State Teachers Retirement System of Ohio

2014

COMPREHENSIVE Annual Financial Report

Fiscal Years Ending
June 30, 2014 and 2013

State Teachers Retirement System of Ohio

2014

COMPREHENSIVE Annual Financial Report

Prepared through the joint efforts
of the STRS Ohio staff

275 E. Broad St., Columbus, OH 43215-3771
614.227.4090 • www.strsoh.org

Fiscal Years Ending
June 30, 2014 and 2013

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The State Teachers Retirement System of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Table of Contents

Introduction

Financial

Investments

Actuarial

Statistical

Professional Consultants: Independent Public Accountants, CliftonLarsonAllen LLP, Toledo, Ohio; Investment Consultants, Callan Associates Inc., Chicago, and Cliffwater LLC, Marina del Ray, Calif.; Actuarial Consultants, The Segal Group, Inc., Chicago; and Performance Verification Consultants, ACA Performance Services LLP, New York. See Page 55 for a list of external domestic equity, international and fixed-income managers.

2013–2014 State Teachers Retirement Board

Guiding the members of the Retirement Board is their collective belief that Ohio's public educators deserve comprehensive benefits and quality service from their retirement system during their careers and in retirement. The Retirement Board provides the direction, fiduciary oversight and policies that enable STRS Ohio to fulfill its mission of partnering with STRS Ohio members in helping to build retirement security.

The Retirement Board is composed of 11 members as follows: five elected contributing members; two elected retired members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the Ohio House of Representatives and the Ohio Senate president; an investment expert designated by the treasurer of state; and the superintendent of public instruction or his designated investment expert. These individuals devote hundreds of volunteer hours in service to STRS Ohio.

Dale Price and Mark Hill were unopposed in the May 2014 election and will continue their seats through Aug. 31, 2018.

In June, Carol Correthers was elected as vice chair and Robert Stein assumed the responsibility of board chair, effective Sept. 1, 2014.

Following the retirement of long-time pension fund deputy directors Robert Slater and Steve Mitchell this fiscal year, STRS Ohio named two experienced pension system professionals to replace them. Paul Snyder was promoted to deputy executive director — Finance and chief financial officer, succeeding Slater, and John Morrow was promoted to deputy executive director — Investments and chief investment officer, succeeding Mitchell.

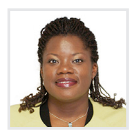
Dale Price, Chair
Contributing member since 2010.
Toledo Public Schools, Lucas County

Robert Stein, Vice Chair
Retired teacher member since 2009.

Craig C. Brooks
Appointed jointly by the Speaker of the House of Representatives and the Senate President in 2008.

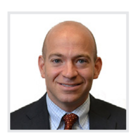
Jason Rafeld
Representing the Superintendent of Public Instruction. Ex officio member of the board since appointed to office in 2012.

Mark Hill
Contributing member since 2010.
Worthington City Schools, Franklin County

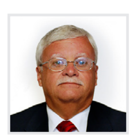


Carol Correthers
Contributing member since 2009.
Lorain City Schools, Lorain County

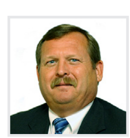
Taiyia L. Hayden
Contributing member since 2006.
Columbus City Schools, Franklin County



Yoel Mayerfeld
Appointed by the Treasurer of State in 2012.



James McGreevy
Retired teacher member since 2009.



Tim Myers
Contributing member since 2008.
Elida Local Schools, Allen County

Michael J. Nehf, Executive Director, State Teachers Retirement System of Ohio

STRS Ohio Mission and Vision

The mission of STRS Ohio is to partner with our members in helping to build retirement security.

The vision of STRS Ohio is to be a leading retirement system by providing comprehensive retirement benefits and quality service to our members through exceptional financial performance, ethical business practices and responsible resource management.

STRS Ohio Guiding Principles

1. Make decisions that produce the greatest sustainable benefits for our members.
2. Attract, develop and retain highly competent and motivated associates who have authority commensurate with their responsibilities.
3. Continually improve through research, development, evaluation and risk management.
4. Build an organizational culture that inspires a high level of professionalism and performance.

STRS Ohio Senior Staff Members

Michael J. Nehf, Executive Director

Sandra L. Knoesel, Deputy Executive Director — Member Benefits and Chief Benefits Officer

John Morrow, Deputy Executive Director — Investments and Chief Investments Officer

Paul M. Snyder, Deputy Executive Director — Finance and Chief Financial Officer

Marla E. Bump, Director, Governmental Relations

Rhonda Hare, Retirement Board Liaison

Andrew J. Marfurt, Director, Human Resource Services

William J. Neville, General Counsel

David Tackett, Chief Audit Executive, Internal Audit

Gregory A. Taylor, Chief Information Officer

Nicholas J. Treneff, Director, Communication Services

Dec. 12, 2014

State Teachers Retirement System of Ohio

275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

Members of the State Teachers Retirement Board:

We are pleased to present the *Comprehensive Annual Financial Report* of the State Teachers Retirement System of Ohio for the fiscal year ended June 30, 2014. This report is intended to provide financial, investment, actuarial and statistical information in a single publication. STRS Ohio management is responsible for the accuracy of the data, as well as the completeness and fairness of the presentation.

STRS Ohio was created by legislative act on May 8, 1919, as an alternative to separate, often unstable local school district retirement plans. STRS Ohio is a cost-sharing, multiple-employer plan providing service retirement, disability and survivor benefits to teachers and faculty members of public boards of education, state-supported colleges and universities, and the state of Ohio and its political subdivisions. Optional health care coverage is available to eligible benefit recipients and their eligible dependents.

More analysis and information of the financial activities of STRS Ohio can be found in the Management's Discussion and Analysis section that begins on Page 10 of this report.

Major Initiatives

In 2012, the Ohio Legislature passed pension reform bills to improve the financial condition of all five Ohio pension systems, including STRS Ohio. Sub. Senate Bill 342 contained benefit plan changes that impact every STRS Ohio member enrolled in the Defined Benefit Plan. Provisions in the new law reduced accrued liabilities and helped preserve the Defined Benefit Plan for Ohio's educators. The changes to STRS Ohio's benefits include: increasing age and service requirements for retirement; lowering the fixed benefit formula; increasing the period for determining final average salary; increasing member contributions to the system; reducing the cost-of-living adjustment (COLA); deferring the COLA for future retirees; and eliminating the COLA for one year. The new law also provides the Retirement Board with authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA depending on funding improvements. Several pension reform changes were implemented during fiscal year 2014 including:

- No cost-of-living adjustments (COLAs) were granted during the year. Members retiring after July 1, 2013, will not receive a COLA until the fifth anniversary of retirement.
- Member contribution rate increased to 11% on July 1, 2013, and to 12% effective July 1, 2014.
- New members require five years of qualifying service credit to be eligible for survivor benefits and 10 years of qualifying service credit to be eligible for disability benefits.
- New Defined Contribution Plan members now vest 20% per year for employer contributions and any gains or losses on those contributions.
- Reemployed retirees will not receive matching contributions July 1, 2013, and after.
- Members may now designate different percentages for two or more beneficiaries.
- Members began paying the full projected liability cost for certain types of service purchases, effective Jan. 1, 2014. However, members who had their purchasable service certified by Dec. 31, 2013, had until June 30, 2014, to purchase the credit at the lower cost.

In March the Retirement Board took action to reduce the amortization period for the pension fund by discontinuing the allocation to the Health Care Fund of 1% of the 14% employer contribution beginning July 1, 2014. The board's action shortens the projected life of the Health Care Fund; however, the board has authority to direct all or part of the 1% back to the Health Care Fund in the future once the financial condition of the pension fund improves, recognizing that health care coverage is important to members' retirement security.

In April, the Retirement Board's actuarial consultant recommended a 1% increase (to 5.5% from 4.5%) in the mitigating rate, which is a portion of the employer contribution that is used by the retirement system to offset the negative impact of participation in defined contribution plans. However, before the board took action on this recommendation, the Ohio General Assembly passed legislation that placed a moratorium on the mitigating rate applied to ARPs at 4.5%. The moratorium will be in effect until July 1, 2015.

The annual pension valuation results from STRS Ohio's actuarial consultant, Segal Consulting, showed continued improvement in the system's funding levels. The report provides a "snapshot" of the actuarial position of the retirement fund as of July 1, 2014. Segal's report this year shows the funding period for the pension fund — the amount of time needed to pay off any unfunded liability — decreased to 29.5 years from 40.2 years, and the funded ratio improved to 69.3% from 66.3%.

Better than expected investment returns were the primary driver for the funding improvement. Other significant notes from this year's actuarial valuation report include:

- The unfunded actuarial accrued liability decreased to $29.5 billion from $31.8 billion — this represents the difference between STRS Ohio's actuarial value of assets and the actuarial accrued liabilities.
- STRS Ohio paid about $6.5 billion in benefits, excluding health care, during the fiscal year.
- The pension fund has a net $5.2 billion in unrecognized gains being deferred to future years. STRS Ohio uses a common actuarial technique called "smoothing" to spread investment market volatility over four-year periods. This method helps pension funds recognize investment returns for a given year over a four-year window rather than a one-year "spike."
- Contributing payroll decreased by 0.4%, and the number of active members decreased slightly.

Ohio's public retirement systems are required by law to amortize any unfunded liabilities over a period of not more than 30 years. Following last year's valuation, the Retirement Board's discontinuation of the 1% allocation to the system's Health Care Fund, along with expected strong investment returns, put STRS Ohio on track to reach a 30-year amortization period by 2016; however, better than expected investment returns helped the pension fund reach the 30-year funding period earlier than projected.

In 2012, the Governmental Accounting Standards Board (GASB) released two new statements amending existing pension accounting standards for plans and employers — GASB 67 and GASB 68 represent significant changes in reporting. GASB 67 standards are reflected in this year's notes, schedules and required supplementary information. Additionally, STRS Ohio has provided information and reached out to employers to assist them in implementing GASB 68. The new standards require pension liabilities to be reported as a liability in the employers' financial statements. At June 30, 2014, the net pension liability for STRS Ohio was $24.3 billion, which represents the excess of the total pension liability over fiduciary net position.

STRS Ohio launched an updated member website in the fall of 2013. The new responsive website improves members' access to information about their pension system on multiple devices and "detects" how members are connecting to it and displays content appropriately on their smart phone, tablet or desktop computer. The site also was restructured to guide members to information related to the two key phases of their STRS Ohio membership — "During Your Career" and "Receiving Benefits."

STRS Ohio received the CEM Pension Administration Benchmarking report for fiscal year 2013, which reflected improvement in the retirement system's member service level score. STRS Ohio's service score was the second highest overall of the 55 plans that participated in the study. Since 2006, STRS Ohio has reduced costs measured in the report by about 18%.

Another report by CEM showed that STRS Ohio's internal investment strategy is a key reason that the retirement system has the lowest investment costs in its peer group of 16 large U.S. pension funds. The report showed that STRS Ohio saved about $101 million for calendar year 2013 by managing these assets internally.

Management Responsibility

This report consists of management's representations regarding STRS Ohio's finances. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the assets from loss, theft or misuse and to compile sufficient, reliable information for the preparation of STRS Ohio's financial statements in conformity with generally accepted accounting principles. The internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of the cost and benefits requires estimates and judgments by management. We as management believe that the internal controls currently in place support this purpose, and assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Investments

Total investments (including short-term investments) increased to $76.5 billion as of June 30, 2014. The Investment Review starting on Page 37 discusses the investment environment during fiscal 2014. The allocation of investment assets is designed to provide high long-term yields at optimal risk consistent with the expected long-term rate of return. Investment risks are diversified over a very broad range of market sectors and securities. This strategy reduces portfolio risk to adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets. A summary of the asset allocation can be found on Page 52.

For the fiscal year ended June 30, 2014, investments returned 16.83%. STRS Ohio's annualized rate of return was 10.77% over the last three years and 13.60% for the last five years. Similar benchmark returns over the same one-, three- and five-year periods were 17.53%, 11.05% and 13.67%, respectively.

Plan Contributions

Member and employer contributions, as well as income from investments, provide funds for pension benefits and health care coverage. Effective July 1, 2013, the member contribution rate increased by 1% to 11% of payroll. The member rate will increase 1% per year until reaching 14% in fiscal year 2017. Employer contributions include amounts paid by employers of participants in alternative retirement plans (ARPs). ARP participants are not members of STRS Ohio; however, their employers are now required (effective July 1, 2013) to contribute 4.5% of salaries to STRS Ohio to help pay for unfunded liabilities. Premiums received from health care recipients totaled $277.5 million in fiscal year 2014. STRS Ohio received $46.1 million in Medicare Part D reimbursements for participant prescription costs. This federal subsidy helps offset the overall cost of the post-employment health care program. In fiscal year 2014, STRS Ohio received $154.2 million in joint retirement revenue.

Benefit Payments

The principal purpose for STRS Ohio is to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Benefit payments, including refunds to terminated members and optional health care coverage, totaled $7.4 billion. Refunds increased by 6.7% from fiscal year 2013, as more members terminated employment and more reemployed retirees took lump-sum payments.

Funding

Contribution rates are intended to provide a level basis of funding using the entry age normal cost method, and an actuarial valuation is performed annually by Segal Consulting. The July 1, 2014, valuation shows that the amortization period for the unfunded accrued liability decreased to 29.5 years from 40.2 the prior year, and the ratio of assets to total accrued liabilities increased to 69.3% from 66.3%.

A detailed discussion of funding is provided in the Actuarial Section of this report beginning on Page 56.

Retiree Health Care Program

Plan changes to build a better long-term financial foundation and strong investment return on assets were two key factors that led to strengthening the financial picture for STRS Ohio's Health Care Fund as of Jan. 1, 2014. The results of the annual actuarial valuation of the fund reflect an increase in the funded ratio to 74.4% at Jan. 1, 2014, from 73.4% at Jan. 1, 2013. The unfunded actuarial accrued liability is $1.2 billion at Jan. 1, 2014. The board discontinued the 1% allocation to the system's Health Care Fund, effective July 1, 2014, after last year's valuation, to reduce the amortization period for the pension fund.

Certificate of Achievement and Other Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to STRS Ohio for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. STRS Ohio has received a Certificate of Achievement for the last 24 years. We believe our current report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA.

In addition, the Public Pension Coordinating Council (PPCC) presented STRS Ohio with the 2014 Public Pension Standards Award for Administration in recognition of meeting professional standards set forth in the Public Pension Standards. PPCC is a coalition made up of the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS).

Acknowledgments

The preparation of this report is possible only through the combined efforts of the STRS Ohio staff. It is intended to provide complete and reliable information as a basis for making management decisions, complying with legal provisions and determining responsible stewardship of the assets contributed by members and their employers.

Respectfully submitted,

Michael J. Nehf
Executive Director

Paul M. Snyder, CPA
Deputy Executive Director
Chief Financial Officer

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

The Retirement Board
State Teachers Retirement System of Ohio, and
The Honorable Dave Yost, Auditor of State

Report on the Financial Statements

We have audited the accompanying financial statements of State Teachers Retirement System of Ohio (STRS Ohio), which comprise the statements of fiduciary net position as of June 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 financial position of STRS Ohio as of June 30, 2014 and 2013, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

An independent member of Nexia International

The Retirement Board
State Teachers Retirement System of Ohio, and
The Honorable Dave Yost, Auditor of State
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the employers' net pension liability, employers' net pension liability, employers' contributions, investment returns, health care funding progress and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on STRS Ohio's financial statements. The additional information, including the administrative expenses, and schedules of investment expenses, and external asset managers' fees, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The additional information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, including the administrative expenses, and schedules of investment expenses, and external asset managers' fees, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of STRS Ohio'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 report 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 STRS Ohio's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Toledo, Ohio
December 8, 2014

Management is pleased to provide this overview and analysis of the financial activities of the State Teachers Retirement System of Ohio (STRS Ohio) for the years ended June 30, 2014 and 2013. This information is intended to supplement the financial statements, which begin on Page 17 of this report. We encourage readers to consider all the information and data in this 2014 Comprehensive Annual Financial Report.

As of June 30, 2014, STRS Ohio held $75.4 billion in trust on behalf of about 482,000 active, inactive and retired educators. This represented a $6.8 billion increase from the previous fiscal year-end. In fiscal 2013, STRS Ohio experienced a $4.3 billion increase in net position from the previous fiscal year-end.

In 2012, the State Teachers Retirement Board took an important step to strengthen the financial condition of the pension fund by approving a plan that is designed to bring the system to a 30-year funding period. The multifaceted plan became effective in 2013 and will be fully phased-in by 2026. Following are key changes made to the pension plan:

- *Increases the eligibility requirements for FULL retirement — with an unreduced benefit — to age 60 with 35 years of service or age 65 with five years of service by Aug. 1, 2026 (phase-in begins Aug. 1, 2015).*
- *Increases the eligibility requirements for EARLY retirement — with an actuarially reduced benefit — to a minimum 30 years of service or age 60 with five years of service by Aug. 1, 2023 (phase-in begins Aug. 1, 2015).*
- *Increases member contributions by 4% of compensation, phased in 1% per year beginning July 1, 2013, through July 1, 2016.*
- *Change in benefit formula to 2.2% for all years of service, beginning Aug. 1, 2015. The 35-year enhanced benefit formula will be eliminated after July 1, 2015.*
- *Changes final average salary (FAS) calculation to the five highest years of earnings, beginning Aug. 1, 2015.*
- *Reduces cost-of-living adjustment (COLA) to 2% for all retirees and delays COLA for all new retirees for 60 months.*
- *New members will have to work longer to be eligible for disability and survivor benefits.*

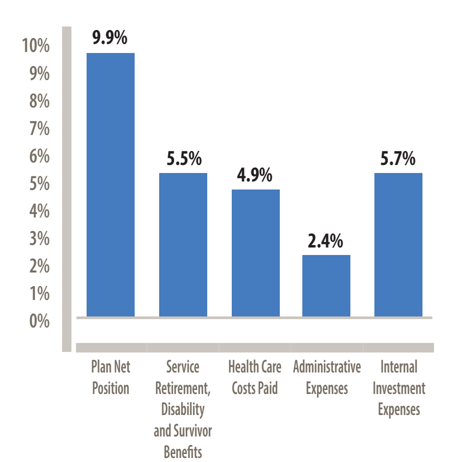
Pension reform also grants the Retirement Board with authority to make future adjustments as the need or opportunity arises, depending on the retirement system's funding progress.

Financial Highlights

The chart below illustrates the percentage changes in fiduciary net position and expenses for fiscal 2014. Highlights of the fiscal year include:

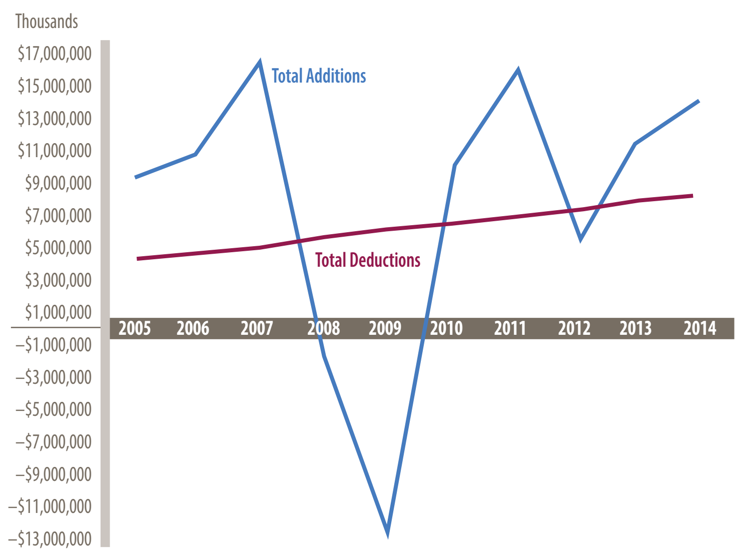
- The investment rate of return was 16.83% in fiscal 2014. The investment rate of return for fiscal 2013 was 13.66% following a 2.34% return in 2012. Five- and 10-year total fund annualized returns are 13.60% and 8.00%, respectively.
- Total net position increased 9.9% from the prior fiscal year, ending at $75.4 billion as of June 30, 2014. Net position increased 6.7% during fiscal 2013, ending at $68.7 billion as of June 30, 2013.
- The post-employment health care net position was $3.6 billion as of June 30, 2014, an increase of 9.6% from the prior fiscal year. Program changes designed to build a long-term financial foundation for the health care program continued to appear in fiscal 2014 results. The changes resulted from utilization of lower-cost plans, increases in the retiree's portion of premiums and higher generic drug use. Net investment income (including securities lending) for the fund was $524.5 million in 2014. The post-employment health care balance increased 6.6% during fiscal 2013, ending at $3.3 billion as of June 30, 2013.
- Defined contribution accounts finished the year with $855 million in net position, an increase of 24.5% from 2013. The defined contribution accounts ended fiscal 2013, with $687 million in net position, an increase of 20.9% from the end of fiscal 2012.

Percentage Changes in Plan Net Position and Expenses for Fiscal 2014



- Total benefit payments were $7.1 billion during fiscal 2014, an increase of 5.7% from fiscal 2013. STRS Ohio paid members $6.5 billion in service retirement, disability and survivor benefits plus $629 million for health care coverage during fiscal 2014. Total benefit payments were $6.8 billion during fiscal 2013, an increase of 6.0% from fiscal 2012.

Historical Plan Asset Additions and Deductions
(years ended June 30)



Contributions
Years Ended June 30, 2014 and 2013 (dollar amounts in thousands)

	2014	2013	Percentage Change
Employer Contributions	$ 1,451,860	$ 1,457,068	–0.4%
Member Contributions	1,193,808	1,095,290	9.0%
Health Care Premiums and Government Reimbursements	323,609	303,103	6.8%
Other	154,911	37,943	308.3%
Total Additions	**$ 3,124,188**	**$ 2,893,404**	**8.0%**

Benefits and Administration
Years Ended June 30, 2014 and 2013 (dollar amounts in thousands)

	2014	2013	Percentage Change
Benefits (includes optional health care)	$ 7,134,141	$ 6,752,153	5.7%
Refunds	220,341	206,492	6.7%
Administration	63,485	62,005	2.4%
Total Deductions	**$ 7,417,967**	**$ 7,020,650**	**5.7%**

- Total additions to fiduciary net position were $14.2 billion during fiscal 2014. Net investment income (including securities lending) during fiscal 2014 totaled $11.1 billion. Total additions to plan net assets were $11.4 billion during fiscal 2013, including $8.5 billion related to net investment income.
- Member contributions increased by $98.5 million in fiscal 2014 as a result of the member rate increasing to 11% from 10%. Employer contributions decreased in line with the reduction in plan payroll. Total member and employer contributions were $2.6 billion in fiscal 2014. During fiscal 2013, member and employer contributions totaled more than $2.5 billion.
- Other retirement systems contributions increased to $154.2 million in fiscal 2014 from $33.3 million in fiscal 2013. Fiscal 2014 was the first full year in recognizing changes to the joint retirement formula.
- Administrative expenses increased 2.4% to $63.5 million for fiscal 2014. Investment expenses, which include salaries and benefits for investment personnel, increased 5.7% to $32.2 million in fiscal 2014. In fiscal 2013, administrative expenses increased 1.1% and investment expenses decreased 2.4%.

Annual Financial Review

The total fund delivered a 16.83% rate of return in fiscal 2014. Domestic equities led all investment categories by generating a 24.46% return. International equities had a 20.68% return and alternative investments returned 16.95%. Real estate had a 13.68% return and the fixed-income return was 4.95%. The total fund annualized investment return for the past 10 fiscal years was 8.00%.

Historical additions to and deductions from fiduciary net position indicate a pattern of steadily increasing deductions compared to fluctuating additions due to investment volatility, as shown in the chart at the top of the page. Changes in contributions and benefits and administration for fiscal years ended June 30, 2014 and 2013, are shown in the tables to the left. Pension benefit payments and health care costs exceed member and employer contributions. STRS Ohio is dependent upon investment income to compensate for the difference between benefit payments and contributions.

Net position for post-employment health care increased to $3.6 billion at June 30, 2014, from $3.3 billion at June 30, 2013. Premiums received from health care recipients in fiscal 2014 increased to $277.5 million from $261.9 million in fiscal 2013. Medicare Part D reimbursements of $46.1 million were received to help offset prescription drugs costs. Health care coverage payments increased 4.9% from fiscal 2013. In fiscal 2013, health care premiums increased to $261.9 million from $246.3 million. Health care coverage payments declined 4.5% from fiscal 2012.

Overview of the Financial Statements of STRS Ohio

The two basic financial statements are the *Statements of Fiduciary Net Position* and the *Statements of Changes in Fiduciary Net Position*. Amounts are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items. The statements are prepared in conformity with generally accepted accounting principles.

The *Statements of Fiduciary Net Position* is a measure of STRS Ohio's assets and liabilities at the close of the fiscal year. Total assets less current liabilities equal net position held in trust for future benefits.

The *Statements of Changes in Fiduciary Net Position* shows additions and deductions for the fiscal year. The net increase (or decrease) is the change in net position available for benefits since the end of the previous fiscal year.

For financial reporting purposes, STRS Ohio assets are divided into three primary funds: the Defined Benefit (DB) Plan, the Defined Contribution (DC) Plan and Post-employment Health Care.

- The Defined Benefit Plan is the largest fund and includes member contributions, employer contributions and investment earnings for DB participants. The DB Plan pays service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, DB participants are eligible for disability and survivor benefits.
- The Defined Contribution Plan began on July 1, 2001. It is an optional plan available to new members. DC participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

  As an alternative to the Defined Benefit or Defined Contribution Plan, new members may elect the Combined Plan. Combined Plan participants allocate their member contributions among the same investment choices as DC members, and employer contributions are used to provide a reduced formula service retirement benefit along with disability and survivor protection. Assets to provide benefits to Combined Plan members are divided between the Defined Benefit Plan and the Defined Contribution Plan.
- Net position for post-employment health care consists of funds set aside to subsidize optional health care coverage for members enrolled in the Defined Benefit and Combined Plans.

The *Notes to Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies along with plan membership and benefits. Supplementary disclosures of selected financial data are included in the notes.

