

OP&F is a cost sharing multiple–employer public employee retirement system and was created by the Ohio General Assembly in 1965, replacing 454 separate local police and firefighter relief and pension funds in Ohio. OP&F began operating as a statewide Retirement Fund on Jan. 1, 1967. On that date, the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F totaled approximately $75 million, while OP&F's actuary computed the liabilities accrued up to 1966 at approximately $490 million. Employers are paying the remaining unfunded accrued liability, which began in 1969, over a 67-year period. As of Dec. 31, 2013, the balance totaled nearly $26.1 million.

OP&F provides pension, disability, Deferred Retirement Option Plan (DROP), and survivor benefits to qualified members and survivors. OP&F also provides access to health care coverage for qualified members, spouses, children and dependent parents. Please refer to the Plan Summary in the Actuarial Section for further information on plan benefits.

Membership in OP&F is mandatory under Ohio law for all full–time police officers employed by Ohio municipalities and appointed under the required statutory provisions. Membership is also mandatory for all full–time firefighters employed by municipalities, townships (fire only), villages, joint fire districts or other political subdivisions. In order to become members of OP&F, full-time firefighters are required to satisfactorily complete or have satisfactorily completed a firefighter training course approved under former Section 3303.07, Section 4765.55, or conducted under Section 3737.33 of the Ohio Revised Code (ORC). The table below is a tabulation of current participating employers at Dec. 31, 2013:

Participating Employers

	Police	Fire	Total
Municipalities	249	223	472
Townships	–	124	124
Villages	282	33	315
TOTAL	**531**	**380**	**911**

Financial Overview

OP&F receives virtually all of its funds from the following sources: investment earnings, employer contributions, member contributions, benefit recipient health care premiums, state subsidies and reimbursements. Additions to net position were $2.8 billion in 2013 due largely to a positive return on investments of 16.9 percent.

Contributions increased by 1.9 percent in 2013. This is from the increased member contribution rate that became effective mid-year and the influx of purchased service credit by active members. Service credit had to be purchased before July 1, 2013 to not be impacted by several legislative changes on benefits.

From Jan. 1, 2013 through July 1, 2013 the statutory contribution rate was 10 percent for members. From July 2, 2013 through July 1, 2014 the contribution rate increased to 10.75 percent. Member rates will continue to increase annually by .75 percent until reaching 12.25 percent on July 2, 2015. The statutory employer contribution rate remained unchanged from the prior year at 19.5 percent for police employers and 24 percent for fire employers. In 2013, both member contributions and employer contributions were due monthly. Statutory penalties are assessed if payments are received late. Penalties increased by 21 percent in 2013 after decreasing in 2012. Starting in March 2011, just before each due date, OP&F sends out an automated voice mail message to all employers who have not yet submitted a payment or report before the due date. In 2012, this reminder along with OP&F's online Automated Clearing House (ACH) payment options helped employers to avoid and reduce the number of penalty situations.

	2013		2012	
Additions to Net Position *(dollars in millions)*	**Amount**	**Percent**	**Amount**	**Percent**
Net Investment Income	$2,053.0	75%	$1,657.9	71%
Contributions	672.4	24%	659.6	28%
Other Additions	28.5	1%	30.7	1%
TOTAL ADDITIONS	**$2,753.9**	**100%**	**$2,348.2**	**100%**

	2013		2012	
Deductions to Net Position *(dollars in millions)*	**Amount**	**Percent**	**Amount**	**Percent**
Benefits	$1,286.4	98%	$1,236.4	97%
Refund of Member Contributions	16.0	1%	26.5	2%
Administrative Expenses	15.9	1%	15.4	1%
TOTAL DEDUCTIONS	**$1,318.3**	**100%**	**$1,278.3**	**100%**

Benefit payments are the largest deduction and usage of the additions to net position. In 2013, OP&F experienced a four percent increase in retirement benefits. This increase is slightly above the normal annual retirement increases due to a three percent cost-of-living allowance (COLA) for eligible benefit recipients and the retirement of some members due to anticipated changes in contribution levels.

There was a 2.1 percent increase in the amount of health care benefit payments. This is due to normal cost trend increases. DROP benefits increased 1.9 percent mainly due to the changes made to the DROP interest rate. As of April 2012, the DROP interest rate has a cap of five percent and the active interest rate has been updated quarterly to equal the 10-year U.S. Treasury Note as of the last trading business day of the preceding quarter. The DROP interest rate as of Dec. 31, 2013 was 2.6 percent versus 1.7 percent at the end of the previous year. Survivor and disability benefits increased at normal levels of 3.6 and 2.6 percent, respectively. This increase is mainly due to the annual three percent COLA for eligible recipients.

Administrative expenses increased this year by 2.7 percent and is due to normal operational increases to maintain an effective level of staffing, a good working environment and the appropriate level of outside professional services. Keeping this increase low is a continual goal of the Executive Director. Years of cost saving efforts have helped achieve the results of 2013. Refunds of member contributions are lower than the prior year due to a decrease in the amount of member contribution withdrawals. Other deductions to the net position returned to normal levels in 2013 and represent only minor deductions to plan assets.

Please refer to the Management's Discussion and Analysis in the Financial Section for additional financial details.

Funding Practices and Actuarial Overview

Funds are derived from the excess of additions over deductions and are accumulated by OP&F in order to meet current and future benefit obligations to retirees and other beneficiaries. OP&F experienced a $1.4 billion increase in the 2013 net position due to the increase in fair values of domestic and international stocks and Master Limited Partnerships from 2012 to 2013. Health care currently operates on a pay–as–you–go basis. A portion of employer contributions and a portion of investment income are both set aside to operate the health care program.

The OP&F investment portfolio achieved a return of 16.9 percent in 2013. By adhering to the sound principles and strategies that are in place, OP&F is strategically positioned to weather market fluctuations. As of Dec. 31, 2013, total investments at fair value stood at $14.16 billion.

OP&F continues to work progressively towards complying with the state's 30-year funding requirement. During 2013, new pension legislation changed the contribution rate and benefits available to our members and all of the items were implemented by staff. Under that new pension legislation, there were increases in member contributions along with changes to the minimum retirement age, modifications to COLAs, changes in the DROP interest rate, minimum enrollment period for DROP, changing the formula to calculate final average salary and another reduction in the amount of employer payroll allocated towards the health care trust in a continued effort to focus on pension funding.

In 2013, OP&F achieved a 47-year amortization period on the annual actuarial valuation completed by Buck Consultants. For the first time since the 2002 valuation a measurable period other than infinite has been recorded. This is a direct reflection of the pension legislation changes enacted in 2012. The report also shows that OP&F's pension funding ratio as of Jan. 1, 2013 was 64.2 percent based on the actuarial value of assets. The report confirms that OP&F continues to be able to meet its current and future pension obligations. As of the same date, OP&F's health care funding ratio was 22.09 percent with a solvency period until the year 2029, or 16 more years, which currently exceeds the goal of at least 15 years.

Please see the Notes to the Basic Financial Statements, the Statistical Section and the Required Supplementary Information (RSI) Sections of this report for more detailed information.

Investment Policy

OP&F invests all available funds in order to maximize both current income and long–term appreciation. The primary objective of OP&F's investment policy is to ensure that OP&F meets its responsibilities for providing retirement and other benefits. The investment portfolio is diversified to provide adequate cash flow and to provide the highest possible total return for OP&F's assets while maintaining an acceptable level of risk. Over the past two years, OP&F's total rate of return on its investment portfolio was favorable with a gain of 16.9 percent in 2013 and a gain of 15.4 percent in 2012.

Details of portfolio composition, rates of return, analysis of significant economic conditions, and additional information concerning OP&F's investment policy are provided in the Investment Section of this report.

Material Plan Amendments

In 2012, the DROP interest rate changed from a flat five percent to the 10-year U.S. Treasury Note rate with a five percent cap. This change had an immediate impact on the amount of interest that accrued in the member DROP accounts.

Legislation enacted on Sept. 26, 2012, was implemented by OP&F in 2013 and 2012. Ohio signed into law new pension legislation that will pave the way for improved long-term funding for OP&F. OP&F fully supported the legislation and believes that the provisions will help secure the pension benefits for future retirees and active members. This is not only groundbreaking in Ohio, but significant nationally as many states continue to deal with the unfunded liabilities of their public retirement systems.

The changes are long-term in nature and will decrease OP&F's unfunded accrued liabilities by an estimated $3.2 billion on an actuarial basis. While the effective date of the pension legislation was Jan. 7, 2013, the provisions that affect OP&F members began in July 2013.

Highlights of the legislative and health care changes include:

- Increase the active member contribution rate from 10 percent to 12.25 percent, in annual increments of 0.75 percent each year beginning on July 2, 2013;
- Raise normal service retirement age from 48 to 52 for new members hired after July 1, 2013 and provide a reduced benefit option for those who still desire to retire at age 48 with 25 years of service;
- Adjust COLAs to the lesser of the Consumer Price Index or three percent for those members who have less than 15 years of service credit as of July 1, 2013;
- Delay COLAs until age 55 for all benefit recipients effective July 1, 2013, excluding statutory survivors and members receiving permanent and total disability benefits;
- Redefine average annual salary as the highest five years of allowable earnings for those members who have less than 15 years of service credit as of July 1, 2013;
- Change the minimum DROP participation period from three years to five years for members who become DROP participants after July 1, 2013;
- Eliminate COLAs during DROP for members who become DROP participants after July 1, 2013. Members already in DROP prior to that date will receive COLAs while in DROP if they are at least age 55 and have participated in the plan for 12 months;
- Reduce the percentage of the member contribution that gets credited to DROP accruals for members who become DROP participants after July 1, 2013;
- Provide a "salary benchmark" under which certain increases are excluded from salary for the purpose of determining average annual salary for members who have 15 or more years of service on or before July 1, 2013;
- Authorizes the Board of Trustees to adjust the age and service credit requirements and member contribution rate (higher or lower) beginning Nov. 1, 2017, and every five years thereafter, provided the actuary recommends the change;
- Make the payments of employer contribution due monthly rather than quarterly;
- Reduce the amount of employer total annual payroll allocated to the health care trust fund to allow more funding for pensions.

See the Actuarial Section for the assumptions used within this report.

Independent Audit

McGladrey LLP, independent certified public accountants, audited the financial statements of OP&F for the year ended Dec. 31, 2013, and their opinion thereon is included in the Financial Section.

Change in External Audit Firm

Every five years the Auditor of State's office issues a request for proposal on behalf of OP&F for audit services. In December 2013, McGladrey LLP was retained as OP&F's external audit firm, replacing Clark Schaefer Hackett.

It should be noted that there were no disagreements between management and Clark Schaefer Hackett on any accounting or audit related issues.

Notes to Basic Financial Statements

The Notes to the Basic Financial Statements, which follow the Basic Financial Statements, contain additional information and are an integral part of such statements.

Certificate of Achievement

The Government Finance Officers Association of the U.S. and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OP&F for its CAFR for the fiscal year ended Dec. 31, 2012. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the U.S. and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. OP&F believes the current report continues to conform to the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation and contents of this report reflect the combined efforts of OP&F's staff under the direction of the Board of Trustees and are the responsibility of OP&F's management staff. It is intended to provide complete and reliable information as a basis for making management decisions, to disclose compliance with legal provisions, and as a means of demonstrating responsible stewardship for the assets contributed by the members and their employers.

The cooperation of OP&F's employers is vital to our success and is greatly appreciated.

Respectfully submitted,

John J. Gallagher, Jr.
Executive Director

Scott K. Miller
Financial Services Director

2013 Comprehensive Annual Financial Report

Financial Section

Ohio Police & Fire Pension Fund

Independent Auditor's Report
Management's Discussion and Analysis (Unaudited)
Basic Financial Statements
- Statements of Net Position
- Statements of Changes in Net Position
- Notes to Basic Financial Statements

Required Supplementary Information (Unaudited)
- Schedule of Funding Progress
- Schedule of Contributions from Employers and Other Contributing Entities
- Notes to Required Supplementary Information

Additional Information
- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Combining Statement of Changes in Assets and Liabilities – Public Safety Officers Death Benefit Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 888-864-8363

INDEPENDENT AUDITOR'S REPORT

McGladrey

Independent Auditor's Report

The Board of Trustees
Ohio Police & Fire Pension Fund
and The Honorable Dave Yost
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Police & Fire Pension Fund (OP&F), which comprise the statement of net position as of December 31, 2013, and the related statement of changes in net position for the year ended December 31, 2013, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of OP&F as of December 31, 2013, and the changes in net position for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, including the schedule of administrative expenses, schedule of investment expenses, and the combining statement of changes in assets and liabilities – public officers' death benefit fund, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The introductory, investments, actuarial and statistical sections, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The financial statements of the Ohio Police & Fire Pension Fund, as of and for the year ended December 31, 2012, were audited by other auditors whose report dated June 18, 2013 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2014 on our consideration of OP&F's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering OP&F's internal control over financial reporting and compliance.

McGladrey LLP

Columbus, Ohio
June 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management Discussion and Analysis (MD&A) of OP&F's financial performance provides a narrative overview of financial activities for the fiscal year ended Dec. 31, 2013 and 2012. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. OP&F encourages reading this in conjunction with the Basic Financial Statements, Notes to the Basic Financial Statements, and the Letter of Transmittal included in the Introductory Section of this CAFR.

FINANCIAL HIGHLIGHTS

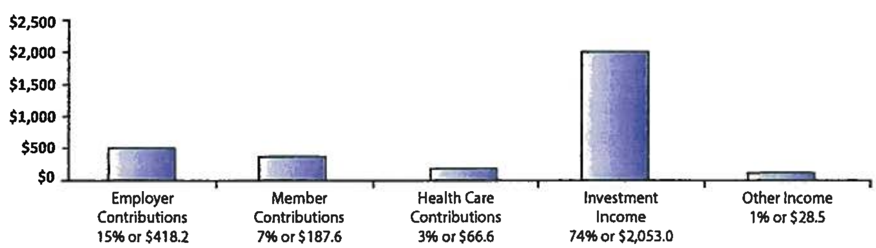
Additions are received primarily from investment income, employer and member pension contributions. For fiscal year 2013, these additions totaled $2,753.9 million and were $2,348.2 million in 2012, which is a 17.3 percent increase. Investment income can fluctuate dramatically because it includes realized and unrealized investment gains and losses based on performance of global capital markets.

The employer contribution rates of 19.5 percent for police and 24 percent for fire, remained unchanged in both 2013 and 2012. The member contribution rate was increased to 10.75 percent from the 10 percent rate on July 2, 2013. Member rates will continue to increase annually by .75 percent until the rate reaches 12.25 percent on July 2, 2015. The increase in the member contribution rate was the first one since 1988.

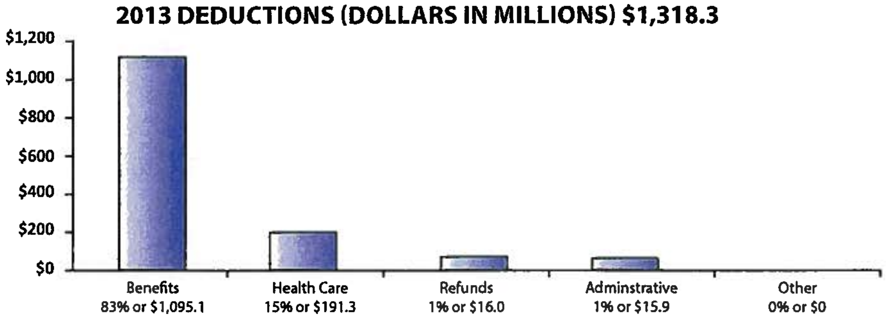
Deductions are incurred primarily for the purpose for which OP&F was created, the payment of pension, disability and survivor benefits to qualified members and survivors. Included in the deductions from OP&F's net position for 2013 were benefits for retirement, DROP, disability, health care, and survivors. Also included were contribution refunds, administrative and other expenses. Pension benefits are funded through a combination of investment earnings, employer and member contributions. Health care expenses are funded on a pay–as–you–go–basis through a portion of employer contributions, health care premiums, and investment income. Deductions totaled $1,318.3 million in 2013 and were $1,278.3 million in 2012, which is a 3.1 percent increase over 2012. Please refer to the Plan Summary – Summary of Benefit and Contribution Provisions in the Actuarial Section for further information on plan benefits.

OP&F administers the State of Ohio Public Safety Officers Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to eligible surviving family members of Ohio public safety officers who have been killed in the line of duty or die of a duty-related injury or illness. Funds are disbursed to OP&F on a quarterly basis and are paid monthly by OP&F to eligible recipients. Annually the unused balance is returned to the State. The Public Safety Officers Death Benefit Fund is considered to be an agency fund administered by OP&F and, accordingly, its assets of $1.6 million and $456,661 at Dec. 31, 2013 and 2012, respectively, and the related liability for unpaid benefits as of the same dates are included in the accompanying financial statements.

2013 ADDITIONS (DOLLARS IN MILLIONS) $2,753.9



2013 DEDUCTIONS (DOLLARS IN MILLIONS) $1,318.3



OVERVIEW OF FINANCIAL STATEMENTS

Following the MD&A are the Statements of Net Position and the Statements of Changes in Net Position. OP&F's financial statements are prepared using the accrual basis of accounting and are in compliance with applicable GASB Statements.

The Statement of Net Position provides a snap–shot view at year–end for the amount OP&F has accumulated in assets to pay for benefits. The Statement of Changes in Net Position reflects what has happened to OP&F's assets during the fiscal year. If the net position increased, then additions were greater than the deductions. If the net position decreased, then additions were less than the deductions.

In addition to the Basic Financial Statements and accompanying Notes to the Basic Financial Statements, certain Required Supplementary Information (RSI) is provided. The Schedule of Funding Progress shows on an actuarial basis whether OP&F's ability to pay for benefits is improving or deteriorating over time. Also included in the RSI is a Schedule of Contributions from Employers and Other Contributing Entities and Notes to the RSI. Both schedules provide data over the past ten years. Following the RSI are Schedules of Administrative Expenses and Schedule of Investment Expenses.

A condensed version of OP&F's financial information is being provided as part of this discussion.

CONDENSED NET POSITION INFORMATION (DOLLARS IN MILLIONS)

				2013 Change		2012 Change	
	2013	2012	2011	Amount	Percent	Amount	Percent
Cash and Short-term Investments	$649.7	$1,255.6	$726.2	$(605.9)	(48.3)%	$529.4	72.9%
Receivables	172.9	289.0	247.3	(116.1)	(40.2)%	41.7	16.9%
Investments, at Fair Value	14,393.2	13,772.2	13,585.0	621.0	4.5%	187.2	1.4%
Capital Assets, Net of Depreciation	19.9	20.3	21.1	(0.4)	(2.0)%	(0.8)	(3.8)%
Other Assets	0.2	0.3	0.3	(0.1)	(33.3)%	–	–%
TOTAL ASSETS	15,235.9	15,337.4	14,579.9	(101.5)	(0.7)%	757.5	5.2%
Benefits and Accounts Payable	1,298.5	1,290.7	1,336.6	7.8	0.6%	(45.9)	(3.4%)
Investments Payable	963.4	2,508.3	2,774.8	(1,544.9)	(61.6)%	(266.5)	(9.6%)
TOTAL LIABILITIES	2,261.9	3,799.0	4,111.4	(1,537.1)	(40.5)%	(312.4)	(7.6%)
NET POSITION, END OF YEAR	$12,974.0	$11,538.4	$10,468.5	$1,435.6	12.4%	$ 1,069.9	10.2%

CONDENSED CHANGES IN NET POSITION INFORMATION (DOLLARS IN MILLIONS)

				2013 Change		2012 Change	
	2013	2012	2011	Amount	Percent	Amount	Percent
Contributions	$672.4	$659.6	$646.8	$12.8	1.9%	$12.8	2.0%
Net Investment Gain/(Loss)	2,053.0	1,657.9	229.6	395.1	23.8%	1,428.3	622.1%
Other Additions	28.5	30.7	40.5	(2.2)	(7.2)%	(9.8)	(24.2)%
TOTAL ADDITIONS	2,753.9	2,348.2	916.9	405.7	17.3%	1,431.3	156.1%
Benefits	1,286.4	1,236.4	1,204.2	50.0	4.0%	32.2	2.7%
Refunds	16.0	26.5	22.0	(10.5)	(39.6)%	4.5	20.5%
Administrative Expenses and Other	15.9	15.4	15.4	0.5	3.2%	–	–%
TOTAL DEDUCTIONS	1,318.3	1,278.3	1,241.6	40.0	3.1%	36.7	3.0%
Net Increase/(Decrease)	1,435.6	1,069.9	(324.7)	365.7	34.2%	1,394.6	429.5%
Net Position, Beginning of Year	11,538.4	10,468.5	10,793.2	1,069.9	10.2%	(324.7)	(3.0)%
NET POSITION, END OF YEAR	$12,974.0	$11,538.4	$10,468.5	$1,435.6	12.4%	$1,069.9	10.2%

FINANCIAL ANALYSIS

NET POSITION

The net position available for benefits and expenses in 2013 was $12,974.0 million versus $11,538.4 million in 2012, which represents a 12.4 percent net increase. The overall net increase in 2013 can be primarily attributed to net appreciation on the fair value of investments and an increase in employer and member contributions received. Please refer to the Investment Section for additional information on OP&F's investment activities in 2013.

REVENUE ADDITIONS TO NET POSITION

Based on the rounded numbers found on page five, overall contributions received by OP&F in 2013 increased 1.9 percent or $12.8 million. Pension contributions from employers increased $1.1 million, or .3 percent, in 2013 due to an increase in the average annual salary and an increase in the total annual payroll. Employer contributions are not impacted by DROP, and the employer contributions associated with DROP participation are not allocated to the individual DROP accounts.

Pension contributions from members increased $10.1 million, or 5.7 percent, in 2013 due to an increase in the member contribution rate mid-year and an influx of service credit purchases due to legislation changes. While the active member population, or contributing members decreased slightly by 179 to 27,444, or by .6 percent, the average annual salary increased by 1.3 percent, from $67,821 to $68,718. Member purchases were up $5.1 million or by 66.2 percent due to members purchasing prior service time to ensure they had 15 years of service credit prior to July 1, 2013 due to benefit changes taking effect for those with less than 15 years of service on that date.

Overall contributions were up in 2012, as compared to 2011, by two percent, or $12.8 million. The decrease seen in 2011 was mainly due to the decrease in the number of active members contributing to OP&F.

Contributions paid by members and beneficiaries for their share of the health care costs increased by 2.3 percent from $65.1 million to $66.6 million in 2013. Part of this increase is due to an expansion in the number of members and beneficiaries selecting to participate in the OP&F health care program. The other part of this increase is due to active members being required to retire from service because they reached their eight-year maximum participation in DROP.

Health care contributions increased in 2012 over 2011 by 4.1 percent. Part of this increase was due to an expansion in the number of members and beneficiaries selecting to participate in the OP&F health care program. The other part of this increase is due to active members being required to retire from service because they reached their eight-year maximum participation in DROP.

In 2013, contributions received through the state-subsidy decreased 8.6 percent, or $50 thousand, from $581 thousand to $531 thousand. The state-subsidized contributions also declined in 2012 by 9.1 percent. This trend is due to a normal decline in the population of survivors receiving this subsidized benefit.

Investment net appreciation totaled $1,790.1 million in 2013. The net appreciation of 2013 can be directly attributed to the overall positive return on OP&F investments of 16.9 percent. Investment net appreciation totaled $1,412.9 million in 2012. The net appreciation of 2012 can be attributed to the increase in fair values of domestic and international stocks. OP&F's investment return was 15.4 percent in 2012. Investment net depreciation totaled $3.2 million in 2011. The depreciation of 2011 can be attributed to the decrease in fair value of domestic and international stocks. Due to these soft markets, OP&F's investment return was only 2.6 percent in 2011.

EXPENSE DEDUCTIONS FROM NET POSITION

Benefit deductions for retirement, DROP, disability and survivors increased $46.1 million, or 4.4 percent in 2013, increased $21.1 million, or 2.1 percent in 2012, and increased $55.6 million, or 5.7 percent in 2011. Part of the increase in pension benefits in 2013 is due to members reaching their eight-year maximum participation date in DROP. Another part of this increase is due to the new pension legislation changes that have helped OP&F significantly reduce the overall future pension liabilities. Also contributing are the increases in the retirees and beneficiaries rolls. These rolls increased by 165 individuals, or .6 percent in 2013, increased by 1,004, or 3.9 percent in 2012 and increased by 362, or 1.4 percent in 2011. Each year, there was also a three percent COLA for eligible recipients.

Health care benefits increased by 2.1 percent in 2013. Gross health care payments totaled $191.3 million in 2013 and represented 14.5 percent of all plan deductions. The 2013 increase in health care benefits can be attributed to increased trends in health care costs.

Health care benefits increased by 6.3 percent in 2012. Gross health care payments totaled $187.4 million in 2012 and represented 14.7 percent of all plan deductions. The 2012 increase in health care benefits can again be attributed to active members participating in DROP being required to retire because they reached their eight-year maximum participation.

Health care benefits increased by 10.3 percent in 2011. Gross health care payments totaled $176.3 million in 2011 and represented nearly 14.2 percent of all plan deductions.

Refunds to members decreased by 39.6 percent in 2013, increased by 20 percent in 2012 and increased by 39.2 percent in 2011. Refunds to members include actual refunds of pension contributions and liabilities incurred for inactive members who have accumulated contributions on deposit with OP&F.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION (AS OF DEC. 31, 2013)

	Pensions	Post-employment Health Care	2013 Total	Death Benefit Agency Fund
Assets:				
Cash and Short-term Investments	$601,004,940	$48,675,919	$649,680,859	$1,628,232
Receivables:				
Employers' Contributions	40,096,135	11,496,961	51,593,096	–
Members' Contributions	18,842,530	–	18,842,530	–
Accrued Investment Income	31,057,991	2,515,414	33,573,405	–
Investment Sales Proceeds	39,607,199	3,207,822	42,815,021	–
Local Funds Receivable	26,064,808	–	26,064,808	–
TOTAL RECEIVABLES	**155,668,663**	**17,220,197**	**172,888,860**	–
Investments, at fair value:				
Bonds	2,513,501,550	203,570,705	2,717,072,255	–
Mortgage and Asset-Backed Securities	425,723,287	34,479,704	460,202,991	–
Stocks	3,481,542,457	281,973,190	3,763,515,647	–
Real Estate	1,201,723,286	97,328,627	1,299,051,913	–
Commercial Mortgage Funds	34,630,774	2,804,777	37,435,551	–
Private Equity	583,231,322	47,236,419	630,467,741	–
International Securities	3,481,563,452	281,974,891	3,763,538,343	–
Timber	140,316,344	11,364,344	151,680,688	–
Master Limited Partnerships	624,534,482	50,581,598	675,116,080	–
TOTAL INVESTMENTS	**12,486,766,954**	**1,011,314,255**	**13,498,081,209**	–
Collateral on Loaned Securities	828,029,759	67,062,859	895,092,618	–
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	–	3,200,000	–
Building and Improvements	13,664,680	–	13,664,680	–
Furniture and Equipment	205,684	–	205,684	–
Computer Software and Hardware	2,833,203	–	2,833,203	–
TOTAL CAPITAL ASSETS, NET	**19,903,567**	**–**	**19,903,567**	–
Prepaid Expenses and Other	236,960	–	236,960	–
TOTAL ASSETS	**14,091,610,843**	**1,144,273,230**	**15,235,884,073**	**1,628,232**
Liabilities:				
Health Care Payable	–	18,561,648	18,561,648	–
Investment Commitments Payable	63,150,980	5,114,654	68,265,634	–
Accrued Administrative Expenses	14,335,899	–	14,335,899	–
Due to State of Ohio	–	–	–	1,628,232
Obligations Under Securities Lending	828,029,759	67,062,859	895,092,618	–
Reverse Repurchase Agreements	–	–	–	–
DROP Liabilities	1,245,564,926	–	1,245,564,926	–
Other Liabilities	20,016,335	–	20,016,335	–
TOTAL LIABILITIES	**2,171,097,899**	**90,739,161**	**2,261,837,060**	**1,628,232**
NET POSITION HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$11,920,512,944**	**$1,053,534,069**	**$12,974,047,013**	**$ –**

See Notes to Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION (AS OF DEC. 31, 2012)

	Pensions	Post-employment Health Care	2012 Total	Death Benefit Agency Fund
Assets:				
Cash and Short-term Investments	$1,163,623,801	$91,996,719	$1,255,620,520	$456,661
Receivables:				
Employers' Contributions	62,883,239	28,558,110	91,441,349	–
Members' Contributions	18,742,754	–	18,742,754	–
Accrued Investment Income	37,034,545	2,927,970	39,962,515	–
Investment Sales Proceeds	103,736,630	8,201,473	111,938,103	–
Local Funds Receivable	26,856,898	–	26,856,898	–
TOTAL RECEIVABLES	**249,254,066**	**39,687,553**	**288,941,619**	**–**
Investments, at fair value:				
Bonds	2,405,375,775	190,170,293	2,595,546,068	–
Mortgage and Asset-Backed Securities	587,242,696	46,427,721	633,670,417	–
Stocks	3,077,500,985	243,308,871	3,320,809,856	–
Real Estate	1,211,982,491	95,819,983	1,307,802,474	–
Commercial Mortgage Funds	35,155,731	2,779,431	37,935,162	–
Private Equity	502,463,257	39,725,013	542,188,270	–
International Securities	3,771,177,436	298,151,301	4,069,328,737	–
Timber	70,543,267	5,577,188	76,120,455	–
Master Limited Partnerships	158,353,705	12,519,528	170,873,233	–
TOTAL INVESTMENTS	**11,819,795,343**	**934,479,329**	**12,754,274,672**	**–**
Collateral on Loaned Securities	943,349,535	74,581,718	1,017,931,253	–
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	–	3,200,000	–
Building and Improvements	14,091,103	–	14,091,103	–
Furniture and Equipment	112,418	–	112,418	–
Computer Software and Hardware	2,916,893	–	2,916,893	–
TOTAL CAPITAL ASSETS, NET	**20,320,414**	**–**	**20,320,414**	**–**
Prepaid Expenses and Other	344,145	–	344,145	–
TOTAL ASSETS	**14,196,687,304**	**1,140,745,319**	**15,337,432,623**	**456,661**
Liabilities:				
Health Care Payable	–	21,363,831	21,363,831	–
Investment Commitments Payable	209,489,556	16,562,356	226,051,912	–
Accrued Administrative Expenses	12,114,125	–	12,114,125	–
Due to State of Ohio	–	–	–	456,661
Obligations Under Securities Lending	943,349,535	74,581,718	1,017,931,253	–
Reverse Repurchase Agreements	1,171,658,716	92,631,963	1,264,290,679	–
DROP Liabilities	1,237,864,342	–	1,237,864,342	–
Other Liabilities	19,377,033	–	19,377,033	–
TOTAL LIABILITIES	**3,593,853,307**	**205,139,868**	**3,798,993,175**	**456,661**
NET POSITION HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$10,602,833,997**	**$935,605,451**	**$11,538,439,448**	**$ –**

See Notes to Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET POSITION (AS OF DEC. 31, 2013)

	Pensions	Post-employment Health Care	2013 Total
Additions:			
From Contributions:			
Members'	$187,643,584	$–	$187,643,584
Employers'	349,461,765	68,720,879	418,182,644
State of Ohio–Subsidies	530,573	–	530,573
Health Care	–	66,564,696	66,564,696
TOTAL CONTRIBUTIONS	**537,635,922**	**135,285,575**	**672,921,497**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	1,651,374,332	138,750,681	1,790,125,013
Bond Interest	134,606,020	11,309,778	145,915,798
Dividends	86,770,022	7,290,533	94,060,555
Alternative Investment Income	33,031,275	2,775,332	35,806,607
Repurchase Agreement Interest	528,921	44,441	573,362
Master Limited Partnerships Income	27,490,724	2,309,807	29,800,531
Other Investment Income (Loss)	(478,555)	(40,209)	(518,764)
Less Investment Expenses	(41,640,444)	(3,498,686)	(45,139,130)
NET INVESTMENT INCOME	**1,891,682,295**	**158,941,667**	**2,050,623,972**
From Securities Lending Activities:			
Securities Lending Income	2,921,662	245,482	3,167,144
Securities Lending Expense	(749,333)	(62,960)	(812,293)
NET INCOME FROM SECURITIES LENDING	**2,172,329**	**182,522**	**2,354,851**
Interest on Local Funds Receivable	1,119,204	–	1,119,204
Other Income	11,286,705	15,565,559	26,852,264
TOTAL ADDITIONS	**2,443,896,455**	**309,975,333**	**2,753,871,788**
Deductions:			
Retirement Benefits	563,237,669	–	563,237,669
Disability Benefits	238,912,606	–	238,912,606
Health Care Benefits	–	191,335,860	191,335,860
Survivor Benefits	76,815,281	–	76,815,281
DROP Benefits	216,083,555	–	216,083,555
Contribution Refunds	15,938,017	–	15,938,017
Administrative Expenses	15,157,637	710,855	15,868,492
Other Expenses	72,743	–	72,743
TOTAL DEDUCTIONS	**1,126,217,508**	**192,046,715**	**1,318,264,223**
Change in Net Position	1,317,678,947	117,928,618	1,435,607,565
NET POSITION - BEGINNING OF YEAR	**10,602,833,997**	**935,605,451**	**11,538,439,448**
NET POSITION - END OF YEAR	**$11,920,512,944**	**$1,053,534,069**	**$12,974,047,013**

See Notes to Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET POSITION (AS OF DEC. 31, 2012)

	Pensions	Post-employment Health Care	2012 Total
Additions:			
From Contributions:			
Members'	$177,533,755	$–	$177,533,755
Employers'	286,752,750	130,285,935	417,038,685
State of Ohio–Subsidies	580,657	–	580,657
Health Care	–	65,066,253	65,066,253
TOTAL CONTRIBUTIONS	**464,867,162**	**195,352,188**	**660,219,350**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	1,304,809,735	108,143,762	1,412,953,497
Bond Interest	136,152,249	11,284,416	147,436,665
Dividends	93,053,384	7,712,345	100,765,729
Alternative Investment Income	30,373,377	2,517,372	32,890,749
Repurchase Agreement Interest	(1,838,312)	(152,361)	(1,990,673)
Master Limited Partnerships Income	8,804	730	9,534
Other Investment Income (Loss)	1,709,969	141,724	1,851,693
Less Investment Expenses	(36,158,279)	(2,996,829)	(39,155,108)
NET INVESTMENT INCOME	**1,528,110,927**	**126,651,159**	**1,654,762,086**
From Securities Lending Activities:			
Securities Lending Income	4,969,190	411,851	5,381,041
Securities Lending Expense	(2,037,639)	(168,881)	(2,206,520)
NET INCOME FROM SECURITIES LENDING	**2,931,551**	**242,970**	**3,174,521**
Interest on Local Funds Receivable	1,276,330	–	1,276,330
Other Income	7,599,881	21,226,179	28,826,060
TOTAL ADDITIONS	**2,004,785,851**	**343,472,496**	**2,348,258,347**
Deductions:			
Retirement Benefits	529, 864,440	–	529,864,440
Disability Benefits	232,832,996	–	232,832,996
Health Care Benefits	–	187,445,986	187,445,986
Survivor Benefits	74,173,583	–	74,173,583
DROP Benefits	212,092,447	–	212,092,447
Contribution Refunds	26,447,804	–	26,447,804
Administrative Expenses	14,887,116	562,689	15,449,805
Other Expenses	11,611	–	11,611
TOTAL DEDUCTIONS	**1,090,309,997**	**188,008,675**	**1,278,318,672**
Change in Net Position	914,475,854	155,463,821	1,069,939,675
NET POSITION - BEGINNING OF YEAR	**9,688,358,143**	**780,141,630**	**10,468,499,773**
NET POSITION - END OF YEAR	**$10,602,833,997**	**$935,605,451**	**$11,538,439,448**

See Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS (DEC. 31, 2013 AND 2012)

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by OP&F.