In addition to the basic financial statements and footnotes, a *Schedule of Changes in the Employers' Net Pension Liability*, *Schedule of Employers' Net Pension Liability, Schedule of Employers' Contributions* and *Schedule of Investment Returns* are included as "required supplementary information." These schedules emphasize the long-term nature of pension plans and the status of STRS Ohio in accumulating sufficient assets to pay benefits when due. They also provide a history of contributions from employers and actuarial assumptions and methods that assist in understanding the net pension liability of STRS Ohio.

The *Notes to Required Supplementary Information* provide the actuarial method and assumptions used to determine the data in the *Schedule of Changes in the Employers' Net Pension Liability,* the *Schedule of Employers' Net Pension Liability* and the *Schedule of Employers' Contributions*.

A separate *Schedule of Health Care Funding Progress*, *Schedule of Employer Contributions Related to Health Care* and *Notes to Health Care Trend Data* are included as required by GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The health care information shows the status of STRS Ohio in accumulating sufficient assets to pay health care coverage costs.

Schedules of Administrative Expenses, *Schedules of Investment Expenses* and *Schedules of Fees to External Asset Managers by Asset Class* are included to detail the administrative and investment costs to operate STRS Ohio.

Investment Performance
(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2014)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	24.46%	Russell 3000	25.22%
International Equities	20.68%	International Blended Benchmark[3]	19.90%
Fixed Income	4.95%	Barclays U.S. Universal Index	5.20%
Real Estate	13.68%	Real Estate Blended Benchmark[4]	11.58%
Alternative Investments	16.95%	Alternative Investments Blended Benchmark[5]	–
Total Fund	16.83%	Total Fund Blended Benchmark[6]	17.53%

5-Year Returns (2010–2014)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	18.84%	Russell 3000	19.33%
International Equities	12.08%	International Blended Benchmark[3]	11.04%
Fixed Income	6.31%	Barclays U.S. Universal Index	5.58%
Real Estate	11.95%	Real Estate Blended Benchmark[4]	12.06%
Alternative Investments	15.48%	Alternative Investments Blended Benchmark[5]	20.43%
Total Fund	13.60%	Total Fund Blended Benchmark[6]	13.67%

STRS Ohio Long-Term Policy Objective (10 Years)[2]

Total Fund: 7.6%

Investment performance is calculated using a time-weighted rate of return.

[1]The one-year returns for the fiscal years ended June 30, 2008, through 2014, have been examined by ACA Performance Services LLC. A copy of the examination report is available upon request.

[2]The long-term policy objective is a projected annualized policy return based on return forecasts by asset class before any value added. The State Teachers Retirement Board expects the net value added to be 0.40% per year.

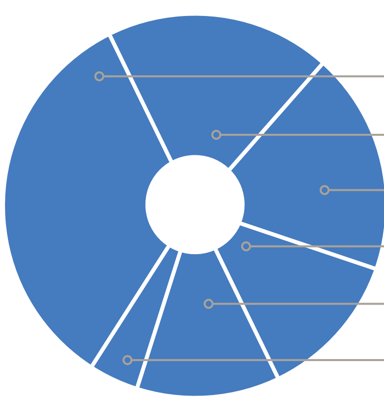
[3]The International Blended Benchmark is calculated monthly using 80% of the MSCI World ex-U.S. 50% Hedged Index-Net and 20% of the MSCI Emerging Markets Index-Net effective Jan. 1, 2014. Prior to Jan. 1, 2014, the MSCI Emerging Markets Index was the Gross return.

[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% FTSE NAREIT Equity REITs Index effective July 1, 2012; 85% NPI and 15% Wilshire REIT Index effective Oct. 1, 2007.

[5]Given the long-term nature of the asset class, no benchmark return for Alternative Investments is displayed for the one- and three-year periods. For the longer five-year period, the Alternative Investments Blended Benchmark is a blend of two benchmarks for Private Equity (PE) and Opportunistic/Diversified (OD) and is calculated using: 50.0% of the Russell 3000 Index plus 1% for PE and 50.0% of the Russell 3000 Index minus 1% for OD effective Jan. 1, 2014; 53.8% of the Russell 3000 Index plus 1% for PE and 46.2% of the Russell 3000 Index minus 1% for OD effective July 1, 2013; 54.5% of the Russell 3000 Index plus 1% for PE and 45.5% of the Russell 3000 Index minus 1% for OD effective Jan. 1, 2013; 50.0% of the Russell 3000 Index plus 1% for PE and 50.0% of the Russell 3000 Index minus 1% for OD effective July 1, 2012; 55.6% of the Russell 3000 Index plus 3% for PE and 44.4% of the Russell 3000 Index minus 1% for OD effective July 1, 2011; 62.5% of the Russell 3000 Index plus 3% for PE and 37.5% of the Russell 3000 Index minus 1% for OD effective July 1, 2010; 71.4% of the Russell 3000 Index plus 3% for PE and 28.6% of the Russell 3000 Index minus 1% for OD effective July 1, 2009; prior to July 1, 2009 — Russell 3000 Index plus 3% was the Alternative Investments (AI) Blended Benchmark.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. For alternative investments, however, the actual Alternative Investments return is used in the calculation of the Total Fund Blended Benchmark. Information concerning asset class benchmarks and policy weights is available upon request.

Investment Distribution by Fair Value — as of June 30, 2014
(dollar amounts in thousands)



Domestic Equities:	$ 22,692,489	29.65%
International Equities:	$ 18,274,003	23.87%
Fixed Income:	$ 15,688,135	20.49%
Alternative Investments:	$ 9,059,048	11.83%
Real Estate:	$ 8,593,694	11.23%
Short-Term Investments:	$ 2,240,909	2.93%
Total Investments:	**$76,548,278**	

Investment Allocation and Fiscal Year Performance

For fiscal 2014, the total fund rate of return was 16.83%. The relative benchmark for STRS Ohio returned 17.53%. The target allocations for the period July 1–Dec. 31, 2013, were 1% liquidity reserves, 18% fixed income, 33% domestic stock, 25% international equities, 10% real estate and 13% in alternative investments. The target allocations for the period Jan. 1–June 30, 2014, were 1% liquidity reserves, 18% fixed income, 31% domestic stock, 26% international equities, 10% real estate and 14% in alternative investments. Amounts actually invested in these categories at the end of June 2014 represent an investment over/underweight if different from the target allocation. Over/underweighting occurs as fair values change and as investment managers determine allocation entry and exit timing strategies. See Page 13 for detailed investment performance.

External asset management fees are shown separately in the *Statements of Changes in Fiduciary Net Position* as a reduction of investment income. Coupled with internal investment costs, the cost to manage investments was $201 million in 2014 and $192 million in 2013.

Financial Statement Analysis

The tables on Page 15 show condensed information from the *Statements of Fiduciary Net Position* and the *Statements of Changes in Fiduciary Net Position*.

Total net position increased 9.9% in fiscal 2014. Net position increased 6.7% in fiscal 2013 and decreased 3.8% in fiscal 2012. The fluctuation of total net position for fiscal 2014, 2013 and 2012 was primarily due to changes in the fair value of investments.

The value of capital assets decreased from fiscal 2013 because depreciation expense in fiscal 2014 exceeded the cost of new capital items. The same was true from fiscal 2012 to fiscal 2013.

Total investment income increased $2.6 billion from fiscal 2013. Total investment income for fiscal 2013 increased $7.3 billion from fiscal 2012 and decreased by $11.5 billion from fiscal 2011.

Employer contributions decreased 0.4% in fiscal 2014 and 1.5% in fiscal 2013 based on lower statewide covered payroll. Employer contributions decreased 2.1% in fiscal 2012. Member contributions increased 9.0% in fiscal 2014, decreased 0.4% in fiscal 2013, and decreased 2.7% in fiscal 2012. Member contribution rates increased to 11% in fiscal 2014 and employer rates remained at 14%. Member and employer rates were at 10% and 14% respectively, of earned compensation for fiscal 2012 and 2013.

Health care premiums helped offset some of the increases in health care costs. Of the $629.5 million paid to health care providers in fiscal 2014, health care enrollees paid $277.5 million through premium deductions. Health care enrollees were also responsible for additional health care costs paid through deductibles, coinsurance, copayments and other out-of-pocket expenditures. Employer contributions of $98.3 million and government reimbursements of $46.1 million helped pay health care costs. The remaining health care costs of $207.6 million were paid from accumulated net position held for post-employment health care. For fiscal 2013, benefit recipients and employers contributed $261.9 million and $99.2 million, respectively. For fiscal 2012, benefit recipients and employers contributed $246.3 million and $101.0 million, respectively.

STRS Ohio was created to provide retirement, disability and survivor benefits to members and eligible beneficiaries. Expenditures include monthly payments to eligible recipients, refunds of contributions to members who terminate employment, and administrative costs of operating STRS Ohio.

Total deductions from net position were $7.4 billion in fiscal 2014, a 5.7% increase over fiscal 2013. Total deductions from net position were $7.0 billion in fiscal 2013, a 6.2% increase over fiscal 2012. Total deductions from net position were $6.6 billion in fiscal 2012, a 8.9% increase over fiscal 2011. The largest component was monthly benefit payments for service retirement, disability and survivor benefits. Total pension benefit payments increased 5.5% in fiscal 2014, 7.0% in fiscal 2013 and 9.5% in fiscal 2012 as a result of new retirees.

Health care costs increased 4.9% in fiscal 2014, decreased 4.5% in fiscal 2013 and increased 3.9% in fiscal 2012.

Net Position
(dollar amounts in thousands)

	2014	2013	2012	Amount Increase (Decrease) From 2013 to 2014	Amount Increase (Decrease) From 2012 to 2013
Cash and investments	$ 76,563,105	$ 69,939,028	$ 65,359,037	$ 6,624,077	$ 4,579,991
Receivables	980,084	1,644,262	946,007	(664,178)	698,255
Securities lending collateral	1,301,211	1,193,446	506,224	107,765	687,222
Capital assets	101,259	106,400	111,629	(5,141)	(5,229)
Total assets	78,945,659	72,883,136	66,922,897	6,062,523	5,960,239
Liabilities	3,525,605	4,228,631	2,601,598	(703,026)	1,627,033
Net position	**$ 75,420,054**	**$ 68,654,505**	**$ 64,321,299**	**$ 6,765,549**	**$ 4,333,206**

Additions to Net Position
(dollar amounts in thousands)

	2014	2013	2012	Amount Increase (Decrease) From 2013 to 2014	Amount Increase (Decrease) From 2012 to 2013
Contributions:					
Member contributions	$ 1,193,808	$ 1,095,290	$ 1,099,473	$ 98,518	$ (4,183)
Employer contributions	1,451,860	1,457,068	1,479,476	(5,208)	(22,408)
Health care premiums	277,477	261,903	246,264	15,574	15,639
Other	201,043	79,143	125,771	121,900	(46,628)
Total contributions	3,124,188	2,893,404	2,950,984	230,784	(57,580)
Net investment income	11,059,328	8,460,452	1,152,489	2,598,876	7,307,963
Total additions to net position	**$ 14,183,516**	**$ 11,353,856**	**$ 4,103,473**	**$ 2,829,660**	**$ 7,250,383**

Deductions From Net Position
(dollar amounts in thousands)

	2014	2013	2012	Amount Increase (Decrease) From 2013 to 2014	Amount Increase (Decrease) From 2012 to 2013
Deductions:					
Benefit payments	$ 6,468,597	$ 6,129,068	$ 5,725,859	$ 339,529	$ 403,209
Health care coverage	629,465	599,818	627,890	29,647	(28,072)
Refunds to members	220,341	206,492	183,768	13,849	22,724
Administrative expenses	63,485	62,005	61,328	1,480	677
Other	36,079	23,267	15,183	12,812	8,084
Total deductions from net position	**$ 7,417,967**	**$ 7,020,650**	**$ 6,614,028**	**$ 397,317**	**$ 406,622**

Change in Net Position From Plan Additions and Deductions
(dollar amounts in thousands)

	2014	2013	2012	Amount Increase (Decrease) From 2013 to 2014	Amount Increase (Decrease) From 2012 to 2013
Change in net position	**$ 6,765,549**	**$ 4,333,206**	**$ (2,510,555)**	**$ 2,432,343**	**$ 6,843,761**

Funding Analysis

The unfunded actuarial accrued liability for STRS Ohio pension benefits was $29.5 billion as of July 1, 2014, down from $31.8 billion at July 1, 2013 and $46.8 billion at July 1, 2012. Market changes in investment assets are smoothed over a four-year period for valuation purposes, except that the actuarial value of assets shall not be less than 91% nor more than 109% of market value. Valuation assets ended fiscal 2014 at $66.7 billion, up from $62.6 billion at fiscal year end 2013 and $59.5 billion at fiscal year end 2012. The present value of promised benefits to current and future benefit recipients (the actuarial accrued liability) at fiscal 2014, 2013 and 2012 was $96.2 billion, $94.4 billion and $106.3 billion, respectively. The funded ratio, which is valuation assets divided by actuarial accrued liability, was 69.3% at July 1, 2014, up from 66.3% at July 1, 2013. At July 1, 2012, the funded ratio was 56.0%. At July 1, 2014, the funding period was 29.5 years, down from 40.2 years at July 1, 2013. At July 1, 2012, the funding period was at infinity.

Financial Reporting Valuation

The actuarial valuation for financial reporting emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for financial reporting is to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across plans. To do so, GASB requires a different approach for determining the reported net pension liability (NPL), as compared to the previously disclosed unfunded actuarial accrued liability (UAAL). Under the new GASB standards, the funded status is no longer presented in the notes or required supplementary information, reflecting GASB's conceptual shift in the measurement of the liability.

The UAAL mirrored the unfunded actuarial obligation calculated by STRS Ohio's external actuary for funding purposes and represented the excess of the actuarial accrued liability (AAL) over the actuarial value of assets (AVA). Under GASB 67, the UAAL has been replaced by the NPL, which represents the excess of the total pension liability (TPL) over fiduciary net position. A side-by-side comparison of the two calculations is as follows:

Current Year	Prior Year
Total Pension Liability (TPL)	Actuarial Accrued Liability (AAL)
– Fiduciary Net Position	– Actuarial Value of Assets (AVA)
= Net Pension Liability (NPL)	= Unfunded Actuarial Accrued Liability (UAAL)

There are considerable differences between the two numbers. The UAAL is the method selected by the plan and used for funding purposes. The UAAL is determined using asset smoothing. The NPL is determined using fair value and is the method prescribed by GASB for accounting purposes.

Requests for Information

Questions about any information provided in this report should be addressed to:

State Teachers Retirement System of Ohio
ATTN: Chief Financial Officer
275 E. Broad St.
Columbus, OH 43215-3771

Statements of Fiduciary Net Position (in thousands)

	June 30, 2014				June 30, 2013			
	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals
Assets:								
Cash and short-term investments	$ 2,052,716	$ 98,788	$ 104,232	$ 2,255,736	$ 2,735,657	$ 93,469	$ 138,677	$ 2,967,803
Receivables:								
Accrued interest and dividends	157,389		7,992	165,381	153,853		7,799	161,652
Employer contributions	239,862	130	12,180	252,172	231,763	50	11,749	243,562
Retirement incentive	18			18	870			870
Member contributions	154,977	298		155,275	142,009	114		142,123
Securities sold	385,625		19,581	405,206	1,041,222		52,782	1,094,004
Miscellaneous receivables	2,032			2,032	2,051			2,051
Total receivables	939,903	428	39,753	980,084	1,571,768	164	72,330	1,644,262
Investments, at fair value:								
Fixed income	14,792,270	144,744	751,121	15,688,135	13,308,037	125,450	674,619	14,108,106
Domestic common and preferred stock	21,171,741	445,692	1,075,056	22,692,489	21,498,390	335,400	1,089,809	22,923,599
International	17,300,945	94,552	878,506	18,274,003	13,227,796	70,502	670,552	13,968,850
Real estate	8,111,096	70,734	411,864	8,593,694	7,892,989	61,543	400,116	8,354,648
Alternative investments	8,621,278		437,770	9,059,048	7,248,573		367,449	7,616,022
Total investments	69,997,330	755,722	3,554,317	74,307,369	63,175,785	592,895	3,202,545	66,971,225
Invested securities lending collateral	1,238,331		62,880	1,301,211	1,135,866		57,580	1,193,446
Capital assets, at cost, net of accumulated depreciation of $139,483 and $132,898, respectively	101,259			101,259	106,400			106,400
Total assets	74,329,539	854,938	3,761,182	78,945,659	68,725,476	686,528	3,471,132	72,883,136
Liabilities:								
Securities purchased and other investment liabilities	469,956		23,863	493,819	1,272,043		64,483	1,336,526
Debt on real estate investments	1,607,695		81,635	1,689,330	1,587,375		80,468	1,667,843
Accrued expenses and other liabilities	24,903		1,264	26,167	24,078		1,221	25,299
Medical benefits payable			15,082	15,082			5,378	5,378
Obligations under securities lending program	1,238,327		62,880	1,301,207	1,135,998		57,587	1,193,585
Total liabilities	3,340,881		184,724	3,525,605	4,019,494		209,137	4,228,631
Fiduciary net position restricted for defined benefit, defined contribution and post-employment health care coverage:	$ 70,988,658	$ 854,938	$ 3,576,458	$ 75,420,054	$ 64,705,982	$ 686,528	$ 3,261,995	$ 68,654,505

See accompanying Notes to Financial Statements.

Statements of Changes in Fiduciary Net Position (in thousands)

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals
Additions								
Contributions:								
Member	$ 1,134,899	$ 58,909		$ 1,193,808	$ 1,042,959	$ 52,331		$ 1,095,290
Employer	1,324,447	29,083	$ 98,330	1,451,860	1,327,862	30,027	$ 99,179	1,457,068
Transfers between retirement plans	14,033	(14,033)			16,738	(16,738)		
Retirement incentive	694			694	4,638			4,638
Government reimbursements			46,132	46,132			41,200	41,200
Benefit recipient health care premiums			277,477	277,477			261,903	261,903
Other retirement systems	154,217			154,217	33,305			33,305
Total contributions	2,628,290	73,959	421,939	3,124,188	2,425,502	65,620	402,282	2,893,404
Income from investing activities:								
Net appreciation in fair value of investments	9,199,347	116,955	463,124	9,779,426	6,732,100	74,265	339,048	7,145,413
Interest	444,290	79	22,367	466,736	393,091	110	19,797	412,998
Dividends	716,286		36,060	752,346	788,165		39,694	827,859
Real estate income	240,191		12,092	252,283	241,013		12,138	253,151
Investment income	10,600,114	117,034	533,643	11,250,791	8,154,369	74,375	410,677	8,639,421
Less internal investment expenses	(30,333)	(360)	(1,527)	(32,220)	(28,742)	(299)	(1,448)	(30,489)
Less external asset management fees	(161,095)		(8,110)	(169,205)	(154,122)		(7,762)	(161,884)
Net income from investing activities	10,408,686	116,674	524,006	11,049,366	7,971,505	74,076	401,467	8,447,048
Securities lending income	10,538		530	11,068	14,139		712	14,851
Securities lending expenses	(1,054)		(52)	(1,106)	(1,378)		(69)	(1,447)
Net income from securities lending activities	9,484		478	9,962	12,761		643	13,404
Net investment income	10,418,170	116,674	524,484	11,059,328	7,984,266	74,076	402,110	8,460,452
Total additions	**13,046,460**	**190,633**	**946,423**	**14,183,516**	**10,409,768**	**139,696**	**804,392**	**11,353,856**
Deductions								
Benefits:								
Service retirement	6,135,563			6,135,563	5,792,657			5,792,657
Disability benefits	211,945			211,945	211,755			211,755
Survivor benefits	121,089			121,089	124,656			124,656
Health care			629,465	629,465			599,818	599,818
Other	36,079			36,079	23,267			23,267
Total benefit payments	6,504,676		629,465	7,134,141	6,152,335		599,818	6,752,153
Refunds to members who have withdrawn	198,972	21,369		220,341	186,459	20,033		206,492
Administrative expenses	60,136	854	2,495	63,485	58,613	837	2,555	62,005
Total deductions	**6,763,784**	**22,223**	**631,960**	**7,417,967**	**6,397,407**	**20,870**	**602,373**	**7,020,650**
Net increase in net position	**6,282,676**	**168,410**	**314,463**	**6,765,549**	**4,012,361**	**118,826**	**202,019**	**4,333,206**
Fiduciary net position restricted for defined benefit, defined contribution and post-employment health care coverage:								
Beginning of year	64,705,982	686,528	3,261,995	68,654,505	60,693,621	567,702	3,059,976	64,321,299
End of year	**$ 70,988,658**	**$ 854,938**	**$ 3,576,458**	**$ 75,420,054**	**$ 64,705,982**	**$ 686,528**	**$ 3,261,995**	**$ 68,654,505**

See accompanying Notes to Financial Statements.

1. Summary of Significant Accounting Policies

The financial statements of the State Teachers Retirement System of Ohio (STRS Ohio) presented herein have been prepared on the accrual basis of accounting following the accounting policies set forth below.

Organization — STRS Ohio is a cost-sharing, multiple-employer plan that operates under Chapter 3307 of the Ohio Revised Code (Revised Code) and is administered by a board comprised of 11 members as follows: five elected contributing members; two elected retired teacher members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the Ohio House of Representatives and the Ohio Senate President; an investment expert designated by the treasurer of state; and the superintendent of public instruction or his or her designated investment expert.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, an amendment of GASB Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. STRS Ohio does not have financial accountability over any entities.

Investment Accounting — Purchases and sales of investments are recorded as of their trade date. Dividend income is recognized on the ex-dividend date. Interest and rental income are recognized as the income is earned.

STRS Ohio has no individual investment that exceeds 5% of net position available for benefits.

Contributions and Benefits — Employer and member contributions are recognized when due based on statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Capital Assets — Capital assets are recorded at historical cost. Depreciation is provided on a straight-line basis over estimated useful lives of five to 10 years for equipment and 40 years for building and building improvements. Capital assets include purchases of $5,000 or more with a useful life of at least five years. Intangible assets, such as internally developed software, are capitalized in accordance with GASB Statement No. 51 and consistent with the capital asset policy.

Method Used to Value Investments — Investments are reported at fair value. Short-term investments, with maturities less than one year, are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the then current exchange rates. Fixed-income investments are valued based on their coupon rate relative to the coupon rate for similar securities. The fair value of real estate investments is based on independent appraisals and internal valuations. The fair value of alternative investments is determined by the alternative investment partnership based on the valuation methodology outlined in the partnership agreement.

Federal Income Tax Status — Under Section 401(a) of the Internal Revenue Code, STRS Ohio is exempt from federal income taxes.

Use of Estimates — In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently Issued Accounting Pronouncements — GASB Statement No. 67, *Financial Reporting for Pension Plans* was implemented for the year ended June 30, 2014. GASB Statement No. 67 introduces new terminology such as the total pension liability and net pension liability. The total pension liability is derived after validation of the plan discount rate. The fiduciary net position is subtracted from the total pension liability to determine the net pension liability. STRS Ohio has added new required supplementary schedules and footnote disclosures this year to comply with GASB Statement No. 67.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for periods beginning after June 15, 2014. This accounting pronouncement will have an impact on the financial statements of contributing employer systems. One of the primary changes comes from the requirement for employers to record a net pension liability based on their proportionate share of STRS Ohio's total net pension liability. Management continues to prepare for the implementation of this pronouncement and work with employers for implementation in their financial statements for the fiscal year ending June 30, 2015.

2. Description of the STRS Ohio Plan

Plan Membership — STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio (the state) or any school, college, university, institution or other agency controlled, managed and supported, in whole or part, by the state or any political subdivision thereof.

See tables to the right for member and retiree data and participating employers.

Active members are defined as participants who earned 0.25 years of service credit or more in the valuation year and those employed on or after Jan. 1, with less than 0.25 years of service credit.

Plan Options — New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan or a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 9.5% (effective fiscal year 2014) of earned compensation among various investment choices. For fiscal 2013, employer contributions of 10.5% of earned compensation were allocated among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member. Employer contributions in the Combined Plan are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis.

DB Plan Benefits — Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning Aug. 1, 2015, eligibility requirements for an unreduced benefit will change.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. Beginning July 1, 2015, the final average salary will be based on the five highest years of earnings. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary.

Member and Retiree Data at July 1, 2014 and 2013

	2014	2013
Current active members	169,295	169,945
Inactive members eligible for refunds only	134,844	136,105
Terminated members entitled to receive a benefit in the future	17,036	17,081
Retirees and beneficiaries currently receiving a benefit	152,208	149,221
Defined Contribution Plan members	8,483	8,197
Reemployed retirees	25,156	24,228
Total Plan Membership	**507,022**	**504,777**

Participating Employers at June 30, 2014 and 2013

	2014	2013
City school districts	194	194
Local school districts	371	369
County educational service centers	55	55
Exempted village school districts	49	49
Joint vocational schools	49	49
Colleges and universities	36	36
County boards of developmental disabilities	65	67
Community schools	352	322
State of Ohio	1	1
Other	11	11
Total	**1,183**	**1,153**

Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32nd year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance. Effective Aug. 1, 2013, the money-purchase benefit was eliminated.

Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

In September 2012, the Ohio General Assembly passed and the Governor signed into law Substitute Senate Bill 342. The legislation improves pension funding of the STRS Ohio defined benefit plan. While the effective date of the legislation was Jan. 7, 2013, most of STRS Ohio's plan changes took effect July 1, 2013, or later.

The legislative changes that improve funding to STRS Ohio's defined benefit plan are: increasing age and service requirements for retirement; pensions calculated on a lower, fixed formula; increasing the period for determining final average salary, increasing member contributions to the retirement system; reducing the cost-of-living adjustment (COLA); eliminating the COLA for fiscal year 2014; and deferring the COLA for future retirees. The law also provides the Retirement Board with authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

DC Plan Benefits — Benefits are established under Chapter 3307.80 to 3307.89 of the Revised Code.

Effective July 1, 2013, for members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The member receives a quarterly statement of his or her account activity and balance. The remaining 4.5% of the 14.0% employer rate is allocated to the defined benefit unfunded liability. Prior to July 1, 2013, 10.5% of employer contributions was placed in the member's account and 3.5% was allocated to the defined benefit unfunded liability.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service. Effective July 1, 2013, members vest 20% per year in employer contributions and all gains and losses on those contributions.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan — Effective July 1, 2013, for members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member's defined contribution account and the remaining amount is applied to the DB Plan. Effective for fiscal 2013, the entire 10% member rate was deposited into the member's defined contribution account. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment.

A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

Both DC and Combined Plan members transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Effective July 1, 2013, DC and Combined Plan members must actively reselect the Defined Benefit Plan during their fifth year of membership or their original selection is maintained. During fiscal 2014, $14,033,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan. During fiscal 2013, $16,738,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan.

Death, Survivor and Disability Benefits — A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Health Care Coverage After Retirement — Ohio law authorizes the State Teachers Retirement Board to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents.

Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients, for the year ended June 30, 2014, pay a portion of the heath care costs in the form of a monthly premium. Benefit recipients contributed $277.5 million or 44% of the total health care costs (excluding deductibles, coinsurance and copayments). For the year ended June 30, 2013, benefit recipients contributed 44% of the total health care costs.

Under Ohio law, funds to pay health care costs may be deducted from employer contributions, currently 14% of compensation. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013, resulting in employer contributions allocated to health care totaling $98.3 million and $99.2 million, respectively. Effective July 1, 2014, no employer contributions are being allocated to post-employment health care.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the years ended June 30, 2014 and 2013, STRS Ohio received $46.1 million and $41.2 million in Medicare Part D reimbursements, respectively.

Pension and post-employment health care assets are commingled for investment purposes. Consequently, amounts reported for individual asset classes are allocated between pension and post-employment health care based upon ending net position.

Key Methods and Assumptions Used in Health Care Actuarial Valuation	
Valuation date	Jan. 1, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage, open
Amortization period	30 years
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	Varies by age from 2.75%–12.25%
Payroll increase	3.50% for next 5 years; 4.00% thereafter
Inflation assumption	2.75%
Cost-of-living adjustment	N/A
Trend rate	7.0%–9.2% initial; 5% ultimate

**Net Pension Liability of Participating Employers — **The components of the net pension liability of the participating employers as of June 30, 2014, was as follows:

Net Pension Liability (dollar amounts in thousands)	
Total Pension Liability for STRS Ohio	$ 96,167,057
Fiduciary Net Position	(71,843,596)
Net Pension Liability	$ 24,323,461
Ratio of Fiduciary Net Position to the Total Pension Liability	74.7%

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using actuarial assumptions related to inflation (2.75%), investment rate of return (7.75%), and cost-of-living adjustments (2%). Projected salary increases range from 2.75% at age 70 to 12.25% at age 20.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return*
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total Fund	100%	7.61%

*10-year annualized geometric nominal returns, which include the real rate of return and inflation and does not include investment expenses.

Discount Rate — The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates in accordance with the rate increases as discussed in the Management's Discussion and Analysis section. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. In each period of the projection, employer contributions are assumed to first be applied to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption — The following represents the net pension liability as of June 30, 2014, calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current assumption:

	1% Decrease (6.75%)	Current Assumption (7.75%)	1% Increase (8.75%)
Net pension liability (in thousands)	$34,821,686	$24,323,461	$15,445,495

Mortality Rates — Rates are based on the RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Experience Studies — The actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study dated July 1, 2012.

Health Care Plan Funding Progress — The actuarial assumptions and methods used in the health care valuation were selected in compliance with the parameters established under GASB Statement No. 43. As noted previously, health care plan net assets are commingled with pension plan net position for investment purposes.

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 health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions shown below presents information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of GASB Statement No. 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 amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Health Care Employer Contributions
(dollar amounts in thousands)

Year Ended June 30	Annual Required Contribution	Percent Contributed
2012	$210,107	48%
2013	$143,810	69%
2014	$129,796	76%

The funded status and funding progress of the health care plan requires an actuarial valuation.

The funded status and funding progress of the health care plan as of Jan. 1, 2014, and the preceding two years is as follows:

Schedule of Health Care Plan Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2012	$2,968,157	$5,094,407	$2,126,250	58.3%	$10,549,271	20.2%
Jan. 1, 2013	$3,121,576	$4,254,096	$1,132,520	73.4%	$10,277,783	11.0%
Jan. 1, 2014	**$3,471,886**	**$4,664,445**	**$1,192,559**	**74.4%**	**$9,972,923**	**12.0%**

The schedule of funding progress presents 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 schedule of funding progress for the health care plan is presented on Page 34.

Refunds — Withdrawal cancels a member's rights and benefits in STRS Ohio.

Upon termination of employment, a Defined Benefit Plan member may withdraw accumulated contributions made to STRS Ohio. Refunds of member contributions may include interest and 50% matching payments.

A Combined Plan member is eligible for the present value of future benefits from the defined benefit portion of the account if he or she terminates employment after at least five years of service. For the defined contribution portion of the account, the refund consists of member contributions plus any investment gains or losses on those contributions.

Defined Contribution Plan members receive their contributions plus any investment gains or losses until they have completed one year of membership. After one year of membership, members receive the balance in their accounts, including employer contributions and related gains or losses.

Alternative Retirement Plan — Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer.

Employees have 120 days from their date of hire to select a retirement plan.

For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.5% of payroll effective July 1, 2013. For the year ended June 30, 2014, the ARP participant payroll totaled $590,614,000. For the year ended June 30, 2013, the ARP participant payroll totaled $568,670,000 and employers were required to remit employer contributions at a rate of 3.5% of payroll.

Administrative Expenses — The costs of administering the Defined Benefit and post-employment health care plans are financed by investment income. The administrative costs of the Defined Contribution Plan are financed by participant fees.

3. Contribution Requirements and Reserves

Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Revised Code. Through June 30, 2013, the member rate was limited to 10% and the employer rate was limited to 14% of covered payroll. Effective July 1, 2013, the member contribution rate increased to 11% of covered payroll and effective July 1, 2014, the member contribution rate increased to 12%.

Various funds are established under the Revised Code to account for contributions, reserves, income and administrative expenses.

The Teachers' Savings Fund (TSF) is used to accumulate member contributions in trust.

The Employers' Trust Fund (ETF) is used to accumulate employer contributions in trust. The ETF includes assets allocated to post-employment health care from which payments for health care coverage are made. Investment fair value changes for the Defined Benefit Plan and the health care program from year-to-year are recorded in the ETF.

The Annuity and Pension Reserve Fund (APRF) is the fund from which all annuities and pension payments to retired members are made. Reserves are transferred to this fund from the TSF and ETF funds at the time of retirement.

The Survivors' Benefit Fund is the fund from which all survivor benefit payments are made for which reserves have been transferred from the TSF and the ETF.

The Defined Contribution Fund accumulates DC member and employer contributions, Combined Plan member contributions, investment earnings and DC plan expenses.

The Guarantee Fund is used to accumulate income derived from gifts, bequests and investments for the year.

The Expense Fund is the fund from which all expenses for the administration and management of STRS Ohio are paid each year.

After interest is allocated to the various funds, the Guarantee Fund and the Expense Fund are closed into the ETF at year-end.

At June 30, 2014 and 2013, STRS Ohio's net position was included in the various funds as shown in the table below.

Fund Balances (in thousands)

	June 30, 2014	June 30, 2013
Teachers' Savings Fund	$ 11,477,457	$ 10,962,886
Employers' Trust Fund	(6,688,599)	(11,070,349)
Annuity and Pension Reserve Fund	68,654,420	66,957,724
Survivors' Benefit Fund	1,121,838	1,117,716
Defined Contribution Fund	854,938	686,528
Total	$ 75,420,054	$ 68,654,505

4. Commitments and Contingencies

STRS Ohio has made commitments to fund various real estate investments totaling $699,900,000 as of June 30, 2014. The commitments as of June 30, 2014, have expected funding dates from September 2014 to December 2017.

STRS Ohio has made commitments to fund various alternative investments totaling $3,760,187,000 as of June 30, 2014. The expected funding dates for the commitments as of June 30, 2014, range from July 2014 to June 2020.

STRS Ohio is a party in various legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on fiduciary net position.

5. Deposit and Investment Risk Disclosure

Investment Authority — The investment authority of the Retirement Board is governed by Section 3307.15 of the Revised Code that also requires the Retirement Board to publish its investment policies annually and make copies available to interested parties. This section requires that investments be made 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 with like aims.

Rates of Return — Rates of return on total fund are calculated in two ways — as time weighted rates and as money-weighted rates. The time-weighted rate of return expresses investment performance without consideration of the timing and amounts invested. For the year ended June 30, 2014, the annual time-weighted rate of return, net of investment expenses was 16.71%. The money-weighted rate of return expresses investment performance after consideration of the impact of the changing amounts actually invested. For the year ended June 30, 2014, the annual money-weighted rate of return, net of investment expenses, was 16.78%.

Investments held at fair value by STRS Ohio at June 30, 2014 and 2013, are summarized in the table to the right.

Investments Held at Fair Value by STRS Ohio at June 30, 2014 and 2013 (summarized and in thousands)

Category	June 30, 2014	June 30, 2013
Short-term:		
Commercial paper	$ 2,231,909	$ 2,825,279
Short-term investment funds	9,000	12,000
Repurchase agreements	–	75,000
Total short-term	2,240,909	2,912,279
Fixed income:		
U.S. government agency obligations	338,668	785,027
Corporate bonds	4,659,883	3,931,650
High yield and emerging market	1,852,833	1,535,316
Mortgages and asset-backed	4,100,798	3,599,995
U.S. government obligations	4,735,953	4,256,118
Total fixed income	15,688,135	14,108,106
Domestic common and preferred stock	22,692,489	22,923,599
International: (See Note 6)	18,274,003	13,968,850
Real estate: (See Note 7)		
East region	2,836,905	2,764,200
Midwest region	916,216	871,916
South region	563,040	556,659
West region	2,140,259	2,060,767
REITs	1,040,970	1,043,027
Other	1,096,304	1,058,079
Total real estate	8,593,694	8,354,648
Alternative investments: (See Note 8)	9,059,048	7,616,022
Invested securities lending collateral	1,301,211	1,193,446
Total investments and invested securities lending collateral	$ 77,849,489	$ 71,076,950

Cash and Short-Term Investments — Cash and short-term investments are combined for reporting purposes and include bank cash balances of $14,827,000 at June 30, 2014, and $55,524,000 at June 30, 2013, in the *Statements of Fiduciary Net Position*.

GASB Statement No. 40 — GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Credit Risk — The quality ratings of investments in fixed-income securities as described by Standard & Poor's or Moody's at June 30, 2014 and 2013, are shown in the table on the next page. U.S. government fixed-income securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, STRS Ohio will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of STRS Ohio, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of STRS Ohio.

Quality Ratings of Fixed-Income Investments Held at June 30, 2014 and 2013 (in thousands)

Investment Type	Quality Rating	June 30, 2014 Fair Value	June 30, 2013 Fair Value
U.S. government agency obligations	AAA	$ 20,998	–
	AA	317,670	$ 767,977
	A	–	17,050
Total U.S. government agency obligations		**338,668**	**785,027**
Corporate bonds	AAA	421,492	564,174
	AA	689,850	538,613
	A	1,827,402	1,475,523
	BBB	1,710,239	1,264,244
	BB	10,900	34,996
	NR	–	54,100
Total corporate bonds		**4,659,883**	**3,931,650**
High yield and emerging markets fixed income	AAA	6,464	–
	AA	10,751	12,396
	A	74,717	44,260
	BBB	324,397	266,009
	BB	389,270	277,542
	B	524,455	509,092
	CCC and below	380,853	251,955
	NR	141,926	174,062
Total high yield and emerging markets fixed income		**1,852,833**	**1,535,316**
Mortgages and asset-backed	AAA	1,274,226	1,153,300
	AA	2,670,700	2,365,447
	A	16,361	–
	BBB	50,616	10,834
	B	–	5,393
	CCC and below	22,365	24,508
	NR	66,530	40,513
Total mortgages and asset-backed		**4,100,798**	**3,599,995**
Credit risk debt securities		**10,952,182**	**9,851,988**
U.S. government obligations		**4,735,953**	**4,256,118**
Total fixed-income investments		**$ 15,688,135**	**$ 14,108,106**

All investments are held in the name of STRS Ohio or its nominee by the Treasurer of the State of Ohio as custodian. At June 30, 2014 and 2013, the bank cash balances were approximately $23,710,000 and $62,831,000, respectively. Bank balances are insured up to $250,000 by the Federal Deposit Insurance Corporation. The remaining bank deposits are covered by collateral held in the name of STRS Ohio's pledging financial institution, as required by state statute.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes. The table below shows the maturities by weighted-average duration at June 30, 2014 and 2013.

Concentration of Credit Risk — STRS Ohio is guided by statute and policy in the selection of security investments. No investment in any one organization represents 5% or more of STRS Ohio's net position as of June 30, 2014 and 2013.

Significant investment guidelines that relate to investment concentration, interest rate risk and foreign currency risk by major asset class are as follows:

Overall Investment Portfolio — The Retirement Board has approved a target risk budget range of 0.60% to 1.20%, with a working range of 0.20% to 1.60%, annualized active management for the total fund. A risk budget is the amount the Retirement Board has approved for returns to vary from an unmanaged passive investment profile. The board's objective is for active management to add net 0.40% of annualized excess return over moving five-year periods to judge its effectiveness.

Duration of Fixed-Income Investments Held at June 30, 2014 and 2013 (in thousands)

Investment Type	June 30, 2014 Fair Value	June 30, 2014 Weighted-Average Duration	June 30, 2013 Fair Value	June 30, 2013 Weighted-Average Duration
U.S. government agency obligations	$ 338,668	0.976	$ 785,027	0.612
Corporate bonds	4,659,883	5.009	3,931,650	4.694
High yield and emerging markets fixed income	1,852,833	4.573	1,535,316	4.922
Mortgages and asset-backed	4,100,798	4.015	3,599,995	4.277
U.S. government obligations	4,735,953	4.880	4,256,118	5.456
Total fixed income	**$ 15,688,135**		**$ 14,108,106**	

Fixed Income — The portfolio will seek diversification by market sector, quality and issuer. The risk budget range for fixed income is 0.10% to 1.50% using the Barclays U.S. Universal Index as the benchmark. Derivatives may be used to adjust the exposure to interest rates, individual securities or to various market sectors in the portfolio. Underlying exposure of derivatives for fixed-income investments will not exceed 5% of total fund assets.

Global Equities — Domestic — The risk budget range for domestic equities is 0.20% to 1.50% using the Russell 3000 as the benchmark. Derivatives may be used in management of the equity portfolio. The use of leverage is prohibited. Underlying exposure of equity derivatives will not exceed 10% of total fund assets.

Global Equities — International — International assets will be a diversified portfolio including both developed and emerging countries. The risk budget range for international equity is between 0.70% to 2.50% using a blended benchmark of 80% MSCI World ex US Index (50% hedged) and 20% MSCI Emerging Markets Index. Derivatives may be used in management of the portfolio and underlying exposure of derivatives for international investments will not exceed 10% of total fund assets.

Real Estate — The real estate portfolio shall be diversified between property type, geographic location and investment structure. The risk budget range for real estate investments is 2.00% to 7.00% using a benchmark of 85% NCREIF Property Index and 15% FTSE NAREIT Equity REITs Index. Investments in non-core real estate, which includes domestic and international opportunity funds and real estate development projects, shall not exceed 20% of total real estate assets. Derivatives may be used and will not exceed 1% of total fund assets. STRS Ohio may borrow funds on a secured or unsecured basis and leverage is limited to 50% in aggregate of internally managed real estate assets excluding publicly traded real estate investment trusts (REITs).

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Forward currency contracts may be used to manage the exposure to foreign currencies. The system's foreign currencies and investments at June 30, 2014 and 2013 are shown in the table below. The investments figures are comprised of numerous portfolios within international equity, debt securities and real estate investments.

Foreign Currency
Held at June 30, 2014 and 2013 (in thousands)

Foreign Currency Denomination	June 30, 2014 International	June 30, 2014 High Yield & Emerging Markets Fixed Income	June 30, 2013 International	June 30, 2013 High Yield & Emerging Markets Fixed Income
Argentine Peso	$ 1		$ 49	$ 178
Australian Dollar	229,323		125,495	
Brazilian Real	246,523	$ 2,357	159,262	11,797
British Pound Sterling	1,246,999	4,522	713,871	1,910
Canadian Dollar	533,383		210,248	
Chilean Peso	71,967		62,077	
Colombian Peso	2,427	8,294	958	4,182
Czech Republic Koruna	20,966		17,134	
Danish Krone	159,331		147,638	
Egyptian Pound	10,759		2,716	57
European Union Euro	1,435,233	1,594	721,057	1,818
Hong Kong Dollar	742,498		705,919	
Hungarian Forint	11,829		11,932	
Indian Rupee	232,824	2,395	164,913	447
Indonesian Rupiah	31,095	3,057	30,880	
Israeli Shekel	8,614		6,676	
Japanese Yen	868,367		747,220	
Malaysian Ringgit	59,813		61,653	
Mexican Peso	59,231	11,311	75,022	3,103
New Taiwan Dollar	379,493			
New Zealand Dollar	214,922		109,888	
Nigerian Naira	9,636		8,449	1,189
Norwegian Krone	116,831		60,910	
Omani Rial	5,011		2,830	
Philippines Peso	22,077		32,332	
Polish Zloty	27,106		32,362	
Qatari Rial	2,101			
Renminbi Yuan			(15)	
Russian New Ruble	(8,403)	283	(2,827)	575
Singapore Dollar	85,224		121,397	
South African Rand	224,412		211,635	
South Korean Won	496,873		375,511	
Swedish Krona	217,481		169,537	
Swiss Franc	332,986		236,676	
Taiwan Dollar			306,631	
Thailand Baht	170,253		125,512	
Turkish Lira	95,053	19	89,992	436
Held In Foreign Currency	8,362,239	33,832	5,845,540	25,692
Held In U.S. Dollars	9,911,764	1,819,001	8,123,310	1,509,624
Total	$18,274,003	$ 1,852,833	$13,968,850	$ 1,535,316

Securities Lending — STRS Ohio participates in a domestic and international securities lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized by the borrower at 102% of the domestic equity and U.S. dollar-denominated fixed-income loaned securities' fair value and 105% of the international loaned securities' fair value.

STRS Ohio lends domestic equities, international, U.S. Treasuries, agencies and corporate bonds. The collateral received is cash, U.S. Treasuries or related agency securities. STRS Ohio cannot sell or pledge collateral received. If a borrower defaults, then the collateral can be liquidated.

A custodial agent bank administers the program and STRS Ohio receives a fee from the borrower for the use of loaned securities. Cash collateral from securities lending is invested in repurchase agreements, commercial paper and U.S. corporate obligations.

The credit quality of the invested cash collateral is the same as the credit quality on STRS Ohio direct holdings. There are slight mismatches between the duration of the cash invested and the length of time the securities are on loan. As of June 30, 2014, the average maturity of the invested cash collateral is 93 days. Because much of the cash collateral is invested in floating rate securities, interest rates are reset every 17 days on average as of June 30, 2014. STRS Ohio has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that the required collateral meets the specified collateral requirements. There are no restrictions on the amount of securities that can be loaned. The fair value of loaned securities was approximately $1,269,234,000 and $1,157,202,000 as of June 30, 2014 and 2013, respectively. The fair value of the associated invested cash collateral as of June 30, 2014 and 2013, was $1,301,211,000 and $1,193,446,000, respectively.

6. International Investments

Externally Managed — STRS Ohio has investments in international equity securities through the use of external money managers. It is the intent of STRS Ohio and the money managers to be fully invested; however, cash and short-term fixed-income investments may be held temporarily. The portfolios are managed in accordance with various mandates based on Morgan Stanley Capital International's (MSCI) indexes. Investments are held in both developed and emerging international markets.

Internally Managed:

Developed Markets, Emerging Stock and Country Funds — STRS Ohio actively invests in developed and emerging markets through individual stock selection, including international publicly traded real estate securities, and traded country funds. Each country fund consists of individual equity securities pooled together in an attempt to match or exceed the local country's index.

Europe, Australia and Far East (EAFE) Index Fund — To increase diversification in international developed markets, STRS Ohio invests in an EAFE Index Fund. The EAFE Index Fund purchases foreign equities, futures and other traded investments to replicate the makeup of the EAFE benchmark.

Equity Swaps — Four EAFE and three Emerging Market Free (EMF) international equity swap agreements were contracted during fiscal 2014 with maturity dates in fiscal 2015. In exchange for LIBOR (London Interbank Offered Rate) minus a negotiated spread, STRS Ohio will receive or pay the difference of the change in the total return of the various market indices included in the swap agreements. Fixed-income securities with a notional amount of $1.22 billion have been set aside at the global subcustodial account as security.

Forward Contracts — Managers have the ability to add value through currency management. Forward currency contracts are used to minimize the impact of foreign currency fluctuations on the asset positions of foreign investments.

The fair values of international investments held at June 30, 2014 and 2013, are shown in the table below.

Fair Values of International Investments Held at June 30, 2014 and 2013 (in thousands)

	June 30, 2014	June 30, 2013
Externally managed		
International stocks	$ 7,668,184	$ 5,640,451
International currency and liquidity reserves	210,705	148,067
Forward contracts	(22,514)	47,193
Total externally managed	7,856,375	5,835,711
Internally managed		
Developed markets	6,828,333	4,746,955
Emerging stock and country funds	1,804,480	1,915,823
EAFE Index Fund	1,732,272	1,413,481
EAFE equity swaps	10,203	(42,012)
EMF equity swaps	69,458	380
Forward contracts	(27,118)	98,512
Total internally managed	10,417,628	8,133,139
Total international	$ 18,274,003	$ 13,968,850

7. Real Estate Investments

Direct — STRS Ohio properties are diversified between property type, geographic location and investment structure. Direct real estate assets include both single and multi-tenant retail, office and warehouse properties, as well as apartments.

Public Real Estate — Public real estate includes publicly traded real estate securities and real estate investment trusts (REITs). REITs are real estate company stocks with a high dividend-income component. REITs divide the ownership of the real estate company and its properties among all the shareholders. REITs are required to distribute 90% of the company's taxable income to their shareholders annually in the form of dividends. Distributions are taxable to shareholders rather than the real estate company. STRS Ohio is exempt from federal and state income taxes.

Other — Other real estate investments include commingled funds that are externally managed. Commingled funds generate income as a result of operations and property sales, which are distributed to the investors.

Debt on Real Estate Investments and Interest Rate Swaps — STRS Ohio uses debt to lower the cash outlay in acquiring real estate assets and to positively impact the performance of the real estate portfolio. Of the debt on real estate investments, $259 million and $256 million was recourse debt as of June 30, 2014 and 2013, respectively. This debt is recourse to STRS Ohio with a covenant not to mortgage a specific pool of real estate assets. The remainder of the debt on real estate investments at June 30, 2014 and 2013, is non-recourse debt, which means that in the event of default, the specific real estate holding is used as collateral for the loan and general assets of STRS Ohio are not pledged as collateral.

At June 30, 2014, the recourse loans of $259 million had maturity dates of May 2015 and April 2016. Interest on the recourse loans is based on LIBOR plus a spread.

Of the non-recourse debt at June 30, 2014, loan maturities ranged from December 2015 to July 2034. Non-recourse debt at June 30, 2013, had loan maturities ranging from November 2013 to July 2034. The repayment schedule for real estate debt is reflected in the table below.

Real Estate Debt Repayment Schedule
As of June 30, 2014 (in thousands)

By Fiscal Year	Principal	Interest
2015	$ 262,105	$ 47,274
2016	92,736	40,594
2017	381,726	29,271
2018	4,634	16,474
2019	162,014	11,887
2020–2024	254,065	29,583
2025–2029	190,500	1,313
2030–2034	212,800	883
2035–2039	128,750	1
Total	$ 1,689,330	$ 177,280

8. Alternative Investments

Alternative investments are primarily investments in private equities and opportunistic/diversified investments. Private equity is actively managed and includes venture and buyout/growth opportunities. STRS Ohio invests as a limited partner in closed-end partnerships along with other pension funds, endowments and high-net-worth individuals. Private equity investments tend to be limited to a particular industry to take advantage of the general partner's knowledge and skill. Opportunistic/diversified investments are actively managed and are tactical in nature with a goal of downside protection during equity bear markets.

9. Derivatives

Equity Swap Agreements — As discussed in Note 6, STRS Ohio has entered into international equity swap agreements. No funds are required as collateral by either party; however, STRS Ohio has purchased fixed-income securities equivalent to the initial exposure, which are located in the global subcustodial account as of June 30, 2014. The notional amount of the contracts was $1.22 billion. The unrealized gain at June 30, 2014, was $12.3 million and is included as net appreciation in the *Statements of Changes in Fiduciary Net Position*. The market risk of the swap is the same as if STRS Ohio owned the underlying stocks that comprise the indexes.

The revenues and expenses resulting from these agreements have been recorded in the basic financial statements.

Forward Contracts — Forward contracts in various currencies are used to transact and hedge direct foreign equity and real estate investments that STRS Ohio maintains through the use of outside managers. Additionally, forward contracts are used to hedge currency exposure as a result of the EAFE equity swap agreements. STRS Ohio is obligated to deliver the foreign currency at a certain dollar price sometime in the future. To fulfill this obligation at maturity, STRS Ohio must obtain the currency in the open market. Before the contract matures, STRS Ohio can enter into an offsetting forward contract that nets out the original contract. These events expose STRS Ohio to currency market risk, which can fluctuate. The fair value of the foreign currency forwards is the unrealized gain or loss and is included as net appreciation/depreciation in the *Statements of Changes in Fiduciary Net Position*. STRS Ohio is also subject to the risk that the counterparty will fail to fulfill the contract.

Futures — Index futures are designed to offer lower cost and more efficient alternatives to buying individual stocks that comprise the index. The market and credit risk of the futures were the same as if STRS Ohio had owned the underlying stocks that comprise the index. The realized gain or loss on index futures is included as net appreciation/depreciation in the *Statements of Changes in Fiduciary Net Position*.

Additionally, futures were used in the EAFE Index Fund and by external money managers. The system's exposure to future and forward contracts at June 30, 2014 and 2013, is shown in the table below.