BASIS OF ACCOUNTING

OP&F's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred. Contributions are earned based on statutory requirements under Chapter 742 of the ORC.

NEW ACCOUNTING PRONOUNCEMENT

During the year ended Dec. 31, 2013, OP&F adopted the provisions of GASB Statement No. 66 Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, GASB Statement No. 61 The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The adoption of these had no material impact on the financial statements.

During the year ended Dec. 31, 2012, OP&F adopted the provisions of GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements, GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, GASB Statement No. 57 Other Post-Employment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans. The adoption of these had no material impact on the financial statements.

GASB Statement No. 67, Financial Reporting for Pension Plans, is effective for fiscal years beginning after June 15, 2013, and establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. For defined benefit pensions, Statement No. 67 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements (RSI) about pensions are also addressed in Statement No. 67.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for fiscal years beginning after June 15, 2014. Currently, the pension liability on a government entity's balance sheet is determined based on the difference between the contributions they are required to make to a pension plan in a given year versus what they actually funded. Statement No. 68 reflects the view that pension costs and obligations should be recorded as employees earn them, rather than when the government contributes to a pension plan or when retirees receive benefits. Under Statement No. 68 the pension liability is determined considering various factors including cost-of-living increases, future salary increases, and future service credits. The impact on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed, five-year period. Statement No. 68 also requires more extensive note disclosures and required supplementary information.

MANAGEMENT'S USE OF ESTIMATES

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the fair value of certain investments, carrying amount of capital assets, and assets and obligations related to employee and member benefits. Actual results could differ from those estimates.

RECLASSIFICATIONS

Any reclassifications are done on a comparative basis for each year displayed.

INVESTMENTS

Investment purchases and sales are recorded on a trade date basis. Dividend income is recognized on an ex-dividend date. Interest income is recognized when earned, while income on private equity and real estate funds are recorded after the recovery of contributed capital.

Investments are reported at fair value. Securities traded on a national or international exchange, including master limited partnerships, are valued at the last reported sales price at the then current exchange rates. Mortgages are valued on the basis of future principal payments discounted at prevailing interest rates for similar instruments. The fair value of real estate and timber are based on independent appraisals and internal valuations. Investments that do not have an established market are reported at estimated fair value. Private equity limited partnership interest is based on values established by each partnership's valuation committee.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less the cost of investments purchased, plus reinvested proceeds from sales of investments at fair value. Investment expense consists of administrative expenses directly related to OP&F's investment operations and a proportional amount of all other administrative expenses allocated based on the ratio of OP&F's investment staff to total OP&F staff.

FEDERAL INCOME TAX STATUS

OP&F was determined to be a qualified trust under section 401(a) of the Internal Revenue Code that is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. OP&F's DROP plan was also determined to be part of the 401(a) trust. A separate trust accrual account is maintained for health care benefits under Internal Revenue Service (IRS) Code Section 115 trust. An IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

ADMINISTRATIVE COSTS

The cost of administering the plan is financed by investment income.

CONTRIBUTIONS, BENEFITS, AND REFUNDS

Employer and member contributions are recognized when due or in the period the related member salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The range of estimated useful lives is as follows:

Buildings and Improvements:	40 years
Furniture and Equipment:	3 to 10 years
Computer Software and Hardware:	2 to 10 years

CHANGES IN CAPITAL ASSETS YEAR ENDED DEC. 31, 2013

Non-Depreciable Capital Assets	**Jan. 1, 2013**	**Increases**	**Decreases**	**Dec. 31, 2013**
Land	$3,200,000	$-	$-	$3,200,000
Depreciable Capital Assets				
Building and Improvements	21,317,155	78,975	–	21,396,130
Furniture and Equipment	3,331,671	115,808	(5,346)	3,442,133
Computer Software and Hardware	14,212,820	967,806	(7,428)	15,173,198
TOTAL DEPRECIABLE CAPITAL ASSETS	**38,861,646**	**1,162,589**	**(12,774)**	**40,011,461**
Accumulated Depreciation				
Building and Improvements	7,226,052	505,398	–	7,731,450
Furniture and Equipment	3,219,253	22,542	(5,346)	3,236,449
Computer Software and Hardware	11,295,927	1,048,891	(4,823)	12,339,995
TOTAL ACCUMULATED DEPRECIATION	**21,741,232**	**1,576,831**	**(10,169)**	**23,307,894**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$17,120,414**	**$(414,242)**	**$(2,605)**	**$16,703,567**

CHANGES IN CAPITAL ASSETS YEAR ENDED DEC. 31, 2012

Non-Depreciable Capital Assets	**Jan. 1, 2012**	**Increases**	**Decreases**	**Dec. 31, 2012**
Land	$3,200,000	$-	$-	$3,200,000
Depreciable Capital Assets				
Building and Improvements	21,317,155	–	–	21,317,155
Furniture and Equipment	3,800,343	48,239	(516,911)	3,331,671
Computer Software and Hardware	13,436,484	2,141,409	(1,365,073)	14,212,820
TOTAL DEPRECIABLE CAPITAL ASSETS	**38,553,982**	**2,189,648**	**(1,881,984)**	**38,861,646**
Accumulated Depreciation				
Building and Improvements	6,721,117	504,935	–	7,226,052
Furniture and Equipment	3,655,153	47,705	(483,605)	3,219,253
Computer Software and Hardware	10,276,933	1,249,734	(230,740)	11,295,927
TOTAL ACCUMULATED DEPRECIATION	**20,653,203**	**1,802,374**	**(714,345)**	**21,741,232**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$17,900,779**	**$387,274**	**$(1,167,639)**	**$17,120,414**

2 – DESCRIPTION OF THE SYSTEM

ORGANIZATION

OP&F is a cost sharing multiple–employer public employee retirement system established by the ORC Chapter 742 in 1965 to consolidate the various individual local police and firefighter's relief and pension funds into one statewide plan. OP&F is administered by a nine member Board of Trustees, consisting of two active representatives of police departments, two active representatives of fire departments, one retired police officer and one retired firefighter. The Board of Trustees also includes three statutory members. Each statutory member—one appointed by the Governor of Ohio, one by the Ohio Treasurer of State, and one appointed jointly by the Ohio Senate President and Ohio Speaker of the House of Representatives—must have professional investment expertise.

OP&F administers pension, disability and health care benefits to qualified members. In addition, OP&F administers survivor benefits, death benefits and sponsors health care programs for eligible survivors, spouses, children and dependent parents. OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No.14. Because OP&F is a legally separate entity, a voting majority of the governing board is not appointed by the State and it is fiscally independent of other state and local governments. OP&F also has a variety of professional consultants and money managers as listed on page iv and page 51.

PLAN MEMBERSHIP

Employer and member data as of Jan. 1, 2013 and 2012, based on the most recent actuarial valuation, is as follows:

	2013			2012		
Employee Members	**Police**	**Fire**	**Total**	**Police**	**Fire**	**Total**
Retirees and Beneficiaries						
Currently receiving benefits	15,645	11,598	27,243	15,572	11,506	27,078
Terminated employees entitled to benefits but not yet receiving them	85	52	137	67	39	106
TOTAL BENEFIT MEMBERS	**15,730**	**11,650**	**27,380**	**15,639**	**11,545**	**27,184**
Current Members						
Vested*	7,497	6,491	13,988	7,421	6,347	13,768
Non-vested	7,248	6,208	13,456	7,433	6,422	13,855
TOTAL CURRENT MEMBERS	**14,745**	**12,699**	**27,444**	**14,854**	**12,769**	**27,623**
TOTAL EMPLOYEE MEMBERS	**30,475**	**24,349**	**54,824**	**30,493**	**24,314**	**54,807**
Employer Members						
Municipalities	249	223	472	249	225	474
Townships	–	124	124	–	122	122
Villages	282	33	315	288	33	321
TOTAL EMPLOYER MEMBERS	**531**	**380**	**911**	**537**	**380**	**917**

* Includes Rehired Retirees.

BENEFITS

Plan benefits are established under ORC Chapter 742. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary.

Average annual salary is subject to certain statutory and administrative limitations. Not all salary, earnings, or compensation may be used in the calculation. OP&F calculates allowable average annual salary as follows:

- For members with less than 15 years of service credit as of July 1, 2013, average annual salary is an average of the five years of highest allowable earnings, regardless of when in their career the highest years occurred. Allowable average annual salary means one-fifth of the total salary during the five years for which the total earnings were greatest.
- For OP&F members with 15 or more years of service credit as of July 1, 2013, average annual salary is an average of the three years of highest allowable earnings, regardless of when in their career the highest years occurred. Allowable average annual salary means one-third of the total salary during the three years for which the total earnings were greatest.

NORMAL SERVICE RETIREMENT

ELIGIBILITY

- For members hired into an OP&F-covered position after July 1, 2013, minimum retirement age is 52 with at least 25 years of service.

- For members hired into an OP&F-covered position on or before July 1, 2013, minimum retirement age is 48 with 25 years of service.

BENEFIT

An annual pension equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service, 2.0 percent for each of the next five years of service, and 1.5 percent for each year of service in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service.

SERVICE COMMUTED RETIREMENT

ELIGIBILITY

- For members hired into an OP&F-covered position after July 1, 2013, the minimum retirement age is 52, they must have at least 15 years of service credit and 25 years have elapsed from the date of their full-time hire.
- For members hired into an OP&F-covered position on or before July 1, 2013, the minimum retirement age is 48, they must have at least 15 years of service credit and 25 years have elapsed from the date of their full-time hire.

BENEFIT

An annual pension equal to 1.5 percent of the allowable average annual salary multiplied by the number of full years of service (up to 25 years).

AGE/SERVICE COMMUTED RETIREMENT

ELIGIBILITY

Age 62, 15 years of service and still working as a full-time police officer or firefighter.

BENEFIT

An annual pension that uses the same formula as for the Normal Service Retirement benefit.

ACTUARIALLY REDUCED

ELIGIBILITY

For members hired into an OP&F covered position after July 1, 2013, age 48 with 25 years of service.

BENEFIT

An annual pension reduced to the actuarial equivalent of the amount payable had the member retired at age 52.

OTHER BENEFITS

In addition to retirement benefits, OP&F also provides disability, survivor, and Death Benefit Fund (DBF) benefits. Disability benefits are available to all members and vary by length of service and type of disability. Statutory survivor benefits are specified dollar amounts paid to eligible surviving spouse, children and dependent parents upon the death of an active member or retiree. A one-time lump sum death benefit of $1,000 is payable to the surviving spouse, designated beneficiary or estate, as applicable, of each deceased retired member.

OP&F also administers the Ohio Public Safety Officers DBF, which is funded by the State of Ohio and provides special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. If the public safety officer had not qualified for age and service retirement these eligible survivors are entitled to receive the member's full base pay, which will be reduced at the member's retirement eligibility date. If the public safety officer would have qualified for age and service retirement, the survivors are eligible for a transitional benefit equal to 50 percent of the monthly base pay. The transitional benefit is paid in addition to any optional payment that may have been selected.

DEFERRED RETIREMENT OPTION PLAN

Effective January 2003, DROP is an optional benefit that allows eligible police officers and firefighters to accumulate a lump sum of money for retirement, subject to the member meeting certain criteria.

ELIGIBILITY

When a member is eligible for a normal service retirement they can enter DROP by delaying retirement and continuing to work as a full-time police officer or firefighter.

- For members hired into an OP&F-covered position after July 1, 2013, normal service retirement eligibility is age 52 with at least 25 years of service credit.
- For members hired into an OP&F-covered position on or before July 1, 2013, normal service retirement eligibility is age 48 with at least 25 years of service credit.

BENEFIT

DROP is a cost neutral benefit offered by OP&F. Upon the DROP effective date, the member's pension is calculated as if that were their date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits, a portion of their ongoing OP&F employee contributions and interest accumulate tax-deferred at OP&F on their behalf. Since the member's pension has already been calculated:

- The years of DROP service do not apply towards the member's normal service retirement.
- If a member earns a higher salary after their DROP effective date due to a raise, job promotion, etc., it will not be used to recalculate their pension and, therefore, will not result in that member receiving a higher pension upon retirement.

The DROP interest rate is set by administrative rule and is subject to change at any time. OP&F credits interest to all DROP balances each month at a rate equal to the 10-year United States (U.S.) Treasury Note Business Day Series, as published by the U.S. Department of Treasury, with a cap of five percent. This variable interest rate is adjusted quarterly to match the published 10-year U.S. Treasury Note rate for the last business day of each quarter and is in effect for the subsequent quarter.

Members whose election to participate in DROP is effective after July 1, 2013 do not qualify for annual cost-of-living allowances (COLA) at any time during DROP. Members whose election to participate in DROP is effective on or before July 1, 2013 will continue to receive a cost-of-living allowance during DROP, but only when they reach 55 years of age and have been participating in DROP for at least one year. Those members whose years of service qualify them for a cost-of-living allowance during DROP will receive three percent of their base pension.

Member contributions are credited to their DROP account based on the number of years of DROP service. For those members whose election to participate in DROP is effective after July 1, 2013, OP&F applies contributions to DROP in the following manner:

Years of DROP Service	Percentage of Member Contributions
Years 1-3	50 percent of member's contributions
Years 4-5	75 percent of member's contributions
Years 6-8	100 percent of member's contributions

For this group of members, the minimum participation in DROP, without penalty, is five years and the maximum is eight. If a member terminates within the first five years of joining DROP, then the member forfeits all of their DROP interest. If a member chooses to continue working after eight years in DROP, the member forfeits all DROP benefits and receives the Normal Service Retirement benefit upon retirement, which will be calculated to include the service credit and salary earned during the DROP participation period.

For those members whose election to participate in DROP was on or before July 1, 2013, member contributions are applied to DROP under the following schedule:

Years of DROP Service	Percentage of Member Contributions
Years 1-2	50 percent of member's contributions
Year 3	75 percent of member's contributions
Years 4-8	100 percent of member's contributions

For this group of members, the minimum participation in DROP, without penalty, is three years and the maximum is eight. If a member terminates within the first three years of joining DROP, then the member forfeits all of their DROP interest. If a member chooses to continue working after eight years in DROP, the member forfeits all DROP benefits and receives the Normal Service Retirement benefit upon retirement, which will be calculated to include the service credit and salary earned during the DROP participation period.

All DROP members retiring before the eight-year max receive their Normal Service Retirement benefit determined at the time of DROP entry, with the COLA adjustment (if applicable) to date of retirement when eligible. These members will also receive the DROP account balance as a lump sum or monthly annuity.

If a member dies while participating in DROP, the member's surviving spouse, designated beneficiary or estate, as applicable, will receive the entire DROP account balance determined at the time of death. The surviving spouse or contingent dependent beneficiary will receive the greater of the retirement allowance made at the time of DROP entry or the Normal Service Retirement benefit paid with COLA adjustments (if applicable) to the date of death, paid as if the member had elected a 50 percent joint and survivor option at death. All other statutory death benefits will apply.

If the member becomes disabled while in DROP, and has not terminated employment, the member must choose between receiving a disability benefit or DROP and a service retirement benefit. If the member stays in DROP, the disability benefit is forfeited. If the member chooses the disability benefit, the member forfeits all DROP benefits and receives the disability benefit, with service credit during the DROP period included.

For members participating in DROP, termination of active service at any time during the disability application process will render a disability application null and void, as well as immediately vest a DROP benefit. If this occurs, the OP&F member must apply for a service pension. Furthermore, if a disability grant is offered the member must accept the grant on a form provided by OP&F prior to termination of active employment.

HEALTH CARE

OP&F sponsors a comprehensive health care program for eligible benefit recipients and their eligible dependents. This program is not guaranteed and the benefits are administered by third party providers and are subject to change at any time upon action of the Board of Trustees. The program includes prescription drugs and reimbursement of Medicare Part B premiums. Benefit recipients pay a portion of the health care cost through a monthly contribution.

Under Ohio law, health care costs paid from the funds of the plan are included in the employer contribution rates, which are currently 19.5 percent and 24 percent of salaries for police and fire employers, respectively. From Jan. 1, 2013 through May 31, 2013 the Board of Trustees allocated employer contributions equal to 4.69 percent of annual covered payroll to the Health Care Stabilization Fund (HCSF). From June 1, 2013 through Dec. 31, 2013, the Board of Trustees allocated employer contributions equal to 2.85 percent of annual covered payroll to the HCSF. From Jan. 1, 2014 through the present, the Board of Trustees allocated employer contributions equal to .5 percent of annual covered payroll to the HCSF. The HCSF is part of the Pension Reserve Fund. The Board of Trustees allocated 6.75 percent of annual covered payroll to the HCSF in 2012.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An IRS Code Section 401(h) is maintained for Medicare Part B.

REFUNDS

Upon termination of employment, members may withdraw their accumulated employee contributions on deposit with OP&F. Acceptance of a refund cancels the member's rights and benefits in OP&F. Employer contributions to OP&F are not refundable.

PENSION AND HEALTH CARE PLANS

The funded status of the Pension and Health Care plans as of Jan. 1, 2013, the most recent actuarial valuation date, is as follows:

SCHEDULE OF FUNDING STATUS FOR THE VALUATION YEAR ENDING JAN. 1, 2013

PENSION TRUST FUND (DOLLARS IN MILLIONS)*

Valuation Year Jan. 1	Valuation Assets**	Actuarial Accrued Liabilities (AAL)**	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2013***	$10,278	$16,008	$5,730	64.2%	$1,913	299.5%

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

** Actuarial Assets and Liabilities are net of DROP accruals.

*** See page 33 for multi-year trend information.

RETIREE HEALTH CARE TRUST FUND (DOLLARS IN MILLIONS)*

Valuation Year Jan. 1	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2013	$936	$4,235	$3,299	22.09%	$1,913	172.5%

* See page 33 for multi-year trend information.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Actuarial Required Contribution rate (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

DEFINED BENEFIT PLAN - PENSION TRUST FUND

Valuation date: Jan. 1, 2013
Actuarial cost method: Entry Age
Amortization method: Level percent of payroll, open
Remaining amortization period: 30 years*
Funding Ratio: 64.2%
Asset valuation method: 4-year adjusted fair value with a corridor of 20% of the fair value

ACTUARIAL ASSUMPTIONS:

Investment rate of return	8.25%
Projected salary increases	4.25%–11.00%
Payroll increases	3.75%
Inflation assumption	3.25%
Cost-of-living adjustments	2.60% and 3.00% simple

* The Annual Required Contributions for 2003-2006 were based on 40-year amortization. Years 2007 and later use a 30-year amortization basis. The amounts contributed for 2003-2012 equate to an infinite amortization period.

RETIREE HEALTH CARE BENEFITS – HEALTH CARE TRUST FUND

Valuation date: Jan. 1, 2013
Actuarial cost method: Entry Age
Amortization method: Level percent of payroll, open
Remaining amortization period: 30 years
Funding Ratio: 22.09%
Asset valuation method: Fair Value

ACTUARIAL ASSUMPTIONS:

Investment return (discount rate)	5.00%
Projected salary increases	5.00%–11.00%
Payroll increases	3.75%
Inflation assumption	3.25%

Health Care Cost Trends	Initial Rate 3 years: 2013 to 2014	2014 to 2015	2015 to 2016	Ultimate Rate	Ultimate Year
Non-Medicare	13.25%	7.50%	7.00%	4.50%	2020
Non-AARP	13.25%	7.50%	7.00%	4.50%	2020
AARP	6.50%	6.25%	6.00%	4.50%	2020
Rx Drug	0.71%	7.50%	7.00%	4.50%	2020
Medicare Part B	5.60%	5.50%	5.40%	5.00%	2019

OP&F's retiree health care plan is partially funded. The discount rate is a blended rate based on the plan and employer rates of return, using the plan rate times the percentage of the ARC contributed and the employer rate times the percentage not contributed.

3 – CONTRIBUTIONS AND RESERVES

CONTRIBUTIONS

The ORC Chapter 742 requires contributions by active members and their employers. Contribution rates are subject to annual review by the ORSC. Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is determined annually using the entry age normal actuarial cost method. Rates are at the statutory maximums and the maximum rates have been taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

Rates established by the ORC July 2, 2013 through July 1, 2014:

Percent of active member payroll	Police	Fire	Percent Contributed
Member	10.75%	10.75%	100%
Employer	19.50%	24.00%	100%
TOTAL STATUTORY RATE *	**30.25%**	**34.75%**	**100%**

* Combined member and employer contributions as a percentage of the total active member payroll required and made July 2, 2013 through Dec. 31, 2013.

Rates established by the ORC Jan. 1, 2013 through July 1, 2013:

Percent of active member payroll	Police	Fire	Percent Contributed
Member	10.00%	10.00%	100%
Employer	19.50%	24.00%	100%
TOTAL STATUTORY RATE *	**29.50%**	**34.00%**	**100%**

* Combined member and employer contributions as a percentage of the total active member payroll required and made Jan. 1, 2013 through July 1, 2013.

Rates established by the ORC Jan. 1, 2012 through Dec. 31, 2012:

Percent of active member payroll	Police	Fire	Percent Contributed
Member	10.00%	10.00%	100%
Employer	19.50%	24.00%	100%
TOTAL STATUTORY RATE *	**29.50%**	**34.00%**	**100%**

* Combined member and employer contributions as a percentage of the total active member payroll required and made Jan. 1, 2012 through Dec. 31, 2012.

The ORC establishes the length of the amortization period for unfunded pension liability as the primary measure of OP&F's financial status, with a period of 30 years or less being considered satisfactory. This 30-year target was to be attained by Dec. 31, 2006 and maintained thereafter. As of Jan. 1, 2013, the amortization period was 47 years. On Sept. 26, 2012, Ohio signed into law the 30-year funding plan OP&F submitted to ORSC. This new pension legislation included increasing the active member contribution rate from 10 percent to 12.25 percent in annual increments of 0.75 percent each year beginning on July 2, 2013. OP&F fully supported this legislation and believes that the provisions will help aid in reaching the state's mandated 30-year funding requirement.

The chart below summarizes the member and employer contributions for 2013 and 2012:

SUMMARY OF MEMBER AND EMPLOYER CONTRIBUTIONS

Year Ending Dec. 31	Police Member Contributions	Police Employer Contributions	Percent Contributed	Fire Member Contributions	Fire Employer Contributions	Percent Contributed
2013	**$101,718,372**	**$200,944,545**	**100%**	**$85,925,212**	**$217,238,099**	**100%**
2012	96,061,964	200,235,028	100%	81,471,791	216,803,657	100%

In accordance with the ORC, the State of Ohio is required to contribute additional amounts to finance the cost of certain state-legislated benefit improvements. The total amount contributed by the State of Ohio was $531 thousand and $581 thousand for the years ended Dec. 31, 2013 and 2012, respectively.

LOCAL FUNDS RECEIVABLE

Local governments are required by state statute to pay the unfunded portion of the actuarially-determined liability of the local police and firefighter's relief and pension funds that were merged to form OP&F in 1967. The ORC designates this obligation of the local governments to the "Employers' Accrued Liability." Interest on the outstanding balance is being accrued at the rate of 4.25 percent, compounded semi-annually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental semi-annual rates ranging from two percent to four percent of the original receivable balance. Between 1973 and 2035, semi-annual payments of principal and interest are required to be made by the local governments at a rate of five percent of the original receivable balance. The underpaid balance due at Dec. 31, 2013 and 2012, respectively, includes $89,240 and $91,514 due from local governments, which had previously underpaid their semi-annual payment and from local governments that joined OP&F subsequent to 1967 according to a 20-year payment plan.

The following is a summary of the amounts due on the local funds receivable:

Year ending December 2014	$1,873,953
Year ending December 2015	1,871,818
Year ending December 2016	1,871,818
Year ending December 2017	1,871,818
Year ending December 2018	1,871,818
Thereafter	30,315,412
TOTAL PROJECTED PAYMENTS	**39,676,637**
Less future interest portion	(13,611,829)
BALANCE AT DEC. 31, 2013	**$26,064,808**

RESERVES

As required by the ORC, the following accounts have been established for the reserves held for current and future benefits and are separated between police and fire:

The Police Officers' and Firefighters' Contribution Fund This fund accumulates the contributions deducted from the salaries of members. Upon retirement, a member's accumulated contributions are transferred to the Police Officers' and Firefighters' Pension Reserve Fund.

The Police Officers' and Firefighters' Employers' Contribution Fund This fund is the depository for employer contributions. Based on actuarial valuations, amounts are transferred from this account to the Police Officers' and Firefighters' Pension Reserve Fund.

The Police Officers' and Firefighters' Pension Reserve Fund This fund is the account from which all retirement, disability, DROP, health care and survivor benefits are paid. Included in this Fund is the Health Care Stabilization Fund from which payments for the health care benefits are made. Amounts are transferred into the Pension Reserve Fund from the Contribution Funds and the Guarantee Fund.

The Guarantee Fund This fund records all investment earnings of OP&F. In addition, contributions from the State of Ohio, exclusive of death benefit contributions, are recorded in this fund. Annually, investment earnings are transferred to the Pension Reserve Fund and the Expense Fund, as defined below.

Ohio law provides that any deficit occurring in any other fund that will not be covered by payments to that fund, as otherwise provided by sections 742.01 to 742.61 of the ORC, must be paid by transfers of amounts from the Guarantee Fund to such fund or funds. Should the amount in the Guarantee Fund be insufficient at any time to meet the amounts payable therefrom, the amount of such deficiency, with regular interest, must be paid by an additional employer rate of current contributions as determined by the actuary and must be approved by the Board of Trustees of OP&F, and the amount of such additional employer contribution will be credited to the Guarantee Fund.

The Expense Fund This fund is used to record all expenses for the administration and management of OP&F. Annually funds are transferred from the Guarantee Fund to cover expenses incurred.

Net position held in trust for the various funds were as follows:

	2013	2012
Members' Contribution	$2,199,961,497	$2,122,771,219
Employers' Contribution	1,855,998,516	873,817,229
Pension Reserve	8,918,087,000	8,541,851,000
TOTAL	**$12,974,047,013**	**$11,538,439,448**

4 – CASH AND INVESTMENTS

CASH AND INVESTMENTS

A summary of cash and short-term securities and investments held at Dec. 31, 2013 and 2012 is as follows:

Category	2013 Fair Value	2012 Fair Value
Cash and cash equivalent*	$ 650,131,430	$1,254,896,443
U.S. Government Obligations	350,091,438	930,099,422
U.S. Government Agencies	23,393,524	54,342,051
U.S. Government Treasury STRIPS**	96,351,349	92,416,456
Municipal Bond Obligations	5,599,250	5,054,630
Corporate Bonds and Obligations	1,886,172,148	1,513,633,509
Domestic Commingled Bonds	355,464,546	-
Mortgage and Asset-Backed Obligations	460,202,991	633,670,417
Non U.S. Bonds	317,807,744	1,176,738,282
Domestic Stocks	1,628,905,015	1,631,180,325
Domestic Pooled Stocks	2,134,610,631	1,689,629,531
International Securities	3,445,730,599	2,892,590,455
Real Estate	1,299,051,913	1,307,802,474
Commercial Mortgage Funds	37,435,551	37,935,162
Private Equity	630,467,741	542,188,270
Timber	151,680,688	76,120,455
Master Limited Partnerships	675,116,080	170,873,233
GRAND TOTAL	**$14,148,212,638**	**$14,009,171,115**

The investment type classification is based on the characteristics of the individual securities.
*Cash and cash equivalents are included in cash and short-term investments on the Statement of Net Position.
** STRIPS = Separate Trading of Registered Interest and Principal Securities.

CUSTODIAL CREDIT RISK

The custodial credit risk for **deposits** is the risk that, in the event of the failure of a depository financial institution, an organization will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for **investments** is the risk that, in the failure of the counterparty to a transaction, an organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

In accordance with ORC 135.18, the Ohio Treasurer of State, the statutory custodian for OP&F, requires that the amount in any demand deposit account not covered by federal deposit insurance be collateralized with securities permitted under ORC 135.18 at 102 percent of the value of the cash. Collateral is held in the Ohio Treasurer of State's name by a third party trustee for the benefit of OP&F. All of OP&F's depository-eligible securities are held in the custodial bank or its agent's nominee, for the benefit of OP&F. Any physical securities are held in the vaults of the custodial bank, or its agent. The custodial bank provides book entry accounting for OP&F's real estate and private equity assets. The custody agreement between the custodial bank and the Ohio Treasurer of State has historically restricted the right of the custodial bank or its agents from putting any right, charge, security interest, lien or claim of any kind on the securities they hold. Despite OP&F objections, the Ohio Treasurer of State allowed language in the custody agreement that grants a security interest in OP&F assets. The cash held in foreign local banks for immediate settlement of pending trade transactions are not collateralized.

Deposits exposed to Custodial Credit Risk as of Dec. 31, 2013 and 2012

	2013	2012
Uninsured deposits collateralized with securities held by the pledging financial institution	$2,008,954	$3,217,541
Uninsured and uncollateralized deposits	$3,581,288	$12,764,390

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating institution. OP&F's risk management policy over credit risk is based on the type of fixed income instruments. For credit risk purposes, OP&F classifies its fixed income securities into three main types: core, high yield and short-term fixed income. The credit risk policies related to these types are as follows:

CORE FIXED INCOME

OP&F's five core fixed income portfolios, all managed externally, contain government, mortgage and asset-backed securities, U.S. Agency and corporate bonds. These external managers invest in securities based on guidelines provided by the OP&F Board of Trustees. It is the policy of OP&F that a security in the core fixed income portfolio shall be rated BBB- or better by two standard rating services at the time of purchase. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase.

- Government instruments include those issued by the U.S. Treasury as well as fixed income instruments, other than mortgage-backed securities, of an agency or instrumentality of the U.S. government.
- Mortgage-backed instruments include collateralized mortgage obligations and Real Estate Mortgage Investment Conduits (REMIC's), whose payment of principal and interest is insured by the full faith and credit of the U.S. government, or an agency or instrumentality thereof. Also included in this category are secured assets issued by Government National Mortgage Association (GNMA) project loans, pools and participation certificates, Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).
- U.S. Agency debt instruments include unsecured or uncollateralized securities issued by U.S. government agencies and government sponsored enterprises.
- Corporate bonds consist of debt instruments issued by domestic corporations or U.S. dollar-denominated debt issued by foreign entities and managed by a U.S. based investment manager.

HIGH YIELD FIXED INCOME

OP&F has five high yield fixed-income portfolios, all managed externally. The high yield bond asset class consists of the portion of the U.S. corporate bond market that is rated below BBB- by Standard & Poor's 500 (S&P) or below Baa3 by Moody's. Accordingly, credit risks associated with these bonds are greater than with core fixed income bonds. OP&F's policy is to invest in high yield bonds issued by U.S. Corporations with a minimum credit rating of CCC or equivalent. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase. It is possible after purchase that the security is downgraded. In the event of an investment guideline violation and in the event of a security downgrade, such that the ratings (Moody's, S&P, or Fitch Investor's Service) are below the allowable minimum security quality, the investment manager will inform OP&F in writing within five business days of such violation. Such notice will include the action the Manager intends to take with regard to the violation and over what time period that action will be taken. Both the method and timing of the violation resolution must be agreeable to OP&F.

The following tables show ratings by asset class in OP&F's fixed income portfolio as of Dec. 31, 2013 and 2012:

RATINGS BY ASSET CLASS – 2013

S&P Ratings	Corporate Bond Obligations	Domestic Commingled Bonds	Mortgage and Asset-Backed Securities	Municipal Bond Obligations	Non-U.S. Bonds	U.S. Government Agencies	U.S. Government Treasury STRIPS	U.S. Government Treasury Obligations	GRAND TOTAL
AAA	$14,742,532	$ -	$69,956,588	$958,003	$317,807,744	$ -	$ -	$-	$403,464,867
AA+	15,167,273	-	312,647,386	721,385	-	23,393,524	96,351,349	350,091,438	798,372,355
AA	6,443,126	-	1,413,715	738,953	-	-	-	-	8,595,794
AA-	22,983,612	118,297,758	880,458	1,266,241	-	-	-	-	143,428,069
A+	24,411,001	-	8,803,932	948,638	-	-	-	-	34,163,571
A	49,841,704	118,206,187	2,284,979	966,030	-	-	-	-	171,298,900
A-	75,961,599	59,448,188	-	-	-	-	-	-	135,409,787
BBB+	41,092,068	59,512,413	6,466,105	-	-	-	-	-	107,070,586
BBB	64,949,384	-	80,592	-	-	-	-	-	65,029,976
BBB-	141,245,799	-	3,652,342	-	-	-	-	-	144,898,141
BB+	160,678,913	-	1,391,991	-	-	-	-	-	162,070,904
BB	252,826,167	-	2,647,707	-	-	-	-	-	255,473,874
BB-	340,713,510	-	-	-	-	-	-	-	340,713,510
B	200,698,976	-	44,202	-	-	-	-	-	200,743,178
B+	197,373,705	-	3,440,473	-	-	-	-	-	200,814,178
B-	123,216,006	-	4,575,004	-	-	-	-	-	127,791,010
CCC+	122,891,001	-	167,340	-	-	-	-	-	123,058,341
CCC	16,590,861	-	18,156,017	-	-	-	-	-	34,746,878
CCC-	1,609,425	-	442,496	-	-	-	-	-	2,051,921
CC	4,947,063	-	6,238,512	-	-	-	-	-	11,185,575
C	154,125	-	315,538	-	-	-	-	-	469,663
D	3,142,700	-	8,914,012	-	-	-	-	-	12,056,712
FFC *	-	-	7,178,030	-	-	-	-	-	7,178,030
NR**	4,491,598	-	505,572	-	-	-	-	-	4,997,170
GRAND TOTAL	$1,886,172,148	$355,464,546	$460,202,991	$5,599,250	$317,807,744	$23,393,524	$96,351,349	$350,091,438	$3,495,082,990

* FFC = Full Faith and Credit.
** NR = Not Rated.

RATINGS BY ASSET CLASS – 2012

S&P Ratings	Corporate Bond Obligations	Domestic Commingled Bonds	Mortgage and Asset-Backed Securities	Municipal Bond Obligations	Non-U.S. Bonds	U.S. Government Agencies	U.S. Government Treasury STRIPS	U.S. Government Treasury Obligations	GRAND TOTAL
AAA	$18,215,566	$ -	$76,690,264	$101,538	$721,280,512	$ -	$ -	$ -	$816,287,880
AA+	65,361,319	-	430,675,332	-	455,457,770	52,458,522	-	685,829,405	1,689,782,348
AA	6,795,919	-	1,014,942	330,009	-	-	-	-	8,140,870
AA-	17,754,625	-	1,927,132	634,709	-	-	-	-	20,316,466
A+	29,496,759	-	12,150,497	-	-	-	-	-	41,647,256
A	55,218,479	-	2,636,987	1,082,562	-	1,883,529	-	-	60,821,557
A-	94,868,117	-	-	2,905,812	-	-	-	-	97,773,929
BBB+	45,311,500	-	9,704,417	-	-	-	-	-	55,015,917
BBB	64,492,078	-	248,299	-	-	-	-	-	64,740,377
BBB-	83,575,241	-	4,315,398	-	-	-	-	-	87,890,639
BB+	122,759,761	-	3,109,403	-	-	-	-	-	125,869,164
BB	138,954,157	-	866,236	-	-	-	-	-	139,820,393
BB-	159,549,782	-	-	-	-	-	-	-	159,549,782
B	152,213,365	-	4,286,346	-	-	-	-	-	156,499,711
B+	195,689,482	-	4,099,640	-	-	-	-	-	199,789,122
B-	128,793,634	-	2,667,444	-	-	-	-	-	131,461,078
CCC+	75,851,038	-	1,216,491	-	-	-	-	-	77,067,529
CCC	28,329,616	-	20,646,290	-	-	-	-	-	48,975,906
CCC-	3,203,238	-	562,040	-	-	-	-	-	3,765,278
CC	4,863,125	-	11,700,546	-	-	-	-	-	16,563,671
C	1,248,750	-	78,072	-	-	-	-	-	1,326,822
D	-	-	6,640,617	-	-	-	-	-	6,640,617
FFC *	-	-	37,300,613	-	-	-	92,416,456	244,270,017	373,987,086
NR**	21,087,958	-	1,133,411	-	-	-	-	-	22,221,369
GRAND TOTAL	**$1,513,633,509**	**$-**	**$633,670,417**	**$5,054,630**	**$1,176,738,282**	**$54,342,051**	**$92,416,456**	**$930,099,422**	**$4,405,954,767**

* FFC = Full Faith and Credit.
** NR = Not Rated.

SHORT-TERM INVESTMENTS

The short-term investment portfolio consists mainly of commercial paper. OP&F's policy is that, at the time of purchase, the short-term instrument must be rated within the two highest classifications established by two standard rating services. However, it is possible that after the purchase the ratings could change. The following table lists the commercial paper ratings as of Dec. 31, 2013 and 2012.

S&P/Moody's Rating	Fair Value 2013	Percent 2013	Fair Value 2012	Percent 2012
A-1/P-1	$66,293,766	22.02%	$505,493,836	52.05%
A-2/P-1	45,999,268	15.28%	59,190,739	6.09%
A-2/P-2	188,803,722	62.70%	406,543,566	41.86%
GRAND TOTAL	**$301,096,756**	**100.00%**	**$971,228,141**	**100.00%**

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. OP&F primarily uses effective duration to measure the interest rate risk of the core fixed income portfolio. Each investment manager is required to monitor and report the effective duration on a monthly basis. The effective duration of the portfolio is required to be +/- a certain percentage of the benchmark's duration. The benchmark for the U.S. fixed income portfolio (the Barclays Capital U.S. Aggregate Bond Index) had 5.57 years and 5.08 years effective duration as of Dec. 31, 2013 and 2012, respectively. The benchmark for the Non-U.S. fixed income portfolio (which is a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index) had 14.10 years and 14.72 years effective duration as of Dec. 31, 2013 and 2012, respectively.

Duration is a measure of a fixed income security's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. The duration measurement used is "effective duration" and is provided for each core fixed income portfolio and for the composite of all portfolios. All core fixed income managers are given a range of permissible durations around the duration of their benchmark index. Since portfolio level duration is the best measure of interest rate risk, OP&F does not require its managers to measure or report on the duration of each security sector. OP&F does not measure the duration of their high yield portfolios because interest rate risk is a very small part of the total risk of high yield securities. The major risks for high yield bonds are credit risk and interest rate spread risk. The following table lists the effective duration for OP&F's fixed-income portfolio as of Dec. 31, 2013 and 2012.

COLLATERALIZED MORTGAGE OBLIGATIONS

In general, mortgage-backed securities entitle their holders to receive both principal and interest payments from the payments made by the borrowers of the underlying mortgages over the lives of those loans. The life of the mortgage that underlies a mortgage-backed security can be shortened by several economic events, including borrower refinancing. When interest rates fall and remain very low, a growing number of borrowers will refinance their existing loans causing mortgage-backed security holders to be repaid more quickly than anticipated. This early repayment is a form of market risk assumed by OP&F and other owners of mortgage-backed securities.

To the contrary, when interest rates begin to rise, the refinancing of existing mortgages begins to slow. If the rates remain high for long periods of time, fewer borrowers refinance their mortgages. This causes mortgage-backed security holders to be repaid over longer periods of time. This prolonged repayment is known as extension risk and is another form of market risk assumed by OP&F and other owners of mortgage-backed securities.

These securities are based on cash flows from interest payments on underlying loans. Therefore, they are sensitive to prepayments by the debtor, which may result from a decline in interest rates.

Investment Type	Fair Value 2013	Effective Duration 2013	Fair Value 2012	Effective Duration 2012
U.S. Government Treasury Obligations*	$88,908,138	4.62	$ 930,099,422	8.63
U.S. Government STRIPS	96,351,349	6.51	92,416,456	6.88
U.S. Government Agencies	23,393,524	5.22	54,342,051	3.84
Mortgage and Asset-Backed Securities	460,202,991	3.10	633,670,417	2.89
Municipal Bond Obligations	5,599,250	11.96	5,054,630	4.64
Corporate Bond Obligations**	290,007,526	4.58	376,514,335	4.35
Domestic Commingled Bonds	355,464,546	4.32	-	-
U.S. FIXED INCOME EFFECTIVE DURATION	**$1,319,927,324**	**4.18**	**$2,092,097,311**	**3.78**
Non-U.S. Government Bonds***	317,807,744	-	1,176,738,282	12.22
TOTAL FIXED INCOME EFFECTIVE DURATION	**$1,637,735,068**	**4.18**	**$3,268,835,593**	**8.18**

* Investment of $261,183,300 in an inflationary linked bond fund is excluded from duration.

** High yield bonds are excluded from duration.

*** International inflationary bond fund is excluded from duration.

VARIABLE RATE SECURITIES

OP&F's core fixed income and high yield managers are permitted to hold variable-rate coupons whose rates may vary directly or inversely with changes in a related interest rate. As of Dec. 31, 2013 and 2012, OP&F did not hold any security with a variable-rate coupon that had a multiplier greater than one or any security with an inverse variable rate.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. OP&F does not permit more than 10 percent of the core fixed income portfolio to be invested in the securities of any one issuer, and no more than five percent in any one issue on a dollar duration basis, with the exception of U.S. Government or Agency securities. For the high yield portfolio, no more than 10 percent of the entire portfolio at market shall be invested in securities of a single issue or issuer, unless otherwise approved by the Board of Trustees. At Dec. 31, 2013 and 2012, OP&F did not hold investments in any one issuer that represented five percent or more of OP&F's net assets.

SECURITIES LENDING

OP&F participates in domestic and international securities lending programs, as authorized by the Board of Trustees. Securities are loaned to investment broker/dealers (borrower). Securities loaned are collateralized by the borrower at 102 percent of the domestic and 105 percent of the international loaned securities' fair value. OP&F has minimized its exposure to credit risk due to borrower default by having the lending agent bank determine daily that required collateral meets the specified collateral requirements. There are no restrictions on the amount of the securities that can be loaned. Contracts with lending agents require them to indemnify OP&F if the borrowers fail to return the securities or fail to pay OP&F for income distributions by the securities' issuer while the securities are on loan. All securities loans can be terminated on demand and the maturities of the investments made with an acceptable form of the collateral generally matches the maturities of the securities loans.

At year end, OP&F has no credit risk exposure to borrowers because the amounts that OP&F owes the borrowers exceed the amounts the borrowers owe OP&F.

OP&F has not experienced any losses due to credit or market risk on securities lending activity since implementation of the program. OP&F does have the ability to pledge or sell collateral securities in case of a borrower default.

The following represents the balances relating to the securities lending transactions at Dec. 31, 2013 and 2012:

SECURITIES LENT AS OF DEC. 31, 2013

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$169,038,373	$172,667,711	$172,667,711	Cash
Domestic Corporate Fixed Income	233,218,310	238,880,974	238,880,974	Cash
Domestic Equities	404,834,631	416,833,190	416,833,190	Cash
International Equities	63,429,476	66,686,044	66,686,044	Cash
International Equities	23,131	24,699	24,699	Securities
TOTAL SECURITIES LENT	**$870,543,921**	**$895,092,618**	**$895,092,618**	

SECURITIES LENT AS OF DEC. 31, 2012

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$207,371,360	$211,896,657	$211,896,657	Cash
Domestic Corporate Fixed Income	401,965,687	411,407,673	411,407,673	Cash
Domestic Equities	375,656,193	394,626,923	394,626,923	Cash
International Equities	-	-	-	Cash
International Equities	-	-	-	Securities
TOTAL SECURITIES LENT	**$984,993,240**	**$1,017,931,253**	**$1,017,931,253**	

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. OP&F's target allocation to international equity holdings was 21.6 percent as of Dec. 31, 2013. While OP&F has no specific policy regarding the international custodial credit risk, OP&F limits its international investment managers to hold five percent or less of their total portfolio in cash. Apart from cash needed for immediate settlement of pending trade transactions, (local cash awaiting repatriation), any excess cash received in OP&F's trust accounts is invested in a U.S. Dollar denominated Short-Term Investment Fund (STIF). For the years ending Dec. 31, 2013 and 2012, OP&F's exposure to foreign currency risk is as follows:

2013 EXPOSURE TO FOREIGN CURRENCY RISK

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Fair Value (Repurchase Agreements)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$ 416,877	$–	$ 45,423,954	$–	$–	$–	$ 45,840,831
Brazilian Real	–	–	14,853,489	–	–	–	14,853,489
British Pound	351,276	(1,495,627)	572,412,377	–	–	–	571,268,026
Canadian Dollar	176,046	10,736	91,918,432	–	–	–	92,105,214
Chilean Peso	–	–	626,845	–	–	–	626,845
Danish Kroner	–	–	40,428,436	–	–	–	40,428,436
Euro	127,606	(361,827)	788,081,879	–	46,313,880	–	834,161,538
Hong Kong Dollar	17,645	8	153,581,450	–	–	–	153,599,103
Indonesian Rupiah	–	–	1,162,185	–	–	–	1,162,185
Japanese Yen	–	4,342,680	417,888,400	–	–	–	422,231,080
Malaysian Ringgit	–	–	4,613,222	–	–	–	4,613,222
Mexican Peso	–	–	10,426,242	–	–	–	10,426,242
New Turkish Lira	–	–	2,543,707	–	–	–	2,543,707
New Zealand Dollar	40,558	422	255,808	–	–	–	296,788
Norwegian Krone	316	–	7,360,680	–	–	–	7,360,996
Philippian Peso	–	–	750,166	–	–	–	750,166
Polish Zloty	–	–	4,087,497	–	–	–	4,087,497
Singapore Dollar	25,725	–	20,441,224	–	–	–	20,466,949
South African Rand	–	–	12,950,637	–	–	–	12,950,637
South Korean Won	1	–	37,588,289	–	–	–	37,588,290
Swedish Krona	63	(24,739)	39,595,371	–	-	-	39,570,695
Swiss Franc	493,298	–	215,550,360	–	–	–	216,043,658
Taiwanese New Dollar	1,304,862	–	18,478,045	–	–	–	19,782,907
Thailand Baht	–	–	5,219,876	–	–	–	5,219,876
GRAND TOTAL	**$2,954,273**	**$2,471,653**	**$2,506,238,571**	**$–**	**$46,313,880**	**$–**	**$2,557,978,377**

2012 EXPOSURE TO FOREIGN CURRENCY RISK

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Fair Value (Repurchase Agreements)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$ 483,760	$(109,349)	$ 39,950,213	$ -	$ -	$-	$ 40,324,624
Brazilian Real	39,021	(941)	25,049,526	–	–	–	25,087,606
British Pound	1,028,185	(1,183,128)	442,787,175	296,121,917	–	(229,660,377)	509,093,772
Canadian Dollar	191,024	(367,358)	95,347,692	195,662,543	–	(170,902,286)	119,931,615
Chilean Peso	4,603	–	642,423	–	–	–	647,026
Danish Kroner	–	597	34,164,260	–	–	–	34,164,857
Euro	1,440,880	(8,382,511)	670,410,448	586,831,584	43,286,866	(175,714,174)	1,117,873,093
Hong Kong Dollar	155,493	(18)	139,435,905	–	–	–	139,591,380
Indonesian Rupiah	1	–	1,796,674	–	–	–	1,796,675
Japanese Yen	1,321,708	(1,051,854)	291,612,703	–	–	–	291,882,557
Malaysian Ringgit	54,890	–	3,726,280	–	–	–	3,781,170
Mexican Peso	(69,000)	–	15,797,877	–	–	–	15,728,877
New Turkish Lira	–	–	6,637,693	–	–	–	6,637,693
New Zealand Dollar	40,654	(131,937)	670,322	–	–	–	579,039
Norwegian Krone	345	231,626	2,803,224	–	–	–	3,035,195
Philippian Peso	–	–	470,183	–	–	–	470,183
Polish Zloty	594,383	–	2,501,096	–	–	–	3,095,479
Singapore Dollar	26,590	35	26,733,164	–	–	–	26,759,789
South African Rand	92,331	(3,434)	11,528,342	–	–	–	11,617,239
South Korean Won	155	–	39,242,086	–	–	–	39,242,241
Swedish Krona	61	(1,525,863)	35,248,289	98,122,238	-	-	131,844,725
Swiss Franc	99,431	37	171,815,422	–	–	–	171,914,890
Taiwanese New Dollar	6,188,810	–	10,582,377	–	–	–	16,771,187
Thailand Baht	–	–	6,574,251	–	–	–	6,574,251
GRAND TOTAL	**$11,693,325**	**$(12,524,098)**	**$2,075,527,625**	**$1,176,738,282**	**$43,286,866**	**$(576,276,837)**	**$2,718,445,163**

DERIVATIVES

Derivatives are generally defined as investment instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index.

OP&F has classified the following as derivatives:

- Mortgage and Asset-Backed Securities: OP&F invested in Planned Amortization Class and Sequential Pay Real Estate Mortgage Investment Conduit bonds issued by GNMA, FHLMC, and FNMA. Planned Amortization Class bonds are retired according to a payment schedule so as to have a stable average life and yield even if expected prepayment rates change within a specified broad range of prepayment possibilities. Sequential pay bonds begin to pay principal when classes with an earlier priority have paid to a zero balance. Such bonds enjoy uninterrupted payment of principal until paid to a zero balance. In terms of credit risk, the U.S. government explicitly backs GNMA mortgage securities programs and is viewed by the market as implicitly backing FHLMC and FNMA mortgage securities programs.

- Futures Contracts: Futures contracts are contracts to buy or sell units of an index or financial instrument on a specified future date at a price agreed upon when the contract is originated. OP&F had direct futures equity exposure with three external managers constituting $822.7 million and $1.13 billion of notional value as of Dec. 31, 2013 and 2012, respectively. These amounts represented 5.8 percent and 8.9 percent, respectively, of the total portfolio in each year. The decrease in the notional value was mainly due to a reduction in the futures equity exposure and using the proceeds as a funding source for the Master Limited Partnership investments in 2013.

- Forward-Currency Contracts: Forward currency contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. OP&F, through its external investment managers, enters into forward currency contracts to hedge underlying foreign currency exposure in its non-U.S. equity portfolios back to the U.S. dollar or to provide the quantity of foreign currency needed to settle trades. Up to June 2013, OP&F employed two external currency managers, in its portable alpha program, to manage assets in an active currency strategy that attempted to add alpha and did not function merely as a hedging vehicle. However, upon the Investment Committee's recommendations, in June of 2013 the Board of Trustees adopted a new U.S. Equity Investment structure. Active currency management was eliminated as a component of the portable alpha program.

All the contracts are valued at the spot foreign exchange rate at Dec. 31, 2013 and 2012. The changes in the value of the open contracts are recognized as unrealized appreciation/depreciation. A realized gain or loss is recorded at the time of the delivery/closing of the contract. The realized gain or loss is the difference between the value of the original contract and the closing/delivery value of such contracts. Both realized and unrealized gains and losses are included in the Statement of Changes in Net Position as net appreciation/depreciation. The following table represents the balances of the outstanding currency transactions as of Dec. 31, 2013 and 2012:

OPEN CURRENCY CONTRACTS AS OF DEC. 31, 2013

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$17,058,743	$16,956,189	$102,554
Position Hedging	261,857,751	259,488,652	2,369,099
Currency Management	-	-	-
GRAND TOTAL	**$278,916,494**	**$276,444,841**	**$2,471,653**

OPEN CURRENCY CONTRACTS AS OF DEC. 31, 2012

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$13,466,307	$13,475,229	$(8,922)
Position Hedging	723,313,477	733,415,356	(10,101,879)
Currency Management	334,713,074	337,126,370	(2,413,296)
GRAND TOTAL	**$1,071,492,858**	**$1,084,016,955**	**$(12,524,097)**

On delivered/closed currency contracts OP&F had realized losses of $18,470,852 and $6,399,991 in 2013 and 2012, respectively.

- Options: An option is the right, but not the obligation, to buy or sell a specific amount of a given stock or commodity at a specified price during a specified period of time. OP&F invests in options as part of its portable alpha program. OP&F had an insignificant option exposure of $41.5 thousand at Dec. 31, 2013.

OP&F has not violated any legal, regulatory, or contractual provisions by its participation in these types of derivative instruments and there is no known undue credit, market, or legal risk. These instruments were purchased in order to enhance OP&F's overall rate of return.

5 – DEFERRED COMPENSATION PLAN

OP&F does not sponsor a deferred compensation program. OP&F employees are eligible to participate in the deferred compensation plan sponsored by the State of Ohio. The state-sponsored plan was created in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all OP&F employees and permits them to defer a portion of their salary until future years. Deferred compensation assets are not available to employees until termination, retirement, death, or unforeseeable emergency.

IRC Section 457 requires that the amount of compensation assets deferred under a plan, all property and rights, and all income attributable to those amounts, property or rights, be held in trust for the benefit of the participants. This insulates IRC Section 457 benefits from the claims of an employer's general creditors. Accordingly, OP&F does not include the deferred compensation assets or liabilities of the Ohio Deferred Compensation Plan in its financial statements.

6 – DEFINED BENEFIT PENSION PLAN

OP&F contributes to the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple-employer plan for all staff. OPERS administers three separate pension plans, provides retirement, disability, and survivor benefits to qualified plan members and beneficiaries. Benefit provisions and contribution requirements are established by the Ohio legislature and are codified in Chapter 145 of the ORC. OPERS issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For 2013, plan members contributed 10 percent of their annual covered salary, while employers are required to contribute 14 percent. OP&F's contributions to OPERS for the years ending Dec. 31, 2013, 2012, and 2011, were $1,226,897, $1,174,837 and $1,171,799 respectively, equal to the required contributions for each year.

7 – COMPENSATED ABSENCES

As of Dec. 31, 2013, and 2012, $2.2 million, and $2.0 million, respectively, were accrued for unused vacation and sick leave for OP&F employees. To help OP&F reduce and manage the vacation liability, all employees with at least one year of continuous service as of the beginning of the current calendar year are required to use five consecutive workdays of vacation leave each year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work. Three-fourths of accrued but unused sick leave will be paid at the employee's base rate upon termination of employment.

8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in note six, OPERS provides post-retirement health care coverage to age and service retirees with qualifying Ohio service credit. OPERS administers a cost sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

OPERS provides medical benefits to retired public employees of public employers who are subject to coverage under Chapter 145 of the ORC. Chapter 145 of the ORC assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Chapter 145 of the ORC provides that contribution requirements of the participating employers and of plan members to the OPERS (defined benefit pension plan) are established and may be amended by the OPERS Board of Trustees. Participating employers and active pension plan members are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 14 percent and 10 percent of payroll, respectively. Chapter 145 of the ORC states that the employer contribution rate may not exceed 14 percent of payroll and that the employee contribution rate may not exceed 10 percent.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, IRC Section 401(h). Each year, the OPERS Board of Trustees determines the portion of employer contribution rate that will be set aside for funding of post employment health care benefits. For the year ended Dec. 31, 2013, the employer contribution allocated to the retiree healthcare plan was one percent of employer contributions. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OPERS Board of Trustees is also authorized to establish requirements for contributions to the retiree healthcare plan by retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The following chart lists OP&F's employer contributions and the amounts allocated to health care.

ANNUAL REQUIRED PENSION AND HEALTH CARE CONTRIBUTIONS

Year Ended	Pension Annual Required Contributions	Pension Percent Contributed	Health Care Annual Required Contributions	Health Care Percent Contributed
2013	$1,226,897	100%	$87,636	100%
2012	1,174,837	100%	335,668	100%
2011	1,171,799	100%	334,800	100%

9 – COMMITMENTS AND CONTINGENCIES

OP&F is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine business functions. OP&F's management is of the opinion that ultimate resolution of such claims will not result in a material, adverse effect on OP&F's financial position as of Dec. 31, 2013.

OP&F is committed to making additional capital contributions of $601,614,959 and €31,571,451 (€=Euro) ($39,753,857 U.S.D.) toward the private equity program. The private equity program had $630,467,741 and $542,188,270 in fair value at Dec. 31, 2013, and 2012, respectively. Total commitments to private equity for real estate and timber were $2,309,885,745.

10 – STATE OF OHIO PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND

Pursuant to ORC Section 742.62, the Board of Trustees of OP&F administers the State of Ohio Public Safety Officers Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to eligible surviving family members of Ohio public safety officers who have been killed in the line of duty or die of a duty-related injury or illness. Funds are disbursed to OP&F on a quarterly basis each state fiscal year (July 1 - June 30) and are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The Public Safety Officers Death Benefit Fund is considered to be an agency fund administered by OP&F and, accordingly, its assets of $1,628,232 and $456,661 and the related liability for unpaid benefits are included in the accompanying financial statements as of Dec. 31, 2013 and 2012, respectively.

11 – ADDITIONAL DISCLOSURES

Ohio enacted new pension legislation on Sept. 26, 2012, which was implemented by OP&F in 2013 and 2012. This new pension legislation will pave the way for improved long-term funding for OP&F. OP&F fully supported the legislation and believes that the provisions will help secure the pension benefits for future retirees and active members. The changes are long-term in nature and will decrease OP&F's unfunded accrued liabilities by an estimated $3.2 billion on an actuarial basis in future actuarial evaluations. While the effective date of the pension legislation was Jan. 7, 2013, the provisions that affect OP&F members began in July 2013.

Highlights of the legislative and health care changes include:

- Increase the active member contribution rate from 10 percent to 12.25 percent, in annual increments of 0.75 percent each year beginning on July 2, 2013;
- Raise normal service retirement age from 48 to 52 for new members hired after July 1, 2013 and provides a reduced benefit option for those who still desire to retire at age 48 with 25 years of service;
- Adjust COLAs to the lesser of the Consumer Price Index or three percent for those members who have less than 15 years of service credit as of July 1, 2013;
- Delay COLAs until age 55 for all benefit recipients effective July 1, 2013, excluding statutory survivors and members receiving permanent and total disability benefits;
- Redefine average annual salary as the highest five years of allowable earnings for those members who have less than 15 years of service credit as of July 1, 2013;
- Change the minimum DROP participation period from three years to five years for members who become DROP participants after July 1, 2013;
- Eliminate COLAs during DROP for members who become DROP participants after July 1, 2013. Members already in DROP prior to that date will receive COLAs while in DROP if they are at least age 55 and have participated in the plan for 12 months;
- Reduce the percentage of the member contribution that gets credited to DROP accruals for members who become DROP participants after July 1, 2013;
- Provide a "salary benchmark" under which certain increases are excluded from salary for the purpose of determining average annual salary for members who have 15 or more years of service on or before July 1, 2013;
- Authorizes the Board of Trustees to adjust the age and service credit requirements and member contribution rate (higher or lower) beginning Nov. 1, 2017, and every five years there after, provided the actuary recommends the change;
- Make the payments of employer contributions due monthly rather than quarterly;
- Reduce the amount of employer total annual payroll allocated to the health care trust fund to allow more funding for pensions.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS FOR THE VALUATION YEAR ENDING JAN. 1, 2013

PENSION TRUST FUND (DOLLARS IN MILLIONS)*

Valuation Year Jan. 1	Valuation Assets**	Actuarial Accrued Liabilities (AAL)**	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2013	$10,278	$16,008	$5,730	64.2%	$1,913	299.5%
2012	10,309	16,347	6,038	63.1%	1,897	318.2%
2011	10,681	15,384	4,703	69.4%	1,869	251.7%
2010	10,794	14,831	4,037	72.8%	1,895	213.0%
2009	9,309	14,307	4,998	65.1%	1,901	262.9%
2008	11,213	13,728	2,515	81.7%	1,831	137.3%
2007	10,158	12,988	2,830	78.2%	1,783	158.7%
2006	9,551	12,190	2,639	78.3%	1,756	150.3%
2005	9,337	11,545	2,208	80.9%	1,684	131.1%
2004	9,337	10,798	1,461	86.5%	1,644	88.9%

* The amounts reported in this schedule do not include assets or liabilities for post-employment health care benefits.
** Actuarial Assets and Liabilities are net of DROP accruals.

RETIREE HEALTH CARE TRUST FUND (DOLLARS IN MILLIONS)

Valuation Year Jan. 1	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2013	$936	$4,235	$3,299	22.09%	$1,913	172.5%
2012	780	3,699	2,919	21.09%	1,897	153.8%
2011	718	3,295	2,577	21.78%	1,869	137.9%
2010	573	3,232	2,659	17.74%	1,895	140.3%
2009	439	3,164	2,725	13.87%	1,901	143.3%
2008	527	3,623	3,096	14.54%	1,831	169.1%
2007	437	3,274	2,837	13.30%	1,783	159.1%
2006	343	3,335	2,992	10.30%	1,756	170.4%

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

PENSION TRUST FUND (DOLLARS IN THOUSANDS)

	Annual Required Contributions*	Percentage Contributed
Year ended Dec. 31, 2012	$538,383	53.00%
Year ended Dec. 31, 2011	492,650	57.00%
Year ended Dec. 31, 2010	459,798	62.00%
Year ended Dec. 31, 2009	506,496	55.00%
Year ended Dec. 31, 2008	370,765	75.00%
Year ended Dec. 31, 2007	363,661	77.00%
Year ended Dec. 31, 2006	321,712	73.00%
Year ended Dec. 31, 2005	292,455	79.00%
Year ended Dec. 31, 2004	257,851	88.00%
Year ended Dec. 31, 2003	277,725	79.00%

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The GASB required disclosure of the ARC using a maximum amortization period of 30 years. Years 2003-2006 were based on 40 years. Amounts shown as the ARC for each year may be different from the contributions required by state statue. The information here was determined as part of the actuarial valuations for the date indicated. Additional information as of the latest actuarial valuations is shown in the table that follows.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

RETIREE HEALTH CARE TRUST FUND (DOLLARS IN THOUSANDS)

	Annual Required Contributions**	Percentage Contributed
Year ended Dec. 31, 2012	$245,847	56.29%
Year ended Dec. 31, 2011	241,539	57.15%
Year ended Dec. 31, 2010	248,912	54.32%
Year ended Dec. 31, 2009	256,297	52.08%
Year ended Dec. 31, 2008	285,844	48.84%
Year ended Dec. 31, 2007	250,163	51.62%
Year ended Dec. 31, 2006	264,137	52.60%

** The ARC for 2013 as a percentage of payroll is 14.65 percent. The expected contribution is 4.69 percent of payroll, Jan 1, 2013 to June 1, 2013 and 2.85 percent of payroll June 2, 2013 thru Dec. 31, 2013, or about 56 percent of the ARC rate. The ARC amount (dollars) is equal to the ARC rate times the 2013 payroll. The ARC amount and the actual percentage contributed will be determined after 2013 has ended and will be reported in the Jan. 1, 2014 valuation report.