Exposure to Future and Forward Contracts Held at June 30, 2014 and 2013 (in thousands)

	June 30, 2014	June 30, 2013
Forward contracts		
Externally managed	$ 4,558,649	$ 4,148,840
Internally managed	3,871,141	3,396,521
Total forward contracts	**$ 8,429,790**	**$ 7,545,361**
Future contracts		
EAFE Index Fund	$ 23,158	$ 22,309
Externally managed	18,696	16,615
Total future contracts	**$ 41,854**	**$ 38,924**

Options — STRS Ohio writes option contracts on existing stock positions to enhance the return on the stock portfolio. In exchange for a premium, STRS Ohio gives the option buyer the right to buy or sell the underlying stock. Options are also purchased to "cover" existing written open option positions. The notional value of the options contracts at June 30, 2014, was $36.4 million. The negative fair value of the options contracts of $3.3 million at June 30, 2014, is included in the *Statements of Fiduciary Net Position*.

Warrants — Warrants allow the right to purchase underlying stock shares at a specified price. Warrants are usually added on as an incentive to an issuer's fixed-income securities. STRS Ohio held warrants with a value of $9.0 million as of June 30, 2014, and is included in the *Statements of Fiduciary Net Position*.

Fixed-Income Credit Default Swaps — STRS Ohio may manage credit exposure through the use of credit default swaps. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks, such as interest rate and currency risk. STRS Ohio did not hold any credit default swaps as of June 30, 2014. STRS Ohio held credit default swaps with notional values of $200,000 as of June 30, 2013.

Fixed-Income Credit Linked Notes — Credit linked notes are structured securities whose principal and interest payments are based on a reference to underlying bonds. One of the general reasons for owning credit linked notes is to gain exposure to an underlying security where, otherwise, direct ownership is limited by restrictions imposed by certain countries. STRS Ohio held credit linked notes with a value of $2,900,000 at June 30, 2014, which is included in the *Statements of Fiduciary Net Position*. STRS Ohio held credit linked notes with a value of $1,496,000 at June 30, 2013.

10. Pension Plan

Substantially all STRS Ohio employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three pension plans that include a defined benefit plan, a defined contribution plan and a hybrid plan. Participation in these plans is a choice members make at the time their employment commences. Members may elect to change plans at intervals during their career.

In 2012, the Ohio Legislature passed Senate Bill 343 to improve the financial condition of OPERS. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Retirement benefits are specific to each group and members must meet the eligibility requirements based on their age and years of service within the group. The key components to OPERS' pension plan changes are:

- Age and service requirements for retirement are increasing.
- Final average salary calculation is increasing to five years from three years.
- Calculation used to determine the benefit amount for service retirement was modified.
- COLA will be based on the annual percentage change in the Consumer Price Index with a 3% cap.
- Calculation used to determine early retirement benefit will be determined by OPERS' actuary

Details about OPERS' plan changes and when they become effective can be found on its website at www.OPERS.org.

The member and employer contribution rates are 10.0% and 14.0% of covered payroll, respectively. The required employer contributions for the current year and the two preceding years are shown in the table below.

STRS Ohio Required Employer Contributions to OPERS

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2012	$6,560,000	100%
2013	$6,853,000	100%
2014	**$7,110,000**	**100%**

Historical trend information showing the progress of OPERS in accumulating sufficient assets to pay benefits when due is presented in the OPERS *Comprehensive Annual Financial Report*. OPERS issues a publicly available financial report for the plans. The report may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642.

OPERS also provides post-employment health care coverage and is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 43. In addition to the legislation that made changes to the pension plan, the OPERS Board approved changes to the retiree health care plan with phased-in implementation dates over the next several years. Depending on pension funding, OPERS has the discretion to direct a portion of employer contributions to fund retiree health care. The Revised Code provides statutory authority for employer contributions. The employer rate set aside for post-employment health care was 1.0% for calendar year 2013 and 4.0% for calendar year 2012.

Schedule of Changes in Employers' Net Pension Liability
Fiscal Year Ended June 30, 2014* (dollar amounts in thousands)

Fiduciary net position	
Member contributions	$ 1,193,808
Employer contributions, including retirement incentive	1,508,442
Net investment income	10,534,608
Benefit payments	(6,725,017)
Administrative expenses	(60,991)
Net change in fiduciary net position	6,450,850
Beginning of year fiduciary net position	65,392,746
Fiduciary net position at June 30	$ 71,843,596
Total pension liability	
Service cost	$ 1,094,986
Interest	7,137,686
Benefit changes	0
Difference between expected and actual experience	292,708
Changes in assumptions	0
Benefit payments, including refunds of employee contributions	(6,725,017)
Net change in total pension liability	1,800,363
Total pension liability at beginning of year	94,366,694
Total pension liability at end of the year	96,167,057
Net pension liability at the end of the year	$ 24,323,461

*This is a 10-year schedule — however, the information is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule of Employers' Net Pension Liability
For the Years Ending June 30, 2014 and 2013* (dollar amounts in thousands)

	2014	2013
Total pension liability	$ 96,167,057	$ 94,366,694
Fiduciary net position	(71,843,596)	(65,392,746)
Net pension liability	$ 24,323,461	$ 28,973,947
Ratio of fiduciary net position to total pension liability	74.7%	69.3%
Covered payroll	$ 10,725,329	$ 10,765,635
Net pension liability as a percentage of covered payroll	226.8%	269.1%

*This is a 10-year schedule — however, the information is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

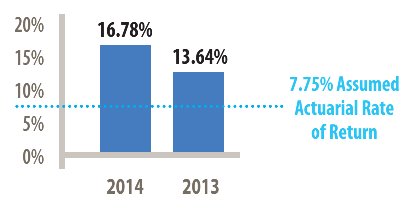
Schedule of Employers' Contributions, 2005–2014 (dollar amounts in thousands)

Fiscal Year	Actuarial Determined Contribution*	Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Payroll
2005	$1,281,546	$1,248,587	$32,959	$9,775,159	12.77%
2006	$1,417,598	$1,274,333	$143,265	$9,974,061	12.78%
2007	$1,539,805	$1,294,204	$245,601	$10,199,505	12.69%
2008	$1,329,498	$1,329,498	–	$10,460,473	12.71%
2009	$1,502,240	$1,374,614	$127,626	$10,800,817	12.73%
2010	$2,623,624	$1,401,686	$1,221,938	$11,057,260	12.68%
2011	$2,715,523	$1,407,309	$1,308,214	$11,097,598	12.68%
2012	$3,248,651	$1,378,451	$1,870,200	$10,879,075	12.67%
2013	$2,910,537	$1,357,889	$1,552,648	$10,765,635	12.61%
2014	**$1,489,734**	**$1,353,531**	**$136,203**	**$10,725,329**	**12.62%**

*Prior to fiscal 2014, the Actuarially Determined Contribution is the same as the Annual Required Contribution as determined under GASB Statement No. 25.

Schedule of Investment Returns
For the Years Ending June 30, 2014 and 2013*

Money-Weighted Rate of Return, Net of Fees



Time-Weighted Rate of Return, Net of Fees	16.71%	13.54%

*This is a 10-year schedule — however, the information is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Required Supplementary Information
For the Years Ending June 30, 2014 and 2013

Valuation date	July 1, 2014	July 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return, net of investment expense, including inflation	7.75%	7.75%
Projected salary increases	12.25% at age 20 to 2.75% at age 70	12.25% at age 20 to 2.75% at age 70
Inflation assumption	2.75%	2.75%
Cost-of-living adjustments	2% simple applied as follows: for members retiring before Aug. 1, 2013, 2% per year; for members retiring Aug. 1, 2013, or later, 2% COLA paid on fifth anniversary of retirement date	2% simple; varies with retirement date

The information presented in the required supplementary schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

Required Schedule of Health Care Funding Progress, 2009–2014
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2009	$2,693,699	$13,413,723	$10,720,024	20.1%	$10,053,041	106.6%
Jan. 1, 2010	$2,967,540	$11,355,003	$8,387,463	26.1%	$10,347,383	81.1%
Jan. 1, 2011	$3,108,541	$8,631,313	$5,522,772	36.0%	$10,520,932	52.5%
Jan. 1, 2012	$2,968,157	$5,094,407	$2,126,250	58.3%	$10,549,271	20.2%
Jan. 1, 2013	$3,121,576	$4,254,096	$1,132,520	73.4%	$10,277,783	11.0%
Jan. 1, 2014	**$3,471,886**	**$4,664,445**	**$1,192,559**	**74.4%**	**$9,972,923**	**12.0%**

Required Schedule of Employer Contributions Related to Health Care For the Years Ending June 30, 2009–2014 (dollar amounts in thousands)

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2009	$775,262	13.1%
2010	$635,447	16.3%
2011	$449,136	23.1%
2012	$210,107	48.1%
2013	$143,810	69.0%
2014	**$129,796**	**75.8%**

Notes to Health Care Trend Data

Valuation date	Jan. 1, 2014	Jan. 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage, open	Level percentage, open
Remaining amortization period	30.0 years	30.0 years
Asset valuation method	Fair market value	Fair market value
Actuarial assumptions:		
Investment rate of return	7.0%	6.50%
Projected salary increases	12.25% at age 20 to 2.75% at age 70	12.25% at age 20 to 2.75% at age 70
Payroll increase	3.50% for next 5 years; 4.00% thereafter	3.50% for next 6 years; 4.00% thereafter
Inflation assumption	2.75%	2.75%
Trend rates	7.0%–9.2% initial; 5.0% ultimate	7.3%–9.8% initial; 5.0% ultimate

The information presented in the required supplemental schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

Schedules of Administrative Expenses
For the Years Ending June 30, 2014 and 2013

	2014	2013
Personnel		
Salaries and wages	$ 32,873,572	$ 31,822,367
Retirement contributions	4,412,796	4,313,639
Benefits	5,594,241	5,319,536
Total personnel	**42,880,609**	**41,455,542**
Professional and technical services		
Computer support services	1,080,215	1,073,644
Health care services	732,130	757,855
Actuary	243,716	227,208
Auditing	171,300	172,967
Defined contribution administrative fees	931,719	889,984
Legal	167,994	216,230
Temporary employment services	–	24,931
Total professional and technical services	**3,327,074**	**3,362,819**
Communications		
Postage and courier services	1,264,990	1,191,727
Printing and supplies	1,433,022	1,483,731
Telephone	269,496	273,627
Total communications	**2,967,508**	**2,949,085**
Other expenses		
Equipment repairs and maintenance	4,287,719	4,105,381
Building utilities and maintenance	1,440,156	1,410,224
Transportation and travel	202,203	212,504
Recruitment fees	23,753	34,168
Depreciation	6,736,590	6,821,526
Member and staff education	216,443	216,210
Insurance	662,912	649,273
Memberships and subscriptions	167,334	159,102
Ohio Retirement Study Council	218,211	249,675
Miscellaneous	354,935	379,553
Total other expenses	**14,310,256**	**14,237,616**
Total administrative expenses	**$ 63,485,447**	**$ 62,005,062**

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on Page 36.

See accompanying independent auditors' report.

Schedules of Investment Expenses
For the Years Ending June 30, 2014 and 2013

	2014	2013
Personnel		
Salaries and wages	$ 20,391,912	$ 18,983,338
Retirement contributions	2,696,790	2,539,306
Benefits	1,488,848	1,774,651
Total personnel	**24,577,550**	**23,297,295**
Professional and technical services		
Investment research	2,721,715	2,608,692
Financial asset advisors	712,467	720,893
Banking fees	1,672,657	1,438,460
Total professional and technical services	**5,106,839**	**4,768,045**
Other expenses		
Printing and supplies	4,873	5,359
Building utilities and maintenance	335,712	331,565
Travel	445,753	404,390
Staff education	12,412	14,034
Investment quotation systems	1,570,857	1,543,033
Memberships and subscriptions	86,702	91,608
Miscellaneous	79,608	33,178
Total other expenses	**2,535,917**	**2,423,167**
Total investment expenses	**$ 32,220,306**	**$ 30,488,507**

See accompanying independent auditors' report.

Schedules of Fees to External Asset Managers by Asset Class
For the Years Ending June 30, 2014 and 2013

	2014	2013
Asset class		
Domestic common and preferred stock	$ 12,124,458	$ 12,591,441
International	26,217,130	22,979,840
Fixed income	7,074,430	5,919,830
Alternative investments	104,837,353	100,346,331
Real estate	18,951,902	20,046,948
Total external manager fees	**$ 169,205,273**	**$ 161,884,390**

See accompanying independent auditors' report.

Investment Review

For Fiscal Year July 1, 2013, through June 30, 2014
Prepared by STRS Ohio's Investments Associates

Economic Environment

Though the economy appeared to finally gain momentum during the first half of fiscal 2014 when real gross domestic product (GDP) grew an annualized 4%, the slowest post-World War II recovery tripped up further in the fiscal year's third quarter when real GDP fell 2.1% at an annualized rate — making it the first negative quarter in three years and prompting questions about the economic expansion's durability. The five-year-old economic expansion has gone through many fits and starts that have limited average real economic activity to just 2.2% while average growth over similar postwar periods has been almost double that. In the fiscal year's third quarter, abnormally cold and snowy weather throughout much of the country drove headline economic activity downward even as underlying consumer, housing and business investment demand continued to grow by 1%. The third fiscal quarter — like so many before it — was representative of an economy that has been incapable of generating sustained broad-based, stronger activity in what has now become an economic expansion that matches the average expansion length of the postwar period.

Even with another negative growth quarter being added to the current expansion's unsatisfying history, there are increasingly robust leading economic indicators that the U.S. economy is entering a more sustainably stronger growth phase — one that should be similar to those experienced in the mid-cycle periods of the prior two long expansions. Indeed, broad economic growth rebounded to a robust 4.2% annualized rate in the final quarter of the fiscal year while growth in private domestic demand (that includes consumer spending, housing investment and business investment) returned to the 3.5% pace experienced in the first half of the fiscal year.

In fiscal 2015, stronger economic growth will be heavily dependent upon greater jobs and income gains. During fiscal 2014, monthly employment gains averaged 207,000 — marginally better than the average 195,000 monthly increase in fiscal 2013. The unemployment rate significantly fell from 7.5% at the end of fiscal 2013 to 6.1% at the end of fiscal 2014 — though, a large part of that decline can be attributed to an unwanted fall in labor force participation by discouraged workers opting out of the jobs market. Since the messy winter, employment gains averaged 245,000 a month through the end of fiscal 2014 and coincided with improving consumer sentiment, anecdotal accounts of better retail sales activity and hard economic data of stronger consumer spending. Income growth reaccelerated as well, with wages and salaries growth at an annualized 6.6% in the second half of the fiscal year after growing only 2.8% in the first half of the fiscal year.

Further gains in jobs and income growth should help create stronger real consumer spending in the upcoming fiscal year and contribute to more robust recoveries in the housing and business investment sectors of the economy — areas where better growth will be needed to offset ongoing lack of contributions from the government and foreign sectors. Business orders for new capital equipment and new housing starts (particularly apartment and condominium housing starts) are showing signs of renewed surges following a slow winter. Capital equipment orders grew an annualized 11.6% in the second half of the fiscal year after being flat during the first half of the fiscal year. Meanwhile, seasonally-adjusted housing starts have moved back to one million units at an annual rate in last quarter of the fiscal year following a dip below 900,000 units during the worst part of winter.

As the real economy starts to accelerate, inflation pressures will likely build even as reported inflation remains largely contained. Food and energy costs will remain volatile due to unstable supply issues, yet core rates of inflation that exclude those segments will likely edge higher in the second half of fiscal 2015 after real economic activity accelerates through the first half. After growing by a moderate 1.5% in fiscal 2013, the GDP price index (the broadest measure of economy-wide inflation) advanced by a similar pace of 1.7% in fiscal 2014 — still short of the Federal Reserve's long-term target of 2%.

The Federal Reserve has maintained a stimulative monetary policy since the beginning of the Great Recession. Policymakers at the Federal Reserve understood that they had to do everything in their power to prevent a deflationary spiral developing out of the recession — an issue stagnant Japan dealt with for two decades. Initially, the Federal Reserve drove short-term interest rates significantly lower to roughly 0% by using its main policy tool — the federal funds targeted rate — but it did not stop there. Quantitative easing has led to an expansion of assets on the Federal Reserve's balance sheet from roughly $900 billion prior to the recession to $4.4 trillion at the end of fiscal 2014. The Federal Reserve made sure the banking system was flooded with cash for future loans that would eventually spark a credit cycle leading to ever stronger economic growth.

At its December 2013 monetary policy meeting, the Federal Reserve began to taper the purchases of securities from quantitative easing because the labor market was showing signs of better growth and the overall economy was finally gaining traction. At each subsequent meeting, it has reduced the size of further quantitative easing purchases so that the monetary policymakers are on track to end quantitative easing in the first half of fiscal 2015. By the end of fiscal 2015 or early part of fiscal 2016, the Federal Reserve will also begin to raise short-term interest rates through its main policy tool of the federal funds rate. While the Federal Reserve believes the long-term neutral position for the federal funds rate is about 4%, it will likely take many years to get there. Indeed, changes to short-term interest rates are expected to be gradual and measured through fiscal 2016 as the Federal Reserve gauges the impact from higher interest rates on jobs growth, inflation and the overall economy.

Fixed Income

The Federal Reserve continued its highly accommodative monetary policy with the federal funds rate remaining at 0% for 66 months. It indicated it may be warranted to keep the target federal funds rate below a neutral rate for a considerable period of time. Notably, however, the Federal Reserve began to taper quantitative easing, reflecting a general improvement in economic conditions. These actions had the desired impact of maintaining downward pressure on long-term interest rates and supporting asset prices.

Fixed income market returns were driven by coupon income and price appreciation of the credit spread sectors. The 10-year U.S. Treasury bond yield rose slightly from 2.48% at the beginning of the fiscal year to 2.52% at fiscal year-end. The most credit-sensitive spread sectors performed well, supported by monetary policy. Over the course of the entire fiscal year, the highest returns were in high yield (+11.73%), emerging markets (+10.20%) and investment-grade corporate bonds (+7.73%). The non-credit and least risky credit sectors, representing about two-thirds of the index, had positive performance but lagged overall index returns. The net result was a fixed income benchmark return of 5.20% in fiscal year 2014, as recorded by the Barclays U.S. Universal Index.

The STRS Ohio fixed income portfolio returned 4.95% versus the benchmark's return of 5.20%. Over the three prior fiscal years, the STRS Ohio fixed income portfolio returned an annual average of 4.45% versus the benchmark's return of 4.22%. The STRS Ohio performance over the prior five fiscal years was 6.31% versus the benchmark's 5.58%. A more complete report of STRS Ohio performance appears on Page 51.

Domestic Equities

Fiscal year 2014 saw the U.S. equity market rise for the fifth consecutive year as the economy and the financial markets continued to rebound from the 2009 financial crisis. Returns for the year were again very strong as the market's rise outpaced earnings growth, reflecting increasingly higher valuation levels. The S&P 500 gained 24.60% on a total return basis, closing the year at 1960.

S&P 500 earnings growth reaccelerated from the flat growth in fiscal 2013, growing 12.75% in fiscal 2014. This gain is somewhat inflated due to several one-time pension charges in the prior year that understated fiscal 2013 earnings growth (the average of the past two years has been only 6.67%). While the rising margin story that has driven earnings growth for several years abated somewhat over the past year, corporate margins remain near all-time highs. Much of market gains were the result of P/E expansion that was driven primarily by continued low interest rates.

The STRS Ohio domestic equities portfolio returned 24.46% versus the Russell 3000 benchmark's return of 25.22%. Over the three prior fiscal years, the STRS Ohio domestic equities portfolio returned an annualized 15.70% versus the benchmark's return of 16.46%. The STRS Ohio performance over the prior five fiscal years was 18.84% versus the benchmark return of 19.33%. A more complete report of STRS Ohio performance appears on Page 51.

International Equities

The international markets recorded a second consecutive year of robust returns that were led again by the developed markets. The MSCI World ex-US Index (50% hedged) for developed markets rose 21.2%, while the MSCI EM Index for emerging markets trailed with an increase of 14.5%.

Returns for the 12 months were generally strong among the developed markets. The best performing countries were Spain (+57.9%), Italy (+52.4%) and Denmark (+50.9%). The three weakest markets were Japan (+10.1%), Singapore (+10.4%) and Hong Kong (+17.7%). The returns in the peripheral countries of Europe were particularly strong due to a sharp decline in bond yields that helped to boost sentiment. However, economic improvement in Europe was disappointing and late in the fiscal year the market increasingly expected that the European Central Bank would have to pursue new measures to help reduce the potential for deflation occurring.

The emerging markets were laggards. The three best markets were Greece (+55.1%), Egypt (+48.4%) and India (+27.4%); Greece was downgraded to emerging market status by the MSCI index in November 2013. The weakest markets were Hungary (–14.9%), Chile (–11.6%) and Indonesia (–11.4%). The significant underperformance of the emerging markets relative to the developed markets occurred during the first half of the fiscal year. As the fiscal year progressed, the markets became more comfortable with the potential repercussions from the tapering of U.S. quantitative easing and there were signs that the overall Chinese economy was no longer materially decelerating despite property market weakness.

The STRS Ohio international portfolio returned 20.68% versus the benchmark's return of 19.90%. Over the past three fiscal years, the STRS Ohio international portfolio returned an annualized 8.00% versus the benchmark's return of 7.08%. The STRS Ohio performance over the prior five years was 12.08% versus the benchmark's return of 11.04%. A more complete report of STRS Ohio performance appears on Page 51.

Real Estate

The recovery in the commercial real estate market is on solid footing across the country. The operating fundamentals of real estate — rents and occupancy — continue to improve and accelerate, leading to gains in operating income across the board. Continuing the trend from last year, secondary markets are getting more attention from investors searching for yield. This, coupled with expanding availability of favorable financing in these markets is contributing to the acceleration in pricing as well. However, there is still significant capital attracted to the top tier markets and properties, particularly foreign capital, which shows no sign of slowing.

Private market real estate has turned in four consecutive years of double-digit total returns. Rising interest rates will slow future price appreciation across the asset class. However, relative to other asset classes, real estate provides a strong income return with private market real estate enjoying an income return of approximately 5.5% in fiscal year 2014. The income and the stability it provides to overall asset class returns will continue to drive strong capital flows to the asset class which should provide pricing support as long as increases in interest rates occur at a modest pace.

Over the last three years, the real estate public market (REITs) has turned in a total return averaging almost 12% annually. REITs turned in higher-than-expected returns in fiscal 2014 at 13.2%. This is up over the fiscal 2013 total return of 9.4% which is closer to the 10-year average. While the expectation is for rising interest rates over the next couple of years, the pace of the increase will have a significant impact on performance in the public market as well.

The STRS Ohio total real estate portfolio returned 13.68% versus the benchmark's return of 11.58% in fiscal year 2014. Over the three prior fiscal years, the STRS Ohio real estate total portfolio returned an annual average return of 13.01% versus the benchmark's return of 11.58%. The STRS Ohio performance over the prior five fiscal years was 11.95% versus the benchmark's 12.06%. A more complete report of STRS Ohio performance appears on Page 51.

Alternative Investments

For the second fiscal year in a row, alternative investment returns lagged behind public markets returns that were well above their long-term expected returns. However, the alternative investment returns exceeded their absolute return benchmarks for all periods. Alternative investments finished fiscal 2014 with a return of 16.95% as compared to a 25.22% return for the Russell 3000 public equity index. Alternative investment managers continued to take advantage of the capital markets in order to exit their investments through strategic sales and IPOs and to recapitalize the companies they held. In the private equity portfolio, this activity generated distributions that were 1.84 times the capital that was called during the fiscal year.

There are two portfolios within alternative investments: private equity and opportunistic/diversified. As a result of the fiscal year 2012 Asset-Liability Study, the target allocation for each portfolio is now 7%. At the end of fiscal 2014, the actual market value of the private equity portfolio was 6.4% of total fund compared to 6.5% at the end of the previous fiscal year. Effective Jan. 1, 2014, the opportunistic/diversified allocation increased from 6% to 7%. The actual market value of the opportunistic/diversified portfolio grew from $3.1 billion to $4.2 billion during fiscal year 2014, bringing it to 5.4% of total fund.

Over the long term, the private equity portfolio within alternative investments is targeted to earn 1% above the annualized return of the Russell 3000 index and the opportunistic/diversified portfolio is targeted to earn 1% below the Russell 3000 index. At the end of fiscal year 2014, the alternative investment five-year return was 15.48% as compared to the blended five-year benchmark return of 20.43%, which is based on the relative benchmarks for private equity and opportunistic/diversified and the targeted allocations during that five-year period. However, performance exceeded the relative benchmark over the ten-year period. The alternative investment 10-year return was 11.85% as compared to the blended relative benchmark return of 10.37%. A more complete report of STRS Ohio performance appears on Page 51.

Total Fund

During fiscal year 2014, the STRS Ohio fund returned 16.83% versus the benchmark's (blended index of industry benchmarks) return of 17.53%. Over the three prior fiscal years, the STRS Ohio fund returned an annual average of 10.77% versus the benchmark's return of 11.05% while the fund performance over the prior five fiscal years was 13.60% versus the benchmark's 13.67%. During the 10 prior fiscal years, the STRS Ohio fund returned an annual average of 8.00%, exceeding the benchmark's return of 7.84% and the actuarial rate of return of 7.75%. A more complete report of STRS Ohio fund performance appears on Page 51.

Statement of Investment Objectives and Policy

Effective Dec. 12, 2013

1.0 Purpose

1.1 The State Teachers Retirement System of Ohio ("STRS Ohio") was established for the benefit of the teachers of the public schools of the State of Ohio. STRS Ohio is dedicated to partnering with STRS Ohio members to provide financial performance and member service that assures financial security for current and future retirees.

1.2 The State Teachers Retirement Board of Ohio (the "Board") is vested with the operation and management of the State Teachers Retirement System of Ohio ("STRS Ohio") (ORC Section 3307.04). The Board has the full power to invest the assets (the "Fund") of STRS Ohio (ORC Section 3307.15). The Board is required to ". . . adopt in a regular meeting, policies, objectives or criteria for the operation of the investment program . . ." (ORC Section 3307.15).

1.3 To fulfill the statutory requirement of ORC Section 3307.15, the Board has adopted this Statement of Investment Objectives and Policies (the "Statement") to govern the investment of the Fund. This Statement summarizes the objectives and policies for the investment of the Fund.

1.4 The Board has approved these objectives and policies after careful consideration of STRS Ohio benefit provisions, and the implications of alternative objectives and policies.