The information presented above was determined as part of the actuarial valuation as of one year prior to the dates indicated (i.e., the contribution determined by the valuation completed as of Jan. 1, 2012 was contributed in the year ending Dec. 31, 2012). The actual percentage contributed includes employer contributions and Medicare Part D reimbursement that OP&F has elected to contribute to the Health Care Stabilization Fund.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DESCRIPTION OF SCHEDULE OF FUNDING PROGRESS

Each time a new benefit is added which applies to service already rendered, an unfunded accrued liability is created. Laws governing OP&F require that these unfunded accrued liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

The Schedule of Funding Progress includes two ratios that provide information about whether the financial strength of OP&F is improving or deteriorating over time. An improvement is indicated when the funded ratio (assets expressed as a percentage of the actuarial accrued liability) is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Additional information as of the latest actuarial valuation follows:

DEFINED BENEFIT PLAN – PENSION TRUST FUND

Valuation date: Jan. 1, 2013

Actuarial cost method: Entry age

Amortization method: Level percent of payroll, open

Remaining amortization period: 30 years*

Funding Ratio: 64.2%

Asset valuation method: 4–year adjusted fair value with a corridor of 20% of the fair value

ACTUARIAL ASSUMPTIONS

Investment rate of return	8.25%
Projected salary increases	4.25%–11.00%
Payroll increases	3.75%
Inflation assumption	3.25%
Cost-of-living adjustments	2.60% and 3.00% simple

* The Annual Required Contributions for 2003–2006 were based on 40-year amortization. Years 2007 and later use a 30-year amortization basis. The amounts contributed for 2003–2012 equate to an infinite amortization period.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

RETIREE HEALTH CARE BENEFITS - HEALTH CARE TRUST FUND

Valuation date: Jan. 1, 2013
Actuarial cost method: Entry age
Amortization method: Level percent of payroll, open
Remaining amortization period: 30 years
Funding Ratio: 22.09%
Asset valuation method: Fair value

ACTUARIAL ASSUMPTIONS

Investment return (discount rate)	5.00%
Projected salary increases	5.00 - 11.00%
Payroll increases	3.75%
Inflation assumption	3.25%

Health Care Cost Trends	Initial Rate 3 years			Ultimate Rate	Ultimate Year
	2013 to 2014	2014 to 2015	2015 to 2016		
Non-Medicare	13.25%	7.50%	7.00%	4.50%	2020
Non-AARP	13.25%	7.50%	7.00%	4.50%	2020
AARP	6.50%	6.25%	6.00%	4.50%	2020
Rx Drug	0.71%	7.50%	7.00%	4.50%	2020
Medicare Part B	5.60%	5.50%	5.40%	5.00%	2019

OP&F's retiree health care plan is partially funded. The discount rate is a blended rate based on the plan and employer rates of return, using the plan rate times the percentage of the ARC contributed and the employer rate times the percentage not contributed.

ADDITIONAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES *

For the year ended Dec. 31,		2013	2012
Personnel Services	Salaries and Wages	$9,248,507	$8,756,908
	OPERS Contributions	1,226,897	1,174,837
	Insurance	2,141,212	1,882,237
	Fringe Benefits/Employee Recognition	16,855	23,188
	Tuition Reimbursement	14,208	22,674
	TOTAL PERSONNEL SERVICES	**12,647,679**	**11,859,844**
Professional Services	Actuarial	428,047	381,071
	Audit	102,585	97,496
	Custodial Banking Fees	960,070	610,383
	Investment Fees and Consulting	41,206,730	35,701,218
	Other Consulting (Disability, Software, Legal, and Health Care)	939,074	924,294
	Banking Expense	87,145	80,020
	TOTAL PROFESSIONAL SERVICES	**43,723,651**	**37,794,482**
Communications Expense	Printing and Postage	199,504	306,617
	Telephone	99,252	99,220
	Member/Employer Education	11,004	9,229
	Other Communications	84,000	84,000
	TOTAL COMMUNICATIONS EXPENSE	**393,760**	**499,066**
Other Operating Expense	Conferences and Education	59,276	59,285
	Travel	98,105	94,056
	Computer Technology	708,351	777,787
	Other Operating	532,551	514,649
	Warrant Clearing	1,104	1,185
	ORSC Expense	43,038	40,764
	Depreciation Expense - Capital	1,576,831	1,798,968
	TOTAL OTHER OPERATING EXPENSES	**3,019,256**	**3,286,694**
Net Building Expense (includes rent)		**1,223,276**	**1,164,827**
TOTAL OPERATING EXPENSES		**61,007,622**	**54,604,913**
Investment Expenses		**(45,139,130)**	**(39,155,108)**
NET ADMINISTRATIVE EXPENSES		**$15,868,492**	**$15,449,805**

* Includes investment related administrative expenses.

SCHEDULE OF INVESTMENT EXPENSES**

Category	2013	2012
Investment Manager Services	$39,979,343	$34,539,245
Custodial Banking Fees	960,070	610,383
Other Professional Services	1,227,387	1,161,973
Other Direct Investment Expenses	1,609,629	1,508,970
Allocation of Other Administrative Expenses	1,362,701	1,334,537
INVESTMENT EXPENSES	**$45,139,130**	**$39,155,108**

** A portion of the non-Investment Department administrative expenses is allocated to Investment Expense based on the ratio of investment staff to Total Fund staff.

ADDITIONAL INFORMATION

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND

PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND FOR THE YEAR ENDING DEC. 31, 2013

	Balance Dec. 31, 2012	Additions	Subtractions	Balance Dec. 31, 2013
Assets:				
Cash and Short-term Investments	$456,661	$20,000,000	$18,828,429	$1,628,232
TOTAL ASSETS	**$456,661**	**$20,000,000**	**$18,828,429**	$1,628,232
Liabilities:				
Due to State of Ohio	456,661	20,000,000	18,828,429	1,628,232
TOTAL LIABILITIES	**$456,661**	**$20,000,000**	**$18,828,429**	$1,628,232

PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND FOR THE YEAR ENDING DEC. 31, 2012

	Balance Dec. 31, 2011	Additions	Subtractions	Balance Dec. 31, 2012
Assets:				
Cash and Short-term Investments	$248,492	$20,000,000	$19,791,831	$456,661
TOTAL ASSETS	**$248,492**	**$20,000,000**	**$19,791,831**	**$456,661**
Liabilities:				
Due to State of Ohio	248,492	20,000,000	19,791,831	456,661
TOTAL LIABILITIES	**$248,492**	**$20,000,000**	**$19,791,831**	**$456,661**

2013 Comprehensive Annual Financial Report

Investment Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 888-864-8363

INVESTMENT REPORT (PREPARED THROUGH A COMBINED EFFORT WITHIN THE INVESTMENT DEPARTMENT)

INTRODUCTION

The investment authority of OP&F is specified in Chapter 742 of the ORC. Importantly, the ORC requires that the Board of Trustees and other fiduciaries discharge their duties solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering OP&F. Within the guidelines of the ORC, OP&F has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. Investment performance returns are prepared by Wilshire Associates. Investment activities are presented on a trade date basis and measurements are calculated using time weighted rates of return consistent with investment industry standards.

SIGNIFICANT DEVELOPMENTS IN 2013

As it is still unusual, it is worth a reminder at the outset that in 2010, OP&F adopted a risk parity approach at the asset allocation level. With that stated, after spending a considerable amount of time in 2012 completing an updated asset liability valuation study, the next steps in 2013 involved investment structure reviews of OP&F's U.S. equity, core fixed income and high yield asset classes. Investment structure analysis combines quantitative and qualitative expectations for return, risk and correlations among multiple strategies within an asset class. Structure decisions have significant impact on the resulting risk and return of an asset class composite relative to its benchmark as well as on total fund performance. With respect to U.S. equity structure, OP&F and its consultant, Wilshire Associates, evaluated issues such as active versus passive management, appropriate allocations to large, mid, and small-cap and how to best construct the portable alpha component and weight its alpha engines. After review, OP&F adopted a new U.S. equity structure that exhibited a higher expected excess return and lower expected tracking error, which results in an improved information ratio relative to the former structure. As for the core fixed income investment structure, given increased interest rate uncertainty and bond market volatility, OP&F began to implement a non-traditional, multi-strategy fixed income mandate targeted at roughly one-third of its core fixed income allocation. This new mandate should add some flexibility in navigating the challenging fixed income environment in the years ahead. For the high yield allocation, OP&F shifted the two new high yield mandates with MacKay Shields and PENN Capital to bank loan mandates on an interim basis and began evaluating direct lending strategies to fill the remaining underweight to high yield. Other than the aforementioned investment structure analysis, significant noteworthy investment accomplishments and issues that were addressed last year include the following:

- Approved an updated risk-based implementation plan for gradually moving total fund assets from their current market allocations to OP&F's long-term asset allocation policy.
- Approved total fund policy benchmark changes to match up with the risk-based implementation plan.
- Adopted new asset class rebalancing ranges.
- Analyzed various implementation options for OP&F's private markets asset class and issued a Request for Proposal for non-discretionary consulting services.
- Completed search for master limited partnership (MLP) investment managers:
    - Hired Harvest Fund Advisors, Salient Partners and Tortoise Capital Advisors.
    - Approved MLP investment manager guidelines.
    - Transitioned assets from interim passive MLP exposure to OP&F's three new MLP managers.
- Amended investment manager guidelines for Bridgewater Global Inflation Protected Securities, Causeway, Columbia Management, Franklin Templeton, Investcorp, Loomis Sayles, MacKay Shields Active Core, MacKay Shields Opportunistic, Neuberger Berman and PENN Capital mandates.
- Transitioned new high yield mandates with MacKay Shields and PENN Capital to bank loan mandates.
- Retained PIMCO and began implementing a non-traditional, multi-strategy fixed income mandate.
- Terminated mandates with EARNEST Partners, FX Concepts, Mellon Capital Management and Western Asset Management.
- Increased OP&F's investments with Grosvenor Capital Management and Investcorp.
- Completed annual evaluation of OP&F's real estate strategic portfolio for possible rebalancing.
- Completed transition of Bridgewater Global Inflation Protected Securities mandate from separate account to commingled funds.
- Continued progress toward target allocation in private markets with commitments to:
    - GTCR Fund XI, Landmark Equity Partners XV, and The Resolute Fund III.

- Continued progress toward target allocation in real estate with commitments to:
    - Exeter Industrial Value Fund III, Savanna Real Estate Fund III, and USAA Eagle Real Estate Fund.
- Continued progress toward target allocation in timber with a commitment to:
    - GTI 10 Institutional Investors Company Limited.
- Amended OP&F's Real Estate Strategic Plan.
- Approved the 2014 Real Estate Investment Plan.
- Approved and amended the 2013 Private Markets Investment Plan.
- Amended OP&F's Proxy Voting Policy.
- Amended OP&F's Investment Policy and Guidelines statement.
- Amended OP&F's Timberland Investment Policy.
- Shifted OP&F's non-U.S. securities lending agent from a third party provider to OP&F's international custodian, JPMorgan Chase.
- Continued progress toward long-term allocation targets by rebalancing between overweight/underweight asset classes and using overweight classes as a source of funds, which steadily reduced equity's contribution to total portfolio risk.

ECONOMIC ENVIRONMENT

The U.S. economy continued its recovery from the "Great Recession" as 2013 brought signs that self sustaining economic growth was finally gaining momentum. Along the way, the U.S. economy, and those of most developed countries, overcame headwinds and worries such as the banking turmoil in Cyprus, Syrian civil war that threatened to draw in other countries, a U.S. government shutdown, surprise taper talk from the Federal Reserve, political battles over U.S. government run health care and the transition to the next Chairperson of the Federal Reserve during still fragile times. The U.S. economy managed to grow 1.1 percent as measured by quarterly real gross domestic product (GDP) in the first quarter of 2013. Second quarter growth picked up a bit as real GDP came in at 2.5 percent before bouncing higher still to register a stronger 4.1 percent rate of growth in the third quarter. The onset of what proved to be an unusually severe winter helped bring real GDP growth back to a 2.6 percent annualized rate in the fourth quarter. For all of 2013, the economy grew 1.9 percent after a 2.8 percent increase the prior year and also marked four years of positive growth following the negative results of 2008 and 2009. Behind this was continued improvement in the employment picture as the unbroken string of monthly job gains dating back to October 2010 continued throughout 2013 and at a higher rate as an average of 194,250 people found jobs each month over the course of the year. Meanwhile, the unemployment rate, which ended 2012 at 7.9 percent, eased lower to settle in at 7.5 percent by mid-year. Continued job gains over the second half of the year took the unemployment rate steadily lower with a nice drop in December to end the year at 6.7 percent. A winter slowdown and more recent signs of a thaw have left the latest reading in March 2014 at 6.7 percent. Consumer confidence continued on a slowly improving path, but remained below its healthier pre-2008 levels. Inflation has seemingly gained even more importance recently in the eyes of the Federal Reserve and other major central banks as fears of deflation have reemerged in the developed world. The Consumer Price Index (CPI), on a year over year basis, registered levels between one and two percent, but the trend was lower. The CPI ended calendar year 2013 at a 1.5 percent year over year rate with a return to that same level in March 2014 following moves higher and lower in intervening months. Overall, commodity prices were generally lower over the year while energy prices moved slightly higher. Importantly, significant wage pressures have yet to emerge. In another encouraging sign for the U.S. economy, home sales continued their recovery but were hurt by the mid-year spike in mortgage rates and the unusually severe weather this past winter. Home prices as measured by the S&P/Case-Shiller 20-City Composite also continued to bounce back as much of the foreclosed property overhang began to be reduced as significant investment capital flowed into the space. Auto sales also continued a robust recovery from their depths reached in the "Great Recession."

The Federal Reserve kept its federal funds rate target at the historically low range of 0 to 0.25 percent throughout 2013 and so far in 2014. In addition, the Federal Reserve continued its third round of Quantitative Easing (QE3), begun in September 2012, which involved monthly purchases of $40 billion agency mortgage-backed securities and $45 billion of long-term U.S. Treasury bonds. Federal Reserve Chairman Bernanke was at the center of significant market-moving news last year when, in testimony to Congress on May 22, he said the Federal Reserve was likely to start slowing, i.e. tapering, its bond purchases later in the year, depending on continued positive economic news. He followed this same theme during a June 19 press conference when he spoke positively about economic conditions and again said the Federal Reserve might cut asset purchases later in 2013. Stocks sold off and U.S. bond yields rose sharply as a result of both events, because these unexpected announcements led markets to start pricing in a cut in monetary stimulus. A number of bond market selloffs in the summer of 2013 became known as the "taper tantrum" and drove the 10-year U.S. Treasury yield up roughly 140 basis points (bps). In December 2013, the Federal Reserve followed through and announced its first tapering move cutting its monthly bond purchases by $10 billion. The Federal Reserve also sought to cushion this move by emphasizing through its forward guidance that its highly accommodative monetary policy would remain in place well past the end of QE3 and past the point that the unemployment rate falls below 6.5 percent, especially if inflation continues to run below the Federal Reserve's two percent goal. Also worth noting was the Oct. 9, 2013, nomination of Janet Yellen to replace Ben Bernanke as head of the Federal Reserve and become the first woman to lead the Federal Reserve.

The euro zone economy appeared to turn the corner to positive growth during 2013. The European Central Bank's (ECB) vocal support helped remove the risk of a sovereign debt crisis as government bond yields in most of the weaker countries returned to tolerable levels. Still a number of troubling issues remained. Unemployment was a significant problem in major economies like Spain, Italy and France. Inflation in the euro zone has also been running far below the ECB's target of roughly two percent. The ECB kept its key lending rates unchanged, but said recently it would consider dramatic measures if needed to keep inflation from staying too low for too long. In Japan, economic growth returned as Prime Minister Abe's reflationary policies bolstered household spending and drove down the yen. The Bank of Japan (BOJ) initiated its own version of asset purchases in an effort to lift inflation to two percent and the Japanese stock market soared over the course of the year. The Chinese economy continued to provide superior growth relative to the developed world, but 2013's 7.7 percent GDP growth fell short of its own recent historical growth. In an effort to put the economy on a more sustainable growth path, China's government has been trying to crack down on risky lending practices and has introduced over the last few years a number of reforms that range from fiscal policy to family planning. Contrasted with Japan's stellar stock market performance last year, China's Shanghai Composite was the worst-performing market in Asia.

So far in 2014, global equity markets have traced a see-saw, slightly higher pattern, with U.S. investment grade and high yield bonds both clinging to a slight advantage over stocks. The U.S. economy added fewer jobs in the first three months of 2014 than it did in the same period in 2012 and 2013. The Federal Reserve has reduced its QE3 asset purchases by $10 billion at each of its three most recent meetings. At its current pace, the Federal Reserve is expected to end QE3 purchases by the end of this year. The Federal Reserve also recently broadened its forward guidance language to consider a wide range of labor market and inflation indicators in determining how long to maintain its current federal funds rate target. Recent statements by Federal Reserve Chair Yellen suggest that the Federal Reserve's accommodative policies will be needed for quite some time, possibly up to two years, for the U.S. economy to meet the Federal Reserve's inflation and employment goals. Elsewhere in other developed economies, the fear of deflation seems to be a common issue. Inflation has fallen below the Bank of England's (BOE) two percent target following several years above it. Similar to the Federal Reserve, the BOE seems likely to maintain current interest rate levels until 2015 and has stressed through its forward guidance that it will consider a broad range of indicators before taking any action. Recent market jitters make bold monetary action more likely in Europe and Japan. With inflation in the euro area recently registering a worryingly low 0.8 percent, the ECB needs to take action to ease monetary conditions. That sentiment is even stronger in Japan, where the stock market has tumbled and the economy will be impacted by a sales-tax increase on April 1. China's economy has continued to slow. The most recent purchasing managers' index suggested factory activity fell to a six-month low. Investors fear a hard landing, but the government has the capacity to prevent a rout. China's recent bailout of a trust loan, a product of the country's huge shadow banking sector, has provided short-term relief but may encourage continued perilous lending practices that could have dangerous ripple effects. To sum up, the global recovery continues but is at risk from a slowing China, and is still dependent on the easy monetary policies of major central banks. Add to that, from the geopolitical headlines, ongoing tensions between Russia and Ukraine have kept investors on edge. With the U.S. finally emerging from a difficult winter and the ECB and BOJ both likely to ease monetary conditions, global risk assets should remain in favor for the better part of the year. Yet, the most important question still to be answered is how the U.S. economy and its capital markets as well as those of other major countries will react when the Federal Reserve finally ends its QE3 program.

TOTAL FUND

It has been a long time coming but, in April 2013, OP&F's total portfolio value finally regained and surpassed its October 2007 all-time high. Moreover, the total portfolio value crossed over the $14 billion mark for the first time at the very end of the year. The total portfolio, on a trade date basis, was valued at $12.63 billion at the start of 2013 and ended the year at $14.16 billion. Very strong absolute returns in U.S. equity, international equity and MLPs combined with solid real estate, private markets (both real estate and private markets returns are lagged by one quarter), high yield and timber returns to help offset negative results for global inflation protected and core bond allocations and collectively drove OP&F's overall investment portfolio to a strong absolute return for the year. For calendar year 2013, the total portfolio's investment return was 16.94 percent gross of fees compared to a policy index return of 14.61 percent. This healthy outperformance of the total portfolio's policy index by 233 bps was welcomed as the prior year's performance fell just five bps shy of matching the policy index. Much of 2013's outperformance was due to the overall portfolio being overweight in U.S. and international equities and MLPs relative to their benchmark target weights, which more than offset the relative drag of a continued underweight to high yield. Also contributing to OP&F beating its policy benchmark were manager composite returns for U.S. equity, international equity, MLP and real estate managers that all beat their respective benchmarks. This strong outperformance of the policy still only placed OP&F's portfolio return in the 30th percentile of Wilshire's Master Trusts – All Plans Universe. This moderately good peer ranking would appear to be an early glimpse of the peer risk that can be expected for a risk parity approach during a year with strong equity performance. With 2013's result, OP&F's three-year annualized gross of fees return now stands at 11.45 percent, while the five-year annualized gross of fees return is 14.13 percent and the 10-year gross of fees return is 8.23 percent. The solid 2013 outperformance versus the policy index kept OP&F's three-year relative return above the policy index return of 10.50 percent for the same period, while OP&F's five-year return also beat the policy return of 12.94 percent and the 10-year return bested the policy return of 7.36 percent. As mentioned earlier, the total portfolio's 2013 results ranked in the 30th percentile of Wilshire's Master Trusts – All Plans Universe, while the three-year, five-year and 10-year results ranked in the 9th, 12th and 7th percentiles, respectively, of that same peer universe. Similarly strong results to 2013's look like they may be hard to achieve in 2014 as this new year is off to a more volatile, uneven start with mid to low single-digit returns in MLPs and bonds of all kinds leading the way.

The Board of Trustees and staff believe believe that a well-diversified portfolio will serve OP&F well over the long-term. As mentioned earlier and in prior reports, the Board of Trustee's 2010 adoption of and recent reaffirmation of risk parity and the ongoing implementation of that strategy should demonstrate that OP&F's approach to creating a well-diversified portfolio has changed over the years. A combination of lower long-term equity targets inherent in risk parity and a generally rising stock market over the past few years have kept the equity portfolio near the upper end of its allocation band; thus, making it simple to select a source of funds to diversify into growing fixed income and alternatives exposures and a new master limited partnerships allocation. An ongoing shift out of equities has kept OP&F from any forced rebalancing efforts over the past year, but staff closely monitors the portfolio status relative to asset class allocation ranges. In addition to forcing OP&F to sell high and buy low, a disciplined rebalancing policy removes human emotion from the decision making process. As evident in the Board of Trustee's risk parity approach and recent asset class structure decisions, OP&F has and will continue to evaluate non-correlated, non-traditional strategies and asset classes in its search for optimal risk-adjusted returns.

EQUITIES

The world's equity markets successfully battled through a challenging environment and closed the year collectively having generated positive annual returns as measured by the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) All Cap Index, which had a 28.12 percent gain in 2013. The year was notable for all-time market highs as well given the highly divergent results between emerging and developed markets and among regions, countries and sectors. At year's end:

- The MSCI Developed Markets World All Cap continued to improve, with the index returning 24.95 percent for the year.
- The U.S. market hit record all-time-high levels and produced the highest calendar year return since 2003 with the S&P 500 turning in a 32.41 percent return.
- The MSCI Developed Markets World All Cap ex-U.S. Index also returned 18.43 percent.
- Emerging markets, however, were impacted by concerns about the Federal Reserve's actions to reduce liquidity and slumped to a return (in U.S. dollars) for the year of negative 2.6 percent massively underperforming developed markets.

U.S. EQUITY MARKET

U.S. equities posted a very strong performance in 2013. The Wilshire 5000 Total Market index ended 2013 with a 33.06 percent return, the best single-year performance since 1995, according to a news release from Wilshire Associates. The index return was 10.11 percent in the fourth quarter alone. The Wilshire 5000 slightly outpaced the S&P 500's 32.41 percent return. The Wilshire 5000's high return was led by the Wilshire U.S. Micro-Cap Index and Wilshire U.S. Small-Cap Index, which returned 48.9 percent and 39.01 percent, respectively. The U.S. Large-Cap index was up 32.33 percent. All U.S. equity sub-asset class styles were up more than 30 percent for the year with Small Growth turning in an exceptional 45 percent return. The consumer discretionary sector was the year's top sector performer at 44.26 percent, according to Wilshire. The utilities sector was the worst performing sector for the year with a still solid 15.15 percent result. Without dividends reinvested, the Wilshire 5000 had an estimated market gain of $5.4 trillion for the year, including $2 trillion in the fourth quarter alone.

Even though 2013 was a strong year, active managers found it difficult to distinguish between their high-performing stock picks and those that looked less promising, according to research by S&P Dow Jones Indices. The average variance in returns between stocks in the S&P 500 was at its lowest value in more than two decades, at just below five percent. Note that variance (or dispersion) in this case was a low number and means there was not much difference between the performances of good and bad stocks. The average stock had low deviation from its peers and offered little opportunity for active stock pickers to add alpha last year.

OP&F's 2013 U.S. equity composite return was 35.53 percent gross of fees compared to the Wilshire 5000's 33.06 percent return placing OP&F ahead of its U.S equity benchmark by 247 bps.

NON-U.S. EQUITY MARKET

Developed country stock markets enjoyed stellar performance in 2013, brushing aside concerns over still sluggish recoveries in certain countries and taking full advantage of the easy money made available through accommodative central bank policies. Japanese stocks were especially strong performers, propelled by a sharply weaker yen that made Japanese exports relatively cheap for their trading partners. Despite lingering headaches in continental Europe, that region's stocks also provided strong double-digit returns. Emerging market stocks, on the other hand, struggled in 2013 against local economic slowdowns, concerns over ripple effects of U.S. Federal Reserve policy and political uncertainties.

The MSCI ACWI ex-U.S. Index, representing both developed and emerging international markets posted a 15.29 percent return for 2013. The OP&F Policy Index Iran/Sudan Free turned in a 16.04 percent return. Meanwhile, OP&F's international managers' composite return was 21.01 percent gross of fees, which outdistanced OP&F's international equity policy benchmark by 497 bps.

MASTER LIMITED PARTNERSHIPS

MLPs had strong absolute performance in 2013 with the Alerian MLP Index returning 27.58 percent, while the S&P 500 returned 32.41 percent. It is interesting to note that this means that MLPs have now underperformed the S&P 500 for two straight years (4.83 percent underperformance in 2013 and 11.2 percent underperformance in 2012). Back-to-back years of such underperformance versus the broader markets have not happened since the dot.com period of 1996-1998, albeit the MLP space was decidedly smaller and less-developed than it is now. Strong absolute performance across MLP subsectors has been driven by: overall equity market strength; continued strong fund flows; strong fundamentals providing growth visibility; and internal growth fueled by capital expenditures of roughly $32 billion in 2013.

The internal growth projections in 2013 seemed most focused on crude oil and gathering and processing. The largest area of infrastructure need is the Marcellus / Utica where fractionation, processing, Natural Gas Liquids (NGL) pipeline systems, and gathering are needed to meet booming production. Furthermore, significant infrastructure needs remain in the Gulf Coast, Eagle Ford, Permian, and Mid-Continent to handle additional pipelines and processing. Continued oil production growth in the Bakken and Eagle Ford areas, along with renewed production in Permian, are driving additional infrastructure demand. Finally, the forecasted internal growth and acquisition activity over the next three years for MLPs in general tops $120 billion, which is hopefully indicative that the current elevated growth is sustainable for a longer period.

The OP&F MLP composite return was 32.25 percent gross of fees in 2013, while the benchmark Alerian MLP Index had a return of 27.58 percent giving OP&F's MLP managers a strong 467 bps advantage.

FIXED INCOME

Bond yields ended the year on a high note, which of course is not a good thing for bond prices or bond market returns. The bellwether 10-year U.S. Treasury yield ended the year at 3.03 percent, its highest level since July 2011 and a full 127 bps higher than its yield at year-end 2012. Yields beyond the one-year maturity rose across the remainder of the Treasury yield curve, leading longer-term Treasuries to double-digit annual losses. Investors continued to rotate into investment-grade and high yield corporate bonds during 2013, leading to increasingly tighter spreads relative to a year ago. Developed market bonds as a whole were essentially flat in 2013, while emerging market debt lost ground as investors found the asset space less attractive than in previous years.

OP&F's core fixed income composite returned negative 1.05 percent gross of fees versus the Barclays Aggregate Index return of negative 2.02 percent for 2013, which represents outperformance of 97 bps. The Inflation Linked Policy return was a dreadful negative 13.10 percent for the year, while the Global Inflation Protected Securities manager's return was a better, but still painful, negative 10.62 percent gross of fees, which is a 248 bps advantage.

HIGH YIELD

High Yield issuers' and investors' worst fears were somewhat alleviated when regulators re-crafted the Volcker Rule (under the Dodd-Frank Act) to only prohibit speculative proprietary trading while maintaining an allowance for market making activities. This flexibility in the accommodative trading is vitally important in the high yield market where a limited number of broker-dealers make two-sided markets in non-investment grade bonds.

After a difficult second quarter for the high yield market, it rebounded strongly in the second half despite a sharp rise in rates. On average the five major high yield indices gained 0.58 percent in December, and 3.52 percent for the fourth quarter, bringing the year-to-date return to an unexpected 7.4 percent. The loan market showed impressive performance compared to the poor results of investment grade bonds, Treasuries and money market funds. The S&P Loan Syndications and Trading Association (LSTA) Leveraged Loan Index gained 0.47 percent in December, 1.70 percent for the quarter, and ended the year with a 5.29 percent gain. The risk-on trade was most apparent in performance by ratings category. For 2013, BB-rated bonds advanced 5.19 percent, B-rated bonds increased 7.47 percent, while CCC-rated bonds jumped 12.96 percent according to the BofA, Merrill Lynch U.S. High Yield Index.

Investment bankers certainly had much to celebrate this past year. The new issue market set all time records in 2013 as companies capitalized on low borrowing costs and strong demand. In bonds, there were 820 transactions, aggregating $398.5 billion, compared to 750 deals totaling $368.1 billion in 2012. In 2013, 1,233 new Bank Loan issues came to market, totaling $669.1 billion, versus 689 transactions, representing $300.5 billion, in 2012. In a cheap money environment, where refinancing represented 56 percent of all new high yield bond issues, the default rate hit a historic low level. According to Credit Suisse the default rate dipped to 0.91 percent on a trailing 12-month basis. The main reason spreads continue to contract is because the risk of default is remarkably low and should remain so for the foreseeable future.

OP&F's composite high yield (HY) return was 6.15 percent gross of fees in 2013, while its benchmark, the Credit Suisse First Boston (CSFB) Developed Countries HY Index, returned 7.52 percent leaving OP&F high yield trailing by 137 bps.

REAL ESTATE

Real estate markets continued their recovery in 2013, driven by both favorable capital market conditions and a fairly steady improvement in demand-side fundamentals. Nationally, new supply remained subdued, though development was occurring in certain markets.

Over the 12 months ended Sept. 30, 2013, (real estate returns are lagged by quarter) the total real estate portfolio delivered a 15.4 percent return gross of fees, consisting of a 5.1 percent income return and a 9.9 percent appreciation return. Net of fees, the portfolio delivered a return of 13.2 percent over that period, exceeding the Open End Diversified Core Equity (ODCE) index by 120 bps. This equates to $156.5 million in total net profit for the 12 month period, or $13.0 million above the benchmark.

OP&F's real estate portfolio performed well over the long run. It exceeded the ODCE index by over 110 bps per year over the 10 years ended Sept. 30, 2013, net of fees. The portfolio is structured with a goal of exceeding the index by 50 bps over full market cycles.

Over the past several years, value was added through allocation decisions, through investment selection, and by participation in exclusive opportunities. For example, OP&F's conscious overweight to the Strategic Portfolio added over 50 bps to the total return over the past three years, as investors in search of security drove values higher for the types of high-quality, well-located, well-leased assets that dominate OP&F's Strategic Portfolio. During the year, OP&F also participated in seeding a new open-end fund for the fourth time in the last 10 years, obtaining unique benefits and very strong initial returns in 2013 in exchange for its efforts and commitment.

Looking forward, OP&F anticipates that returns from the lower-risk Strategic Portfolio will be driven by current income and by income growth, rather than by the broad capital market uplift that drove appreciation returns for the past several years. Accordingly, OP&F removed its overweight to the Strategic Portfolio during 2013 and will seek to maintain its near-target weighting in 2014. In the Strategic Portfolio, OP&F will continue to benefit from significant fee reductions that it has received in exchange for its efforts to seed new open-end funds. These fee savings, as well as other benefits given to founding investors, provide a meaningful advantage relative to the ODCE benchmark.

OP&F also invests in non-core real estate through its Tactical Portfolio. These investments are designed to generate higher returns by accepting calculated risks.

Attractive non-core investment opportunities remain available, though expected returns have trended downward as the recovery has progressed. In light of this dynamic, OP&F deployed capital at a moderate pace in its Tactical Portfolio during 2013, committing $145 million to two closed-end funds and one open-end fund. OP&F will seek to maintain a moderate investment pace during 2014 and will continue its practice of investing with market specialists that have a demonstrated record of managing risk well. The addition of a second lower-risk, open-end fund to the Tactical Portfolio during 2013 serves to lower the overall risk/return profile and the overall fee load of the Tactical Portfolio. That fund also provided OP&F with substantial benefits as a founding investor.

In addition to seeking to achieve its return target, OP&F remains focused on Real Estate's strategic objectives of diversifying OP&F's broader portfolio and serving as a partial inflation hedge. Each investment is selected based on its risk/return profile and on its perceived ability to achieve other strategic objectives.

OP&F's total real estate exposure decreased during the 12 months ended Sept. 30, 2013 from 10.1 percent to 9.7 percent due to (i) a redemption that was designed to remove an intentional overweight in the Strategic Portfolio and (ii) very strong returns in the public equities market, which increased the total plan size. Current exposure is slightly below the range for real estate of 10 to 14 percent, but the reduction in exposure is consistent with OP&F's philosophy of investing patiently and prioritizing risk-adjusted returns ahead of market exposure.

Figures in this section are presented as of Sept. 30, 2013 due to the fact that private market reporting lags public market reporting.