1.5 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; the Ohio General Assembly and Governor; and agents engaged by the Board to manage and administer the Fund.

1.6 The Board regularly, but in no event less than annually, will assess the continued suitability of this Statement, initiate change as necessary and update this Statement accordingly.

1.7 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board. Consequently, the Executive Director, the Deputy Executive Director — Investments and the investment staff are responsible for preparing and maintaining numerous supporting management documents that govern the implementation of Board policies, including, but not limited to, individual investment manager mandates and guidelines, agent agreements and limited partnership documents.

1.8 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.9 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.95 The Board approved this Statement on Dec. 12, 2013.

2.0 Investment Objective

2.1 Subject to the Ohio Revised Code, the investment objectives for the total fund are:

(a) to earn, over moving 30-year periods, an annualized return that equals or exceeds the actuarial rate of return (ARR) approved by the Board to value STRS Ohio liabilities. The current actuarial rate of return is 7.75%;

(b) to earn a rate of return that enables the System to meet pension liabilities and fulfill minimum funding requirements;

(c) to earn a rate of return that equals or exceeds the System's long-term policy index with an acceptable level of risk; and

(d) maintain sufficient liquidity to satisfy cash flow needs.

2.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ARR over a 30-year time horizon.

3.0 Key Document Policy

To assist the Board and the investment staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 1.

Exhibit 1: Key Document Schedule

Key Document	Document Source	Review Schedule
Quarterly Performance Review	Board Consultant	Quarterly
Statement of Investment Objectives and Policy/ Fund Governance	STRS Ohio Investment Staff/Reviewed by Board Consultant	Annually
Annual Plan (Includes Risk Budget)	STRS Ohio Investment Staff/Reviewed by Board Consultant	Annually
Actuarial Study	Actuary/STRS Ohio Finance Department	Annually
Asset/Liability Study	STRS Ohio Investment Staff/ STRS Ohio Senior Staff/ Board Consultant/Board	Every 3–5 years

4.0 Asset Mix Policy, Risk Diversification and Return Expectations

4.1 After careful consideration of the investment objectives, liability structure, funded status and liquidity needs of STRS Ohio, and the return, risk and risk-diversifying characteristics of different asset classes, the Board approved the asset mix policy presented in Exhibit 2 (below). The exhibit also summarizes the Board's return expectations for the asset mix policy and active management.

4.2 Seventy-one percent of the Fund is targeted for investment in equities, inclusive of alternative investments. Equity investments have provided the highest returns over long time periods, but can produce low and even negative returns over shorter periods.

4.3 The risk of low returns over shorter time periods makes 100% equity policies unsuitable for most pension funds, including STRS Ohio. By investing across multiple equity asset classes, and in lower return but less risky fixed-income and real estate, the Board is managing and diversifying total fund risk.

4.4 Forecasts of capital market and active management returns undertaken by the Board's investment consultant indicate that the Board's asset allocation summarized in Exhibit 2 has an expected 10-year annualized return of 7.61% (without net value added). Over a 30-year period, the Board's investment consultant indicates that this asset mix should generate a return in excess of 8%, without net value added by management.

4.5 From the 2012 Asset-Liability Study, the 7.61% expected asset mix 10-year policy return was developed with reference to the observed long-term relationships among major asset classes. The Board believes this return expectation is reasonable, but recognizes that the actual 10-year asset mix policy return can deviate significantly from this expectation — both positively and negatively. The volatility level associated with this asset mix is approximately 14.60%.

Exhibit 2: Asset Mix Policy and Return Expectations for STRS Ohio Total Fund

Asset Class	Target Allocation[1]	Rebalancing Range	Expected 10-Year Policy Returns[2]	Expected Management Net Returns[3]	Expected Total Return
Equity					
Domestic	**31%**	**26–36%**	**8.00%**	**0.25%**	**8.25%**
International	**26%**	**21–31%**	**7.85%**	**1.00%**	**8.85%**
Alternatives	**14%[5]**	**7–18%[5]**	**8.00%**		**8.00%**
Private Equity	7%[5]	4–9%[5]	9.00%		9.00%
Opportunistic/Diversified	7%[5]	4–9%[5]	7.00%		7.00%
Fixed Income	**18%**	**13–25%**	**3.75%**	**0.35%**	**4.10%**
Real Estate	**10%**	**6–13%**	**6.75%**	**1.00%**	**7.75%**
Liquidity Reserve	**1%**	**0–5%**	**3.00%**		**3.00%**
Total Fund [5]	**100%**		**7.61%**	**0.40%**	**8.01%[4]**

[1] The target allocation percentage will be effective as of Jan. 1, 2014.

[2] The expected 10-year policy returns are based on the investment consultant's capital market assumptions in the 2012 asset-liability study for each asset class and total fund using the eventual new target weights effective January 1, 2014. Over a 30-year period, the Board's investment consultant indicates that this asset mix should generate a return in excess of 8%, before net value added by management.

[3] Individual asset classes (except real estate and alternative investments) are gross value added. The total fund is net of all investment management costs, and real estate and alternative investments is net of external management fees.

[4] The 10-year total fund return forecast is 8.01% per year, which includes the expected net value added by management and is based on the target weights effective Jan. 1, 2014.

[5] The Private Equity and Opportunistic Diversified target weights and rebalancing ranges are only meant to be general guidelines; the official target weight and rebalancing range is at the total alternative investment asset class level.

4.6 Fund assets are invested using a combination of passive and active management strategies. Passive management reduces both the risk for underperformance and the opportunities of outperformance. Active management is expected to earn net 0.40% per annum of additional returns over moving five-year periods. The Board recognizes that unsuccessful active management can reduce total fund returns.

4.7 Investment objectives and guidelines for individual asset classes have been approved by the Board and are summarized below.

4.8 Liquidity reserves are kept at a minimum level, but sufficient to cover the short-term cash flow needs. STRS Ohio investment staff may utilize a derivative overlay to maintain the level at 1%.

4.9 The Board reviews at least annually its expectations for asset class and active management performance, and assesses how the updated expectations affect the probability that the Fund will achieve the established investment objectives.

5.0 Rebalancing

5.1 Exposures to selected asset classes are actively managed within the rebalancing ranges specified in Exhibit 2. Rebalancing ensures that the Fund's actual asset allocation remains close to the target asset mix policy.

5.2 The Fund's actual asset allocation is monitored at least monthly relative to established asset allocation policy targets and ranges. The timing and magnitude of rebalancing are decided with due consideration to the liquidity of the investments and the associated transaction costs.

5.3 In its Annual Investment Plan prepared for the Board, staff explains how it is managing asset class exposures based on short- and intermediate-term capital forecasts.

5.4 The impact of rebalancing decisions on total fund returns is included in investment performance reports to the Board.

6.0 Passive and Active Management Within Risk Budgets

6.1 STRS Ohio investment staff has been delegated the responsibility for managing the Fund's exposure to passive and active investment strategies, subject to the constraint that active risk does not exceed Board-approved target risk budgets for the total fund and individual asset classes.

6.2 The Board has approved a target risk budget of .60% to 1.20%, with a working range of .20% to 1.60%, annualized active management for the total fund. In exchange for assuming this level of active risk, the Board expects active management to add net 0.40% of annualized excess return over moving five-year periods to judge its effectiveness.

6.3 The Board realizes that actual active management returns will likely be above or below the net 0.40% target over any five-year moving period, and therefore will evaluate the success of STRS Ohio active management program within this context. The Board recognizes that any amount of management return in excess of the associated investment costs improves the security of STRS Ohio plan members.

6.4 Passive management uses low cost index funds to access the return streams available from the world's capital markets. Indexed funds control costs, are useful tools for evaluating active management strategies, capture exposure to the more efficient markets and facilitate rebalancing to the policy asset mix.

6.5 Active management is expected to earn higher returns than those available from index funds by making value-added security selection and asset mix timing decisions. Unsuccessful active management results in below index fund returns.

6.6 Because there are no index fund products for real estate and alternative investments, these asset classes must be actively managed. Active versus passive decisions in all asset classes are based upon using the best available information.

6.7 Aggregate short sale positions for all asset classes may not exceed 3% of total fund assets.

7.0 Global Equities — Domestic

7.1 Domestic equity is being managed relative to a Board-approved risk budget range of .20% to 1.50%, and is expected to earn at least 0.25% of annualized excess return above the Russell 3000 Index over moving five-year periods.

7.2 Key elements of the strategy:

(a) The portfolio's active management adds value primarily through security selection. Sector tilts by style, economic sectors or market capitalization are managed in accordance with the risk budget for domestic equities.

(b) The portfolio utilizes a variety of portfolio management approaches including quantitative and fundamental techniques to diversify the source of excess return.

(c) The portfolio utilizes a combination of internal and external management, utilizing multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

7.3 Short sales may be used in the management of STRS Ohio domestic equity portfolios, but may not exceed 10% of the value of the asset class.

8.0 Global Equities — International

8.1 International equity is being managed relative to a Board-approved risk budget range of 0.70% to 2.50%, and is expected to earn at least 1.0% of annualized excess return above a blended benchmark of 80% MSCI World ex US Index-Net (50% hedged) and 20% MSCI Emerging Markets Index-Net over moving five-year periods.

8.2 Key elements of the strategy:

(a) The portfolio's active management adds value primarily through security selection and country allocation decisions. These decisions have been shown to be the principal sources of the excess return in international equity portfolios. Managers also have the ability to add value through currency management.

(b) The portfolio uses a variety of portfolio management approaches including quantitative and fundamental techniques to diversify the source of excess return.

(c) Aggregate exposures to countries, currencies, equity styles and market capitalization are monitored and managed relative to their benchmark exposures.

(d) The portfolio utilizes a combination of internal and external management, with multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

(e) STRS Ohio utilizes a 50% hedged benchmark on the developed markets portfolios in order to reduce the overall exposure to currency risk. With a 50% hedged benchmark, all developed market portfolios are generally hedged around the 50% benchmark level. Active currency positions are taken from time to time in some portfolios at the managers' discretion. This is generally limited to 10 percentage points under or over hedged around the benchmark for the total internal developed portfolios. Three-month currency forwards are the investment instrument generally used for hedges.

8.3 Short sales may be used in the management of STRS Ohio international equity portfolios, but may not exceed 10% of the value of the asset class.

9.0 Fixed Income

9.1 Fixed income is being managed relative to a Board-approved risk budget range of 0.10% to 1.50%, and is expected to earn at least 0.35% of annualized excess returns above the Barclays U.S. Universal Bond Index over moving five-year periods.

9.2 All of fixed income is actively managed because active management is generally low cost and market opportunities exist for skilled managers to generate excess returns.

9.3 Key elements of the strategy:

(a) The portfolio will primarily be managed internally, with multiple external managers utilized in specialized segments of the market such as high yield and emerging market debt.

(b) The portfolio will emphasize issue selection, credit analysis, sector allocations and duration management.

(c) Aggregate exposures to duration, credit and sectors are monitored and managed relative to corresponding exposures in the asset class benchmark.

9.4 Short sales may be used in the management of STRS Ohio fixed-income portfolios, but may not exceed 10% of the value of the asset class.

10.0 Real Estate

10.1 Real estate investments are being managed relative to a Board-approved risk budget range of 2.00% to 7.00%, and are expected to earn at least 1.00% of annualized excess returns above a blended benchmark over moving five-year periods. The Real Estate Blended Benchmark is 85% NCREIF Property Index and 15% FTSE NAREIT Equity REITs Index.

10.2 Key elements of the strategy:

(a) Real Estate is 100% actively managed. The portfolio is primarily managed internally. External Managers are used primarily for specialized segments of the market. Direct property investments represent most of the real estate portfolio. Risk is diversified by investing across major property types and geographic areas.

(b) Leverage of up to and including 50%, in aggregate, is permitted for internally managed assets (excluding REITs).

(c) Publicly traded REITs are targeted at 15% of the real estate portfolio to enhance liquidity, diversification and excess returns.

(d) Non-core real estate investments are limited to 20% of the real estate portfolio. Investment strategies will be characterized as "opportunistic" based on the market conditions prevailing at the time of investment.

10.3 Short sales may be used in the management of REITs, but may not exceed 10% of the value of the asset class.

11.0 Alternative Investments (Private Equity and Opportunistic/Diversified)

11.1 Alternative investments involve separate allocations to private equity and opportunistic/diversified investments.

11.2 Private equity investments are being managed with the objective of earning at least 1% net of fees above domestic public equity markets (Russell 3000 Index) over moving 10-year periods. Private equity investments are traded infrequently and, therefore, risk budget concepts are not applicable.

11.3 Key elements of the private equity strategy:

(a) Private equity investments are 100% actively managed.

(b) Private equity risk is diversified by investing across different types of investments including, but not limited to, venture capital, leverage buyouts, mezzanine debt, sector and international funds.

(c) Private equity risk is also diversified by investing across vintage years, industry sectors, investment size, development stage and geography.

(d) Private equity investments are managed by general partners with good deal flow, specialized areas of expertise, established or promising net of fees track records and fully disclosed and verifiable management procedures.

11.4 Opportunistic/diversified investments are being managed with the objective of earning domestic public equity-like returns (approximately 1% net of fees below domestic public equity markets [Russell 3000 Index] over moving 10-year periods, but with the goal of downside protection during equity bear markets. Investments in this category can be liquid or illiquid and, therefore, risk budget concepts are not applicable.

11.5 Key elements of the opportunistic/diversified strategy:

(a) Opportunistic/diversified investments are tactical in nature and typically are actively managed because index funds are not available.

(b) Downside protection during equity bear markets can be achieved and asset class risk is diversified by investing across different types of opportunistic/diversified investments.

(c) Opportunistic/diversified investments may be made directly, through specialist managers or through fund-of-funds.

12.0 Derivatives

12.1 Derivatives may be used in the management of STRS Ohio internal and external liquidity reserves, fixed income, equity and real estate portfolios. Derivatives are typically, but not exclusively, futures contracts, equity swaps, credit default swaps, option contracts and option contracts on futures for market indexes. Options on individual securities, baskets of securities and equity-linked notes, and shorting for positioning purposes are further examples. Derivatives are both exchange traded and traded over the counter.

12.2 Derivative exposures must be of a hedging or positioning nature. As a percentage of Total Fund assets, the underlying exposure of all positioning derivatives will not exceed:

(a) 5% for fixed-income investments;

(b) 10% for domestic equity investments;

(c) 10% for international equity investments; and

(d) 1% for real estate investments.

Hedging derivatives will not be included in the limits above, but must be disclosed in the semi-annual derivative exposure report.

12.3 Any use of leverage will adhere to asset allocation restrictions and asset class active management risk range constraints.

13.0 Proxy Voting

13.1 Common stock proxies are valuable and should be voted in the best interest of STRS Ohio active and retired members.

13.2 The Board shall maintain stock proxy voting policies and has directed STRS Ohio investment staff and the proxy voting agents to use these policies as guidelines for voting common stock proxies held by the Fund.

14.0 Ohio Investments

14.1 The Board will give due consideration to investments that enhance the general welfare of the State of Ohio and its citizens provided that assets are invested in the best interest of STRS Ohio active and retired members. Preference will be given to Ohio investments offering competitive returns at risk levels comparable to similar investments currently available to the Board.

14.2 STRS Ohio investment staff shall maintain and implement an Ohio Investment Plan. The plan shall set forth procedures to assure that a special effort will be made by the investment staff to examine and evaluate all legal investment opportunities in the state and, where policy criteria are satisfied, to acquire such investments.

15.0 Broker-Dealers

15.1 Purchases and sales of publicly traded securities shall be executed with broker-dealers from a list reviewed by the Board. In those rare situations where best execution cannot be achieved through a broker-dealer on the list, the Deputy Executive Director — Investments may approve the use of a broker-dealer not on the list.

15.2 Selection shall be based on an evaluation by the STRS Ohio investment staff as to financial soundness, underwriting capabilities, research services, execution capabilities and other factors required by the staff to fulfill its assigned investment responsibilities.

15.3 Specific transactions will be directed to the broker on that list most capable of providing brokerage services necessary to obtain both the best available price and the most favorable execution.

15.4 The Board shall give equal consideration to smaller Ohio-headquartered broker-dealers or smaller broker-dealers with at least one Ohio office and broker-dealers owned and controlled by minorities and/or women, provided the assets are transacted in the best interest of STRS Ohio members.

15.5 The Board has a goal to increase the use of Ohio-qualified broker-dealers for the execution of domestic equity and fixed-income securities transactions, when the services that Ohio-qualified broker-dealers provide are equal in quality, cost, scope and execution capabilities to all broker-dealers approved to transact securities transactions on behalf of the Board.

15.6 Each firm listed shall file with the Board on an annual basis such evidence of financial responsibility as required by the Board. This information shall include, but not be limited to, an audited financial statement.

15.7 When stocks are purchased during underwriting, allocations may be made to dealers not on the approved list provided the managing underwriter is so listed.

15.8 When entering into real estate transactions, the Board shall give equal consideration to Ohio firms providing associated professional services, minority-owned and controlled firms, and firms owned and controlled by women.

16.0 Securities Lending

The Board may operate a securities lending program to enhance the income of the Fund. The program must be operated by a bank trustee who follows the custodial requirements of the Treasurer of the State of Ohio and each security lent must be fully collateralized. Results of the program must be reported to the Board annually.

17.0 Securities Litigation

Involvement in securities litigation is an important responsibility for institutional investors with major public market exposure. The Board shall maintain a policy to determine the appropriate action to be taken when class action litigation is initiated against a company that generates a significant loss for the Board during the class period.

18.0 Security Valuation

Valuation of investments shall be the total of:

(a) The primary closing price on the principal registered stock exchange for all common and preferred stocks so listed.

(b) The official closing price as reflected by either the OTCBB (Over the Counter Bulletin Board) or the Pink Sheets for common and preferred stocks not listed on a registered stock exchange.

(c) The current value as determined by a qualified independent service for all bonds, notes and certificates of indebtedness, including accrued income.

(d) Amortized cost for commercial paper, certificates of deposit, repurchase agreements and other short-term investments with a maturity of 270 or fewer days.

(e) Each internally managed real estate property initially valued at acquisitional price. Subsequent valuations completed internally or externally as outlined in the Real Estate Valuation Policy Manual. Full, self-contained appraisals completed by an independent external appraiser no less than every third year.

(f) The most recent external manager valuations for alternative investments and externally managed real estate updated to include current capital activity.

(g) International equity and external fixed income investments are valued by the subcustodian using relevant closing market prices and exchange rates and including accrued income for fixed income investments.

(h) Each internally managed alternative investment initially valued at acquisition price. Subsequent valuations completed internally as outlined in the Alternative Investments Valuation Policy Manual.

19.0 Performance Monitoring and Evaluation

19.1 The Board and its agents use a variety of compliance, verification and performance measurement tools to monitor, measure and evaluate how well STRS Ohio assets are being managed. Monitoring, reporting and evaluation frequencies range from live real time performance, to daily, weekly, monthly, quarterly and annually.

19.2 The Board has developed a performance monitoring and evaluation system that answers two fundamental fiduciary questions:

(a) Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies and procedures, and are individual investment managers in compliance with their mandates?

(b) Are the assets being profitably managed? More specifically, has performance affected benefit security, has capital market risk been rewarded and has active management risk been rewarded?

19.3 If there is a deviation from Board policies, STRS Ohio investment staff is required to provide the Board with a report explaining how the deviation was discovered, the reasons for the deviation, the impact on Fund performance, if any, and steps taken to mitigate future occurrences.

19.4 Exhibit 3 is an example of one of many reports used by the Board to monitor and evaluate performance of the total fund. Panel one indicates whether the total fund return exceeded the actuarial rate of return. Panel two indicates whether the Fund was rewarded for investing in higher return but more risky equity investments. Panel three indicates whether active management added or detracted from returns.

19.5 Additional reports provide the Board with a multi-level view of investment activities at different levels and over different time horizons. These include:

(a) Performance of the total fund;

(b) Performance of individual asset class strategies;

(c) Performance of internally and externally managed portfolios; and

(d) Performance of individual external managers.

Exhibit 3: EXAMPLE Total Fund Trustee Summary Report, as of June 30, 2013

Experienced Returns	Annualized Rates of Return			
	1 Year	3 Years	5 Years	10 Years
Have returns affected funded ratio?				
1. Total fund return	13.66%	12.56%	4.87%	8.09%
2. Actuarial discount rate	7.75%	7.92%	7.95%	7.97%
3. Relative performance (1–2)	5.91%	4.64%	–3.08%	0.12%
Has plan been rewarded for capital market risk?				
4. Total fund blended benchmark return*	14.17%	12.55%	5.15%	7.73%
5. Minimum risk/high opportunity cost policy of 91-day T-Bills	0.11%	0.11%	0.20%	162%
6. Impact of asset mix policy (4–5)	14.06%	12.44%	4.95%	6.11%
Has plan been rewarded for active management risk?				
7. Active management return (1–4)	–0.51%	0.01%	–0.28%	0.36%
8. Net active management return estimated	–0.63%	–0.10%	–0.39%	0.25%

* The Total Fund blended benchmark is a blend of the asset class benchmarks based on the total fund's target allocation for the respective asset classes. Effective Jan. 1, 2014 the Total Fund blended benchmark will be calculated using 18% Barclays U.S. Universal Index, 31% Russell 3000, 26% International Blended Benchmark, 10% Real Estate Blended Benchmark, 14% Alternative Investment actual return and 1% BofA Merrill Lynch three-month U.S. Treasury Bill Index.

Statement of Fund Governance

Effective Dec. 12, 2013

1.0 Purpose

1.1 This Statement of Fund Governance (the "Statement") summarizes the governance structure established by the Board of the State Teachers Retirement Board of Ohio (the "Board") to ensure the prudent, effective and efficient management of the assets of the State Teachers Retirement System of Ohio ("STRS Ohio").

1.2 The fund governance structure was approved by the Board after careful consideration of alternative approaches to governing a very large and growing pension fund within an increasingly complex financial and investment environment.

1.3 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; the Ohio General Assembly and Governor; and agents engaged by the Board to manage, administer or advise on STRS Ohio's assets ("Fund").

1.4 The Statement summarizes more detailed policy and procedure documents prepared and maintained by STRS Ohio investment staff, and numerous other documents that govern the day-to-day management of STRS Ohio assets.

1.5 The Board regularly assesses the continued suitability of the STRS Ohio fund governance structure, initiates change as necessary and updates this Statement accordingly.

1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (Ohio Revised Code [ORC] Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board.

1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, the investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.9 The Board approved this Statement on Dec. 12, 2013.

2.0 Governance Principles

2.1 Three principles guided the Board's development of the STRS Ohio fund governance structure:

(a) As STRS Ohio governing fiduciary, the Board is ultimately accountable for all investment decisions. Section 3307.15 of the Ohio Revised Code (the "Code") vests the investment function in the Board and requires the Board to ". . . adopt, in regular meetings, policies, objectives, or criteria for the operation of the investment program . . ." Section 3307.15 of the Code sets forth the fiduciary responsibility of the Board in discharging its duties with respect to the fund.

(b) To ensure STRS Ohio assets are prudently, profitably and efficiently managed on a day-to-day basis, the Board needs to delegate the management and implementation of Board investment policies to qualified managing and operating fiduciaries. Sections 3307.04 and 3307.15 of the Code empower the Board to authorize its committees and administrative officers to act for it in accord with Board policies. The fiduciary responsibility of Board delegates in discharging their duties with respect to the fund is specified in Section 3307.15.

(c) To ensure effective oversight of delegates, the Board requires informative and timely performance reports that reveal if managing and operating fiduciaries have complied with established policies, and indicate how assets under their care have performed relative to Board-approved investment objectives.

3.0 Investment Decisions Retained by the Board

3.1 The Board approves the following investment policies:

(a) Statement of Investment Objectives and Policy, which includes the following:

(i) Total fund risk and return objectives;

(ii) Total fund target asset mix policy;

(iii) Total fund asset mix policy rebalancing ranges;

(iv) Active management risk and return objectives at the total fund and asset class levels; and

(v) Performance measurement criteria and evaluation standards.

(b) Proxy voting;

(c) Ohio investments;

(d) Securities lending;

(e) Broker-dealer selection criteria and procedures;

(f) Ohio-qualified investment managers and brokers; and

(g) Securities litigation.

3.2 Before approving or amending policy decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.

4.0 Investment Decisions Delegated to Investment Staff

4.1 The Board, through the Executive Director, has delegated to qualified STRS Ohio investment staff the following investment management and implementation decisions:

(a) Buying, selling, managing and monitoring individual securities, real assets and/or other investment transactions to achieve the total fund and asset class investment objectives approved by the Board;

(b) Retaining, managing and terminating external investment managers within each asset class as required to achieve the total fund and asset class investment objectives approved by the Board;

(c) Ensuring total fund, asset class and individual manager portfolios comply with established parameters and risk levels; and

(d) Preparing, negotiating and executing external investment manager mandates, guidelines and fee agreements.

4.2 In making these decisions, STRS Ohio investment staff seeks the advice, guidance and recommendations of Board-retained investment consultants, external investment managers, and other experts and sources as considered prudent by STRS Ohio staff.

5.0 Board Oversight

5.1 The Board requires investment staff to prepare and deliver an Annual Investment Plan that explains how STRS Ohio assets will be managed in order to achieve the Board-established investment objectives. This provides the Board a focused opportunity to:

(a) Question and comment on staff's investment management plans;

(b) Request additional information and support about staff's investment intentions; and

(c) Express its confidence in the Annual Investment Plan.

5.2 The Board meets at least quarterly to assess how assets are being managed relative to the Annual Investment Plan, to monitor and evaluate investment performance relative to objectives and to address other investments issues as are warranted.

5.3 The Board approves the criteria and standards for monitoring and evaluating the impact different investment decisions have on total fund, asset class and manager-level performance. Performance is monitored and evaluated with respect to risk and return objectives established by the Board.

(a) Investment risks are monitored and evaluated quarterly by comparing total fund and asset class risk characteristics relative to suitable benchmarks.

(b) Investment returns are monitored monthly and evaluated quarterly by comparing total fund and asset class returns relative to suitable benchmarks.

5.4 Before approving or amending the criteria for monitoring and evaluating investment decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts and sources as considered prudent by the Board.

ACA COMPLIANCE GROUP
PERFORMANCE SERVICES

589 8th Avenue, 7th Floor
New York, NY 10018
212.868.5940 PHONE
212.868.5947 FAX

Verification Report

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, OH 43215-3771

We have verified whether State Teachers Retirement System of Ohio ("the Firm") (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the periods from July 1, 2006 through June 30, 2014, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2014. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our verification. We conducted this verification in accordance with the required verification procedures of the GIPS standards. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from July 1, 2006 through June 30, 2014, and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2014.

Since our verification was designed to form an opinion on a firm-wide basis this report does not relate to any composite compliant presentation of the Firm and does not ensure the accuracy of any specific composite compliant presentation, including what is reflected in this Comprehensive Annual Financial Report.

ACA Performance Services, LLC

ACA Performance Services, LLC
August 14, 2014

Investment Performance

(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2014)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	24.46%	Russell 3000	25.22%
International Equities[7]	20.68%	International Blended Benchmark[3]	19.90%
Fixed Income[7]	4.95%	Barclays U.S. Universal Index	5.20%
Real Estate[7]	13.68%	Real Estate Blended Benchmark[4]	11.58%
Alternative Investments[7]	16.95%	Alternative Investments Blended Benchmark[5]	–
Total Fund	16.83%	Total Fund Blended Benchmark[6]	17.53%

3-Year Returns (2012–2014)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	15.70%	Russell 3000	16.46%
International Equities[7]	8.00%	International Blended Benchmark[3]	7.08%
Fixed Income[7]	4.45%	Barclays U.S. Universal Index	4.22%
Real Estate[7]	13.01%	Real Estate Blended Benchmark[4]	11.58%
Alternative Investments[7]	12.41%	Alternative Investments Blended Benchmark[5]	–
Total Fund	10.77%	Total Fund Blended Benchmark[6]	11.05%

5-Year Returns (2010–2014)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	18.84%	Russell 3000	19.33%
International Equities[7]	12.08%	International Blended Benchmark[3]	11.04%
Fixed Income[7]	6.31%	Barclays U.S. Universal Index	5.58%
Real Estate[7]	11.95%	Real Estate Blended Benchmark[4]	12.06%
Alternative Investments[7]	15.48%	Alternative Investments Blended Benchmark[5]	20.43%
Total Fund	13.60%	Total Fund Blended Benchmark[6]	13.67%

STRS Ohio Long-Term Policy Objective (10 Years)[2]

Total Fund: 7.6%

State Teachers Retirement System of Ohio claims compliance with the Global Investment Performance Standards (GIPS®). To receive a compliant presentation and/or a description of the firm's composite, please contact the STRS Ohio Communication Services Department at (614) 227-2825.

State Teachers Retirement System of Ohio is defined and created by the Ohio Revised Code, Chapter 3307.15. The STRS Ohio Total Fund performance returns consist of all assets of the fund, including both internally and externally managed accounts. All returns are calculated in U.S. dollars using a time-weighted rate of return. All returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest and capital gains. Performance is net of fees for external managed real estate and alternative investments and gross of fees on all other investments. Net of fees returns are available upon request and investment management fees vary among asset classes. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular.

The Total Fund reflects an actual asset allocation to the following asset classes as of June 30, 2014: Liquidity Reserves 3.1%, Fixed Income 19.5%, Domestic Equities 30.3%, International Equities 26.0%, Real Estate 9.2% and Alternative Investments 11.9%. The investment objective for the Total Fund is to earn, over moving thirty-year periods, an annualized return that equals or exceeds the actuarial rate of return, approved by the State Teachers Retirement Board ("Board") to value STRS Ohio liabilities. Effective July 1, 2012 the actuarial rate of return is 7.75%.

As part of the Total Fund strategy, certain asset classes may use derivatives and/or leverage. The following asset classes may use derivatives and/or leverage to gain exposure to certain sectors of the market:

- Fixed Income: Exposure to derivatives may not exceed 5% of Total Fund assets. A variety of derivatives may be used to adjust the exposure to interest rates, individual securities or to market sectors in the fixed income asset class.
- Domestic Equities: Exposure to derivatives, including, but not limited to, futures, stock options and index options may not exceed 10% of Total Fund assets.
- International Equities: Exposure to derivatives, including swap agreements, may not exceed 10% of Total Fund assets.
- Real Estate: Activities may include borrowing funds on a secured or unsecured basis with leverage limited to 50% of the internally managed direct real estate assets. At June 30, 2014 and 2013, debt as a percentage of these assets was 23.3% and 23.9%, respectively. Derivatives may also be used and cannot exceed 1% of Total Fund assets.

[1]The one-year returns for the fiscal years ended June 30, 2008, through 2014, have been examined by ACA Performance Services LLC. A copy of the examination report is available upon request.

[2]The long-term policy objective is a projected annualized policy return based on return forecasts by asset class before any value added. The State Teachers Retirement Board expects the net value added to be 0.40% per year.

[3]The International Blended Benchmark is calculated monthly using 80% of the MSCI World ex-U.S. 50% Hedged Index-Net and 20% of the MSCI Emerging Markets Index-Net effective Jan. 1, 2014. Prior to Jan. 1, 2014, the MSCI Emerging Markets Index was the Gross return.

[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% FTSE NAREIT Equity REITs Index effective July 1, 2012; and 85% NPI and 15% Wilshire REIT Index effective Oct. 1, 2007.

[5]Given the long-term nature of the asset class, no benchmark return for Alternative Investments is displayed for the one- and three-year periods. For the longer five-year period, the Alternative Investments Blended Benchmark is a blend of two benchmarks for Private Equity (PE)and Opportunistic/Diversified (OD) and is calculated using: 50.0% of the Russell 3000 Index plus 1% for PE and 50.0% of the Russell 3000 Index minus 1% for OD effective Jan. 1, 2014; 53.8% of the Russell 3000 Index plus 1% for PE and 46.2% of the Russell 3000 Index minus 1% for OD effective July 1, 2013; 54.5% of the Russell 3000 Index plus 1% for PE and 45.5% of the Russell 3000 Index minus 1% for OD effective Jan. 1, 2013; 50.0% of the Russell 3000 Index plus 1% for PE and 50.0% of the Russell 3000 Index minus 1% for OD effective July 1, 2012; 55.6% of the Russell 3000 Index plus 3% for PE and 44.4% of the Russell 3000 Index minus 1% for OD effective July 1, 2011; 62.5% of the Russell 3000 Index plus 3% for PE and 37.5% of the Russell 3000 Index minus 1% for OD effective July 1, 2010; 71.4% of the Russell 3000 Index plus 3% for PE and 28.6% of the Russell 3000 Index minus 1% for OD effective July 1, 2009; prior to July 1, 2009 — Russell 3000 Index plus 3% was the Alternative Investments (AI) Blended Benchmark.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. For alternative investments, however, the actual Alternative Investments return is used in the calculation of the Total Fund Blended Benchmark. Information concerning asset class benchmarks and policy weights is available upon request.

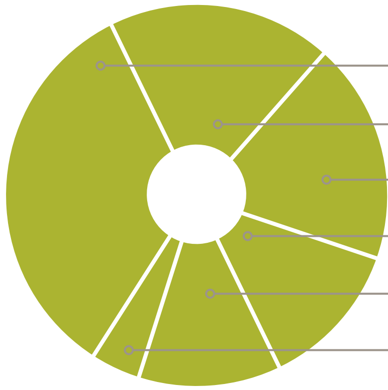
[7]Returns are supplemental to the Total Fund composite returns.

Summary of Investment Assets
As of June 30, 2014 and 2013 (dollar amounts in thousands)

	June 30, 2014 Fair Value	%	June 30, 2013 Fair Value	%
Short term				
Commercial paper	$ 2,231,909	2.92%	$ 2,825,279	4.04%
Short-term investment funds	9,000	0.01%	12,000	0.02%
Repurchase Agreements	–	0.00%	75,000	0.11%
Total short term	2,240,909	2.93%	2,912,279	4.17%
Fixed income				
U.S. government agency obligations and U.S. government obligations	5,074,621	6.63%	5,041,145	7.21%
Corporate bonds	4,659,883	6.09%	3,931,650	5.63%
High yield and emerging market	1,852,833	2.41%	1,535,316	2.20%
Mortgages and asset-backed	4,100,798	5.36%	3,599,995	5.15%
Total fixed income	15,688,135	20.49%	14,108,106	20.19%
Domestic common and preferred stock	22,692,489	29.64%	22,923,599	32.80%
Real estate				
East region	2,836,905	3.71%	2,764,200	3.95%
Midwest region	916,216	1.20%	871,916	1.25%
South region	563,040	0.74%	556,659	0.80%
West region	2,140,259	2.80%	2,060,767	2.95%
REITs	1,040,970	1.36%	1,043,027	1.49%
Other	1,096,304	1.43%	1,058,079	1.51%
Total real estate	8,593,694	11.24%	8,354,648	11.95%
Alternative investments	9,059,048	11.83%	7,616,022	10.90%
International	18,274,003	23.87%	13,968,850	19.99%
Total investments	**$76,548,278**	**100.00%**	**$ 69,883,504**	**100.00%**

Investment asset schedule excludes invested securities lending collateral.

Investment Distribution by Fair Value — as of June 30, 2014



Ohio Investment Profile — as of June 30, 2014 (in thousands)

STRS Ohio continues to engage in quality Ohio investments. As of June 30, 2014, STRS Ohio investments in companies with headquarters in Ohio are valued at more than $1.3 billion.

Liquidity reserves	$ 31,998
Fixed income	146,472
Common stock	775,135
Alternative investments	253,479
Real estate	127,748
Total Ohio-headquartered investments	**$ 1,334,832**

Schedule of U.S. Stock Brokerage Commissions Paid

(for the year ended June 30, 2014)

Brokerage Firm	Shares Traded*	Commissions Paid	Avg. Cents Per Share
ITG, Inc.	49,521,762	$ 1,188,968	2.4
JP Morgan Securities	48,892,748	698,472	1.4
Instinet	90,762,394	681,029	0.8
Cantor Fitzgerald	21,223,823	544,733	2.6
Citigroup	13,244,334	517,817	3.9
Baird (Robert) & Company	9,802,317	455,178	4.6
Credit Suisse Securities	12,507,703	396,919	3.2
UBS Investment Bank	11,479,913	342,547	3.0
Deutsche Bank Securities	12,837,434	333,894	2.6
Barclays Capital	8,700,185	323,255	3.7
Morgan Stanley	7,622,027	297,668	3.9
Miller Taback & Company	15,173,800	283,240	1.9
Jefferies & Company	6,380,085	274,783	4.3
Banc of America Securities	9,605,915	267,630	2.8
Bernstein (Sanford C.) & Company	14,508,992	256,107	1.8
Goldman Sachs	9,251,651	252,364	2.7
International Strategy & Investment Group Inc.	4,904,366	245,218	5.0
Keybanc Capital Markets	4,768,231	234,268	4.9
Cowen & Company	4,999,814	227,692	4.6
Weeden & Company	12,700,064	221,131	1.7
Others (includes 77 brokerage firms and external managers)	213,043,650	5,970,623	2.8
Total	**581,931,208**	**$ 14,013,535**	**2.4**

*Includes option equivalent shares
Excludes commissions on futures trading

Schedule of Largest Investment Holdings*
(as of June 30, 2014)

Domestic Equities — Top 20 Holdings

	Shares	Fair Value
Apple Computer Inc.	6,120,007	$ 568,732,251
Exxon Mobil Corp.	4,117,541	$ 414,554,028
Microsoft Corp.	8,142,771	$ 339,553,550
General Electric Co.	9,589,165	$ 252,003,256
Johnson & Johnson	2,403,785	$ 251,483,987
Procter & Gamble Co.	3,037,962	$ 238,753,433
Wells Fargo Co.	4,443,804	$ 233,566,338
Chevron Corp.	1,764,911	$ 230,409,132
Verizon Communications	4,592,215	$ 224,697,079
JPMorgan Chase & Co.	3,718,568	$ 214,263,888
Watson Pharmaceuticals Inc.	926,272	$ 206,604,858
Coca Cola Co.	4,596,528	$ 194,708,926
International Business Machines Corp.	1,042,879	$ 189,042,676
Citigroup Inc.	3,862,413	$ 181,919,652
Google Inc. CL. A	296,767	$ 173,510,762
Berkshire Hathaway Inc. CL. B	1,354,750	$ 171,457,160
AT&T Inc.	4,660,161	$ 164,783,293
Comcast Corp.	3,027,562	$ 162,519,528
Google Inc. CL. C	276,740	$ 159,202,987
Gilead Sciences Inc.	1,901,163	$ 157,625,424

International Equities — Top 20 Holdings

	Shares	Fair Value
NESTLE (Switzerland)	2,229,787	$ 172,740,603
Roche (Switzerland)	575,698	$ 171,709,654
Samsung Electronics (South Korea)	122,512	$ 160,072,014
Novartis AG (Switzerland)	1,399,864	$ 126,758,096
HSBC (United Kingdom)	11,145,012	$ 113,086,615
Honda Motor (Japan)	3,173,698	$ 110,807,658
Bayer AG (Germany)	784,421	$ 110,794,230
GlaxoSmithKline (United Kingdom)	4,035,030	$ 108,002,241
Vodafone (United Kingdom)	30,541,464	$ 101,923,355
Taiwan Semiconductor (Taiwan)	22,865,950	$ 96,876,639
Banco Santanders SA (Spain)	9,269,272	$ 96,843,140
Royal Dutch Shell (United Kingdom)	2,025,025	$ 83,815,768
Mitsubishi UFJ Financial Group Inc. (Japan)	13,250,240	$ 81,224,017
Toyoto Motor (Japan)	1,344,295	$ 80,733,338
Canadian National Railway Co. (Canada)	1,225,425	$ 79,700,572
Lloyds Banking Group PLC (United Kingdom)	59,872,958	$ 76,081,037
Danone (France)	1,017,924	$ 75,602,078
SAP SE (Germany)	971,734	$ 75,045,594
Compagnie Financiere Richemont SA (Switzerland)	715,022	$ 75,025,707
Astrazeneca PLC (United Kingdom)	995,121	$ 73,920,501

Fixed Income — Top 20 Holdings

	Par Value	Fair Value
U.S. Treasury N/B, 0.625%, 5/31/201, AAA	153,800,000	$ 152,778,768
U.S. Treasury N/B, 0.75%, 6/30/2017, AAA	145,200,000	$ 144,619,200
U.S. Treasury N/B, 0.625%, 7/15/2016, AAA	140,700,000	$ 141,137,577
U.S. Treasury N/B, 1.125%, 12/31/2019, AAA	137,550,000	$ 132,904,936
U.S. Treasury N/B, 0.5%, 7/31/2017, AAA	132,100,000	$ 130,350,996
U.S. Treasury N/B, 0.75%, 12/31/2017, AAA	126,300,000	$ 124,703,568
U.S. Treasury N/B, 0.625%, 8/15/2016, AAA	116,800,000	$ 117,088,496
Citibank Ccit 2013-A1, 0.29%, 4/24/2017, AAA	115,000,000	$ 114,961,935
U.S. Treasury N/B, 0.375%, 1/15/2016, AAA	114,400,000	$ 114,581,896
U.S. Treasury N/B, 1.75%, 5/15/2022, AAA	112,920,000	$ 108,691,146
U.S. Treasury N/B, 0.875%, 2/28/2017, AAA	108,100,000	$ 108,504,294
FHLMC GOLD #Q15849, 3.5%, 2/1/2043, AAA	100,661,926	$ 103,554,950
U.S. Treasury N/B, 1%, 3/31/2017, AAA	101,900,000	$ 102,509,362
U.S. Treasury N/B, 0.875%, 4/30/2017, AAA	102,250,000	$ 102,433,028
U.S. Treasury N/B, 1%, 8/31/2016, AAA	101,100,000	$ 102,146,385
U.S. Treasury N/B, 1%, 9/30/2016, AAA	101,100,000	$ 102,088,758
Federal Home Loan Bank VRN , 0.17%, 3/6/2015, AA	100,000,000	$ 100,007,400
U.S. Treasury N/B, 0.75%, 2/28/2018, AAA	100,020,000	$ 98,453,687
U.S. Treasury N/B, 1.5%, 6/30/2016, AAA	89,900,000	$ 91,755,536
Federal Home Loan Bank VRN, 0.23%, 1/12/2015, AAA	90,000,000	$ 89,986,320

*A complete list of investment holdings is available from STRS Ohio.

Schedule of External Managers
(as of June 30, 2014)

Domestic Equity

Large Cap Enhanced	Intech
Small Cap	Chartwell Investment Partners
	Fuller & Thaler Asset Management
	M.A. Weatherbie & Company
	Neuberger Berman
	Next Century Growth Investors

International

EAFE	Alliance Bernstein
	Arrowstreet Capital
	Lazard Asset Management
	MFS Investment Management
	Wellington Management
Emerging Market	Alliance Bernstein
	First State Investments
	Genesis Asset Managers

Fixed Income

High Yield	Oaktree Capital Management
	Pacific Investment Management Company
Emerging Market	Pyramis Global Advisors
	Stone Harbor Investment Partners

Segal Consulting
101 NORTH WACKER DRIVE, SUITE 500 CHICAGO, IL 60606
T 312.984.8500 F 312.984.8590 www.segalco.com

November 7, 2014

Board of Trustees
State Teachers Retirement System of Ohio 275 East Broad Street
Columbus, Ohio 43215

Ladies and Gentlemen:

This report presents the results of the annual valuation of the assets and liabilities of The State Teachers Retirement System of Ohio (STRS Ohio or System) as of July 1, 2014, prepared in accordance with Section 3307.51 of Chapter 3307 of the Ohio Revised Code. This valuation takes into account all of the pension and survivor benefits to which members are entitled. A separate valuation of the retiree health care benefits provided by the System is performed as of January 1 of each year.

Actuarial Assumptions and Methods

With the exception of the retirement rates, the valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, reflecting the three-year experience review covering the period July 1, 2008 through June 30, 2011. The retirement rates, adopted effective July 1, 2013, were modified to reflect the plan changes that were adopted with the pension reform legislation. The other actuarial methods are unchanged from the prior valuation.

Assets and Membership Data

STRS Ohio reported to the actuary the individual data for members of the System as of the valuation date. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared by STRS Ohio.

Funding Adequacy

The member and employer contribution rates are established by statute. The member contribution rate increased from 11% of salary to 12% of salary effective July 1, 2014. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015, and to 14% of salary effective July 1, 2016. The employer contribution rate is 14% of payroll. For fiscal 2015, the total contribution rate is 27% of payroll. In the past, the Board typically allocated the total contribution rate between pension and survivor benefits and health care. For fiscal 2015, the Board allocated the total 27% toward pension and survivor benefits and made no allocation to health care. The valuation indicates that the pension and survivor benefits contribution rate of 27% for fiscal 2015, increasing by 1% to 28% of payroll in fiscal 2016 and after is sufficient to provide for the payment of the pension and survivor benefits, as the funding period is 29.5 years (provided that the funding period decreases by one year in each future year.)

The valuation indicates that for the fiscal year ending June 30, 2014, the actuarial experience of STRS Ohio was somewhat favorable generating a net actuarial gain of $3,178 million. This gain is the net result of a $3,334 million gain due to favorable investment return experience and a net $156 million loss due to unfavorable demographic experience in fiscal 2014.

Financial Results

This report shows detailed summaries of the financial results of the valuation used in preparing this valuation. The actuary prepared supporting schedules included in the Actuarial and Statistical Sections of the STRS Ohio Comprehensive Annual Financial Report. The actuary also prepared the trend data schedules included in the Financial Section of the STRS Ohio Comprehensive Annual Financial Report.

Actuarial Certification

In preparing the results presented in this report, we have relied upon information STRS Ohio provided to us regarding the benefit provisions, System members, benefit payments and unaudited plan assets. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented also comply with Chapter 3307 of the Ohio Revised Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems. They both meet the Qualification Standards of the American Academy of Actuaries.

Respectfully submitted,

Segal Consulting, a Member of the Segal Group

By: Kim Nicholl

Kim Nicholl, FSA, MAAA, EA
Senior Vice President and Actuary

Matthew A. Strom

Matthew A. Strom, FSA, MAAA, EA
Vice President and Consulting Actuary

This section presents the results of the annual valuation of the assets and liabilities of the State Teachers Retirement System of Ohio (STRS Ohio) as of July 1, 2014, prepared by its actuary, Segal Consulting, in accordance with Section 3307.51 of Chapter 3307 of the Ohio Revised Code.

Statement of Actuarial Assumptions and Methods

The assumptions below have been adopted by the State Teachers Retirement Board after consulting with the actuary. The board has adopted a funding policy that establishes the framework and specific objectives to monitor the system's funding status.

Investment Return Rate: 7.75% per annum, compounded annually and net of investment expenses.

Mortality Rates — Post-Retirement: RP-2000 Combined Mortality Table (Projection 2022 – Scale AA). Males are set back two years through age 89 and no set back for age 90 and above. Females are set back four years through age 79, one year set back from age 80 through 89, and no set back from age 90 and above. (Adopted effective July 1, 2012.)

Mortality Rates — Pre-Retirement: Mortality rates for males are the same as the male post-retirement mortality rates with the exception that pre-retirement mortality rates for male age 45 and older are 25% less than the male post-retirement mortality rates. Mortality rates for females are the same as the female post-retirement rates with the exception that the pre-retirement mortality rates for females between age 50 and 57 are 25% less than the female post-retirement mortality rates, and the pre-retirement mortality rates for females age 58 and older are 50% less than the female post-retirement mortality rates. (Adopted effective July 1, 2012.)

Mortality Rates — Post-Retirement Disabled: Shown below for selected ages. (Adopted effective July 1, 2012.)

Salary Increase Rates: Shown below for selected ages. (Adopted effective July 1, 2012.)

Payroll Growth Rate: 3.50% per annum compounded annually for the next four years, 4.00% thereafter.

Percent Married: For valuation purposes, 80% of male members and 60% of female members are assumed to be married. Male members are assumed to be one year older than their spouses, and female members are assumed to be three years younger than their spouses. (The assumed age difference adopted effective July 1, 2012.)

Asset Valuation Method: The actuarial value of assets is based on the market value of assets with a four-year phase-in of actual investment return in excess of (or less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the actuarial value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment and administrative expenses. The actuarial value is further adjusted, if necessary, to be within 9% of the market value.

Annual Rates of Separation and Salary Increase

Age	Vested Withdrawal	Disability	Salary Increase
MEN			
20	11.25%	.008%	12.25%
25	11.25%	.008%	12.25%
30	2.40%	.014%	8.25%
35	1.96%	.030%	7.45%
40	1.62%	.071%	6.05%
45	2.00%	.131%	5.50%
50	2.00%	.180%	4.75%
55	4.00%	.225%	4.25%
60	4.00%	.263%	3.75%
65	0.00%	.300%	3.25%
70	—	—	2.75%
WOMEN			
20	13.20%	.010%	12.25%
25	12.54%	.010%	12.25%
30	4.22%	.011%	8.25%
35	2.38%	.033%	7.45%
40	1.69%	.060%	6.05%
45	1.35%	.083%	5.50%
50	2.00%	.120%	4.75%
55	3.00%	.150%	4.25%
60	3.00%	.175%	3.75%
65	0.00%	.200%	3.25%
70	—	—	2.75%

Retirement Rates

Age	Under 25 Years of Service	25–29 Years of Service	30–34 Years of Service	35+ Years of Service
MEN				
52	0%	0%	20%	40%
55	0%	6%	10%	60%
60	10%	10%	15%	45%
65	20%	20%	10%	30%
70	15%	20%	10%	20%
75	100%	100%	100%	100%
WOMEN				
52	0%	0%	20%	50%
55	0%	9%	10%	50%
60	10%	15%	25%	45%
65	25%	30%	30%	45%
70	20%	20%	30%	30%
75	100%	100%	100%	100%

Actuarial Cost Method: Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary. Entry age is determined as the age at member's enrollment in STRS Ohio. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.

Amortization Period and Method: The Actuarially Determined Contribution (ADC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over a 30-year period.

Census and Assets: The valuation was based on members of the system as of July 1, 2014, and does not take into account future members. All census and asset data was supplied by the system.

Benefit Recipients Added to and Removed From the Rolls, 2005–2014

Fiscal Year Ended	Beginning Number of Benefit Recipients	Beginning Annual Allowances (in thousands)	Benefit Recipients Added	Payments Added (in thousands)	Benefit Recipients Removed	Payments Removed (in thousands)	Ending Number of Benefit Recipients	Ending Annual Allowance (in thousands)
2005	111,853	$3,272,078	6,929	$330,284	3,387	$62,121	115,395	$3,540,241
2006	115,395	$3,540,241	7,194	$354,245	3,405	$66,091	119,184	$3,828,395
2007	119,184	$3,828,395	7,289	$370,503	3,539	$74,241	122,934	$4,124,657
2008	122,934	$4,124,657	7,182	$373,385	3,610	$79,243	126,506	$4,418,799
2009	126,506	$4,418,799	6,675	$366,645	3,522	$78,480	129,659	$4,706,964
2010	129,659	$4,706,964	7,089	$334,654	3,645	$83,658	133,103	$4,957,960
2011	133,103	$4,957,960	7,744	$501,900	2,759	$66,488	138,088	$5,393,372
2012	138,088	$5,393,372	8,761	$512,952	3,593	$90,917	143,256	$5,815,407
2013	143,256	$5,815,407	8,493	$441,942	2,528	$67,167	149,221	$6,190,182
2014	**149,221**	**$6,190,182**	**5,550**	**$283,768**	**2,563**	**$76,415**	**152,208**	**$6,397,535**

Schedule of Valuation Data — Active Members, 2005–2014

Valuation Date*	Number of Active Members	Annualized Salaries (in thousands)	Annual Average Pay	% Increase in Average Pay
2005	176,692	$8,757,200	$49,562	3%
2006	175,065	$8,894,400	$50,806	3%
2007	174,110	$9,051,842	$51,989	2%
2008	173,327	$9,187,562	$53,007	2%
2009	174,807	$9,502,701	$54,361	3%
2010	175,842	$9,633,355	$54,784	1%
2011	177,897	$9,609,723	$54,018	–1%
2012	173,044	$9,330,845	$53,922	0%
2013	169,945	$9,118,035	$53,653	0%
2014	**169,295**	**$9,148,438**	**$54,038**	**1%**

*For valuations prior to July 1, 2010, active members are defined as participants who earned 0.25 years of service credit or more, in the valuation year. Starting with the July 1, 2010 figures, active members are defined as participants who earned 0.25 years of service credit or more in the valuation year and those employed on or after Jan. 1, with less than 0.25 years of service.