PRIVATE MARKETS

For the year ended Sept. 30, 2013 (private market returns are lagged by one quarter), OP&F's private markets portfolio provided a return of 11.50 percent versus its policy benchmark (Wilshire 5000 + 3 percent) return of 24.59 percent. It should be noted that comparing private markets' performance with that of public markets in the short term can be misleading, especially when public markets performance is significantly positive or negative. For a more relative comparison during these times, one may want to look at different private markets' benchmarks. In terms of the two most prominent private markets subsectors, venture capital and private equity (i.e. mostly buyouts), the one-year pooled return, net to limited partners, for the Cambridge Associates LLC U.S. Private Equity Index was 17.19 percent as of Sept. 30, 2013, while the Cambridge Associates LLC U.S. Venture Capital Index returned 15.09 percent. Looking beyond the U.S., in U.S. dollar terms, the one-year pooled return, net to limited partners, for the Cambridge Associates LLC Global ex-U.S. Developed Markets Private Equity and Venture Capital Index was 14.38 percent while the Cambridge Associates LLC Global Emerging Markets Private Equity and Venture Capital Index returned 9.51 percent. As in 2012, capital markets faced some headwinds in 2013, such as a U.S. government shutdown and slowing of certain significant emerging economies like Brazil. Fortunately, despite these headwinds, risk-based assets, such as private markets, posted a solid year helped in part by the continued injection of liquidity by global central banks. Other notable positives for the private markets industry are the gradual but sustaining U.S. economic recovery, receptive developed country stock markets and the availability of cheap debt. Challenges for the private markets industry are mostly the result of its recent successes. For example, recent strong distribution activity and buoyant developed country stock markets have led to many institutional investors being underweight to the asset class. This is leading to many of them placing new capital, on top of the significant overhang of capital from previous commitments, in the asset class resulting in increased competition for deals and higher purchase price multiples. From a macro perspective, the biggest challenge not only for private markets but most asset classes may be the Federal Reserve's recent initiation of tapering of quantitative easing and any resulting impact on global capital markets going forward.

As for the state of private markets, assessing metrics such as fundraising, investment activity and exit environments across venture capital and buyouts provide insights on the health of the industry as a whole. With respect to fundraising, both North American and European buyout funds saw an increase, while venture capital experienced a decline. As mentioned above, recent strong distribution activity in the buyout sector lifted fundraising in 2013. As mentioned in prior years' Investment Reports, the bifurcation between the "haves" and "have nots" in the industry in terms of fundraising continues, especially in the venture capital sector. North American and European buyout funds experienced steady investment activity in 2013, while venture capital experienced an increase. Investment activity in the buyout sector is being stymied a bit by the aforementioned high purchase price multiples, competition from strategic buyers with significant cash reserves and robust developed country capital markets providing an alternative exit route. Finally, exit environments for both buyout and venture capital funds improved in 2013. Unlike 2012 when Facebook skewed venture-backed initial public offering (IPO) statistics, venture-backed IPOs were more broadly-based this past year.

OP&F continues to work prudently toward its eight percent target allocation to the private markets asset class. On an invested basis, private markets comprised approximately 4.3 percent of OP&F's total assets at year-end. Total committed capital since inception of OP&F's private markets program through Dec. 31, 2013, was $1,533.5 million, of which $600.6 million has yet to be called. In addition, OP&F had commitments of €80.5 million, of which €28.9 million has yet to be called. Distributions since inception of the program have totaled $695.9 million and €32.8 million.

In the future, OP&F will continue to work toward its eight percent target by focusing on domestic and global direct partnerships and, on an opportunistic basis, fund-of-funds (both U.S. and Non-U.S.) and secondary partnerships. OP&F recently hired a dedicated private markets investment consultant to assist in sourcing, screening and conducting due diligence on potential opportunities. OP&F believes that implementing its private markets exposure mainly through direct partnerships will allow it to achieve better risk-adjusted, net of fees, returns for the program, as well as reduce costs and ensure a successful implementation of the annual investment plans. As always, OP&F and its new private markets consultant will prudently recommend commitments that allow the private markets portfolio to remain compliant with the various investment guidelines contained within OP&F's Private Markets Investment Policy.

TIMBER

OP&F hired its first timber investment managers in 2012. Since that time, the managers have spent their time looking for opportunities and have begun building diversified portfolios of timberlands, across geographies, species and age classes. By the end of the 2013, OP&F had committed $375 million to the asset class, of which $143.6 million had been called. Distributions since inception have totaled $0.51 million. For the year ended Sept. 30, 2013 (timber returns are lagged by one quarter), OP&F's timberland portfolio provided a return of 3.37 percent versus its policy benchmark (Consumer Price Index + 5 percent) return of 6.98 percent. Given the youthfulness of the investments made to date and the long-term nature of the asset class, returns are not yet meaningful.

The timber market, in summary, continues on its road to recovery as measured across several dimensions. From a valuation and return perspective, The National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index had a total return in 2013 of 9.69 percent. This index is generally regarded as the best proxy for U.S. private timberlands financial performance. The total return of 9.69 percent consisted of a 2.80 percent income return and an appreciation return of 6.75 percent. The income return component was driven by increased harvest levels while the appreciation return component was driven by aggressive discount rates and future product pricing levels by buyers of timberland. Several demand factors are poised to drive U.S. lumber production higher, which in turn should drive timber prices higher along with returns for the asset class. However, the most prominent driver will continue to be the strength of the U.S. housing market. The U.S. housing market is expected to strengthen in the near term given a continued recovery in housing starts, current record low inventory of new homes available for sale, and increased population growth and household formation. Another demand factor that will also contribute to a strengthening in timber prices, especially for the U.S. Pacific Northwest region as well as several international timber markets, is the continued demand for logs and lumber from China. From a supply perspective, the Canadian Pine Beetle Epidemic will have a major impact on timber supply to the U.S. and on exports to selected international markets given the demise of a significant amount of timber stand in western Canada. On the transaction front, the value of U.S. timberland transactions changing hands in 2013 was nearly $4.5 billion.

On an invested basis, timber comprised approximately 0.9 percent of OP&F's total assets as of year-end. In the future, OP&F will continue to work toward its five percent timber target by reviewing existing relationships for further investment and by looking at new managers. As always, OP&F continues to look for ways to diversify its timber portfolio in order to achieve the highest risk-adjusted returns as well as to manage the timber portfolio to comply with its policy objectives and guidelines.

2014 DEVELOPMENTS AND CHALLENGES AHEAD

As indicated in other sections of this Investment Report, OP&F will continue to evaluate the appropriate structure of the remaining two-thirds of its core fixed income assets as well as review direct lending strategies to complete the remaining allocation to high yield. With the early 2014 hiring of TorreyCove Capital Partners as its non-discretionary private markets consultant, OP&F will now look to implement the majority of its private markets exposure through direct partnerships. OP&F believes this move will allow it to achieve better risk-adjusted, net of fees returns for the program, reduce costs and successfully implement current and future annual investment plans for the asset class. Below are some of the other items already addressed in 2014 and a number that still lie ahead:

- Amended OP&F's Investment Policy and Guidelines statement.
- Amended OP&F's Proxy Voting Policy.
- Approved the 2014 Private Markets Investment Plan.
- Continued to work toward target allocation in private markets with a commitment to:
    - Montauk TriGuard VI.
- Continued to work toward target allocation in real estate with a commitment to:
    - Greystar Equity Partners VIII.
- Completed initial investment in first stage of PIMCO multi-strategy fixed income solution.
- Complete review and implementation of final stage of PIMCO multi-strategy fixed income solution.
- Began a new effort to allocate to direct lending strategies
    - Made commitment to MC Credit Fund I.
    - Conduct due diligence on multiple direct lending managers.
- Continue shifting assets in keeping with OP&F's asset allocation implementation plan and the total portfolio policy benchmark targets.

- Amend OP&F's Private Markets Investment Policy.
- Implement 2014 Private Market Investment Plan.
- Implement 2014 Real Estate Investment Plan.
- Evaluate composition of Real Estate Strategic Portfolio for possible rebalancing.
- Continue due diligence on timberland investment management organizations and make progress toward targeted allocation for timber.

As mentioned above, OP&F expects to dedicate a significant amount of time in 2014 evaluating the remaining two-thirds of its core fixed income allocation as well as additional direct lending strategies. From an operational standpoint, OP&F continues to look for ways to improve the efficiency of and reduce the costs of its operations.

INVESTMENT PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO SUMMARY - AS OF DEC. 31, 2013

Investment Type	Percent of Net Investment Value	Fair Value
Cash and Cash Equivalent	4.59%	$650,131,430
U.S. Government Obligations	2.47%	350,091,438
U.S. Government Agencies	0.17%	23,393,524
U.S. Government Treasury STRIPS	0.68%	96,351,349
Municipal Bond Obligations	0.04%	5,599,250
Corporate Bonds and Obligations	13.32%	1,886,172,148
Domestic Commingled Bonds	2.51%	355,464,546
Mortgage and Asset-Backed Obligations	3.25%	460,202,991
Non-U.S. Inflation-Linked Bonds	2.25%	317,807,744
Domestic Stocks	11.51%	1,628,905,015
Domestic Pooled Stocks	15.08%	2,134,610,631
International Equities	24.34%	3,445,730,599
Real Estate	9.18%	1,299,051,913
Commercial Mortgage Funds	0.26%	37,435,551
Private Equity	4.45%	630,467,741
Timber	1.07%	151,680,688
Master Limited Partnerships	4.77%	675,116,080
GRAND TOTAL	99.94%	**$14,148,212,638**
Accrued Income	0.24%	33,573,405
Sales Receivable	0.30%	42,815,021
Purchases Payable	(0.48)%	(68,265,634)
TOTAL INVESTMENT NET ASSET VALUE	**100.00%**	**$14,156,335,430**

TEN LARGEST COMMON STOCKS (BY FAIR VALUE)

Stock	Shares	Fair Value
Toyota Motor Corp.	863,577	$ 52,748,815
Roche Holdings AG-Genusschein	182,291	51,078,785
Novartis AG-Reg Shs	578,067	46,279,159
Mitsubishi Tokyo Financial	5,181,237	34,211,297
Rolls-Royce Holdings PLC	1,505,611	31,794,269
British American Tobacco PLC	573,099	30,734,941
Novo Nordisk A/S-B	165,291	30,346,550
HSBC Holdings	2,669,624	28,972,930
Sanofi-Aventis	264,629	28,121,463
Vodafone Group PLC	6,733,888	26,432,615

TEN LARGEST BONDS AND OBLIGATIONS (BY FAIR VALUE)

Description	Coupon	Maturity Date	Par Value	Fair Value
U.S. Treasury STRIPS	–	May 15, 2020	$ 15,306,000	$ 13,213,517
Sprint Capital Corp.	6.875	Nov. 15, 2028	13,437,000	12,664,373
Realogy Corp	–	Oct. 10, 2016	11,884,994	12,008,800
U.S. Treasury STRIPS	–	Aug. 15, 2017	11,706,000	11,221,372
U.S. Treasury Note	3.125	May 15, 2019	9,138,000	9,737,727
Hilton Worldwide Finance LLC	–	Oct. 25, 2020	8,174,342	8,251,017
VPI Escrow Corp	6.375	Oct. 25, 2020	7,820,000	8,240,325
U.S. Treasury STRIPS	–	Nov. 15, 2014	8,000,000	7,989,600
Sandridge Energy Inc	7.500	March 15, 2021	6,995,000	7,327,263
Linn Energy LLC/Fin Corp	6.500	May 15, 2019	6,960,000	7,099,200

TEN LARGEST REAL ESTATE HOLDINGS (BY FAIR VALUE)

Description	Fair Value
Prudential PRISA	$164,471,456
JP Morgan Strategic Property Fund	139,535,805
UBS Trumbull Property Fund	117,268,048
Heitman Core Property Fund	111,314,693
Jamestown Premier Property Fund	99,957,407
Morgan Stanley Prime Property Fund	71,676,322
Lion Industrial Trust	59,286,297
LaSalle Property Fund, LP	56,479,647
Blackstone Real Estate Partners VII	44,927,607
DivcoWest Fund III, LP	43,986,549

A complete listing of portfolio holdings can be obtained by calling (614) 228-2975

SCHEDULE OF INVESTMENT RESULTS (FOR THE YEAR ENDED DEC. 31, 2013)

	Annualized Rates of Return		
	1-Year	3-Year	5-Year
U.S. Equity			
OP&F	35.53%	16.06%	20.54%
Wilshire 5000	33.06%	15.96%	18.58%
International Equity			
OP&F	21.01%	8.35%	15.37%
International Equity Policy Benchmark *	16.04%	5.41%	12.99%
Fixed Income			
OP&F - Core	(1.05)%	3.83%	6.54%
Barclays Aggregate	(2.02)%	3.26%	4.44%
OP&F - High Yield (HY)	6.15%	9.17%	17.08%
CSFB Developed Countries HY	7.52%	9.18%	18.10%
OP&F - GIPS	(10.62)%	11.66%	12.00%
Barclays Global Inflation Linked Bond Index	(13.10)%	7.05%	7.24%
OP&F - Commercial Mortgages **	6.72%	5.66%	6.45%
Barclays Mortgage Index **	(1.20)%	2.65%	4.66%
Master Limited Partnerships			
OP&F	32.25%	NA	NA
Alerian MLP Index	27.58%	NA	NA
Real Estate **			
OP&F	15.11%	15.38%	0.20%
NCREIF ODCE Index	11.97%	13.17%	(0.24)%
Private Equity **			
OP&F	11.50%	12.86%	7.42%
Wilshire 5000 + 3%	24.59%	19.98%	13.76%
Timber **			
OP&F	3.37%	NA	NA
CPI + 5%	6.98%	NA	NA
Total Portfolio			
OP&F	16.94%	11.45%	14.13%
Policy Index***	14.61%	10.50%	12.94%

* International Equity benchmark is a blend of the MSCI ACWI ex U.S. (Net) through June 30, 2011 and the MSCI ACWI ex U.S. Iran/Sudan Free (I/S Free) from July 1, 2011 forward.

** One quarter in arrears.

*** Interim Policy Index: 22.4 percent Wilshire 5000, 21.6 percent MSCI ACWI ex-U.S. Iran/Sudan Free, 11.5 percent Barclays Aggregate, 15 percent Credit Suisse First Boston (CSFB) Dev. Countries HY, 6.5 percent Global Treasury Inflation Protected Securities (TIPS) Custom, 11 percent NCREIF ODCE Index Lagged, 5 percent Wilshire 5000 + 3 percent Lagged, 2 percent CPI + 5 percent (Net), 5 percent Alerian MLP Index.

- Long-Term Policy: 18.5 percent Wilshire 5000, 18.5 percent MSCI ACWI ex-U.S. (Net) Iran/Sudan Free, 23 percent Barclays Aggregate, 15 percent CSFB Dev. Countries HY, 13 percent Global TIPS Custom, 12 percent NCREIF ODCE Index Lagged, 8 percent Wilshire 5000 +3 percent Lagged, 5 percent CPI + 5 percent (Net), 5 percent Alerian MLP Index (adds to 118 percent as "Risk Parity" approach uses levered core fixed income and levered Global Inflation-Protected Securities).

Time Weighted methodology, based upon fair market values, is used when calculating performance.

INVESTMENT CONSULTANTS AND MONEY MANAGERS (FOR THE YEAR ENDED DEC. 31, 2013)

INVESTMENT CONSULTANTS
(The) Townsend Group
Wilshire Associates

INVESTMENT MANAGERS – U.S. EQUITY
AQR Capital Management
Bridgewater Associates LP
Columbia Asset Management
EARNEST Partners, LLC
FX Concepts, LLC
Grosvenor Capital Management LP
Mellon Capital Management
N.A. Investcorp, LLC
Russell Implementation Services Inc.
State Street Global Advisors

INVESTMENT MANAGERS - REAL ESTATE
AEW Capital Management
(The) Blackstone Group
CB Richard Ellis Investors, LLC
Clarion Partners
Colony Capital, LLC
DivcoWest Real Estate Services, LLC
DLJ Real Estate Capital Partners, Inc.
Exeter Property Group
Fortress Japan Opportunity Management LLC
Fremont Realty Capital, LP
Greystar Investment Group, LLC
Heitman Capital Management, LLC
Hunt Investment Management
INVESCO Realty Advisors
Jamestown Premier GP, LP
JP Morgan Investment Management, Inc.
LaSalle Investment Management
Lone Star Funds
Lubert-Adler Management Co., LLC
Morgan Stanley Real Estate Advisors, Inc.
Prudential Real Estate Investors
Savanna Investment Management, LLC
Starwood Capital Group
Stockbridge Real Estate Fund
TA Realty Associates
Tricon Capital Group, Inc.
TriGate Capital
UBS Realty Investors, LLC
USAA Eagle Real Estate, GP, LLC
VBI Real Estate
Walton Street Capital, LLC
Westbrook Partners, LLC

INVESTMENT MANAGERS – FIXED INCOME
Bridgewater Associates LP
JPMorgan Investment Advisors Inc.
Loomis Sayles & Company, LP
MacKay Shields, LLC
Neuberger Berman
Pacific Investment Management Company, LLC
PENN Capital
Prima Capital Advisors, LLC
Western Asset Management

INVESTMENT MANAGERS – INTERNATIONAL EQUITY
Causeway Capital Management LLC
Dimensional Fund Advisors
Franklin Templeton
Pyramis Global Advisors
Thornburg Investment Management, Inc.

INVESTMENT MANAGERS – PRIVATE EQUITY
Abbott Capital Management, LLC
Adams Street Partners
Advent International
Athenian Venture Partners
Blue Chip Venture Partners, LP
Blue Point Capital Partners, LP
Brantley Venture Partners
Coller Capital
Conway MacKenzie
Francisco Partners
GTCR LLC
HarbourVest Partners, LLC
Harvest Partners
Horsley Bridge Partners, LLC
Kirtland Capital Partners
Landmark Equity Partners
Leonard Green & Partners, LP
Lexington Capital Partners
Linsalata Capital Partners
MV Economic Development, Ltd.
Montauk TriGuard Management, Inc.
Morgenthaler Venture Partners
Northgate Capital Group
Park Street Capital
Peppertree Partners, LLC
Primus Venture Partners
(The) Riverside Company
Summit Partners
TA Associates, LP
Warburg Pincus
Wilshire Private Markets, LLC

INVESTMENT MANAGERS - TIMBER
Brookfield Timberlands Management
Forest Investment Associates
Global Forest Partners
Hancock Timber Resource Group

INVESTMENT MANAGERS – MASTER LIMITED PARTNERSHIPS
Harvest Fund Advisors, LLC
Russell Implementation Services
Salient Capital Advisors, LLC
Tortoise Capital Advisors, LLC

OTHER PROFESSIONAL CONSULTANTS
(see page iv)

SCHEDULE OF BROKERS' FEES PAID (FOR THE YEAR ENDED DEC. 31, 2013)

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
Goldman Sachs	$378,123	15,867,082	$0.0238
Merrill Lynch	274,059	53,437,253	0.0051
Morgan Stanley	242,080	14,808,365	0.0163
UBS	241,035	27,382,346	0.0088
Credit Suisse First Boston	215,373	12,104,467	0.0178
Barclays	187,318	12,140,812	0.0154
Citigroup Global Markets	180,127	40,018,374	0.0045
Investment Technology Group	174,807	13,538,081	0.0129
JP Morgan Securities LLC	148,980	11,855,547	0.0126
Macquarie Capital Inc	130,286	8,108,853	0.0161
Deutsche Bank	104,570	5,282,176	0.0198
Jefferies & Co., Inc.	98,103	5,984,044	0.0164
Bloomberg Tradebook	83,267	7,200,532	0.0116
RBC Capital Markets	81,211	4,458,577	0.0182
Instinet	76,034	5,821,387	0.0131
Frank Russell Securities/Broadcort	69,610	6,395,499	0.0109
Nomura Securities International Inc.	62,061	19,064,910	0.0033
Liquidnet Inc.	59,322	4,582,834	0.0129
FBR Capital Markets	56,716	1,890,537	0.0300
BTIG LLC	45,522	2,856,159	0.0159
Weeden & Co. LLC	40,637	3,109,593	0.0131
Keybanc Capital Markets	36,752	1,195,320	0.0307
Keefe Bruyette & Woods Inc.	34,686	1,360,943	0.0255
Execution Noble Ltd	31,410	4,365,628	0.0072
SG Americas Securities	29,544	1,365,685	0.0216
Russell Implementation Services	26,625	2,662,473	0.0100
Sanford C. Bernstein	26,424	2,596,339	0.0102
Daiwa	25,789	1,068,253	0.0241
Wells Fargo Securities	24,958	931,256	0.0268
CLSA	24,797	1,682,606	0.0147
Cantor Fitzgerald & Co. Inc.	24,662	2,112,609	0.0117
Raymond James & Associates Inc.	22,156	710,201	0.0312
Davy Stockbrokers	20,881	381,645	0.0547
Brokers Less than $20,000	453,092	23,327,205	0.0194
TOTAL	**$3,731,017**	**319,667,591**	**$0.0117**

INVESTMENT POLICY AND GUIDELINES

Minor formatting edits have been made to the Board of Trustees approved investment policy and guidelines in order to provide style consistency throughout the CAFR.

1. INTRODUCTION

The purpose of this Investment Policy and Guidelines (Policy or Statement) is to define the framework for investing the assets (Total Portfolio) of the Ohio Police & Fire Pension Fund (OP&F or Plan). This Statement is intended to provide general principles for establishing the goals of OP&F, the allocation of assets and the employment of outside asset management. The statutory investment authority of the Investment Committee/Board of Trustees (the Board of Trustees or the Board) is set forth in Sections 742.11 to 742.113 and Sections 742.114, 742.116 of the Ohio Revised Code (ORC), as amended from time to time.

The objectives of OP&F have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:

- To have the ability to pay all benefit and expense obligations when due.
- To maintain the purchasing power of the current assets and all future contributions by maximizing the rate of return on OP&F's assets at a reasonable level of risk.
- To achieve and maintain a fully funded status with regard to the accumulated benefit obligation over a 30-year amortization period.
- To control the costs of administering OP&F and managing the investments.

The investment objectives of the Total Portfolio are:

- Long-term returns on Plan investments, in addition to contributions received from members and employers, should satisfy any current funding obligations of the Plan when and as prescribed by law and, once the Plan is fully funded, should keep pace with the growth of Plan liabilities.
- The investment performance goal for the Total Portfolio is to meet or exceed the return of the Total Portfolio policy benchmark over a full market cycle, generally measured over three to five years, without taking on additional risk as measured by standard deviation of returns. The Total Portfolio policy benchmark is a weighted average, based on the allocation target defined in Section III below, of each asset class benchmark.

In order to achieve these objectives, the Board of Trustees will conduct itself in accordance with ORC Section 742.11, which provides "The Board and other Fiduciaries shall discharge their duties with respect to OP&F solely in the interest of the participants and beneficiaries." These duties shall also be carried out "with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims", as referenced in ORC Section 742.11. All aspects of this Statement should be interpreted in a manner consistent with OP&F's objectives. At least annually, the Board shall review and adopt policies, objectives or criteria for the operation of the investment program and make such changes as appropriate.

Investment policies and Investment Manager(s) guidelines referenced in this document are separate policies governing specific aspects of managing the Total Portfolio and are not reproduced in this Statement, but are incorporated by reference as governing documents of the Plan.

2. DEFINITION OF RESPONSIBILITIES

A. INVESTMENT COMMITTEE/BOARD OF TRUSTEES

The statutory investment authority of the Board with regard to the Plan is set forth in Chapter 742, as described above, provides that in its capacity as a fiduciary, the Investment Committee/Board of Trustees must discharge its duties in a prudent manner and for the exclusive benefit of the participants and beneficiaries of the Plan.

In discharging its duties, the responsibilities of the Investment Committee/Board of Trustees pursuant to this Policy include the following:

- Establish the strategic investment policy (Asset Allocation Policy) for OP&F in accordance with the above goals, and periodically review Asset Allocation Policy in light of any changes in actuarial variables and/or market conditions.
- Approve the investment structure for applicable asset classes identified in the Asset Allocation Policy.
- Select qualified Investment Consultant(s) and Investment Manager(s) to advise on and manage OP&F's assets recognizing the goals set forth in ORC Sections 742.11 and 742.116.
- Monitor and review the performance of selected Investment Manager(s) to determine achievement of goals and compliance with policy guidelines.
- Monitor the costs of the investment operations at least annually.
- Review, at least annually, the current investment policies of OP&F and make such changes as appropriate.

- Review applicable annual investment plan(s) prepared by the staff and/or Investment Consultant(s). As conditions warrant, revise the annual investment plan(s) as the year progresses.
- Monitor investment activity for compliance with Board policies and adherence by Investment Manager(s) to strategy and direction.
- Review the overall investment performance to determine whether it meets established benchmarks.
- Evaluate and assign all Investment Manager(s) to a rating category as outlined in OP&F's Investment Manager Monitoring and Evaluation Policy.
- Review suggested changes or additions to the functions and operations regarding the investment operations of similar institutional investors.
- Review the proposed investment department annual operating budget and report its recommendations to the Finance Committee.
- Fulfill any other responsibilities as provided in the ORC and Investment Committee Charter.

The Investment Committee/Board of Trustees may authorize others such as OP&F staff, and may utilize the services of external advisors, such as actuaries, auditors, consultants and legal counsel, to implement decisions made by the Board. The comments and recommendations of such parties will be considered by the Board in conjunction with Board discussion of the issues for the purpose of making informed and prudent decisions.

B. STAFF

Staff will be the primary liaison between the Investment Committee/Board of Trustees and the Investment Consultant(s), the Investment Manager(s), and the custodial bank(s). In doing so, the staff will:

- Manage OP&F assets under its care and/or control in accordance with this Policy's objectives and guidelines set forth herein.
- Implement Board decisions regarding asset allocation, investment structure, Investment Manager(s) selection, and portfolio rebalancing procedures.
- Coordinate the Investment Manager(s) selection, evaluation, and retention decisions for the Plan's investments, consistent with OP&F's Investment Manager Search Policy.
- Monitor both internally and externally managed assets to ensure compliance with guidelines set forth in this Policy.
- Establish a process to promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein and OP&F's Proxy Voting Policy. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory objectives related thereto.
- Manage the overall liquidity in the Total Portfolio to ensure timely payment of member benefit payments and Plan expenses and the investment of contributions consistent with established asset allocation and portfolio rebalancing policies.
- Report to the Board at least quarterly regarding the status of the Total Portfolio and its performance for various time periods. Meet with the Board at least annually to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with this Policy set forth herein, and as modified in the future.

C. INVESTMENT CONSULTANT(S)

The Investment Committee/Board of Trustees may retain an investment consulting organization or organizations (the Investment Consultant(s)) to assist in the overall strategic investment direction of the Total Portfolio, or specific asset classes, and its implementation. Each such Investment Consultant(s), in recognition of its role as a fiduciary of the Plan, will assume specific duties. These duties shall generally include the following:

- Provide independent and unbiased information.
- Assist in the development of this Policy and other policies that govern the Plan investments.
- Monitor compliance with this Policy.
- Assist in the development and recommendation of strategic asset allocation targets, investment structure, and rebalancing procedures, or, the development of investment structure for a specified asset class.
- Assist in development of performance measurement standards.
- Assist in the Investment Manager(s) search and selection process consistent with OP&F's Investment Manager Search Policy.

- Monitor, evaluate and report to the Board on Total Portfolio and/or Asset Class and Investment Manager(s) performance on an ongoing basis.
- Conduct due diligence when an Investment Manager(s) fails to meet a standard.
- Establish a procedural due diligence search process.

D. INVESTMENT MANAGER(S)

The Investment Committee/Board of Trustees may, from time to time, cause the Plan to retain one or more qualified investment managers (Investment Manager(s)) to manage a portion of the Plan assets. When applicable, the Investment Committee/ Board of Trustees shall approve each Investment Manager(s) guidelines, which may set forth the purpose, Investment Manager(s) philosophy and approach, authorized investments, prohibitions, typical portfolio characteristics, performance objectives and evaluation, and Investment Manager(s) communications. The Investment Manager(s) have certain responsibilities that include the following:

- Manage OP&F assets under its care, custody, where applicable, and/or control in accordance with this Policy's objectives and guidelines set forth herein and its governing agreement with OP&F.
- Exercise full investment discretion over the assets in their care within the guidelines set forth in this Policy and, where applicable, the specific guidelines established for the Investment Manager(s) in the governing agreements with OP&F.
- Constructing a portfolio of securities that reflects the execution of a specific investment strategy.
- Promptly inform the Board and staff in writing regarding all changes of a material nature pertaining to the firm's organization and professional staff.
- If directed, promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein and OP&F's Proxy Voting Policy. Each Investment Manager(s) designated to vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Provide reporting to the Board or staff or Investment Consultant(s) quarterly regarding the status of the portion of the Total Portfolio managed by the Investment Manager(s) and its performance for various time periods. Meet with the Board or staff or Investment Consultant(s) annually or as needed to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with this Policy set forth herein, and as modified in the future.

E. OFFICE OF THE OHIO TREASURER/BOARD OF DEPOSIT/CUSTODIAN(S)

Per Section 742.11 of the ORC, the Treasurer of the State of Ohio (the Treasurer of State) is designated as custodian of investment assets. As custodian, the Treasurer of State or its designee (as described below) will be responsible for holding and safekeeping Plan assets, settling purchases and sales of securities; and identifying and collecting income which becomes due and payable on assets held. The Treasurer of State may engage a qualified bank or trust company, as authorized agent of the Treasurer of State, to perform certain services on behalf of the Treasurer of State to fulfill its responsibilities as custodian.

3. ASSET ALLOCATION AND REBALANCING

It is the responsibility of the Board to determine the allocation of assets among distinct capital and private markets. The allocation will be completed in a manner consistent with commonly recognized financial principles. Application of these principles is expected to lead to a portfolio with the highest level of return consistent with the risk tolerance of OP&F.

The procedure for determining the allocation will consider the relevant characteristics of the liabilities and potential assets of OP&F. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, contributions and total assets. These factors are important for identifying the investment horizon of OP&F and its cash flow requirements. The asset characteristics considered shall include, but not be limited to, the potential return relative to the potential risk, and diversification characteristics.

The asset allocation must be consistent with the investment standards specified in ORC Section 742.11.

The risk/return characteristics of OP&F shall be reviewed on a periodic basis (no less than every five years) through a comprehensive asset liability valuation study. The goal of the study shall be to formulate an Asset Allocation Policy which maximizes return while minimizing overall risk through the most efficient combination of acceptable asset classes under the prudent person standard.

Based on an asset liability valuation study, which analyzed the expected returns, risk and correlations of various asset classes, projected liabilities and the risks associated with alternative asset mix strategies, the Board has established the following Asset Allocation Policy:

Asset Class	Long-Term Target Allocation– Notional Exposure	Range
Domestic Equity	18.5%	±5.5%
Non-U.S. Equity	18.5%	±5.5%
TOTAL EQUITY	**37.0%**	±5.5%
Core Fixed Income	23.0%	±7.0%
Global Inflation Protected Securities	13.0%	±4.0%
High Yield	15.0%	±4.5%
TOTAL FIXED INCOME	**51.0%**	±7.5%
Real Estate	12.0%	±3.5%
Private Markets	8.0%	±2.5%
Timber	5.0%	±2.0%
Master Limited Partnerships (MLP or MLPs)	5.0%	±1.5%
TOTAL ALTERNATIVES	**30.0%**	±6.0%
Cash Equivalents	–	±0.5%
TOTAL	**118.0%**	

Asset Class	Long-Term Target Allocation–Market Value
Domestic Equity	18.5%
Non-U.S. Equity	18.5%
Core Fixed Income	11.5%
Global Inflation Protected Securities	6.5%
High Yield	15.0%
Real Estate	12.0%
Private Markets	8.0%
Timber	5.0%
MLPs	5.0%
Cash Equivalents	–%
TOTAL	**100.0%**

The most recent study has shown that this is a favorable asset mix for meeting longer-term goals under multiple market conditions. In addition, this study incorporates the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments . From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.18 times due to the application of leverage in certain fixed income asset classes.

The Asset Allocation Policy represents a long-term strategy and thus, the Total Portfolio should strategically meet its performance objectives in the long term but not necessarily every year.

Short-term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, the staff shall direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class. This rebalancing discipline is intended to encourage "buying low" and "selling high" and to keep the Total Portfolio invested at an appropriate overall risk level. Except when there is a perceived extraordinary downside risk in a particular asset class, movement outside the normal ranges should be avoided. Investments in private markets and private real assets (real estate and timber) are generally less liquid than investments in public markets securities and are typically implemented via periodic commitments to funds with limited partnership structures. As a result, actual allocations to these asset classes may deviate from their strategic targets for extended periods. Actual vs. target deviations for these asset classes shall not be considered in violation of the Asset Allocation Policy. Under/overweights to these asset classes shall be invested in public markets securities with the most similar risk/return characteristics as a short-term proxy for the private asset classes. To assist in rebalancing, OP&F may retain a derivative overlay Investment Manager(s) which may provide several benefits including: (1) reduce OP&F's tracking error relative to our target allocations; (2) improve Total Portfolio returns; and (3) reduce the administrative burden associated with management of monthly cash flows.