Schedule of Valuation Data — Retirees/Beneficiaries, 2005–2014

Valuation Date	Number of Retirees/Beneficiaries	Annual Allowances (in thousands)	% Increase in Annual Allowances	Average Annual Allowances
2005	115,395	$3,540,241	8%	$30,679
2006	119,184	$3,828,395	8%	$32,122
2007	122,934	$4,124,657	8%	$33,552
2008	126,506	$4,418,799	7%	$34,930
2009	129,659	$4,706,964	7%	$36,303
2010	133,103	$4,957,960	5%	$37,249
2011	138,088	$5,393,372	9%	$39,057
2012	143,256	$5,815,407	8%	$40,595
2013	149,221	$6,190,182	6%	$41,483
2014	**152,208**	**$6,397,535**	**3%**	**$42,032**

Solvency Test, 2005–2014
(dollar amounts in thousands)

Valuation Date	Accrued Liability For: (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer-Financed Portion)	Valuation Assets*	Portion of Accrued Liabilities Covered by Valuation Assets: (1)	(2)	(3)
2005	$8,940,971	$40,937,540	$23,938,603	$53,765,570	100%	100%	16%
2006	$9,284,076	$44,219,489	$23,867,459	$58,008,050	100%	100%	19%
2007	$9,563,124	$47,526,142	$24,037,375	$66,671,511	100%	100%	40%
2008	$9,737,926	$51,874,103	$25,820,319	$69,198,008	100%	100%	29%
2009	$10,295,816	$54,909,046	$26,236,093	$54,902,859	100%	81%	0%
2010	$10,641,167	$57,754,654	$26,324,848	$55,946,259	100%	78%	0%
2011	$10,907,611	$62,441,600	$25,416,993	$58,110,495	100%	76%	0%
2012	$10,985,246	$68,111,175	$27,205,420	$59,489,508	100%	71%	0%
2013	$10,962,886	$68,075,440	$15,328,367	$62,590,786	100%	76%	0%
2014	**$11,477,457**	**$69,776,259**	**$14,913,341**	**$66,657,175**	**100%**	**79%**	**0%**

*Excludes health care assets.

Analysis of Financial Experience
Gains and Losses in Accrued Liabilities Resulting From Differences Between Assumed Experience and Actual Experience (in thousands)

Type of Activity:	Gain (loss) for year ended June 30: 2014	2013	2012	2011	2010
Investment income. If there is greater investment income than assumed, there is a gain. If less, there is a loss.	$ 3,333,931	$ 2,483,140	$ 324,840	$ 588,454	$ (731,414)
Payroll growth. If more contributions from payroll growth are received than expected, there is a gain. If less, there is a loss.	(51,750)	(36,193)	(69,993)	(77,193)	(30,530)
Salary increases. If there are smaller salary increases than assumed, there is a gain. If greater increases, there is a loss.	413,619	816,457	1,030,921	680,760	404,084
Retirement and other separation experience. If members retire from service at an older age or with a lower final average salary than assumed, there is a gain. If separation claims are less than expected, there is a gain. If new members don't enter the system as expected, there is a loss.	(327,782)	(1,199,362)	(995,369)	(535,829)	(664,659)
Death after retirement. If retirees live shorter than expected, there is a gain. If retirees live longer than assumed, there is a loss.	(185,841)	39,580	(80,989)	(488,586)	744,522
Final plan reselection. If the account value from defined contribution accounts is greater than the reestablished defined benefit account balance, there is a gain.	(3,807)	(11,124)	(12,658)	13,373	(1,061)
Gain (or loss) during year from financial experience	3,178,370	2,092,498	196,752	180,979	(279,058)
Actuarial gain (or loss) due to assumption changes/plan amendments	0	15,662,266	(4,178,741)	0	0
Composite gain (or loss) during the year	$ 3,178,370	$17,754,764	$ (3,981,989)	$ 180,979	$ (279,058)

Summary of Benefit and Contribution Provisions — Defined Benefit Plan

Eligibility for Membership

Immediate upon commencement of employment.

Service Retirement

Eligibility

Age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015.

Effective Aug. 1, 2015, service credit requirements for retirement with an unreduced benefit will increase as follows:

Unreduced Benefit for Retirement Between:	Minimum Age and Years of Service
Now–7/1/2015	Any age and 30 years; or age 65 and 5 years
8/1/2015–7/1/2017	Any age and 31 years; or age 65 and 5 years
8/1/2017–7/1/2019	Any age and 32 years; or age 65 and 5 years
8/1/2019–7/1/2021	Any age and 33 years; or age 65 and 5 years
8/1/2021–7/1/2023	Any age and 34 years; or age 65 and 5 years
8/1/2023–7/1/2026	Any age and 35 years; or age 65 and 5 years
8/1/2026	Age 60 and 35 years; or age 65 and 5 years

Amounts

On or before July 1, 2015, annual amount equal to the greater of (a) 2.2% of final average salary for the three highest years of earnings, multiplied by years of total Ohio service credit, or 2.5% of final average salary for the three highest paid years if the member has 35 or more years of contributing service credit multiplied by years of total contributing service credit, except that for years of contributing service credit in excess of 30, the following percentages will apply:

Year	Percentage
31	2.5%
32	2.6%
33	2.7%
34	2.8%
35	2.9%
36	3.0%
37	3.1%
38	3.2%
39	3.3%

or (b) $86 multiplied by years of service credit. Effective Aug. 1, 2013, the $86 per year calculation was eliminated.

Effective Aug. 1, 2015, annual amount equal to 2.2% of final average salary for the five highest years of earnings, multiplied by all years of service.

For members who are eligible to retire on Aug. 1, 2015, or later, annual amount will be greater of (a) the benefit amount calculated upon retirement under the new benefit formula, or (b) the benefit amount as of July 1, 2015 under the current formula.

Annual salary is subject to the limit under Section 401(a)(17) of the Internal Revenue Code.

Maximum benefit — The lesser of (a) 100% of average annual salary or (b) the limit as established by Section 415 of the Internal Revenue Code.

Minimum benefit — Money-purchase benefit, which includes member's contributions with interest, plus matching employer contributions, provided as an annuity. Effective Aug. 1, 2013, the money-purchase benefit was eliminated.

Prior to July 1, 2015, if the member has less than 30 years of service at retirement and is younger than age 65, the following reduction factors apply:

Attained Age	Years of Ohio Service Credit	Percentage of Base Amount
58	25	75%
59	26	80%
60	27	85%
61		88%
	28	90%
62		91%
63		94%
	29	95%
64		97%
65	30 or more	100%

Effective Aug. 1, 2015, the service credit requirements for an actuarially reduced benefit are as follows:

Reduced Benefit for Retirement Between:	Minimum Age and Years of Service
Now–7/1/2015	Age 55 and 25 years; or age 60 and 5 years
8/1/2015–7/1/2017	Any age and 30 years; or age 55 and 26 years; or age 60 and 5 years
8/1/2017–7/1/2019	Any age and 30 years; or age 55 and 27 years; or age 60 and 5 years
8/1/2019–7/1/2021	Any age and 30 years; or age 55 and 28 years; or age 60 and 5 years
8/1/2021–7/1/2023	Any age and 30 years; or age 55 and 29 years; or age 60 and 5 years
8/1/2023	Any age and 30 years; or age 60 and 5 years

The actuarially reduced benefit reflects a reduction for each year that the member retires before meeting eligibility for an unreduced benefit.

Disability Retirement

Eligibility

Membership before July 30, 1992, and election of this benefit, completion of five or more years of qualifying service credit, under age 60 and permanently incapacitated for the performance of duty.

Amount

(1) Annuity with a reserve equal to the member's accumulated contributions, plus

(2) The difference between (1) and the greater of 2% of the average salary during the three highest paid years or $86 times total service plus years and months from date of disability to age 60. Maximum allowance is 75% of final average salary. Minimum allowance is 30% of final average salary.

Disability Allowance

Eligibility

Membership after July 29, 1992, or membership before July 30, 1992, and election of this benefit, completion of five or more years of qualifying service credit and permanently incapacitated for the performance of duty. For membership on or after July 1, 2013, completion of 10 years of qualifying service credit and permanently incapacitated for the performance of duty.

Amount

2.2% of the average salary during the three highest paid years times total service. Maximum allowance is 60% of final average salary. Minimum allowance is 45% of final average salary. The disability allowance payment terminates at age 65 (or later if payment begins after age 60). After termination of the disability allowance, the member may apply for service retirement. Disability benefits commencing Aug. 1, 2015, or later will be based on a five-year final average salary.

Death After Retirement

Lump-sum payment of $1,000 upon death after service or disability retirement.

Survivor Benefits

Eligibility

Upon death after at least 1-1/2 years of credit with at least 1/4 year of such service in the 2-1/2 years preceding death or upon death of a disability recipient. For membership on or after July 1, 2013, upon death after at least five years of qualifying service credit and died not later than one year after the date service terminated or upon the death of a disability recipient.

Qualified survivors will receive the highest benefit from among the following for which they are eligible: dependent-based benefit, service-based benefit, and retirement-based benefit.

Qualified survivors are the spouse, dependent children, and/or dependent parents over age 65.

Dependent-based benefit

Monthly survivor benefits are determined according to the number of qualified survivors. These benefits are payable as a percentage of final average salary. The percentages are as follows:

Number of Qualified Dependents	% of Average Annual Salary for Three Highest Paid Years	Minimum Annual Benefit
1	25%	$1,152
2	40%	$2,232
3	50%	$2,832
4	55%	$2,832
5 or more	60%	$2,832

Service-based benefit

If a member has 20 or more years of service before death, monthly survivor benefits are determined according to the number of years of service credit. These benefits are payable as a percentage of final average salary. The percentages are as follows:

Years of Service	% of Final Average Salary
20	29%
21	33%
22	37%
23	41%
24	45%
25	48%
26	51%
27	54%
28	57%
29 or more	60%

Retirement-based benefit

If a member dies after meeting service retirement eligibility, the monthly survivor benefit is determined as if the member had actually retired and provided the maximum joint and survivor benefit to the qualified survivor (Option 1). Early retirement reduction applies if the member is not eligible for unreduced benefit.

The primary beneficiary may withdraw the deceased member's account in lieu of receiving monthly benefits if there are no children who are qualified survivors.

Lump-Sum Withdrawal Option

In lieu of any other pension or survivor benefits, a member who leaves the system can receive his or her member contributions with interest in a lump sum according to the following schedule:

Credited Service	Lump-Sum Amount
Less than three years	Member contributions with 2% interest
Three or more years but less than five years	Member contributions with 3% interest
Five or more years	150% of member contributions with 3% interest

The board has the authority to modify the interest credited to member contributions.

Plans of Payment

There are four basic plans of payment:

Plan I — Single Life Annuity: if a member chooses this plan at retirement and later marries, he/she may change the plan to a Joint and Survivor Annuity with his/her spouse as beneficiary within the first year of the marriage.

Plan II — Joint and Survivor Annuity: there are four options under this plan of payment:

- Options 1, 2 and 3 apply to a single primary beneficiary
- Option 4 applies to multiple primary beneficiaries

Plan III — Annuity Certain: if a death occurs before the guaranteed period ends, a beneficiary receives the same monthly benefit until the guaranteed period expires. If a member names more than one beneficiary, a lump-sum payment, representing the present value of the remaining payments is divided equally and paid to the beneficiaries. If all beneficiaries die before the expiration of the certain period, the present value of all remaining payments is paid to the estate of the beneficiary last receiving payments.

Plan IV — Partial Lump-Sum Option Plan: allows a member to take an amount from six to 36 times the monthly Single Life Annuity benefit in a lump sum at retirement. The remainder of a member's lifetime benefits will be paid based on member's selected plan of payment: Single Life Annuity, Joint and Survivor Annuity or Annuity Certain.

Optional Forms of Benefit

Option 1 — 100% joint and survivorship. Reduced retirement allowance payable to the member, continuing after the member's death, for life to the member's sole beneficiary named at retirement.

Option 2 — A joint and survivorship annuity payable during the lifetime of the member, with the member's sole beneficiary named at retirement to receive some other portion of the member's annuity after the member's death.

Option 3 — The sole member's reduced retirement allowance provided under Option 1 or Option 2 is to be paid after the member's death for life to the member's sole beneficiary named at retirement, except that in the event of the death of the sole beneficiary or termination of marriage between the retiree and the sole beneficiary, the retiree may elect to return to his single lifetime benefit equivalent. In the case of termination of marriage, the election may be made with the written consent of the beneficiary or by court order.

Option 4 — Members who retire Nov. 1, 2006, or later may elect a reduced benefit to provide continuing lifetime benefits for up to four primary beneficiaries under a Joint and Survivor Annuity. A member may specify percentages of his/her benefit or a flat dollar amount for each beneficiary; however, the total benefit amount payable to all beneficiaries cannot exceed the amount payable to the member.

Cost-of-Living Benefits

The basic benefit is increased each year by 2% of the original base benefit.

Members who retired before July 1, 2013, did not receive a COLA during the 2014 fiscal year. Members who retired effective July 1, 2013, did not receive a COLA on July 1, 2014. After missing one COLA, retirees will resume COLA at 2% per year.

For members retiring Aug. 1, 2013, or later, the first 2% COLA is paid on the fifth anniversary of the retirement benefit. Future annual increases are calculated on the original benefit and are not compounded.

Health Care

Retirees with 15 years of service, along with their spouses and dependents are eligible for a comprehensive medical expense health care plan as may be offered by the Retirement Board, subject to changes in terms and conditions from time to time.

Contribution

By Members: 12% of salary. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015 and to 14% of salary effective July 1, 2016.

By Employers: 14% of salaries of their employees who are members.

Summary of Benefit and Contribution Provisions — Combined Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Combined Plan.

Service Retirement

Eligibility

Age 60 with five years of service.

Amount

The balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit.

Effective Aug. 1, 2015, final average salary will be average of the member's five highest salary years.

Annual salary is subject to the limit under Section 401(a)(17) of the Internal Revenue Code.

Vesting

Eligibility

Completion of five years of service for the defined benefit portion. Member contributions and earnings are 100% vested at all times.

Amount

A member who terminates with five or more years of service credit can receive the actuarial equivalent present value of the defined benefit formula. Before age 50, a withdrawal must include both the defined benefit and defined contribution portions of the account.

Early Retirement

Eligibility

Before age 60 with five years of service.

Amount

At age 50 or after, a member may elect to withdraw the full value of his or her defined contribution account and receive the withdrawal value of the defined benefit in a single sum, or leave the defined benefit on account for a benefit payable at age 60. The member may withdraw the defined benefit portion of the account only if he or she is also withdrawing the defined contribution account.

Disability Benefits

Eligibility

Completion of five or more years of qualifying service credit and permanently incapacitated for the performance of duty. For membership on or after July 1, 2013, completion of 10 years of qualifying service credit with STRS Ohio.

Amount

Members have the option of receiving disability benefits under the disability allowance program of the Defined Benefit Plan. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. At age 65, the disability allowance converts to a service retirement benefit with a 2.2% formula. Alternatively, the member's defined contribution account is available.

Survivor Benefits

Eligibility

Upon death after at least 1-1/2 years of qualifying service credit with at least 1/4 year of such service in the 2-1/2 years preceding death or upon death of a disability retiree. For membership on or after July 1, 2013, upon death at least five years of qualifying service credit and died no later than one year after service terminated or upon death of a disability recipient.

Amount

Qualified survivors have the option of receiving dependent-based, service-based or retirement-based benefits described under the Defined Benefit Plan. Both employer contributions and the member's contributions and any investment gains in the member's defined contribution account are used to fund the benefit. Survivors also have the option to withdraw the defined contribution and defined benefit portions of the Combined Plan account.

Optional Forms of Payment of Defined Benefit Portion

A lump sum of the actuarial equivalent of the defined benefit formula benefit. If a member withdraws the defined contribution account before age 50, the defined benefit portion is paid in a lump sum.

Joint and Survivorship Options — Options 1 through 4 described in the Defined Benefit Plan provisions are available, as well as the PLOP. All alternative forms of payment are the actuarial equivalent of the Single Life Annuity benefit payable at age 60 provided the monthly benefit is at least $100.

Optional Forms of Payment of Member's Defined Contribution Account

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 4, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

The vested amount of the member's defined contribution account upon termination of employment can be paid as a single lump sum. If a member takes a lump sum of the defined benefit formula benefit, the member must simultaneously withdraw the lump-sum value of the member's defined contribution account in a single lump sum.

Cost-of-Living Benefits

Not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

Changes to the cost-of-living adjustment are described under the Defined Benefit Plan section.

Health Care

Retirees, their spouses and dependents are eligible for a comprehensive medical expense health care plan as may be offered by the Retirement Board, subject to changes in terms and conditions from time to time.

Contribution

By Members: 12% of salary, with 11% deposited into the member's defined contribution account and 1% to fund the defined benefit. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015, and to 14% of salary effective July 1, 2016.

By Employers: 14% of salaries is used to fund the defined benefit formula.

Summary of Benefit and Contribution Provisions — Defined Contribution Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Defined Contribution Plan.

Service Retirement

Eligibility

Termination after age 50.

Amount

The balance in the member's defined contribution account.

Vesting

Eligibility

Employer contributions and earnings on the member's account are vested after the first anniversary of membership. Effective July 1, 2013, members vest 20% per year in employer contributions and all gains and losses on those contributions. Member contributions and earnings are 100% vested immediately.

Amount

The balance in the member's defined contribution account.

Early Retirement

Eligibility

Termination before age 50.

Amount

The balance in the member's defined contribution account.

Disability Benefits

Eligibility

Permanently incapacitated for the performance of duty and termination of employment.

Amount

The balance in the member's defined contribution account. At age 50, other payment options are available, but employment must first be terminated.

Survivor Benefits

Eligibility

Upon death.

Amount

The balance in the member's defined contribution account. A spouse may either continue to manage the member's defined contribution account or withdraw the account.

Optional Forms of Payment

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 4, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

Cost-of-Living Benefits

Not available.

Health Care

Not available.

Contribution

By Members: 12% of salary is deposited into the member's defined contribution account.

The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015, and to 14% of salary effective July 1, 2016.

By Employers: 9.5% of salary is deposited into the member's defined contribution account. 4.5% of salaries is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

Segal Consulting
101 NORTH WACKER DRIVE, SUITE 500 CHICAGO, IL 60606
T 312.984.8500 F 312.984.8590 www.segalco.com

March 13, 2014

ACTUARIAL CERTIFICATION

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the State Teachers Retirement System of Ohio's other postemployment benefit programs as of January 1, 2014, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statement 43 for the determination of the liability for postemployment benefits other than pensions.

Trend data that appears in the Systems' *Comprehensive Annual Financial Report* are contained within this valuation and are prepared by Segal Consulting and presented in accordance with GASB Statement 43. All the schedules included in the System's actuarial section of the Comprehensive Annual Financial Report have been prepared by Segal Consulting and are included in this valuation.

The actuarial valuation is completed on an annual basis and is based on the plan of benefits and participant, premium, claims and expense data provided by the System or from vendors employed by the System. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

With the exception of the retirement rates, the valuation was based on demographic assumptions adopted by the Board of Trustees, reflecting the three-year experience review covering the period July 1, 2008 through June 30, 2011. The retirement rates were modified with this valuation to reflect plan changes that were adopted with the pension reform legislation. Segal reviewed all health-specific assumptions and updated them as appropriate.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Barbara Zaveduk, EA, MAAA	Yori Rubinson, FSA, MAAA
Vice President and Actuary	Retiree Health Actuary

A separate annual valuation of the retiree health care benefits provided by STRS Ohio was performed as of Jan. 1, 2014, by Segal Consulting.

Statement of Actuarial Assumptions and Methods — Health Care Plan

The assumptions below have been adopted by the State Teachers Retirement Board after consulting with the actuary.

GASB Statement No. 43: Provides STRS Ohio's responsibility for accounting and financial reporting for all post-employment benefits other than pension. Such benefits are commonly referred to as "other post-employment benefits" (OPEB).

Valuation Basis: Covers the retiree health care benefits that STRS Ohio provides to its members and their dependents. Plan benefits include:

- Medical and prescription drug benefits
- Reimbursement of a portion of Medicare Part B premiums

The valuation includes the following membership groups:

- Active members
- Inactive nonretired members
- Retired members
- Survivors of active and retired members
- Dependents
- Disabled retirees

With the exception of the retirement rates, the valuation was based on demographic assumptions adopted by the State Teachers Retirement Board, reflecting the three-year experience review covering the period July 1, 2008 through June 30, 2011. The retirement rates were modified with this valuation to reflect plan changes that were adopted with the pension reform legislation. Segal reviewed all health-specific assumptions and updated them as appropriate.

The GASB Statement No. 43 discount rate is the expected rate of return on the assets used to pay the benefits. If the retiree health care benefits are not pre-funded, GASB Statement No. 43 specifies the use of a discount rate that reflects the expected return on the general assets of the plan sponsor. If the benefits are fully pre-funded, the discount rate is based on the expected return on the assets that supports the benefits. If the benefits are partially pre-funded, the discount rate is a blend of the expected return on the sponsor's general assets and the plan assets. The discount rate is updated each year based on the plan's funded ratio. For 2014, the weighted average of the 3.5% short-term rate and the 7.75% long-term rate resulted in a 7% discount rate.

Changes From the Prior Valuation: Pension Reform Legislation in 2012 increased age and service requirements for retirement. This also affects the age at which members receive retiree health care benefits. Retirement rates were modified to reflect these changes.

Effective Jan. 1, 2014, the prescription drug maximum annual expense has been reduced to match the Medicare Part D standard plan limit, hospital emergency room copayments were increased, and Kaiser non-Medicare out-of-pocket limits were increased.

The health care subsidy multiplier remained at 2.3% in 2014 instead of decreasing to 2.2% as originally scheduled. The multiplier is now scheduled to decrease to 2.2% in 2015 and to 2.1% in 2016.

In 2016, the Plus and Basic PPO plans will merge into a single plan.

For members retiring in August 2023 or later, the service requirement will be increased from 15 to 20 years and the subsidy will be based on the years of service over five years to a maximum of 30 years.

The potential effect of the excise tax on benefits that exceed defined thresholds beginning in 2018 was included in the valuation this year.

Health Care Solvency Test, 2012–2014

(dollar amounts in thousands)

	Accrued Liability For:				Portion of Accrued Liability Covered by Fair Value of Assets:		
Actuarial Valuation Date	(1) Active Members	(2) Inactive Members	(3) Retirees, Survivors & Dependents	Fair Market Value of Assets	(1)	(2)	(3)
Jan. 1, 2012	$2,536,826	$58,182	$2,499,399	$2,968,157	100%	100%	15%
Jan. 1, 2013	$2,026,570	$53,512	$2,174,014	$3,121,576	100%	100%	48%
Jan. 1, 2014	**$1,748,798**	**$47,144**	**$2,868,503**	**$3,471,886**	**100%**	**100%**	**58%**

Key Methods and Assumptions Used in Health Care Actuarial Valuation

Valuation date	Jan. 1, 2014
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay
Asset valuation method	Fair market value
Actuarial Assumptions:	
Investment rate of return	7.0%
Projected salary increases	Varies by age from 2.75%–12.25%
Payroll increase	3.50% through 2018; 4.00% thereafter

Health Care Cost Trend Rates

	Initial Rate	Ultimate Rate	Ultimate Year
Pre-65 PPO	8.7%	5.0%	2021
Post-65 PPO	7.0%	5.0%	2021
Pre-65 HMO	8.7%	5.0%	2021
Post-65 HMO	7.9%	5.0%	2021
Post-65 MA	7.9%	5.0%	2021
Prescription drugs	9.2%	5.0%	2021

Summary of Membership Data

Valuation date	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014
Active members	177,897	173,044	169,945
Inactive members	16,685	17,003	16,468
Receiving Medicare Part B premium reimbursement only	11,596	12,199	12,745
Average per participant annual benefit	$2,561	$2,153	$1,787

STRS Ohio Health Care Program Enrollees

	Jan. 1, 2012	Jan. 1, 2013	Added	Terminated	Jan. 1, 2014
Retirees	89,533	92,668	6,741	3,262	**96,147**
Disabled retirees	4,694	4,595	179	271	**4,503**
Survivors	5,104	4,632	287	453	**4,466**
Spouses and dependents (excluding children)	19,610	19,387	1,791	1,726	**19,452**
Total	118,941	121,282	8,998	5,712	**124,568**
Annual allowance (in thousands)	Not available	$375,217	$28,687	$10,422	**$393,482**

The objective of the statistical section is to provide financial statement users with historical perspective, context and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess STRS Ohio's economic condition.