The Board may adopt interim Asset Allocation Policy target allocations to reflect the transition from previous policy target allocations to new policy target allocations. The interim target allocations will reflect dollar cost averaging and/or opportunistic implementation to most prudently reach the new policy target allocations over time.

4. INVESTMENT IMPLEMENTATION

The implementation of an investment portfolio designed to achieve the Total Portfolio objectives must be consistent with governing statutes as specified in Sections 742.11 to 742.113, 742.114, 742.116 and with the Ohio-Qualified Investment Manager Policy, the Ohio-Qualified Broker Policy, and OP&F's Broker Policy.

Where appropriate, OP&F will invest assets through the use of qualified Investment Manager(s). The allocations to these Investment Manager(s) will be made in accordance with the results of the asset liability valuation study, investment structure analysis, and established procedures.

For a complete description of the selection of Investment Manager(s), please see OP&F's Investment Manager Search Policy.

5. ASSET CLASS OBJECTIVES, CHARACTERISTICS AND INVESTMENT STRUCTURE

Investment structure targets will be established within applicable asset classes to address risk and return factors present in the respective asset class. For example, the domestic equity composite portfolio structural targets will be established to ensure style (growth vs. value) and market capitalization neutrality relative to the overall market, and to address active versus passive implementation decisions. External Investment Manager(s) will be hired to implement the structural targets in a diversified manner and will therefore have derived target weightings within the overall investment program. Where applicable, these are set forth below.

A. DOMESTIC EQUITY

Investment Objectives

Total return of the domestic equity composite portfolio should exceed the return of the Wilshire 5000 Index over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation.

Investment Characteristics

The main focus of investing will be on companies headquartered and/or domiciled in the United States. The domestic equity composite portfolio shall have similar portfolio characteristics as that of the Wilshire 5000 Index, and should not exhibit any size (market capitalization) or style (value vs. growth) bias.

Investment Structure

The structure of the domestic equity composite portfolio will be diversified among passive and active investment strategies as follows:

1. Passive Large Capitalization Core Exposure

The passive large capitalization core component has a target allocation of 50 percent of the domestic equity composite portfolio. This passive portfolio is intended to provide broad market exposure for and diversification to OP&F's domestic equity composite portfolio through holdings in large capitalization equities or futures and is to be constructed so as to match the characteristics and return of the Russell 1000 Index.

2. Active Large Capitalization Portable Alpha Exposure

The active large capitalization portable alpha component has a target allocation of 40 percent of the domestic equity composite portfolio, comprised of 22 percent to global macro strategies and 18 percent to market neutral strategies. The overall objective is to provide risk-adjusted returns greater than the return of the Standard & Poor's (S&P) 500 Index. S&P 500 market exposure, obtained through the use of derivatives and/or physicals, will be combined with strategies that represent diversified sources of alpha with a broad range of risk characteristics. For a complete description of the appropriate use of derivatives, please see OP&F's Derivatives Policy Statement.

3. Active Small Capitalization Core Exposure

The active small capitalization core component has a target allocation of 10 percent of the domestic equity composite portfolio.

B. NON-U.S. EQUITY

Investment Objectives

Total return of the Non-U.S. equity composite portfolio should exceed the return of the Morgan Stanley Capital International All Country World Index ex-U.S. Investible Market Index – Iran and Sudan Free (MSCI ACWI-ex U.S. IMI I/S Free) over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation.

Investment Characteristics

The main focus of investing will be on companies headquartered or domiciled in the MSCI ACWI-ex U.S. IMI countries, which includes both developed and emerging markets. The Non-U.S. Equity composite portfolio shall have similar portfolio characteristics as that of the MSCI ACWI-ex U.S. IMI I/S Free.

Investment Structure

Non-U.S. equity assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the Non-U.S. equity markets. The structure of the Non-U.S. equity composite portfolio will be diversified among active all capitalization ACWI-ex U.S. strategies and dedicated ACWI-ex U.S. small capitalization strategies as follows:

1. Active All Capitalization ACWI-ex U.S. Exposure

The Active All Capitalization ACWI-ex U.S. component has a target allocation of 75 percent of the Non-U.S. equity composite portfolio.

2. Active ACWI-ex U.S. Small Capitalization Exposure

The dedicated Active ACWI-ex U.S. Small Capitalization component has a target allocation of 25 percent of the Non-U.S. equity composite portfolio.

C. FIXED INCOME

1. CORE

Investment Objectives

Total return of the core fixed income composite should exceed the applicable levered return of the Barclays Aggregate Index over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation.

Investment Characteristics

The main focus of investing will be a diversified mix of traditional and non-traditional fixed income securities and/or strategies. Each Investment Manager(s) portfolio shall have similar portfolio characteristics as that of their respective benchmark, however, Investment Manager(s) may have broad investment guidelines to allow for greater flexibility in expressing each Investment Manager(s) core investment themes and therefore, the core fixed income portfolio, as well as each Investment Manager(s) portfolio, may exhibit different portfolio characteristics as that of the Barclays Aggregate Index and respective benchmark, respectively.

Investment Structure

Core fixed income assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in traditional and non-traditional fixed income markets. Given the core fixed income allocation target set forth in the Asset Allocation Policy above, the core fixed income composite portfolio may be levered up to 2.0x.

2. GLOBAL INFLATION PROTECTED SECURITIES (GIPS)

Investment Objectives

Total return of the GIPS composite portfolio should exceed the return of a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation. In addition, there is a portable alpha component to the GIPS composite portfolio whereas the overall objective is to provide risk-adjusted returns greater than the return of the custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index.

Investment Characteristics

The main focus of investing will be a diversified mix of global inflation-linked securities. The GIPS composite portfolio, as well as each Investment Manager(s) portfolio, shall have similar portfolio characteristics as that of a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index.

Investment Structure

GIPS assets will be managed on an active basis. Given the GIPS allocation target set forth in the Asset Allocation Policy above, the GIPS composite portfolio will be levered approximately 2.0x. GIPS exposure, obtained through the use of derivatives and/or physical bonds, will be combined with a strategy that provides a diversified source of alpha with customized risk tolerances. Implementation of the GIPS composite portfolio will be consistent with OP&F's Derivatives Policy Statement, which provides a complete description of the appropriate use of derivatives in the Plan.

3. COMMERCIAL MORTGAGES

The commercial mortgage composite portfolio represents an existing portfolio that is being liquidated over time.

Investment Objectives

While in existence, the total return of the commercial mortgage composite portfolio should exceed the return of the Barclays Mortgage Index; both the returns for the commercial mortgage composite portfolio and Barclays Mortgage Index are lagged one quarter.

Investment Characteristics

While in existence, the main focus of investing will be on commercial mortgage whole loans which provide for fixed income payments derived from underlying property cash flows. Risk shall be controlled through diversification strategies and the retention of qualified Investment Manager(s) with acceptable loan underwriting and/or commercial mortgage acquisition experience.

Investment Structure

While in existence, commercial mortgage assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the commercial mortgage market. OP&F will utilize commingled fund investments to manage its commercial mortgage allocation.

D. HIGH YIELD

Investment Objectives

Total return of the high yield fixed income composite portfolio should exceed the return of the CS First Boston High Yield Index, Developed Countries Only over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation.

Investment Characteristics

The main focus of investing will be on below investment grade fixed income securities, those securities rated below BBB- or equivalent. Positions may include publicly traded high yield bonds as well as public and private bank loans and direct lending strategies. The high yield fixed income composite portfolio shall have similar portfolio characteristics as that of the CS First Boston High Yield Index, Developed Countries Only, or a blended benchmark of the aforementioned index, leveraged loan indices and direct lending strategies. Each Investment Manager(s) portfolio shall have similar portfolio characteristics as that of their respective benchmark.

Investment Structure

High yield fixed income assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the high yield fixed income markets and to minimize the probability of exposure to securities in default.

E. REAL ESTATE

Investment Objectives

The primary role of real estate in the Total Portfolio is to provide: (i) an inflation hedge, (ii) diversify the Total Portfolio by providing a return that has a low or negative correlation with stock and bond returns and (iii) provide a total return that is competitive on a risk–adjusted basis with stocks and bonds and is accretive to OP&F achieving its long-term target rate of return. The return target for the real estate composite portfolio is set forth in OP&F's Real Estate Strategic Plan. Both the returns for the real estate composite portfolio and respective benchmark(s) are lagged one quarter.

Investment Characteristics

Investments will adhere to certain risk management and diversification criteria set forth in OP&F's Real Estate Strategic Plan.

Investment Structure

The target allocation of Total Portfolio assets to real estate will be established by OP&F's long-term Asset Allocation Policy. In order to meet this allocation target, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the underlying real estate investments.

F. PRIVATE MARKETS

Investment Objectives

The private markets composite portfolio is designed to provide an attractive risk-adjusted rate of return to OP&F. The performance objective for the private markets composite portfolio and for individual investments is set forth in OP&F's Private Markets Investment Policy. Both the returns for the private markets composite portfolio and respective benchmark are lagged one quarter.

Investment Characteristics

Investments will be diversified by certain criteria as set forth in OP&F's Private Markets Investment Policy.

Investment Structure

OP&F may utilize any of the following types of vehicles in implementing the private markets composite portfolio: fund-of-funds, partnerships, limited liability companies or group trusts. OP&F may also participate in secondary offerings or purchase private markets placements from other investors on the secondary market. Annual commitment targets to such investments will be established by OP&F's Private Markets Investment Plan. As stated in OP&F's Private Markets Investment Policy, in order to meet the target allocation of Total Portfolio assets to private markets investments, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the underlying individual private markets investments.

G. TIMBER

Investment Objectives

The primary performance objective, along with the strategic objectives, of the timber composite portfolio will be set forth in OP&F's Timberland Investment Policy. Both the returns for the timber composite portfolio and respective benchmark are lagged one quarter.

Investment Characteristics

Investments will be diversified by certain criteria as set forth in OP&F's Timberland Investment Policy.

Investment Structure

The target allocation of Total Portfolio assets to timber will be established by OP&F's long-term Asset Allocation Policy. In order to meet this allocation target, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the individual timberland investments, with the exception of investments in timberland-focused public Real Estate Investment Trusts (REITs) or exchange traded funds.

H. MASTER LIMITED PARTNERSHIPS (MLP)

Investment Objectives

Total return of the MLP composite portfolio should exceed the return of the Alerian MLP Index over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines or applicable documentation.

Investment Characteristics

The main focus of investing will be on publicly traded partnership units of energy-focused MLP companies. The MLP composite portfolio as well as each Investment Manager(s) portfolio shall have similar portfolio characteristics as that of the Alerian MLP Index.

Investment Structure

MLP assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the MLP publicly-traded partnership markets.

I. CASH EQUIVALENTS

Investment Objectives

Total return of the cash equivalents composite portfolio should exceed the 91-day Treasury Bill rate of return over rolling twelve-month periods. To provide effective cash management when investing cash balances, emphasis is placed on the protection of principal through the purchase of higher quality money market instruments, while at the same time attempting to achieve the highest available return.

Investment Characteristics

Authorized investments, minimum short-term credit ratings, portfolio concentration limits and maturity limits for the short-term investment fund (STIF) shall be set forth in OP&F's Short-Term Cash Management Policy. In addition, the frequency of credit reviews of approved issuers of commercial paper will be based on the short-term credit rating of the issuer and set forth in OP&F's Short-Term Cash Management Policy.

Investment Structure

Staff is responsible for the cash management function, which is described in OP&F's Short-Term Cash Management Policy.

6. PROXY VOTING

OP&F's Board of Trustees believes that common stock proxies are valuable and should be voted in the long-term interests and objectives of the Plan set forth herein and OP&F's Proxy Voting Policy. Common stock proxies may be executed by the Sr. Investment Officer or the Chief Investment Officer, or their designees. Staff or their designee that exercises a proxy vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto and the policies set forth in OP&F's Proxy Voting Policy. Staff shall provide a semi-annual summary report of proxy voting actions to the Investment Committee/Board of Trustees.

7. SECURITIES LENDING

The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates. The program may be operated by a bank trustee or a third party lending agent. Marking to market shall be performed daily by the agent(s) and a minimum average of at least 102 percent for domestic, and 105 percent for Non-U.S. collateral shall be diligently maintained. Securities lending reports shall be provided monthly by the agent(s) to staff. Staff will present a semi-annual summary report to the Investment Committee/ Board of Trustees.

8. INVESTMENT MANAGER MONITORING AND EVALUATION POLICY

The purpose of OP&F's Investment Manager Monitoring and Evaluation Policy is to establish the process and discipline for managing the Investment Manager(s) relationship. The policy states the process, responsibilities and important factors for consideration in the monitoring and evaluation process. For a complete description of the monitoring and evaluation process, please see OP&F's Investment Manager Monitoring and Evaluation Policy.

9. COMMUNICATIONS

Each Investment Manager(s) will provide hard copy reports at least quarterly, including performance measurement, asset inventories, transaction summaries, market commentary or anything else deemed significant at the time of reporting. Each Investment Manager(s) is expected to meet with OP&F's Board or staff or Investment Consultant(s) annually or as needed.

10. INVESTMENT MANAGER SEARCH POLICY

When applicable, the selection of Investment Manager(s) will be conducted under a Request for Proposal (RFP) process and the search may be on a closed or open manager universe basis. For a complete description of the selection of Investment Manager(s), please see OP&F's Investment Manager Search Policy.

11. SECURITIES LITIGATION POLICY

The Securities Litigation Policy has been adopted to ensure that OP&F takes prudent, effective, appropriate, and efficient actions to protect and increase the value of OP&F investments and to ensure that OP&F receives all money or assets which are due it as a result of the resolution of class action suits in a cost effective manner consistent with the Board's fiduciary duties. For a complete description of the policy objectives, monitoring, reporting requirements and procedures, please see OP&F's Securities Litigation Policy.

12. IRAN AND SUDAN DIVESTMENT POLICY

As required by uncodified provisions of Chapter 742 of the ORC, OP&F has adopted an Iran and Sudan Divestment Policy, the purpose of which is to divest and restrict the purchase of stocks and bonds issued by a publicly traded company with scrutinized business operations in Iran and Sudan, subject to the fiduciary responsibilities of the Board of Trustees, as set forth in Chapter 742 of the ORC. For a complete description of the responsibilities, process, reporting requirements, etc., please see OP&F's Iran and Sudan Divestment Policy.

2013 Comprehensive Annual Financial Report

Actuarial Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 888-864-8363

REPORT OF ACTUARY

buckconsultants A Xerox Company

Oct. 22, 2013

Board of Trustees
Ohio Police & Fire Pension Fund
140 East Town Street
Columbus, Ohio 43215

Members of the Board:

Ohio Police & Fire retained Buck Consultants, LLC (Buck) to complete this actuarial valuation of the Ohio Police & Fire Pension Fund (OP&F). This report presents the results of the annual actuarial valuation of the assets and liabilities of OP&F as of Jan. 1, 2013, prepared in accordance with Chapter 742 of the Ohio Revised Code (ORC), as amended by Senate Bill No. 340. The valuation takes into account all of the promised benefits to which members are entitled, including pension and survivor benefits.

The principal results of the valuation do not take into account Medicare Part B premium reimbursements or any other health care benefits. However, at the request of the Ohio Retirement Study Council (ORSC), supplemental results have been prepared that do take into account Medicare Part B premium reimbursements and are presented in Table 1A in the report.

The purpose of the valuation is to determine the financial status of OP&F on an actuarial basis and to provide disclosure information in accordance with and in compliance with the parameters set forth in Governmental Accounting Standards Board (GASB) Statements No. 25. (Buck prepares a separate valuation of OP&F retiree health care benefits in accordance with and in compliance with the parameters set forth in Statement No. 43.) Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of Buck.

The valuation was based on the actuarial assumptions and methods that have been adopted by the Board of Trustees, including a valuation interest rate of 8¼ percent per annum compounded annually. The assumptions were effective Jan. 1, 2012 and recommended by the actuary based on a five-year experience review covering the period 2007-2011. Actuarial Standards of Practice require that the likelihood and extent of future mortality improvements be considered. We have reflected future mortality improvement in the valuation. The averaging period for the actuarial value of assets was changed this year from five to four years for consistency with other Ohio systems. Additional assumptions related to the benefit provision changes under Senate Bill No. 340 were employed for this valuation.

Assets and Membership Data

OP&F reported to the actuary the individual data for members as of the valuation date. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the pension trust fund taken into account in the valuation was based on financial statements prepared for us by OP&F.

Funding Objectives and Progress

The actuary uses an actuarial cost method to determine the portion of OP&F's liabilities accrued by the members as of the valuation date and the portion that is attributable to future years of service. The rate of contribution necessary to systematically fund the future service liabilities, the normal cost rate, is calculated under the cost method to be a level percentage of active member payroll. The portion of the liabilities accrued as of the valuation date, the actuarial accrued liability (AAL), is compared to a market-related, actuarial value of OP&F's assets. The amount of liabilities in excess of the assets is called the unfunded actuarial accrued liability (UAAL).

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The total of Deferred Retirement Option Plan (DROP) accruals reported as of Dec. 31, 2012 was $1.238 billion. It should be noted that the financial statements prepared by OP&F treats the balance of DROP accruals as a benefit payable, which is subtracted from (i.e., not included in) the net asset value. For consistency with this exclusion from the asset value, the AAL also has been reduced by the same amount. By treating the DROP accruals as a benefit payable, and excluding the accruals from both the liabilities and the assets, the UAAL is the same as if both the assets and liabilities included the DROP accruals.

The actuary determines how many years are required by OP&F to completely amortize the UAAL (the funding period), using the member and employer contributions reduced by the amount allocated to health care and the amount of normal cost for the year. For 2003-2012, the funding period was infinite years, meaning the annual contribution toward the unfunded when compared to the unfunded amount was not sufficient to pay it off. For 2013, as a result of benefit changes effective July 1, 2013 and a phased-in increase in member contribution rates under Senate Bill No. 340, and a reduction in the amount allocated to health care from 6.75 percent to 4.69 percent effective Jan. 1, 2013 and 2.85 percent effective June 1, 2013, the pension funding period is 47 years.

Section 742.16 of the ORC, as adopted by Senate Bill No. 82, sets forth an objective that the funding period is no more than 30 years. If the funding period exceeds 30 years, a plan shall be developed and presented by the Board of Trustees to the ORSC to reduce the funding period to not more than 30 years.

The funded ratio (i.e., the ratio of actuarial assets to the AAL) determined as of Jan. 1, 2013 is 64.2 percent, compared to 63.1 percent determined as of Jan. 1, 2012. Taking into account the Medicare Part B premium reimbursements, the funded ratio would be 62.3 percent.

Financial Results and Membership Data

The valuation report shows detailed summaries of the financial results of the valuation and membership data used in preparing this valuation. The actuary prepared supporting schedules included in the Actuarial and Statistical Sections of the OP&F Comprehensive Annual Financial Report. The actuary prepared the trend data schedules included in the Financial Section of the OP&F Comprehensive Annual Financial Report.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Buck performed no analysis of the potential range of such future differences.

The undersigned are Enrolled Actuaries, Associates of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

Paul R. Wilkinson

Larry Langer, FCA, ASA, EA, MAAA
Principal, Consulting Actuary

Paul R. Wilkinson, ASA, EA, MAAA
Director, Consulting Actuary

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DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

Assumptions

The actuarial assumptions were adopted as of Jan. 1, 2012, based on a five-year experience review covering the period 2007-2011. The next review of the actuarial assumptions is to be completed for adoption with the Jan. 1, 2017 valuation.

INTEREST RATE: 8.25 percent per annum, compounded annually.

SALARY INCREASE RATES: Assumed annual salary increases are as follows:

Years of Service	Salary Increase Rate
Less than 1	11.00%
1	9.50%
2	8.50%
3	6.50%
4	5.00%
5 or more	4.25%

DROP INTEREST RATE: 4.5 percent per annum, compounded annually.

COLA: Three percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and three percent.

WITHDRAWAL RATES: The following sample withdrawal rates are based on age and service (for causes other than death, disability, or retirement).

POLICE

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	10.3%	6.3%	3.5%	4.4%	3.9%	2.2%	2.1%	2.0%	1.8%	1.8%	1.5%
30	10.4%	5.8%	4.4%	3.5%	3.2%	3.0%	2.9%	2.5%	2.2%	1.8%	1.5%
35	13.0%	5.3%	3.2%	3.8%	3.5%	3.4%	3.2%	3.1%	2.5%	1.7%	1.3%
40	14.0%	6.0%	4.6%	4.5%	4.1%	3.9%	3.3%	3.2%	1.8%	1.5%	0.9%
45	16.0%	6.3%	6.1%	5.9%	5.2%	4.3%	3.5%	3.5%	2.1%	1.2%	0.8%
50	18.0%	8.3%	8.1%	7.5%	6.5%	5.3%	4.1%	4.0%	3.9%	3.1%	1.5%
55	20.0%	12.0%	10.0%	9.4%	8.0%	6.5%	5.2%	5.1%	4.9%	4.5%	1.7%
60	20.0%	12.0%	10.0%	9.4%	8.0%	6.5%	5.2%	5.1%	4.9%	4.5%	1.7%

FIREFIGHTERS

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	2.8%	2.2%	1.6%	1.5%	1.2%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%
30	3.8%	1.6%	1.8%	1.7%	1.6%	1.3%	1.2%	1.1%	1.0%	1.0%	0.9%
35	4.2%	3.4%	2.1%	2.0%	1.9%	1.4%	1.3%	1.25%	1.1%	0.9%	0.8%
40	4.5%	3.6%	2.2%	2.1%	2.0%	1.5%	1.4%	1.3%	1.2%	1.0%	0.6%
45	4.6%	3.8%	2.7%	2.6%	2.5%	1.9%	1.6%	1.4%	1.3%	1.1%	0.5%
50	6.1%	4.4%	4.0%	3.8%	3.5%	2.7%	2.4%	2.2%	2.1%	1.5%	1.1%
55	6.1%	5.0%	5.0%	5.0%	4.0%	3.5%	2.4%	2.2%	2.0%	1.5%	1.1%
60	6.1%	5.0%	5.0%	5.0%	4.0%	3.5%	2.4%	2.2%	2.0%	1.5%	1.1%

RATES OF DISABILITY

The following are sample rates of disability and occurence of disability by type:

Age	Police	Firefighters
20	.002%	.004%
30	.255%	.063%
40	.732%	.454%
50	1.126%	.891%
55	.933%	1.350%
60	.966%	1.331%
64	1.441%	3.126%

On duty permanent and total	23%
On duty partial	61%
Off duty ordinary	16%

RETIREMENT RATES

The following rates of retirement apply to members not in DROP.

Age	Police	Firefighters
48	10%	10%
49-52	5%	5%
53-54	11%	5%
55-57	11%	10%
58-59	5%	13%
60	15%	20%
61	25%	20%
62	25%	50%
63	25%	20%
64	25%	25%
65-69	35%	25%
70	100%	100%

DEFERRED RETIREMENT OPTION PLAN ELECTIONS

90 percent of members who do not retire when first eligible are assumed to elect DROP.

DROP RETIREMENT RATES

The following rates of retirement apply to members in DROP on or before July 1, 2013.

	Police - Years in DROP								
Age	0	1	2	3	4	5	6	7	8
48	5%								
49	5%	5%							
50	4%	5%	5%						
51	4%	5%	5%	10%					
52	4%	5%	5%	10%	10%				
53	4%	5%	5%	10%	10%	12%			
54	4%	5%	5%	10%	10%	12%	14%		
55	5%	5%	5%	15%	15%	12%	17%	30%	
56	5%	5%	5%	15%	15%	12%	17%	30%	100%
57	5%	5%	5%	15%	15%	12%	17%	30%	100%
58	5%	5%	5%	15%	15%	12%	17%	30%	100%
59	16%	5%	5%	15%	16%	15%	18%	32%	100%
60	16%	5%	5%	15%	16%	15%	18%	32%	100%
61	16%	5%	5%	15%	16%	15%	18%	32%	100%
62	16%	5%	5%	15%	16%	15%	18%	32%	100%
63	16%	5%	5%	15%	16%	15%	18%	32%	100%
64	19%	5%	5%	17%	17%	16%	19%	35%	100%
65-69	19%	5%	5%	17%	17%	16%	19%	35%	100%
70	100%	100%	100%	100%	100%	100%	100%	100%	100%

	Firefighters - Years in DROP								
Age	0	1	2	3	4	5	6	7	8
48	2%								
49	4%	3%							
50	4%	3%	3%						
51	4%	3%	3%	10%					
52	4%	3%	3%	10%	12%				
53	4%	3%	3%	10%	12%	13%			
54	4%	3%	3%	10%	12%	13%	15%		
55	5%	3%	3%	12%	12%	13%	17%	27%	
56	5%	3%	3%	12%	12%	13%	17%	27%	100%
57	5%	3%	3%	12%	12%	13%	17%	27%	100%
58	5%	3%	3%	17%	16%	15%	20%	35%	100%
59	6%	3%	3%	17%	16%	15%	20%	35%	100%
60	6%	3%	3%	17%	16%	15%	20%	35%	100%
61	6%	3%	3%	17%	16%	15%	20%	35%	100%
62	6%	3%	3%	17%	16%	15%	20%	35%	100%
63	30%	3%	3%	20%	20%	20%	20%	40%	100%
64	30%	3%	3%	20%	20%	20%	20%	40%	100%
65-69	30%	3%	3%	20%	20%	20%	20%	40%	100%
70	100%	100%	100%	100%	100%	100%	100%	100%	100%

The same rates apply for members entering DROP after July 1, 2013, except the rates for years three and four are replaced with the rates for year two.

RETIREMENT AGE FOR INACTIVE VESTED PARTICIPANTS

Commencement at age 48 and 25 years of service from full-time hire date, whichever is later.

MORTALITY

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

CREDITED SERVICE

Credited service on the valuation date, as provided by OP&F, includes all service credited under the plan, including service transferred from other municipal plans and purchased service. The valuation assumes future service will be credited at the rate of one year per worked, with no assumed future crediting of transferred service or purchased service.

415 LIMITS

Benefits are limited by the IRC Section 415, assumed to increase 3.25 percent per annum.

FUTURE EXPENSES

The normal cost is increased by all administrative expenses budgeted, net of the State Subsidy received from the State of Ohio.

UNKNOWN DATA FOR MEMBERS

Same as those exhibited by members with similar known characteristics.

PERCENT MARRIED

75 percent of active members are assumed to be married.

AGE OF SPOUSE

Wives are assumed to be three years younger than their husbands.

OPTIONAL FORM ELECTION

33 percent of service retirees and 10 percent of disability retirees are assumed to elect the 50 percent Joint and Survivor pension. If the joint annuitant predeceases the retiree, assume the retiree's benefit increases 17.65 percent.

DEPENDENT PARENTS

Costs based upon allowance for mortality (same rates as for beneficiaries), but no specific allowance for change in dependency status.

DEPENDENT CHILDREN

Each member is assumed to have two children, born when the member was age 26. Dependency is assumed to cease when the child is 22.

MEDICARE PART B PREMIUM TREND RATES

The Medicare Part B premium subsidy ($104.90 per month for 2013) is assumed to increase as follows:

Year	Increase
2013	5.60%
2014	5.50%
2015	5.40%
2016	5.30%
2017	5.20%
2018	5.10%
2019 and Later	5.00%

MEDICARE PART B PREMIUM REIMBURSEMENT

90 percent of members are assumed to be eligible for reimbursement once they reach age 65.

METHODS

ACTUARIAL COST METHOD

Projected benefit method with individual level percentage entry age normal cost and AAL. Gains and losses are reflected in the accrued liability. To be consistent with the asset methodology employed by OP&F, DROP accruals are netted out of the liabilities.

ASSET VALUATION METHOD

A four-year moving average market value of assets that spreads the difference between the actual investment income and the expected income on the market value (based on the valuation interest rate) over a period of four years. The actuarial value shall not be less than 80 percent or more than 120 percent of market value.

PAYROLL GROWTH

Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent.

DATA

CENSUS AND ASSETS

The valuation was based on members of OP&F as of the valuation date and does not take into account future members. All census and asset data was supplied by OP&F.

PLAN SUMMARY

SUMMARY OF BENEFITS AND CONTRIBUTION PROVISIONS

The following is intended to summarize the key provisions valued in this valuation. Members of OP&F and other parties should not rely on this summary as a substitute for or legal interpretation of the laws and rules covering this retirement plan.

MEMBERSHIP

Membership in OP&F is mandatory under Ohio law for all full–time police officers employed by Ohio municipalities and appointed under the required statutory provisions. Membership is also mandatory for all full-time firefighters employed by municipalities, townships, villages, joint fire districts or other political subdivisions. In order to become members of OP&F, full-time firefighters are required to satisfactorily complete, or have satisfactorly completed, a firefighter training course approved under former Section 3303.07, Section 4765.55 or conducted under Section 3737.33 of the ORC.

ELIGIBILITY FOR MEMBERSHIP

Full-time police officers or firefighters are eligible for membership in OP&F immediately upon commencement of employment as a full-time police officer or firefighter.

CONTRIBUTIONS

Employer and member contributions are established by statute and both are due monthly. Employers of police officers pay 19.5 percent of salary; employers of firefighters pay 24 percent of salary. Members contributed 10 percent of salary through July 1, 2013. On July 2, 2013 the member contribution rate increased by 0.75 percent to 10.75 percent. The member contribution rate will continue to increase annually by 0.75 percent until it reaches 12.25 percent on July 2, 2015.

Employer Contribution Rates - Percentage of Active Member Payroll

Time Frame of Rates	Police	Fire
Jan 1, 1986 thru Present	19.50%	24.00%

Member Contribution Rates - Percentage of Active Member Payroll

Time Frame of Rates	Police	Fire
July 2, 2015 and Thereafter	12.25%	12.25%
July 2, 2014 thru July 1, 2015	11.50%	11.50%
July 2, 2013 thru July 1, 2014	10.75%	10.75%
Sept. 9, 1988 thru July 1, 2013	10.00%	10.00%

BENEFITS

SERVICE RETIREMENT

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary.

Since average annual salary is subject to certain statutory and administrative limitations, not all salary, earnings, or compensation may be used in the calculation. OP&F calculates allowable average annual salary as follows:

- For OP&F members with 15 or more years of service credit as of July 1, 2013, average annual salary is an average of the three years of highest allowable earnings, regardless of when in their career the highest years occurred. Allowable average annual salary means one-third of the total salary during the three years for which the total earnings were greatest. Members with more than 15 years of service will have their pension benefit calculated based on a three year average annual salary. A "salary benchmark" is established for these members under which certain increases are excluded from salary for the purpose of determining average annual salary.
- For OP&F members with less than 15 years of service credit as of July 1, 2013, average annual salary is an average of the five years of highest allowable earnings, regardless of when in their career the highest years occurred. Allowable average annual salary means one-fifth of the total salary during the five years for which the total earnings were greatest. Members with less than 15 years of service will have their pension benefit calculated based on a five year average annual salary with no benchmarking included.

NORMAL SERVICE RETIREMENT

ELIGIBILITY

- For members hired into an OP&F-covered position after July 1, 2013, minimum retirement age is 52 with at least 25 years of service.
- For members hired into an OP&F-covered position on or before July 1, 2013, minimum retirement age is 48 with 25 years of service.

BENEFIT

An annual pension equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service, 2.0 percent for each of the next five years of service, and 1.5 percent for each year of service in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service.

SERVICE COMMUTED RETIREMENT

ELIGIBILITY

- For members hired into an OP&F-covered position after July 1, 2013, the minimum retirement age is 52, they must have at least 15 years of service and 25 years have elapsed from the date of their full-time hire.
- For members hired into an OP&F-covered position on or before July 1, 2013, the minimum retirement age is 48, they must have at least 15 years of service and 25 years have elapsed from the date of their full-time hire.

BENEFIT

An annual pension equal to 1.5 percent of the allowable average annual salary multiplied by the number of full years of service (up to 25 years).

AGE/SERVICE COMMUTED RETIREMENT

ELIGIBILITY

Age 62, 15 years of service and still working as a full-time police officer or firefighter.

BENEFIT

An annual pension that uses the same formula as for the Normal Service Retirement benefit.

ACTUARIALLY REDUCED

ELIGIBILITY

For members hired into an OP&F-covered position after July 1, 2013, age 48 with 25 years of service.

BENEFIT

An annual pension reduced to the actuarial equivalent of the amount payable had the member retired at age 52.

RIGHTS UPON SEPARATION FROM SERVICE

DEFERRED PENSION

If a member meets the years of service credit requirement for any of the service retirement pension but leaves service before attaining the minimum retirement age, a pension becomes payable upon attainment of the qualifying age and filing the appropriate paperwork with OP&F.

REFUND OF EMPLOYEE CONTRIBUTIONS

Upon separation from service, a member can receive the contributions that he or she made to the plan or the employee share of member contributions picked-up on the member's behalf by their employer. Employer contributions are not refundable.

TERMINATION BEFORE RETIREMENT WITH 25 YEARS SERVICE CREDIT

BENEFIT

Same as the Normal Service Retirement benefit, except benefit commences once the member reaches minimum retirement age.

- For members hired into an OP&F-covered position after July 1, 2013, minimum retirement age is 52.
- For members hired into an OP&F-covered position on or before July 1, 2013, minimum retirement age is 48.

TERMINATION BEFORE RETIREMENT WITH 15 YEARS SERVICE CREDIT

BENEFIT

Same as the Service Commuted Retirement, except benefit commences once the member reaches minimum retirement age and 25 years have elapsed from the date of full-time hire.

- For members hired into an OP&F-covered position after July 1, 2013, the minimum retirement age is 52.
- For members hired into an OP&F-covered position on or before July 1, 2013, the minimum retirement age is 48.

TERMINATION BEFORE RETIREMENT WITH LESS THAN 15 YEARS SERVICE CREDIT

BENEFIT

A lump sum amount equal to the sum of the member's contributions to OP&F.

DEFERRED RETIREMENT OPTION PLAN

ELIGIBILITY

When a member is eligible for a normal service retirement they can enter DROP by delaying retirement and continuing to work as a full-time police officer or firefighter.

- For members hired into an OP&F-covered position after July 1, 2013, normal service retirement eligibility is age 52 with at least 25 years of service credit.
- For members hired into an OP&F-covered position on or before July 1, 2013, normal service retirement eligibility is age 48 with at least 25 years of service credit.

BENEFIT

DROP is a cost neutral benefit offered by OP&F. Upon the DROP effective date, the member's pension is calculated as if that were their date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits accumulates tax-deferred at OP&F on their behalf, as well as a portion of their OP&F employee contributions and interest. Since the member's pension has already been calculated:

- The years of DROP service do not apply towards the member's normal service retirement.
- If a member earns a higher salary after their DROP effective date due to a raise, job promotion, etc., it will not be used to recalculate their pension and, therefore, will not result in that member receiving a higher pension upon retirement.

The DROP interest rate is set by administrative rule and is subject to change at any time. OP&F credits interest to all DROP balances each month at a rate equal to the 10- year United States (U.S.) Treasury Note Business Day Series, as published by the U.S. Federal Reserve, with a cap of five percent. This variable interest rate is adjusted quarterly to match the published 10-year U.S. Treasury Note rate for the last business day of each quarter and is in effect for the subsequent quarter.

Members whose election to participate in DROP is effective after July 1, 2013 do not qualify for annual cost-of-living allowances (COLA) at any time during DROP.

Members whose election to participate in DROP is effective on or before July 1, 2013 will continue to receive a cost-of-living allowance during DROP, but only when they reach 55 years of age and have been participating in DROP for at least one year. Those members whose years of service qualify them for a cost-of-living allowance during DROP will receive three percent of their base pension.

Member contributions are credited to their DROP account based on the number of years of DROP service. For those members whose election to participate in DROP is effective after July 1, 2013, OP&F applies contributions to DROP in the following manner:

Years of DROP Service	Percentage of Member Contributions
Years 1-3	50 percent of member's contributions
Years 4-5	75 percent of member's contributions
Years 6-8	100 percent of member's contributions

For this group of members, the minimum participation in DROP, without penalty, is five years and the maximum is eight. If a member terminates within the first five years of joining DROP, then the member forfeits all of their DROP interest. If a member chooses to continue working after eight years in DROP, the member forfeits all DROP benefits and receives the Normal Service Retirement benefit upon retirement, which will be calculated to include the service credit earned during the DROP participation period.

For those members whose election to participate in DROP was on or before July 1, 2013, member contributions are applied to DROP under the following schedule:

Years of DROP Service	Percentage of Member Contributions
Years 1-2	50 percent of member's contributions
Year 3	75 percent of member's contributions
Years 4-8	100 percent of member's contributions

For this group of members, the minimum participation in DROP, without penalty, is three years and the maximum is eight. If a member terminates within the first three years of joining DROP, then the member forfeits all of their DROP interest. If a member chooses to continue working after eight years in DROP, the member forfeits all DROP benefits and receives the Normal Service Retirement benefit upon retirement, which will be calculated to include the service credit earned during the DROP participation period.

All DROP members retiring before the eight-year max receive their Normal Service Retirement benefit determined at the time of DROP entry, with the COLA adjustment (if applicable) to date of retirement when eligible. These members will also receive the DROP account balance as a lump sum or monthly annuity.

If a member dies while participating in DROP, the member's surviving spouse, designated beneficiary or estate will receive the entire DROP account balance determined at the time of death. The surviving spouse or contingent dependent beneficiary will receive the greater of the retirement allowance made at the time of DROP entry or the Normal Service Retirement benefit paid with COLA adjustments (if applicable) to the date of death, paid as if the member had elected a 50 percent joint and survivor option at death. All other statutory death benefits will apply.

If the member becomes disabled while in DROP, and has not terminated employment, the member must choose either to receive a disability benefit or a service retirement with DROP. If the member stays in DROP, the disability benefit is forfeited. If the member chooses the disability benefit, the member forfeits all DROP benefits and receives the disability benefit, with service credit during the DROP period included.

For member's participating in DROP, termination of active service at any time during the disability application process will render a disability application null and void, as well as immediately vest a DROP benefit. If this occurs, the OP&F

member must apply for a service pension. Furthermore, if a disability grant is offered the member must accept the grant on a form provided by OP&F prior to termination of active employment.

COST-OF-LIVING ALLOWANCES

Retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on Sept. 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

DISABILITY BENEFITS

Members who become unable to perform their official duties and whose earning capacities are impaired may qualify for disability benefits. Disability benefits are classified as either service-incurred (on-duty) or non-service-incurred (off-duty) and differ in eligibility requirements and benefit formulas. Annual medical evaluations are required for disability benefit recipients who would not have met the age and service requirements for a Normal Service Retirement, unless the Board of Trustee waives this requirement based upon an OP&F physician's certification that the disability is ongoing and further evaluation would not be cost effective. Annual earnings statements are also required to be submitted to OP&F.

PERMANENT AND TOTAL DISABILITY (ON-DUTY)

ELIGIBILITY

No age or service requirement.

BENEFIT

An annual benefit equal to 72 percent of allowable average annual salary.

PARTIAL DISABILITY (ON-DUTY)

ELIGIBILITY

No age or service requirement.

BENEFIT

An annual benefit fixed by the Board of Trustees to be a certain percent up to 60 percent of the allowable average annual salary. If the member has 25 or more years of service, the annual disability benefit is equal to the Normal Service Retirement amount.

NON-SERVICE INCURRED DISABILITY (OFF-DUTY)

ELIGIBILITY

Any age and five years of service.

BENEFIT

An annual amount is the percent awarded by the Board of Trustees and may not exceed 60 percent of the allowable average annual salary. Service credit over 25 years cannot be used in calculating an off-duty disability award.

PRE-RETIREMENT SURVIVOR ANNUITY

ELIGIBILITY

Upon death before retirement, but after having satisfied the requirements for a Normal Service Retirement or an Age/Service Commuted retirement.

BENEFIT

The surviving spouse or contingent dependent beneficiary will receive the equivalent of a 50 percent joint and survivor annuity, calculated under the assumption that the decedent had retired effective the day following his/her death.

STATUTORY SURVIVOR BENEFITS

ELIGIBILITY

Upon death of any active or retired member of OP&F.

BENEFIT

Surviving Spouse's Benefit
An annual amount equal to $6,600 ($550 monthly), plus an annual COLA of three percent of the original base benefit, paid each July 1, beginning July 1, 2000. The benefit is paid to the surviving spouse for life.

If the spouse is receiving a full death benefit under the Death Fund Benefit statute, the spouse's Statutory Surviving Benefit is $4,920 ($410 monthly). The Death Benefit Fund is funded by the State of Ohio and provides special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. These eligible survivors are entitled to receive the member's full monthly salary, which will be reduced at the member's retirement eligibility date. These death benefit payments are in addition to any optional payment plan benefits elected by the member.

Surviving Child's Benefit
An annual amount equal to $1,800 ($150 monthly), payable until such child attains age 18 or marries, whichever occurs first. The payment can continue to an unmarried full-time student until age 22. A dependent dis-

abled child, regardless of age at time of member's death, is entitled to a benefit until death or recovery. A COLA of three percent of the original base is payable each July 1.

Dependent Parents' Benefit
If there is no surviving spouse or dependent children, an annual amount of $2,400 ($200 monthly) is payable to one dependent parent or $1,200 ($100 monthly) each to two dependent parents for life or until dependency ceases or remarriage. A COLA of three percent of the original base is payable each July 1.

LUMP SUM DEATH BENEFIT

ELIGIBILITY

Upon death of any retired or disabled member of OP&F.

BENEFIT

A lump sum payment of $1,000 is paid to the member's surviving spouse or, if no surviving spouse, to a designated beneficiary. If there is no surviving spouse or beneficiary, then it is paid to the member's estate.

Survivors	Monthly Pension	Causes of Termination
Widow / Widower	current amount + future COLA	• Death
Minor child	current amount + future COLA	• Death • Marriage • Attainment of age 18
Dependent disabled child	current amount + future COLA	• Death • Recovery from disability
Student	current amount + future COLA	• Death • Marriage • Attainment of age 22 • Loss of student status
One dependent parent Two dependent parents	current amount + future COLA 1/2 current amount (each) + future COLA	• Death • Re-marriage • Termination of dependency

Benefit Type	Base Monthly Benefit Amount	Base Monthly Benefit Amount Plus Increases Through July 1, 2012	Monthly Increase Effective July 1, 2013
Spouse *	$550	** $760.10	$16.50
Child	150	*** 207.30	4.50
One Parent	200	**** 276.40	6.00
Two Parents	100	138.20	3.00

* Spouse's benefit is $410 if spouse is receiving a full death benefit under the Death Fund Benefit statute. There is no annual increase on this benefit payment.

** On July 1, 2000 The Statutory Surviving Spouse Benefit increased by $12.10 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the CPI plus unused prior increases, to a maximum of three percent. Every year after 2000, the monthly increase was $16.50 or three percent of the base benefit.

*** On July 1, 2000 The Statutory Surviving Child Benefit increased by $3.30 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the CPI plus unused prior increases, to a maximum of three percent. Ever year after 2000, the monthly increase was $4.50 or three percent of base benefit.

**** On July 1, 2000 The Statutory Surviving One Parent Benefit increased by $4.40 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the CPI plus unused prior increases, to a maximum of three percent. Ever year after 2000, the monthly increase was $6.00 or three percent of base benefit.

ANNUITIES

Effective Feb. 28, 1980, for those members who are retiring on either a service pension or a disability benefit, optional annuity plans can be chosen, subject to certain limitations. The member can elect actuarially reduced benefits under a joint and survivor annuity, life annuity certain and continuous, or multiple beneficiary annuity plan. The optional annuity plans allow the member's beneficiary(ies) to receive a lifetime payment upon the member's death.

ANNUITY TYPES

SINGLE LIFE ANNUITY

For unmarried members, this is the standard annuity plan. Married members may elect this plan only if the spouse consents to the selection in writing. This plan pays the maximum retirement allowance that the member is entitled to receive and, upon the member's death, none of the pension or benefit is continued to any beneficiary.

JOINT AND SURVIVOR ANNUITY (JSA)

Under this plan, a member designates that, upon his or her death, a certain percentage of the member's actuarially reduced benefit is continued to a surviving designated beneficiary for life.

Any percentage between one percent and 100 percent of the member's reduced pension may be continued to the surviving designated beneficiary, but the percent continued may be limited based on the beneficiary's age. If a member is married at the time benefits are elected, the standard plan is a 50 percent JSA continuing one-half of the member's reduced monthly benefit to his or her surviving spouse. If the member wants to select a plan which provides for the continuation of benefits for someone other than the spouse or less than 50 percent JSA to the spouse, the spouse must consent in writing to this choice. This plan automatically terminates upon death of the beneficiary, to be effective the month following OP&F's receipt of notice of death, or it may be cancelled upon divorce with the consent of the member's spouse or a specific court order, at which point the annuity reverts to the single life annuity to the member. Elected option may be canceled within one year after benefits commence, with the consent of the beneficiary.

MULTIPLE BENEFICIARY ANNUITY

Under the multiple beneficiary annuity plan, a member may designate up to four beneficiaries at the time of retirement so that, upon death, a certain percentage of the member's actuarially reduced benefit is continued to the surviving designated beneficiaries for their lives. If the member is married at the time of retirement, the spouse must consent in writing for an annuity selection that provides for less than 50 percent JSA payable to the spouse.

LIFE ANNUITY CERTAIN AND CONTINUOUS (LACC)

This plan provides a lifetime allowance to the member and will only be paid to a designated beneficiary if the member dies and the period elected by the member has not expired. The minimum guarantee period is five years and the maximum is 20 years. 100 percent of the member's reduced pension continues to the beneficiary for the guarantee period selected. Elected option may be canceled within one-year after benefits commence, with the consent of the beneficiary. If the member is married at the time of retirement, the spouse must consent in writing for an annuity selection that provides for less than a 50 percent JSA payable to the spouse.

GROUP HEALTH INSURANCE AND MEDICARE

Commencing Jan. 1, 1974, the Board of Trustees may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by OP&F. Medical and prescription drug coverage sponsored by OP&F are not vested rights and are subject to change at any time upon action of the Board of Trustees.

Effective Jan. 1, 1977, OP&F is mandated to pay the premium for supplemental Medicare (Part B) up to the statutory maximum provided the benefit recipient is not eligible for reimbursement from any other sources. By law, OP&F is required to pay monthly to each recipient of service benefits, disability benefits and survivor benefits not less than $96.40, with the exception that OP&F cannot pay an amount that exceeds the amount paid by the recipient for the coverage. Once OP&F obtains the proper documentation from the service retiree, disability retiree or surviving beneficiary of their enrollment in the Medicare program, Medicare (Part B) premium payments begin. Note: This benefit is not included in the principal valuation results, but is included in the retiree health care valuation results.

Effective July 1992, retirees and survivors make monthly medical benefit contributions, which are credited to the Health Care Stabilization Fund. These contributions are reviewed on an annual basis to determine adequacy with the rising cost of health care. In 2004, a new contribution strategy was implemented. Retirees and survivors now pay a percentage of the full cost of the benefit. The percentage ranges from 25 percent to 100 percent for themselves and dependents based on the year of retirement.

TIERED RETIREMENT PLAN – COLA OR TERMINAL PAY (NON-COLA)

Members retiring on or after July 24, 1986, who had 15 or more years of service as of Jan. 1, 1989 are allowed to select between two different pension calculation plans. Under the terminal pay method, a pension is calculated using terminal payments such as accrued sick leave and vacation compensation to increase the average annual salary, but subject to certain limitations and these members do not receive cost-of-living adjustments. Under the COLA method, no terminal payments are added, but the pension is subject to annual increases once the member attains the age of 55 and has been receiving a pension benefit for at least one year. The COLA method is the automatic calculation method for an active member with fewer than 15 years of service as of Jan. 1, 1989.

OP&F members who have 15 or more years of service as of July 1, 2013 and who are not receiving a benefit from OP&F, and members who are receiving a pension that became effective before July 1, 2013, will receive a COLA once they have received pension benefits for at least one year and have attained the age of 55. The COLA amount will be equal to three percent of the member's base pension benefit.

OP&F members who have less than 15 years of service as of July 1, 2013 will receive a COLA once they have received a pension for at least one year and have attained the age of 55. The COLA amount will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

POST-RETIREMENT COST-OF-LIVING ALLOWANCE (COLA)

Members who retired prior to July 24, 1986 or their surviving beneficiaries under optional plans are entitled to cost-of-living increases. The annual increase is paid on July 1st of each year. The annual COLA increase is $360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

RE-EMPLOYED RETIREE'S DEFINED CONTRIBUTION PLAN BENEFIT

Effective June 30, 1991, every person who is retired under an Ohio public pension plan and who is re-employed in an OP&F covered position must contribute to OP&F at the same rate as other police officers or firefighters. The employer pays the normal rate as well. If the re-employed member terminates employment before age 60, Ohio law allows the member to receive a lump sum payment of post-retirement employee contributions made during the period of re-employment, plus interest. If the member waits until age 60 to receive this benefit, he or she can choose to receive either a lump sum payment in an amount equal to twice his or her contributions, plus interest, or a lifetime annuity paid monthly. If, after calculation, the member's lifetime monthly annuity is less than $25, the member may only select the lump sum payment option. Spousal consent may be required before payment can occur.

ANALYSIS OF FINANCIAL EXPERIENCE - PENSION TRUST FUND

GAINS AND LOSSES AS OF JAN. 1, 2013 AND JAN. 1, 2012

Type of Activity	Gain (Loss) 2013	2012
Plan Experience:		
Turnover		
If more liabilities are released by withdrawal separations from active membership than assumed, there is a gain. If smaller releases, there is a loss.	$(9,379,013)	$(8,363,695)
Retirement		
If members retire at older ages than assumed, there is a gain. If younger, there is a loss.	4,162,443	18,470,941
Death among retired members and beneficiaries		
If more deaths occur than assumed, there is a gain. If fewer deaths than assumed, there is a loss.	(361,462)	(57,408,156)
Disability Retirants		
If disability claims are less than assumed, there is a gain. If more claims, a loss.	13,335,860	24,822,738
Salary increase/decrease		
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	154,641,716	97,932,216
Return to work		
If participants return to work with previous service restored, there is a loss.	(1,747,867)	(806,512)
New Entrants		
If new entrants join OP&F, there is a loss.	(4,465,577)	(6,052,679)
Deaths among actives		
If claims costs are less than assumed, there is a gain. If more claims, a loss.	(1,734,810)	(1,365,569)
Investments		
If there is a greater investment return than assumed, there is a gain. If less return, a loss.	(627,390,032)	(721,224,808)
Other Experience and Payroll Growth		
If other experience, including less than expected payroll growth, increases the unfunded liability, there is a loss. Otherwise, there is a gain.	91,946,958	22,113,845
NET GAIN (OR LOSS) DURING THE YEAR DUE TO PLAN EXPERIENCE	**$(380,991,784)**	**$(631,881,679)**

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funding portion of liability 3 will increase over time. Liability 3 being fully funded is very rare.

SHORT-TERM SOLVENCY TEST - PENSION TRUST FUND (DOLLARS IN THOUSANDS)

	Valuation as of Jan. 1	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
Police	2013	$1,131,664	$5,166,808	$2,532,580	$5,670,069	100%	88%	–%
Fire	2013	974,362	3,751,279	2,451,195	4,607,962	100%	97%	–%
Police	2012	1,100,146	4,960,051	2,969,900	5,694,783	100%	93%	–%
Fire	2012	965,598	3,581,800	2,769,204	4,614,176	100%	100%	2%
Police	2011	1,100,251	4,368,659	3,008,219	5,885,449	100%	100%	14%
Fire	2011	956,559	3,132,521	2,818,228	4,795,563	100%	100%	25%
Police	2010	1,067,209	4,216,219	2,926,199	5,975,121	100%	100%	24%
Fire	2010	916,033	3,004,267	2,700,815	4,818,972	100%	100%	33%
Police	2009	1,026,597	4,077,113	2,832,235	5,163,648	100%	100%	2%
Fire	2009	874,756	2,895,243	2,601,180	4,145,508	100%	100%	14%
Police	2008	985,169	3,992,482	2,671,816	6,248,107	100%	100%	48%
Fire	2008	830,439	2,827,320	2,420,526	4,964,761	100%	100%	54%

ACTIVE MEMBER VALUATION DATA - PENSION TRUST FUND

Valuation as of Jan. 1	Number of Employers		Number of Active Members*		Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll (Millions)
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	
2013	531	380	14,745	12,699	$68,163	$69,359	1.6%	1.0%	$1,913.4
2012	537	380	14,854	12,769	67,094	68,663	2.2%	1.6%	1,897.4
2011	533	384	15,293	12,929	65,649	67,559	2.0%	2.0%	1,868.5
2010	536	385	15,581	13,038	64,373	66,223	1.4%	1.7%	1,895.2
2009	539	382	15,889	13,173	63,480	65,097	3.1%	3.3%	1,900.9
2008	538	385	15,829	13,035	61,545	62,989	1.5%	2.4%	1,831.4

* Includes rehired retirees.

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS - PENSION TRUST FUND (DOLLARS IN THOUSANDS)

	Added to rolls		Removed from rolls		Rolls end of year				
Year Ended Dec. 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
2012	1,390	$48,249	1,225	$19,469	27,243	$852,602	5.58%	$31.30	0.61%
2011	1,783	65,572	779	16,397	27,078	807,550	8.52%	29.82	3.85%
2010	1,165	34,553	803	15,721	26,074	744,144	4.74%	28.54	1.41%
2009	1,128	30,920	733	14,566	25,712	710,463	4.52%	27.63	1.56%
2008	1,046	25,590	607	12,825	25,317	679,769	4.18%	26.85	1.76%

SHORT-TERM SOLVENCY TEST - HEALTH CARE TRUST FUND (DOLLARS IN THOUSANDS)

Valuation Date	(1) Active Member Contributions	(2) Retirees, Survivors, And Inactive Members	(3) Employer-Financed Portion Of Active Members	Reported Assets	Portion of Accrued Liabilities Covered by Valuation Assets Liability (1)	Liability (2)	Liability (3)
2013	$–	$2,280,017	$1,954,750	$935,605	–%	41.04%	–%
2012	–	2,180,929	1,517,848	780,142	–%	35.77%	–%
2011	–	1,615,031	1,680,282	717,730	–%	44.44%	–%
2010	–	1,609,184	1,623,207	573,399	–%	35.63%	–%
2009	–	1,539,441	1,624,181	438,658	–%	28.49%	–%
2008	–	1,766,952	1,856,532	526,999	–%	29.83%	–%

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS - HEALTH CARE TRUST FUND (DOLLARS IN THOUSANDS)

	Added to rolls		Removed from rolls		Rolls end of year			
Year Ended Dec. 31	Number	Annual Subsidy	Number	Annual Subsidy	Number	Annual Subsidy	Average Annual Subsidy	Increase in Average Subsidy
2012	2,361	$10,862	1,682	$7,397	26,723	$122,943	$4.601	$ .203
2011	2,241	9,855	1,593	6,378	26,044	114,528	4.397	.394
2010	1,579	6,322	1,491	6,497	25,396	101,679	4.004	(.354)
2009	1,568	6,833	1,626	6,244	25,308	110,286	4.358	.517
2008	1,218	4,678	2,638	9,345	25,366	97,414	3.840	.298
2007	1,496	5,300	1,497	6,861	26,786	94,889	3.542	(1.041)

ANALYSIS OF FINANCIAL EXPERIENCE - HEALTH CARE TRUST FUND

GAINS AND LOSSES AS OF JAN. 1, 2013 AND JAN. 1, 2012

Type of Activity	Gain (Loss) Jan. 1, 2013	Jan. 1, 2012
Plan experience:		
Turnover		
If more liabilities are released by withdrawal separations from active membership than assumed, there is a gain. If smaller releases, a loss.	$312,371	$1,027,696
Retirement		
If members retire at older ages than assumed, there is a gain. If younger, a loss.	(1,556,992)	7,468,693
Disability Retirement		
If disability claims are less than assumed, there is a gain. If more claims, a loss.	10,672,859	17,928,512
New Entrants		
If new entrants join OP&F, there is a loss.	(4,017,317)	(1,032,736)
Deaths		
If more deaths occur than assumed, there is a gain. If fewer deaths, a loss.	53,910,320	(12,370,659)
Claims Costs		
If per capita costs or trend rates are less than assumed, there is a gain. Otherwise there is a loss.	174,287,593	321,305,492
Investment		
If there is greater investment return than assumed, there is a gain. If less return, a loss.	78,769,442	(25,371,486)
Other Experience		
If all other experience, including but not limited to data changes, increases the unfunded liability, there is a loss. If a decrease, there is a gain.	102,976,351	(15,136,426)
NET GAIN (OR LOSS) DURING THE YEAR DUE TO PLAN EXPERIENCE	**415,354,627**	**293,819,086**
Change assumptions effective Jan. 1, 2013 and Jan. 1, 2012	**(648,202,636)**	**(495,587,176)**
TOTAL NET GAIN (OR LOSS)	**$(232,848,009)**	**$(201,768,090)**

2013 Comprehensive Annual Financial Report

Statistical Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 888-864-8363

STATISTICAL OBJECTIVES

STATISTICAL OBJECTIVES

The objectives of the statistical section are to provide additional historical perspective, context, and relevant details to assist readers in using information in the financial statements, notes to the financial statements, and required supplementary information in order to understand and assess OP&F's overall financial condition. In support of these objectives, OP&F reports information in this section in compliance with GASB Statement 44, Economic Condition Reporting: The Statistical Section. This statement establishes standardized reporting requirements relative to the supplementary information provided in this section.

The schedules that follow show financial trend information about the growth of OP&F's assets for the past 10 years. These schedules provide detailed information about the trends of key sources of additions and deductions to OP&F's assets, which assist in providing a context framing how OP&F's financial position has changed over time. The financial trend schedules presented are:

- Changes in Net Position.
- Benefit Expenses by Type.
- Revenues by Source.
- Expenses by Type.
- DROP Program Accrued Liability.

The schedules beginning on page 86 show revenue capacity information, demographic and economic information, and operating information. The demographic and economic information is designed to assist in understanding the environment in which OP&F operates. The operating information is intended to provide contextual information about OP&F's operations to assist in assessing OP&F's economic condition. The revenue capacity information, the demographic and economic information and the operating information presented include:

- Active Member and Total Payroll Base Statistics.
- Active Member Data.
- Retired Membership by Type of Benefits.
- Retirees and Beneficiaries Statistics.
- Average Monthly Benefit Payments.
- Member Health Care Contributions.
- State of Ohio Subsidy Payments.
- Schedule of Average Benefits
- Employer Contribution Rates.
- Member Contribution Rates.
- Health Care Allocation Rates from Employer Contributions.
- Actuarial Interest Rates.
- DROP and Reemployed Interest Rates.
- DROP Member Count Roll Forward.
- Actuarial Valuation Information.
- Historical Annual Investment Results.
- Number of Employer Units.
- Principal Participating Employers.
- OP&F Employee Budgeted Position Counts.
- Personnel Salaries by Year.
- OP&F Budget.
- Other Operating Statistics.
- Death Benefit Fund.

To help readers of this CAFR, OP&F has added a List of Professional Acronyms at the end of the statistical section.

FINANCIAL TRENDS

CHANGES IN NET POSITION

COMBINED TRUST FUND (DOLLARS IN MILLIONS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Additions										
Employer Contributions	$418.2	$417.0	$407.5	$414.0	$404.3	$405.9	$400.0	$374.0	$357.0	$349.4
Member Contributions and Purchases	187.6	177.5	176.8	175.5	168.4	172.5	165.1	167.4	167.8	165.9
Investment Income	2,053.0	1,657.9	229.6	1,651.8	1,894.9	(3,832.9)	1,163.1	1,629.8	847.3	1,152.4
Health Care Contributions	66.6	65.1	62.5	58.9	59.1	57.0	56.0	58.5	55.2	55.7
Other Revenues	28.5	30.7	40.5	25.8	24.3	26.0	22.3	25.1	11.4	18.8
TOTAL ADDITIONS	**2,753.9**	**2,348.2**	**916.9**	**2,326.0**	**2,551.0**	**(3,171.5)**	**1,806.5**	**2,254.8**	**1,438.7**	**1,742.2**
Deductions										
Benefit Payments	1,286.4	1,236.4	1,204.2	1,132.1	1,085.1	1,021.0	965.0	945.0	876.8	821.1
Refund of Member Contributions	16.0	26.5	22.0	15.8	15.7	17.7	15.1	18.0	16.4	15.3
Administrative Expenses	15.9	15.4	15.4	15.1	16.3	16.0	16.3	16.8	15.9	15.8
Other Expenses	–	–	–	–	–	–	–	–	–	–
TOTAL DEDUCTIONS	**1,318.3**	**1,278.3**	**1,241.6**	**1,163.0**	**1,117.1**	**1,054.7**	**996.4**	**979.8**	**909.1**	**852.2**
CHANGES IN NET POSITION	**1,435.6**	**1,069.9**	**(324.7)**	**1,163.0**	**1,433.9**	**(4,226.2)**	**810.1**	**1,275.0**	**529.6**	**890.0**
NET POSITION – BEGINNING OF YEAR	**11,538.4**	**10,468.5**	**10,793.2**	**9,630.2**	**8,196.3**	**12,422.5**	**11,612.4**	**10,337.4**	**9,807.8**	**8,917.8**
NET POSITION – END OF YEAR	**12,974.0**	**11,538.4**	**10,468.5**	**10,793.2**	**9,630.2**	**8,196.3**	**12,422.5**	**11,612.4**	**10,337.4**	**9,807.8**
Reserve Fund Balances:										
Employers' Contribution Reserves	1,856.0	873.8	901.6	1,515.9	674.6	(524.8)	3,998.7	3,654.8	2,686.8	2,437.5
Members' Contribution Reserves	2,200.0	2,122.8	2,065.8	2,056.8	1,983.2	1,901.3	1,815.6	1,731.3	1,642.7	1,532.1
Health Care Contribution Reserves	1,053.5	935.6	780.1	717.7	573.4	438.7	527.0	436.6	343.0	293.6
Pension Reserves	7,864.5	7,606.2	6,721.0	6,502.8	6,399.0	6,381.1	6,081.2	5,789.7	5,664.9	5,544.6
TOTAL NET POSITION	**$12,974.0**	**$11,538.4**	**$10,468.5**	**$10,793.2**	**$9,630.2**	**$8,196.3**	**$12,422.5**	**$11,612.4**	**$10,337.4**	**$9,807.8**

FINANCIAL TRENDS

CHANGES IN NET POSITION

PENSION TRUST FUND (DOLLARS IN MILLIONS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Additions										
Employer Contributions	$348.8	$286.7	$278.2	$285.2	$277.7	$276.4	$278.3	$235.0	$228.8	$224.2
Member Contributions and Purchases	187.6	177.5	176.8	175.5	168.4	172.5	165.1	167.4	167.8	165.9
Investment Income	1,894.6	1,531.0	210.6	1,551.3	1,791.3	(3,697.1)	1,113.1	1,567.1	819.4	1,118.0
Health Care Contributions	–	–	–	–	–	–	–	–	–	–
Other Revenues	12.9	9.5	11.9	9.1	9.5	10.7	8.7	10.4	7.5	11.5
TOTAL ADDITIONS	2,443.9	2,004.7	677.5	2,021.1	2,246.9	(3,237.5)	1,565.2	1,979.9	1,223.5	1,519.6
Deductions										
Benefit Payments	1,095.1	1,049.0	1,027.9	972.2	916.4	867.6	815.8	766.1	713.5	663.2
Refund of Member Contributions	16.0	26.5	22.0	15.8	15.7	17.7	15.1	18.0	16.4	15.3
Administrative Expenses	15.1	14.8	14.7	14.4	15.6	15.1	14.6	14.4	13.4	13.6
Other Expenses	–	–	–	–	–	–	–	–	–	–
TOTAL DEDUCTIONS	1,126.2	1,090.3	1,064.6	1,002.4	947.7	900.4	845.5	798.5	743.3	692.1
CHANGES IN NET POSITION	1,317.7	914.4	(387.1)	1,018.7	1,299.2	(4,137.9)	719.7	1,181.4	480.2	827.5
NET POSITION- BEGINNING OF YEAR	10,602.8	9,688.4	10,075.5	9,056.8	7,757.6	11,895.5	11,175.8	9,994.4	9,514.2	8,686.7
NET POSITION - END OF YEAR	11,920.5	10,602.8	9,688.4	10,075.5	9,056.8	7,757.6	11,895.5	11,175.8	9,994.4	9,514.2
Reserve Fund Balances:										
Employers' Contribution Reserves	1,856.0	873.8	901.6	1,515.9	674.6	(524.8)	3,998.7	3,654.8	2,686.8	2,437.5
Members' Contribution Reserves	2,200.0	2,122.8	2,065.8	2,056.8	1,983.2	1,901.3	1,815.6	1,731.3	1,642.7	1,532.1
Pension Reserves	7,864.5	7,606.2	6,721.0	6,502.8	6,399.0	6,381.1	6,081.2	5,789.7	5,664.9	5,544.6
TOTAL NET POSITION	$11,920.5	$10,602.8	$9,688.4	$10,075.5	$9,056.8	$7,757.6	$11,895.5	$11,175.8	$9,994.4	$9,514.2

FINANCIAL TRENDS

CHANGES IN NET POSITION

HEALTH CARE TRUST FUND (DOLLARS IN MILLIONS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Additions										
Employer Contributions	$69.4	$130.3	$129.3	$128.8	$126.6	$129.5	$121.7	$139.0	$128.2	$125.2
Member Contributions and Purchases	–	–	–	–	–	–	–	–	–	–
Investment Income	158.4	126.9	19.0	100.5	103.6	(135.8)	50.0	62.7	27.9	34.4
Health Care Contributions	66.6	65.1	62.5	58.9	59.1	57.0	56.0	58.5	55.2	55.7
Other Revenues	15.6	21.2	28.6	16.7	14.8	15.3	13.6	14.7	3.9	7.3
TOTAL ADDITIONS	310.0	343.5	239.4	304.9	304.1	66.0	241.3	274.9	215.2	222.6
Deductions										
Benefit Payments	191.3	187.4	176.3	159.9	168.7	153.4	149.2	178.9	163.3	157.9
Refund of Member Contributions	–	–	–	–	–	–	–	–	–	–
Administrative Expenses	0.8	0.6	0.7	0.7	0.7	0.9	1.7	2.4	2.5	2.2
Other Expenses	–	–	–	–	–	–	–	–	–	–
TOTAL DEDUCTIONS	192.1	188.0	177.0	160.6	169.4	154.3	150.9	181.3	165.8	160.1
CHANGES IN NET POSITION	117.9	155.5	62.4	144.3	134.7	(88.3)	90.4	93.6	49.4	62.5
NET POSITION - BEGINNING OF YEAR	935.6	780.1	717.7	573.4	438.7	527.0	436.6	343.0	293.6	231.1
NET POSITION - END OF YEAR	1,053.5	935.6	780.1	717.7	573.4	438.7	527.0	436.6	343.0	293.6
Reserve Fund Balances:										
Health Care Contribution Reserves	1,053.5	935.6	780.1	717.7	573.4	438.7	527.0	436.6	343.0	293.6
TOTAL NET POSITION	$1,053.5	$935.6	$780.1	$717.7	$573.4	$438.7	$527.0	$436.6	$343.0	$293.6

FINANCIAL TRENDS

BENEFIT EXPENSES BY TYPE (DOLLARS IN MILLIONS)

Year	Service	DROP	Disability	Health Care	Survivor	Total Benefits
2013	$563.2	$216.1	$239.0	$191.3	$76.8	$1,286.4
2012	529.9	212.1	232.8	187.4	74.2	1,236.4
2011	490.2	241.1	225.0	176.3	71.6	1,204.2
2010	444.4	241.0	217.8	159.9	69.0	1,132.1
2009	423.7	215.4	211.1	168.8	66.1	1,085.1
2008	407.4	194.9	202.2	153.4	63.1	1,021.0
2007	391.5	172.0	191.7	149.2	60.6	965.0
2006	377.0	147.5	183.4	178.8	58.3	945.0
2005	367.4	117.7	172.6	163.3	55.8	876.8
2004	360.0	86.5	162.2	157.9	54.5	821.1

REVENUES BY SOURCE (DOLLARS IN MILLIONS)

Year	Employer Contributions	Member Contributions and Purchases	Employer Contributions as a Percentage of Covered Payroll	Investment and Securities Lending Income	Health Care Contributions	Other Revenues	Total Revenues
2013	$418.2	$187.6	21.9%	$2,053.0	$66.6	$28.5	$2,753.9
2012	417.0	177.5	22.0%	1,657.9	65.1	30.7	2,348.2
2011	407.5	176.8	21.8%	229.6	62.5	40.5	916.9
2010	414.0	175.5	21.8%	1,651.8	58.9	25.8	2,326.0
2009	404.3	168.4	21.3%	1,894.9	59.1	24.3	2,551.0
2008	405.9	172.5	22.2%	(3,832.9)	57.0	26.0	(3,171.5)
2007	400.0	165.1	22.4%	1,163.1	56.0	22.3	1,806.5
2006	374.0	167.4	21.3%	1,629.8	58.5	25.1	2,254.8
2005	357.0	167.8	21.2%	847.3	55.2	11.4	1,438.7
2004	349.4	165.9	21.2%	1,152.4	55.7	18.8	1,742.2

EXPENSES BY TYPE (DOLLARS IN MILLIONS)

Year	Benefit Payments	Refund of Member Contributions	Administrative Expenses	Other Expenses	Total Expenses
2013	$1,286.4	$16.0	$15.9	$-	$1,318.3
2012	1,236.4	26.5	15.4	-	1,278.3
2011	1,204.2	22.0	15.4	-	1,241.6
2010	1,132.1	15.8	15.1	-	1,163.0
2009	1,085.1	15.7	16.3	-	1,117.1
2008	1,021.0	17.7	16.0	-	1,054.7
2007	965.0	15.1	16.3	-	996.4
2006	945.0	18.0	16.8	-	979.8
2005	876.8	16.4	15.9	-	909.1
2004	821.1	15.3	15.8	-	852.2

FINANCIAL TRENDS

DROP PROGRAM ACCRUED LIABILITY (DOLLARS IN MILLIONS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
DROP Liability Beginning Balance	$666.5	$694.7	$650.8	$544.9	$436.9	$337.8	$246.8	$161.5	$87.7	$34.1
Accrued Pension and COLA	95.4	90.7	92.3	98.3	92.4	86.4	80.3	74.6	62.3	47.8
Accrued Member Share Contributions	11.9	11.3	11.7	12.5	13.0	11.8	12.1	9.0	5.6	2.9
Accrued Interest	14.2	17.8	32.2	29.2	23.9	18.7	14.2	10.0	6.0	2.9
Withdrawals	(127.0)	(148.0)	(92.3)	(34.1)	(21.3)	(17.8)	(15.6)	(8.3)	(0.1)	-
DROP LIABILITY ENDING BALANCE - POLICE	**661.0**	**666.5**	**694.7**	**650.8**	**544.9**	**436.9**	**337.8**	**246.8**	**161.5**	**87.7**
Fire										
DROP Liability Beginning Balance	571.4	593.1	536.2	441.4	344.5	257.3	180.0	113.6	60.3	22.6
Accrued Pension and COLA	94.0	88.4	89.3	89.6	80.0	75.0	66.9	55.8	45.2	33.6
Accrued Member Share Contributions	12.0	11.0	11.2	11.2	11.3	10.0	9.5	6.9	3.9	2.1
Accrued Interest	12.4	15.2	27.3	23.8	19.2	14.7	10.6	7.2	4.2	2.0
Withdrawals	(105.2)	(136.3)	(70.9)	(29.8)	(13.6)	(12.5)	(9.7)	(3.5)	-	-
DROP LIABILITY ENDING BALANCE - FIRE	**584.6**	**571.4**	**593.1**	**536.2**	**441.4**	**344.5**	**257.3**	**180.0**	**113.6**	**60.3**
Combine Police and Fire										
DROP Liability Beginning Balance	1,237.9	1,287.8	1,187.0	986.3	781.4	595.1	426.8	275.1	148.0	56.7
Accrued Pension and COLA	189.4	179.1	181.6	187.9	172.4	161.4	147.2	130.4	107.5	81.4
Accrued Member Share Contributions	23.9	22.3	22.9	23.7	24.3	21.8	21.6	15.9	9.5	5.0
Accrued Interest	26.6	33.0	59.5	53.0	43.1	33.4	24.8	17.2	10.2	4.9
Withdrawals	(232.2)	(284.3)	(163.2)	(63.9)	(34.9)	(30.3)	(25.3)	(11.8)	(0.1)	-
DROP LIABILITY ENDING BALANCE	**$1,245.6**	**$1,237.9**	**$1,287.8**	**$1,187.0**	**$986.3**	**$781.4**	**$595.1**	**$426.8**	**$275.1**	**$148.0**

REVENUE CAPACITY INFORMATION

ACTIVE MEMBER AND TOTAL PAYROLL BASE STATISTICS (DOLLARS IN MILLIONS)

NUMBER AND AVERAGE ANNUAL SALARY*

Year	Payroll Base	Member Contributions	Number of Members*	Percentage Change in Payroll Base	Percentage Change in Member Contributions	Percentage Change in Members
2013	$1,913.4	$187.6	27,444	0.8%	5.7%	(0.6)%
2012	1,897.4	177.5	27,623	1.5%	0.4%	(2.1)%
2011	1,868.5	176.8	28,222	(1.4)%	0.7%	(1.4)%
2010	1,895.2	175.5	28,619	(0.3)%	4.2%	(1.5)%
2009	1,900.9	168.4	29,062	3.8%	(2.4)%	0.7%
2008	1,831.4	172.5	28,864	2.7%	4.5%	0.9%
2007	1,782.9	165.1	28,609	1.5%	(1.4)%	2.1%
2006	1,756.2	167.4	28,026	4.3%	(0.2)%	0.5%
2005	1,683.6	167.8	27,879	2.4%	1.1%	(2.0)%
2004	1,644.4	165.9	28,441	2.4%	1.2%	(0.1)%

* Includes rehired retirees

ACTIVE MEMBERSHIP DATA

NUMBER AND AVERAGE ANNUAL SALARY*

	Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under 25	422									422
	$44,377									$44,377
25-29	1,746	485	1							2,232
	$50,650	$66,121	$56,359							$54,014
30-34	1,194	1,602	598	2						3,396
	$52,563	$66,265	$70,844	$70,777						$62,257
35-39	495	1,029	2,063	627	8					4,222
	$51,225	$66,122	$69,847	$73,331	$84,906					$67,302
40-44	220	650	1,639	2,554	802	10				5,875
	$50,068	$64,025	$68,153	$72,827	$77,393	$72,680				$70,320
45-49	87	199	583	1,348	2,145	775	14			5,151
	$46,143	$62,323	$66,613	$70,884	$75,999	$80,717	$77,965			$73,281
50-54	37	76	188	453	1,009	1,346	515	13		3,637
	$54,211	$62,504	$65,960	$69,083	$73,769	$78,934	$82,126	$89,795		$75,500
55-59	18	37	51	150	340	533	599	100		1,828
	$59,360	$62,861	$59,606	$68,509	$68,459	$7,660	$79,783	$84,832		$74,993
60-64	9	4	13	44	95	101	134	57	9	466
	$60,035	$58,356	$59,840	$64,417	$69,237	$75,142	$76,187	$80,424	$79,518	$73,094
Over 64	1	3	6	6	11	12	8	3	10	60
	$39,253	$71,532	$46,943	$62,211	$72,549	$63,687	$73,482	$77,991	$75,429	$67,453
Total	4,229	4,085	5,142	5,184	4,410	2,777	1,270	173	19	27,289
	$50,594	$65,559	$68,758	$71,846	$75,023	$78,757	$80,294	$83,634	$77,365	$68,718

* Excludes rehired retirees

REVENUE CAPACITY INFORMATION

RETIRED MEMBERSHIP BY TYPE OF BENEFITS (SOURCE: ACTUARIAL VALUATION)

	Service		Survivors		Disability		Total
Year	Police	Fire	Police	Fire	Police	Fire	Beneficiaries
2013	7,459	5,683	4,352	3,321	3,834	2,594	27,243
2012	7,204	5,540	4,543	3,389	3,825	2,577	27,078
2011	6,762	5,185	4,479	3,310	3,772	2,566	26,074
2010	6,619	5,108	4,416	3,268	3,762	2,539	25,712
2009	6,546	5,060	4,300	3,194	3,721	2,496	25,317
2008	6,523	5,036	4,090	3,077	3,682	2,470	24,878
2007	6,459	5,012	4,067	3,115	3,594	2,436	24,683
2006	6,419	5,045	3,982	3,089	3,521	2,403	24,459
2005	6,452	5,101	3,931	3,063	3,429	2,364	24,340
2004	6,459	5,173	3,912	3,001	3,291	2,300	24,136

RETIRED MEMBERSHIP BY TYPE OF BENEFITS AND AVERAGE ANNUAL ALLOWANCE (SOURCE: ACTUARIAL VALUATION)

Age Last Birthday	Number	Annual Allowance	Average Annual Allowance
Service Retirees			
Under 60	2,565	$118,420,933	$46,168
60 - 64	2,846	132,496,605	46,555
65 - 69	2,753	122,597,722	44,532
70 - 74	2,057	82,604,713	40,158
75 - 79	1,222	43,104,609	35,274
Over 79	1,699	45,378,329	26,709
TOTAL	**13,142**	**$544,602,911**	**$41,440**
Survivors and Beneficiaries			
Under 60	1,249	$11,326,245	$9,068
60 - 64	680	7,845,326	11,537
65 - 69	825	8,551,323	10,365
70 - 74	1,003	9,835,746	9,806
75 - 79	1,153	10,629,978	9,219
Over 79	2,763	24,251,820	8,777
TOTAL	**7,673**	**$72,440,438**	**$9,441**
Disability Retirees			
Under 60	2,730	$107,424,155	$39,350
60 - 64	1,162	44,375,894	38,189
65 - 69	1,088	39,827,601	36,606
70 - 74	712	24,167,420	33,943
75 - 79	397	11,658,294	29,366
Over 79	339	8,105,617	23,910
TOTAL	**6,428**	**$235,558,981**	**$36,646**

REVENUE CAPACITY INFORMATION

ACTUARIAL INTEREST RATES

	Actuarial Interest Rates	
Time Frame of Rates	Police	Fire
Jan. 1, 1989 thru Present	8.250%	8.250%
Jan. 1, 1986 thru Dec. 31, 1988	7.750%	7.750%
Jan. 1, 1983 thru Dec. 31, 1985	7.500%	7.500%
Jan. 1, 1980 thru Dec. 31, 1982	6.375%	6.375%
Jan. 1, 1979 thru Dec. 31, 1979	6.000%	6.000%
Jan. 1, 1974 thru Dec. 31, 1978	5.000%	5.000%
Jan. 1, 1972 thru Dec. 31, 1973	4.750%	4.750%
Jan. 1, 1970 thru Dec. 31, 1971	4.625%	4.625%
Jan. 1, 1967 thru Dec. 31, 1969	4.250%	4.250%

DROP AND RE-EMPLOYED INTEREST RATES

	Drop and Reemployed Interest Rates	
Time Frame of Rates*	Police	Fire
April 1, 2014 thru June 30, 2014	2.73%	2.73%
Jan. 1, 2014 thru March 31, 2014	3.04%	3.04%
Oct. 1, 2013 thru Dec. 31, 2013	2.64%	2.64%
July 1, 2013 thru Sept. 30, 2013	2.52%	2.52%
April 1, 2013 thru June 30, 2013	1.87%	1.87%
Jan. 1, 2013 thru March 31, 2013	1.78%	1.78%
Oct. 1, 2012 thru Dec. 31, 2012	1.65%	1.65%
July 1, 2012 thru Sept. 30, 2012	1.67%	1.67%
April 2, 2012 thru June 30, 2012	2.23%	2.23%
Jan. 19, 2003 thru April 1, 2012	5.00%	5.00%

* Effective April 2, 2012 the interest rate is equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve, with a cap of five percent.

DROP MEMBER COUNT ROLL FORWARD *(as of Dec. 31, 2013)*

Police		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Balance Beginning of Year		1,795	1,801	1,985	1,990	1,893	1,797	1,683	1,524	1,277	958
Number of members that entered into DROP	Increases	384	329	356	289	289	258	272	298	289	365
Number of members that terminated DROP	Decreases	(296)	(335)	(540)	(294)	(192)	(162)	(158)	(139)	(42)	(46)
SUB-TOTAL AT YEAR END - POLICE		1,883	1,795	1,801	1,985	1,990	1,893	1,797	1,683	1,524	1,277
Fire											
Balance Beginning of Year		1,741	1,740	1,888	1,744	1,648	1,541	1,375	1,145	930	668
Number of Members that entered into DROP	Increases	369	283	315	349	258	249	285	317	235	279
Number of members that terminated DROP	Decreases	(248)	(282)	(463)	(205)	(162)	(142)	(119)	(87)	(20)	(17)
SUB-TOTAL AT YEAR END - FIRE		1,862	1,741	1,740	1,888	1,744	1,648	1,541	1,375	1,145	930
Police and Fire											
Balance Beginning of Year		3,536	3,541	3,873	3,734	3,541	3,338	3,058	2,669	2,207	1,626
Number of members that entered into DROP	Increases	753	612	671	638	547	507	557	615	524	644
Number of members that terminated DROP	Decreases	(544)	(617)	(1,003)	(499)	(354)	(304)	(277)	(226)	(62)	(63)
TOTAL AT YEAR END - POLICE AND FIRE		3,745	3,536	3,541	3,873	3,734	3,541	3,338	3,058	2,669	2,207

REVENUE CAPACITY INFORMATION

ACTUARIAL VALUATION INFORMATION - PENSION TRUST FUND (DOLLARS IN MILLIONS)**

As of Jan. 1	Valuation Assets*	Actuarial Accrued Liabilities (AAL)*	Unfunded/ (Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	Funding Period in Years
2013	$10,278	$16,008	$5,730	64.2%	$1,913	47 years
2012	10,309	16,347	6,038	63.1%	1,897	Infinite
2011	10,681	15,384	4,703	69.4%	1,869	Infinite
2010	10,794	14,831	4,037	72.8%	1,895	Infinite
2009	9,309	14,307	4,998	65.1%	1,901	Infinite
2008	11,213	13,728	2,515	81.7%	1,831	Infinite
2007	10,158	12,988	2,830	78.2%	1,783	Infinite
2006	9,551	12,190	2,639	78.3%	1,756	Infinite
2005	9,337	11,545	2,208	80.9%	1,684	Infinite
2004	9,337	10,798	1,461	86.5%	1,644	Infinite

* Actuarial assets and liabilities are net of DROP accruals.
** The amounts reported in this schedule do not include assets or liabilities for post-employment health care benefits.

ACTUARIAL VALUATION INFORMATION - RETIREE HEALTH CARE TRUST FUND (DOLLARS IN MILLIONS)

As of Jan. 1	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded/ (Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2013	$936	$4,235	$3,299	22.09%	$1,913	172.5%
2012	780	3,699	2,919	21.09%	1,897	153.8%
2011	718	3,295	2,577	21.78%	1,869	137.9%
2010	573	3,232	2,659	17.74%	1,895	140.3%
2009	439	3,164	2,725	13.87%	1,901	143.3%
2008	527	3,623	3,096	14.54%	1,831	169.1%
2007	437	3,274	2,837	13.30%	1,783	159.1%
2006	343	3,335	2,992	10.30%	1,756	170.4%

HISTORICAL ANNUAL INVESTMENT RESULTS

U.S. Equity	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OP&F	35.53%	15.88%	0.94%	22.43%	32.82%	(38.02)%	5.37%	14.80%	7.59%	13.11%
International Equity*										
OP&F	21.01%	19.96%	(12.37)%	15.11%	39.58%	(45.71)%	20.61%	28.24%	14.10%	21.18%
Emerging Markets										
OP&F	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	26.24%	22.68%
Fixed Income										
OP&F–Core	(1.05)%	6.31%	6.41%	9.72%	11.76%	0.37%	6.50%	4.59%	2.67%	4.75%
OP&F–High Yield	6.15%	15.64%	6.00%	15.02%	47.02%	(20.17)%	2.91%	10.22%	2.61%	10.65%
OP&F–GIPS	(10.62)%	14.93%	35.50%	15.28%	9.84%	2.04%	11.72%	2.97%	2.96%	6.97%
OP&F–Commercial Mortgage**	6.72%	5.28%	4.99%	16.63%	(0.63)%	0.68%	2.31%	5.08%	9.83%	4.82%
Master Limited Partnerships										
OP&F	32.25%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real Estate **										
OP&F	15.11%	13.06%	18.01%	4.86%	(37.27)%	2.07%	20.67%	26.60%	26.07%	14.14%
Private Equity **										
OP&F	11.50%	9.58%	17.66%	12.57%	(11.61)%	(2.32)%	31.88%	17.43%	26.76%	7.15%
Timber **										
OP&F	3.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Portfolio										
OP&F	16.94%	15.41%	2.57%	15.85%	20.73%	(28.06)%	10.47%	16.15%	9.07%	13.29%
Policy Index***	14.61%	14.94%	2.43%	12.61%	22.81%	(28.89)%	9.16%	15.69%	8.98%	12.84%

* International Equity benchmark is a blend of the MSCI ACWI ex U.S. (Net) through June 30, 2011 and the MSCI ACWI ex U.S. Iran/Sudan Free from July 1, 2011 froward.

** One quarter in arrears.

*** Interim Policy Index: 22.4 percent Wilshire 5000, 21.6 percent MSCI ACWI ex-U.S. Iran/Sudan Free, 11.5 percent Barclays Aggregate, 15 percent CSFB Dev. Countries HY, 6.5 percent TIPS Custom, 11 percent NCREIF ODCE Index Lagged, 5 percent Wilshire 5000 +3 percent Lagged, 2 percent CPI + 5 percent (Net), 5 percent Alerian MLP Index.

- Long-Term Policy: 18.5 percent Wilshire 5000, 18.5 percent MSCI ACWI ex-U.S. (Net) Iran/Sudan Free, 23 percent Barclays Aggregate, 15 percent CSFB Dev. Countries HY, 13 percent Global TIPS Custom, 12 percent NCREIF ODCE Index Lagged, 8 percent Wilshire 5000 +3 percent Lagged, 5 percent CPI + 5 percent (Net), 5 percent Alerian MLP Index (adds to 118 percent as "Risk Parity" approach uses levered core fixed income and levered Global Inflation-Protected Securities).

Time Weighted methodology, based upon fair values, is used when calculating performance.

DEBT CAPACITY INFORMATION

OP&F does not have any outstanding debt, nor are there any plans to ever pursue issuing debt anytime in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

NUMBER OF EMPLOYER UNITS

	Municipalities		Townships		Villages		Total		Total
Year	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Both
2013	249	223	–	124	282	33	531	380	911
2012	249	225	–	122	288	33	537	380	917
2011	250	227	–	123	283	34	533	384	917
2010	252	229	–	123	284	33	536	385	921
2009	252	229	–	121	287	32	539	382	921
2008	251	228	–	123	287	34	538	385	923
2007	251	229	–	122	289	33	540	384	924
2006	252	225	–	119	284	32	536	376	912
2005	251	224	–	113	286	31	537	368	905
2004	252	225	–	109	288	29	540	363	903

DEMOGRAPHIC AND ECONOMIC INFORMATION

PRINCIPAL PARTICIPATING EMPLOYERS

Employer Name	Covered Employees	Rank	Percentage of Total Covered Members
City of Columbus	3,627	1	13.21%
City of Cleveland	2,390	2	8.71%
City of Cincinnati	1,832	3	6.67%
City of Toledo	1,275	4	4.65%
City of Akron	790	5	2.88%
City of Dayton	659	6	2.40%
City of Youngstown	309	7	1.13%
City of Canton	302	8	1.10%
City of Springfield	261	9	0.95%
City of Hamilton	214	10	0.78%
All Others	15,785		57.52%
TOTAL	**27,444**		**100.00%**

OPERATING INFORMATION

OP&F EMPLOYEE BUDGETED POSITION COUNTS

Department	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	47	45	46	46	47	44	45	42	44	38
Finance**	22	22	13	13	13	13	13	16	16	28
Health Care Services*	–	–	–	–	–	–	–	–	16	15
Information Services	24	24	24	24	24	25	25	25	26	29
Investments	14	15	15	15	14	14	14	14	17	15
Member Services**	34	38	46	46	51	54	64	69	56	56
TOTAL FULL-TIME POSITIONS	**141**	**144**	**144**	**144**	**149**	**150**	**161**	**166**	**175**	**181**

* Health Care Services was combined with Member Services in 2006.

** The Employer Services Group was transitioned to Finance from Member Services in 2012.

PERSONNEL SALARIES BY YEAR (DOLLARS IN THOUSANDS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Salaries and Wages	$9,248.5	$8,756.9	$8,807.9	$8,313.9	$8,660.2	$8,866.4	$8,844.4	$8,763.8	$8,963.4	$9,037.8
Average Salary per Budgeted Staff	$65.6	$60.8	$61.2	$57.7	$58.1	$59.1	$54.9	$52.8	$51.2	$49.9

OPERATING INFORMATION

OP&F BUDGET* (DOLLARS IN MILLIONS)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administrative Expenses (Actual)*	$59.4	$52.8	$50.3	$46.5	$41.0	$43.6	$45.9	$41.7	$38.7	$41.3
Administrative Expenses (Budget)*	62.6	58.7	54.5	45.6	46.5	54.6	61.0	48.5	44.1	45.0
Percentage of Budget vs Actual	95%	90%	92%	102%	88%	80%	75%	86%	88%	92%

* Excludes depreciation expense

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Capital (Actual)	$3.1	$2.9	$1.7	$2.0	$0.6	$2.1	$1.2	$0.7	$2.0	$2.4
Capital (Budget)	3.4	3.4	3.7	4.4	3.2	4.6	3.8	5.8	2.8	2.8
Percentage of Budget vs Actual	91%	85%	46%	45%	19%	46%	32%	12%	71%	86%

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Expenses (Actual)*	$15.9	$15.4	$15.4	$15.0	$16.3	$16.0	$16.7	$14.7	$13.9	$14.3
Investment Expenses (Actual)*	43.5	37.4	34.9	31.5	24.7	27.6	29.2	27.0	24.8	27.0

* Excludes depreciation expense

OTHER OPERATING STATISTICS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Staff	141	144	144	144	149	150	161	166	175	181
Investment Staff	14	15	15	15	14	14	14	14	17	15
Investment Actual Expenses	$43.5	$37.4	$34.9	$31.5	$24.7	$27.6	$29.2	$27.0	$24.8	$27.0
Investment Income	$2,053.0	$1,657.9	$229.6	$1,651.8	$1,894.9	$(3,832.9)	$1,163.1	$1,629.8	$847.3	$1,152.4
Investment Staff to Investment Expense Ratio	$3.1	$2.5	$2.3	$2.1	$1.8	$2.0	$2.1	$1.9	$1.5	$1.8
Total Staff to Investment Income Ratio	$14.6	$11.5	$1.6	$11.5	$12.7	$(25.6)	$7.2	$9.8	$4.8	$6.4
Investment Staff to Investment Income Ratio	$146.6	$110.5	$15.3	$110.1	$135.4	$(273.8)	$83.1	$116.4	$49.8	$76.8

DEATH BENEFIT FUND

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustees of OP&F administers the State of Ohio DBF. This program was established by the State of Ohio to provide monthly benefit payments to surviving family members of Ohio fire fighters and law enforcement officers who have been killed in the line of duty or die of a duty-related accident or illness. Funds are disbursed to OP&F, on a quarterly basis, each State fiscal year (July 1-June 30) and benefits are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The assets and liabilities of the DBF are included in the Fund's combining statement of plan net assets as of Dec. 31, 2013 as an agency fund. The following is a schedule of DBF financial activity:

Balance Jan. 1, 2013	**$456,661**
Less: Survivor Benefits Paid Jan. 1 thru June 30, 2013	(9,382,871)
Balance returned to State of Ohio	–
State Funding Received	20,000,000
Less: Survivor Benefits Paid July 1 thru Dec. 31, 2013	(9,445,558)
BALANCE DEC. 31, 2013	**$1,628,232**

LIST OF PROFESSIONAL ACRONYMS

AAL = Actuarial Accrued Liabilities

ACH = Automated Clearing House

ACWI Ex-U.S. = All Country World Ex-U.S. Index

ARC = Annual Required Contributions

AICPAs = American Institute of Certified Public Accounts

BofA = Bank of America

BOE = Bank of Europe

BOJ = Bank of Japan

bps = Basis Points

Buck = Buck Consultants, LLC

CAFR = Comprehensive Annual Financial Report

COLAs = Cost of Living Allowance

CPI = Consumer Price Index

CSFB = Credit Suisse First Boston

DBF = Death Benefit Fund

DROP = Deferred Retirement Option Plan

ECB = European Central Bank

FAS = Final Average Salary

FASB = Financial Accounting Standards Board

FCC = Full Faith and Credit

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

GASB = Government Accounting Standards Board

GDP = Gross Domestic Product

GFOA = Government Finance Officers Association of the U.S. and Canada

GIPS = Global Inflation Protected Securities

GNMA = Government National Mortgage Association

HCSF = Health Care Stabilization Fund

HY = High Yield

IPO = Initial Public Offering

IRC = Internal Revenue Code

IRS = Internal Revenue Service

I/S Free = Iran and Sudan Free

JSA = Joint and Survivor Annuity

LACC = Life Annuity Certain and Continuous

LSTA = Loan Syndications and Trading Association

MD&A = Management Discussion and Analysis

MLP = Master Limited Partnerships

MSCI = Morgan Stanley Capital International

NCREIF = National Council of Real Estate Investment Fiduciaries

NGL = Natural Gas Liquid

NR = Not Rated

ODCE = Open End Diversified Core Equity

OP&F = Ohio Police & Fire Pension Fund

OPEB = Other Post-Employment Benefit

OPERS = Ohio Public Employees Retirement System

ORC = Ohio Revised Code

ORSC = Ohio Retirement Study Council

PPCC = Public Pension Coordination Council

QE3 = Third Quantitative Easing Program

REITs = Real Estate Investment Trusts

REMICs = Real Estate Mortgage Investment Conduits

RFP = Request for Proposal

RSI = Required Supplementary Information

S&P = Standard and Poor's

STIF = Short-Term Investment Fund

STRIPS = Separate Trading of Registered Interest and Principal Securities

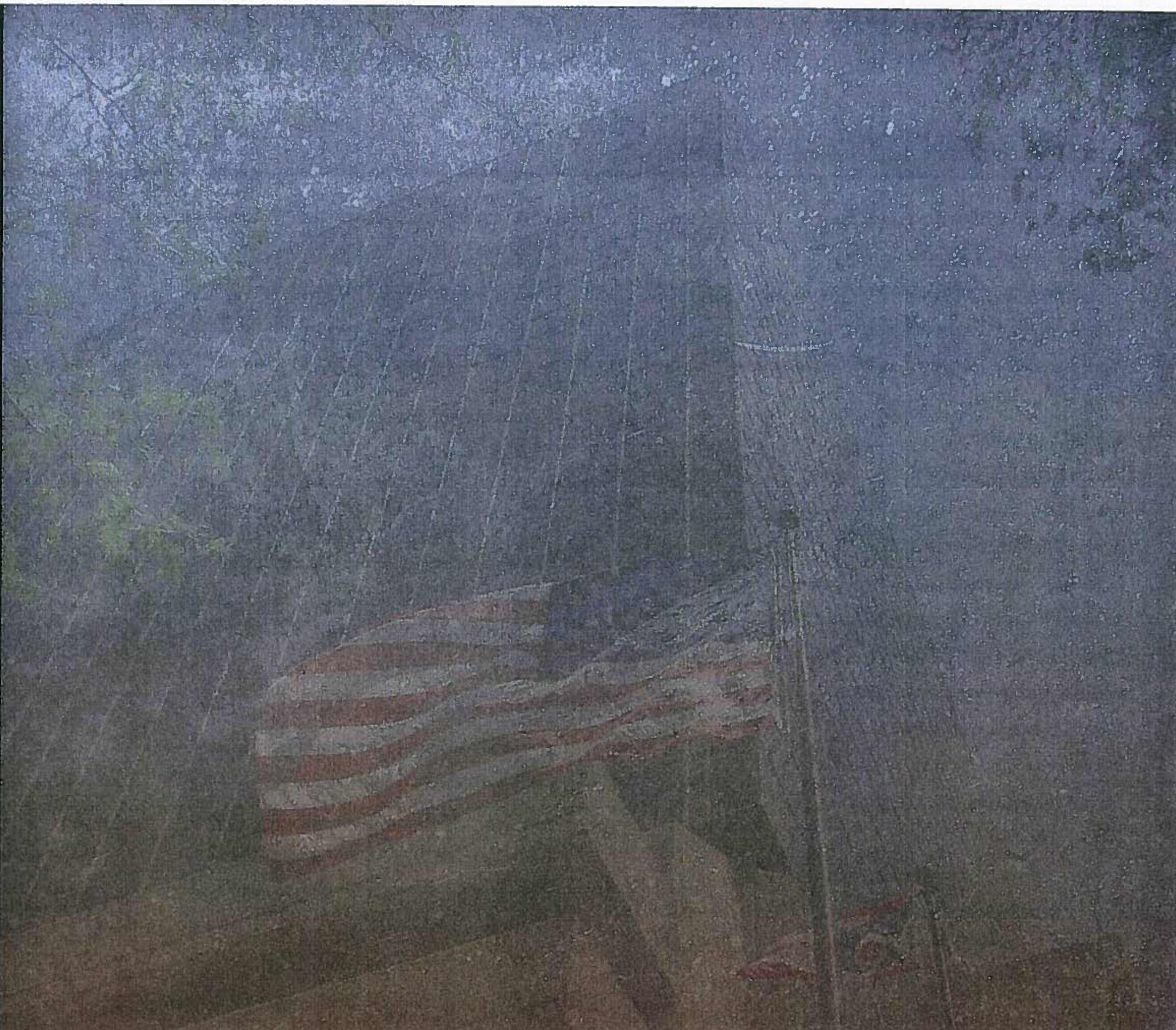
TIPS = Treasury Inflation Protected Securities

TTY = TeletypeWriter

UAAL = Unfunded Actuarial Accrued Liabilities

U.S. = United States of America

U.S.D. = United States Dollar



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