The schedules on Pages 69–70 show financial trend information that assists users in understanding and assessing how STRS Ohio's financial position has changed over time. The financial trend schedules presented are:

- Changes in Fiduciary Net Position
- Net Position by Plan
- Benefit Expenses by Type

Demographic and economic information begins on Page 71. This information is intended to assist users in understanding the environment in which STRS Ohio operates and to provide information that facilitates comparisons of financial statement information over time and among governments. The demographic and economic information presented are:

- Actuarial Funded Ratio and Funding Period
- Selected Funding Information — Defined Benefit Plan
- Number of Benefit Recipients by Type
- Summary of Active Membership Data

Operating information, which begins on Page 73, is intended to provide contextual information about STRS Ohio's operation to assist in using financial statement information. The operating information presented is:

- Benefit Payments by Type
- Average Benefit Payments for Service Retirees
- Health Care Program Benefit Descriptions
- Number of Reporting Employers by Type
- Principal Participating Employers

Changes in Fiduciary Net Position
Years Ending June 30, 2005–2014 (in thousands)

Defined Benefit Plan

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions:										
Member contributions	$ 969,226	$ 987,900	$ 1,002,876	$ 1,017,720	$ 1,041,248	$ 1,066,483	$ 1,081,958	$ 1,049,709	$ 1,042,959	$ 1,134,899
Employer contributions	1,232,317	1,255,053	1,272,559	1,305,027	1,347,741	1,374,327	1,379,104	1,349,561	1,327,862	1,324,447
Investment income (loss)	6,101,662	7,550,742	12,693,905	(3,926,797)	(14,371,713)	6,641,516	11,924,753	1,094,829	7,984,266	10,418,170
Other	20,488	18,974	36,313	37,945	35,324	39,857	45,910	50,804	54,681	168,944
Total additions	8,323,693	9,812,669	15,005,653	(1,566,105)	(11,947,400)	9,122,183	14,431,725	3,544,903	10,409,768	13,046,460
Deductions:										
Benefit payments	3,383,605	3,684,385	4,007,705	4,338,617	4,613,751	4,900,418	5,244,407	5,741,042	6,152,335	6,504,676
Refunds	110,018	121,290	128,587	133,832	121,863	117,751	153,243	169,071	186,459	198,972
Administrative expenses	59,093	63,398	60,002	59,467	58,679	59,320	57,778	57,879	58,613	60,136
Total deductions	3,552,716	3,869,073	4,196,294	4,531,916	4,794,293	5,077,489	5,455,428	5,967,992	6,397,407	6,763,784
Net increase (decrease)	4,770,977	5,943,596	10,809,359	(6,098,021)	(16,741,693)	4,044,694	8,976,297	(2,423,089)	4,012,361	6,282,676
Net position held in trust, beginning of year	51,411,501	56,182,478	62,126,074	72,935,433	66,837,412	50,095,719	54,140,413	63,116,710	60,693,621	64,705,982
Net position held in trust, end of year	$56,182,478	$62,126,074	$72,935,433	$66,837,412	$50,095,719	$54,140,413	$63,116,710	$60,693,621	$64,705,982	$70,988,658

Post-Employment Health Care Plan

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions:										
Employer contributions	$ 93,066	$ 94,610	$ 96,287	$ 98,342	$ 101,221	$ 103,415	$ 103,694	$ 101,025	$ 99,179	$ 98,330
Health care premiums	188,835	189,432	201,537	214,700	225,627	222,316	222,130	246,264	261,903	277,477
Investment income (loss)	361,600	433,999	713,400	(217,501)	(778,556)	348,311	608,969	54,990	402,110	524,484
Government reimbursements	0	17,947	36,312	36,915	37,956	38,156	70,556	92,213	41,200	46,132
Total additions	643,501	735,988	1,047,536	132,456	(413,752)	712,198	1,005,349	494,492	804,392	946,423
Deductions:										
Health care provider payments	443,615	490,122	503,407	540,493	558,344	592,416	604,456	627,890	599,818	629,465
Administrative expenses	3,879	3,204	3,027	2,913	3,349	2,523	2,502	2,568	2,555	2,495
Total deductions	447,494	493,326	506,434	543,406	561,693	594,939	606,958	630,458	602,373	631,960
Net increase (decrease)	196,007	242,662	541,102	(410,950)	(975,445)	117,259	398,391	(135,966)	202,019	314,463
Net position held in trust, beginning of year	3,086,916	3,282,923	3,525,585	4,066,687	3,655,737	2,680,292	2,797,551	3,195,942	3,059,976	3,261,995
Net position held in trust, end of year	$ 3,282,923	$ 3,525,585	$ 4,066,687	$ 3,655,737	$ 2,680,292	$ 2,797,551	$ 3,195,942	$ 3,059,976	$ 3,261,995	$ 3,576,458

Defined Contribution Plan

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions:										
Member contributions	$ 28,641	$ 33,070	$ 36,709	$ 40,829	$ 44,490	$ 46,059	$ 47,935	$ 49,764	$ 52,331	$ 58,909
Employer contributions	16,270	19,280	21,645	24,471	26,873	27,359	28,205	28,890	30,027	29,083
Investment income (loss)	13,560	19,830	37,023	(31,120)	(59,251)	39,157	89,213	2,670	74,076	116,674
Transfers between retirement plans	0	0	(15,845)	(14,399)	(14,644)	(16,580)	(16,264)	(17,246)	(16,738)	(14,033)
Total additions	58,471	72,180	79,532	19,781	(2,532)	95,995	149,089	64,078	139,696	190,633
Deductions:										
Refunds	4,533	5,918	6,407	9,086	7,427	9,230	12,777	14,697	20,033	21,369
Administrative expenses	733	491	358	240	256	(35)	922	881	837	854
Total deductions	5,266	6,409	6,765	9,326	7,683	9,195	13,699	15,578	20,870	22,223
Net increase (decrease)	53,205	65,771	72,767	10,455	(10,215)	86,800	135,390	48,500	118,826	168,410
Net position held in trust, beginning of year	105,029	158,234	224,005	296,772	307,227	297,012	383,812	519,202	567,702	686,528
Net position held in trust, end of year	$ 158,234	$ 224,005	$ 296,772	$ 307,227	$ 297,012	$ 383,812	$ 519,202	$ 567,702	$ 686,528	$ 854,938

Net Position by Plan
Years Ending June 30, 2005–2014 (in thousands)

Fiscal Year	Defined Benefit Plan	Post-Employment Health Care Plan	Defined Contribution Plan	Total Net Position
2005	$56,182,478	$3,282,923	$158,234	$59,623,635
2006	$62,126,074	$3,525,585	$224,005	$65,875,664
2007	$72,935,433	$4,066,687	$296,772	$77,298,892
2008	$66,837,412	$3,655,737	$307,227	$70,800,376
2009	$50,095,719	$2,680,292	$297,012	$53,073,023
2010	$54,140,413	$2,797,551	$383,812	$57,321,776
2011	$63,116,710	$3,195,942	$519,202	$66,831,854
2012	$60,693,621	$3,059,976	$567,702	$64,321,299
2013	$64,705,982	$3,261,995	$686,528	$68,654,505
2014	**$70,988,658**	**$3,576,458**	**$854,938**	**$75,420,054**

Benefit Expenses by Type
Years Ending June 30, 2005–2014 (in thousands)

Fiscal Year	Service Retirement	Disability Benefits	Survivor Benefits	Other	Total
2005	$3,106,371	$187,426	$81,589	$8,219	$3,383,605
2006	$3,393,968	$193,329	$86,023	$11,065	$3,684,385
2007	$3,708,919	$198,581	$90,092	$10,113	$4,007,705
2008	$4,029,937	$201,949	$94,167	$12,564	$4,338,617
2009	$4,299,310	$204,939	$99,139	$10,363	$4,613,751
2010	$4,579,805	$205,989	$103,114	$11,510	$4,900,418
2011	$4,908,718	$207,245	$113,531	$14,913	$5,244,407
2012	$5,401,457	$208,929	$115,473	$15,183	$5,741,042
2013	$5,792,657	$211,755	$124,656	$23,267	$6,152,335
2014	**$6,135,563**	**$211,945**	**$121,089**	**$36,079**	**$6,504,676**

Actuarial Funded Ratio and Funding Period 2005–2014 (dollar amounts in thousands)

As of July 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Funding Period
2005	$53,765,570	$73,817,114	$20,051,544	72.8%	55.5 years
2006	$58,008,050	$77,371,024	$19,362,974	75.0%	47.2 years
2007	$66,671,511	$81,126,642	$14,455,131	82.2%	26.1 years
2008	$69,198,008	$87,432,348	$18,234,340	79.1%	41.2 years
2009	$54,902,859	$91,440,955	$36,538,096	60.0%	Infinite years
2010	$55,946,259	$94,720,669	$38,774,410	59.1%	Infinite years
2011	$58,110,495	$98,766,204	$40,655,709	58.8%	Infinite years
2012	$59,489,508	$106,301,841	$46,812,333	56.0%	Infinite years
2013	$62,590,786	$94,366,694	$31,775,908	66.3%	40.2 years
2014	**$66,657,175**	**$96,167,057**	**$29,509,882**	**69.3%**	**29.5 years**

Selected Funding Information — Defined Benefit Plan 2005–2014

As of July 1	Member Contribution Rate	Employer Contribution Rate				Interest Rate Assumption	Payroll Growth Assumption
		Normal Cost	Health Care	Unfunded Actuarial Accrued Liability	Total Employer Rate		
2005	10.00%	4.90%	1.00%	8.10%	14.00%	8.00%	4.50%
2006	10.00%	4.82%	1.00%	8.18%	14.00%	8.00%	4.50%
2007	10.00%	4.81%	1.00%	8.19%	14.00%	8.00%	4.50%
2008	10.00%	4.24%	1.00%	8.76%	14.00%	8.00%	3.50%
2009	10.00%	4.34%	1.00%	8.66%	14.00%	8.00%	3.50%
2010	10.00%	4.30%	1.00%	8.70%	14.00%	8.00%	3.50%
2011	10.00%	3.98%	1.00%	9.02%	14.00%	8.00%	3.50%
2012	10.00%	5.94%	1.00%	7.06%	14.00%	7.75%	3.50%
2013	11.00%	1.03%	1.00%	11.97%	14.00%	7.75%	3.50%
2014	**12.00%**	**–0.17%**	**0.00%**	**13.83%**	**14.00%**	**7.75%**	**3.50%**

Number of Benefit Recipients by Type 2005–2014

As of July 1	Service Retirement	Disability Benefits	Beneficiaries Receiving Optional Allowances	Survivor Benefits	Total
2005	95,843	6,514	7,314	5,724	115,395
2006	99,248	6,588	7,574	5,774	119,184
2007	102,771	6,480	7,859	5,824	122,934
2008	106,099	6,417	8,151	5,839	126,506
2009	109,031	6,340	8,387	5,901	129,659
2010	112,483	6,104	8,619	5,897	133,103
2011	117,138	6,028	9,012	5,910	138,088
2012	122,136	5,951	9,300	5,869	143,256
2013	127,797	5,890	9,621	5,913	149,221
2014	**130,521**	**5,825**	**9,945**	**5,917**	**152,208**

Summary of Active Membership Data
2005–2014 (dollars in thousands)

Defined Benefit Plan

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2005	121,940	$5,832,249	43.37	12.80	50,738	$2,787,043	44.36	13.42	172,678	$8,619,292	43.66	12.98
2006	121,106	$5,937,660	43.45	12.85	49,923	$2,808,086	44.38	13.33	171,029	$8,745,746	43.72	12.99
2007	120,641	$6,058,709	43.50	12.84	49,201	$2,829,219	44.41	13.21	169,842	$8,887,928	43.76	12.95
2008	120,514	$6,176,798	44.05	13.12	48,500	$2,837,340	44.95	13.37	169,014	$9,014,138	44.31	13.19
2009	121,544	$6,402,337	43.98	13.09	48,763	$2,909,210	44.90	13.18	170,307	$9,311,547	44.24	13.12
2010	122,730	$6,509,962	43.97	12.89	48,609	$2,921,391	44.81	13.01	171,339	$9,431,353	44.21	12.92
2011	123,721	$6,481,816	43.67	12.38	49,562	$2,914,809	44.59	12.42	173,283	$9,396,625	43.94	12.39
2012	119,931	$6,269,684	43.61	12.42	48,442	$2,839,622	44.58	12.39	168,373	$9,109,306	43.89	12.41
2013	117,359	$6,116,458	43.27	12.17	47,698	$2,765,389	44.24	11.97	165,057	$8,881,847	43.55	12.11
2014	**116,748**	**$6,128,826**	**43.18**	**12.19**	**47,280**	**$2,762,322**	**44.23**	**12.07**	**164,028**	**$8,891,148**	**43.49**	**12.15**

Combined Plan

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2005	3,081	$104,158	36.13	3.28	933	$33,750	39.22	3.02	4,014	$137,908	36.85	3.22
2006	3,144	$112,499	36.60	3.76	892	$36,155	39.81	3.68	4,036	$148,654	37.31	3.74
2007	3,342	$124,417	36.90	4.16	926	$39,497	40.12	4.04	4,268	$163,914	37.60	4.13
2008	3,387	$132,008	37.91	4.91	926	$41,416	40.86	4.79	4,313	$173,424	38.54	4.88
2009	3,528	$145,617	38.46	5.39	972	$45,537	41.24	5.22	4,500	$191,154	39.06	5.35
2010	3,518	$154,180	38.98	6.08	985	$47,821	42.11	5.80	4,503	$202,001	39.67	6.02
2011	3,611	$163,273	39.51	6.59	1,003	$49,825	42.30	6.29	4,614	$213,098	40.11	6.53
2012	3,642	$168,991	39.94	7.15	1,029	$52,548	42.55	6.67	4,671	$221,539	40.52	7.04
2013	3,819	$180,102	40.30	7.51	1,069	$56,086	42.72	6.97	4,888	$236,188	40.83	7.39
2014	**4,126**	**$196,090**	**40.22**	**7.61**	**1,141**	**$61,201**	**42.56**	**7.13**	**5,267**	**$257,290**	**40.73**	**7.51**

Total Active Membership

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2005	125,021	$5,936,407	43.20	12.56	51,671	$2,820,793	44.27	13.23	176,692	$8,757,200	43.51	12.76
2006	124,250	$6,050,159	43.45	12.85	50,815	$2,844,241	44.30	13.16	175,065	$8,894,400	43.58	12.77
2007	123,983	$6,183,126	43.32	12.60	50,127	$2,868,716	44.33	13.04	174,110	$9,051,842	43.61	12.73
2008	123,901	$6,308,806	43.88	12.90	49,426	$2,878,756	44.87	13.21	173,327	$9,187,562	44.16	12.99
2009	125,072	$6,547,954	43.82	12.87	49,735	$2,954,747	44.83	13.02	174,807	$9,502,701	44.11	12.92
2010	126,248	$6,664,142	43.83	12.70	49,594	$2,969,212	44.75	12.86	175,842	$9,633,354	44.09	12.74
2011	127,332	$6,645,089	43.55	12.22	50,565	$2,964,634	44.54	12.29	177,897	$9,609,723	43.84	12.24
2012	123,573	$6,438,675	43.50	12.26	49,471	$2,892,170	44.54	12.27	173,044	$9,330,845	43.80	12.26
2013	121,178	$6,296,561	43.17	12.02	48,767	$2,821,475	44.20	11.86	169,945	$9,118,035	43.47	11.98
2014	**120,874**	**$6,324,915**	**43.08**	**12.03**	**48,421**	**$2,823,523**	**44.19**	**11.95**	**169,295**	**$9,148,438**	**43.40**	**12.01**

Note: Members enrolled in STRS Ohio's Defined Contribution Plan and reemployed retirees are not reflected in the above figures.

Benefit Payments by Type
As of July 1, 2014

Age Last Birthday	Number	Annual Allowance (in thousands)	Average Annual Allowance
Service Retirees			
Under 60	10,780	$ 556,520	$ 51,625
60–64	26,985	1,351,672	50,090
65–69	32,622	1,567,395	48,047
70–74	22,835	1,007,802	44,134
75–79	15,690	620,719	39,561
Over 79	21,609	685,083	31,704
Total	**130,521**	**$ 5,789,191**	**$ 44,354**
Beneficiaries Receiving Optional Allowances			
Under 60	449	$ 11,337	$ 25,251
60–64	506	17,717	35,014
65–69	903	32,482	35,971
70–74	1,312	44,825	34,165
75–79	1,689	49,741	29,450
Over 79	5,086	120,661	23,724
Total	**9,945**	**$ 276,763**	**$ 27,829**
Survivor Benefit Beneficiaries			
Under 60	1,556	$ 22,881	$ 14,705
60–64	753	18,734	24,879
65–69	909	22,354	24,592
70–74	764	18,200	23,822
75–79	695	14,544	20,927
Over 79	1,240	22,891	18,460
Total	**5,917**	**$ 119,604**	**$ 20,214**
Disability Beneficiaries			
Under 60	1,447	$ 54,141	$ 37,390
60–64	1,223	46,801	38,299
65–69	1,196	47,526	39,738
70–74	807	29,595	36,673
75–79	540	17,325	32,083
Over 79	612	16,590	27,108
Total	**5,825**	**$ 211,978**	**$ 36,391**
Grand Total	**152,208**	**$ 6,397,535**	**$ 42,032**

Average Benefit Payments for Service Retirees, 2005–2014

		Years of Service Credit						
		5–9	10–14	15–19	20–24	25–29	>=30	Average/ Total
2005	Average monthly benefit	$392	$746	$1,187	$1,904	$2,392	$4,003	$3,419
	Average final average salary	$29,291	$33,986	$42,990	$54,611	$58,866	$66,075	$61,763
	Number of recipients	188	137	225	272	516	4,075	5,413
2006	Average monthly benefit	$399	$859	$1,370	$1,911	$2,537	$4,068	$3,505
	Average final average salary	$27,055	$42,280	$50,235	$54,608	$62,027	$67,315	$63,649
	Number of recipients	156	159	247	298	577	4,379	5,816
2007	Average monthly benefit	$425	$830	$1,279	$1,978	$2,578	$4,235	$3,592
	Average final average salary	$31,415	$39,215	$47,769	$57,835	$64,025	$69,713	$65,417
	Number of recipients	196	177	277	360	622	4,605	6,237
2008	Average monthly benefit	$406	$831	$1,352	$2,024	$2,600	$4,309	$3,611
	Average final average salary	$30,224	$40,804	$49,447	$60,033	$64,959	$71,113	$66,378
	Number of recipients	200	182	314	366	551	4,288	5,901
2009	Average monthly benefit	$431	$822	$1,382	$2,193	$2,697	$4,497	$3,754
	Average final average salary	$28,623	$38,507	$51,590	$64,199	$67,168	$73,260	$68,136
	Number of recipients	199	158	288	310	429	3,698	5,082
2010	Average monthly benefit	$455	$934	$1,349	$2,030	$2,780	$4,680	$3,887
	Average final average salary	$30,030	$46,509	$50,407	$59,781	$67,794	$74,810	$69,522
	Number of recipients	174	155	282	359	543	3,833	5,346
2011	Average monthly benefit	$480	$992	$1,540	$2,377	$2,890	$4,689	$3,937
	Average final average salary	$33,330	$46,727	$55,904	$68,932	$70,775	$75,724	$71,591
	Number of recipients	171	201	365	438	685	4,595	6,455
2012	Average monthly benefit	$496	$946	$1,625	$2,385	$2,965	$4,727	$3,921
	Average final average salary	$31,235	$45,473	$58,519	$68,884	$72,224	$77,181	$72,706
	Number of recipients	204	241	450	674	960	5,463	7,992
2013	Average monthly benefit	$482	$945	$1,714	$2,407	$3,144	$4,796	$3,886
	Average final average salary	$33,742	$47,370	$62,954	$68,669	$75,864	$79,557	$74,643
	Number of recipients	203	280	541	724	1,198	5,113	8,059
2014	**Average monthly benefit**	**$488**	**$951**	**$1,681**	**$2,419**	**$3,268**	**$4,808**	**$3,885**
	Average final average salary	**$36,506**	**$48,294**	**$61,904**	**$70,372**	**$78,726**	**$81,516**	**$76,213**
	Number of recipients	**157**	**225**	**417**	**549**	**817**	**3,703**	**5,868**

Average Benefit Subsidy Payments for Retirees Enrolled in Health Care Plan, 2010–2014

		Years of Service Credit						Average/
		5–9*	10–14*	15–19	20–24	25–29	30+	Total
Jan. 1, 2010	Average monthly subsidy	$34	$38	$141	$189	$254	$353	$309
	Number of recipients	1,755	1,887	4,292	6,100	10,891	68,945	93,870
Jan. 1, 2011	Average monthly subsidy	$34	$39	$154	$208	$274	$379	$334
	Number of recipients	1,640	1,778	4,315	6,139	11,024	71,203	96,099
Jan. 1, 2012	Average monthly subsidy	$34	$39	$155	$208	$271	$365	$325
	Number of recipients	1,536	1,665	4,347	6,256	11,253	74,274	99,331
Jan. 1, 2013	Average monthly subsidy	$33	$39	$148	$197	$253	$329	$296
	Number of recipients	1,427	1,553	4,359	6,386	11,554	76,616	101,895
Jan. 1, 2014	**Average monthly subsidy**	**$34**	**$40**	**$157**	**$209**	**$266**	**$341**	**$308**
	Number of recipients	**1,325**	**1,447**	**4,497**	**6,532**	**11,948**	**79,367**	**105,116**

*A minimum of 15 years of service credit is currently required for enrollment into the STRS Health Care Program. The subsidy amounts listed for years of service credit less than 15 years are reflective of the Medicare Part B premium reimbursements, which currently require a minimum of five years of service credit, and some other subsidy situations.

Number of Reporting Employers by Type, 2005–2014

Fiscal Year Ended	City School Districts	Local School Districts	County Educational Service Centers	Exempted Village School Districts	Joint Vocational Schools	Colleges & Universities	County Boards of Developmental Disabilities	Community Schools	Other	Total
2005	194	370	60	49	49	37	74	219	9	1,061
2006	194	369	60	49	49	37	73	246	9	1,086
2007	194	369	60	49	49	36	73	255	9	1,094
2008	194	370	59	49	49	36	73	272	9	1,111
2009	194	370	58	49	49	36	71	280	10	1,117
2010	194	370	57	49	49	36	69	273	10	1,107
2011	194	370	56	49	49	36	69	291	10	1,124
2012	194	370	56	49	49	36	69	312	10	1,145
2013	194	369	55	49	49	36	67	322	12	1,153
2014	**194**	**371**	**55**	**49**	**49**	**36**	**65**	**352**	**12**	**1,183**

Principal Participating Employers
For the Year Ended June 30, 2014

Employer	Covered Members	Prior Year Rank	Percentage of Membership
Columbus City Schools	5,662	1	2.25%
The Ohio State University	5,414	2	2.15%
Cleveland Metropolitan Schools	4,058	3	1.61%
Kent State University	3,272	4	1.30%
University of Cincinnati	3,196	5	1.27%
Cincinnati Public Schools	3,090	6	1.23%
ESC Council of Governments	2,676	11	1.06%
Akron Public Schools	2,625	7	1.04%
Cuyahoga Community College	2,524	8	1.00%
Toledo Public Schools	2,431	10	0.97%
All Others	216,400		86.35%
Total Covered Members	**251,348***		**100.00%**

*Covered members include any participant in STRS Ohio who made contributions through a reporting employer during the fiscal year. Part-time teachers working in multiple school districts are included within each school's payroll data and, consequently, are reported more than once. Participating employers include every publicly funded school in Ohio employing a certified teacher. A complete listing of participating employers is available upon request. Years prior to the current year are not reflected since the participating employers do not change substantially from year to year.

STRS Ohio Plays a Critical Role in Supporting and Sustaining the State of Ohio

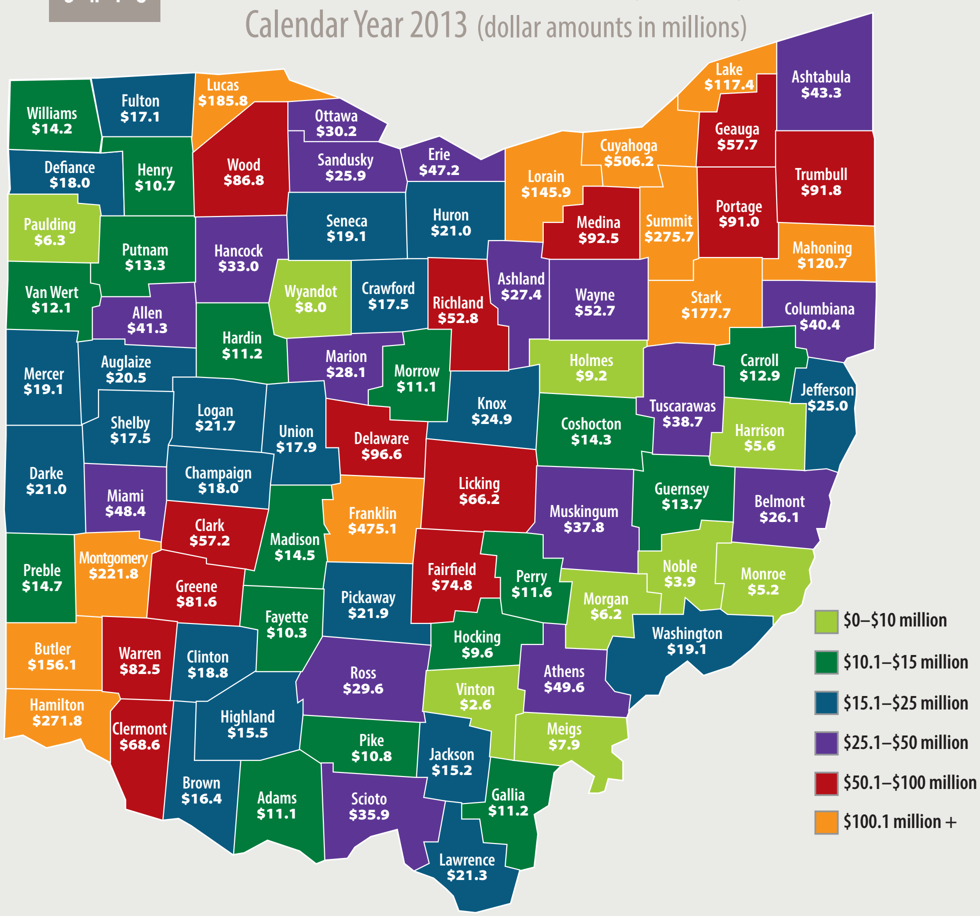
STRS Ohio is one of Ohio's five public pension systems and plays a critical role in supporting and sustaining the State of Ohio. Together, Ohio's statewide public retirement systems serve over a million of the state's citizens, both working and retired. The systems provide a stable source of revenue for local economies, paying more than $15 billion annually in pension and health care benefits and invest in Ohio, too — holding more than $3 billion in investments in companies with a major presence in the state.

*Ohio's pension systems share one common goal: **to provide retirement security for the thousands of public servants who have made a career out of serving others.** These pension systems are major economic drivers for the state; are administratively efficient and economical; and provide a stable retirement income for public workers in Ohio, thereby reducing the burden on taxpayers and Social Security. In fact, these earned pensions represent good public policy for helping to maintain financial security for Ohio's older citizens.*

Economic Impact on the State of Ohio

STRS Ohio Pension Benefits By County

Calendar Year 2013 (dollar amounts in millions)



$5 BILLION
STRS Ohio pension benefits distributed among Ohio's **88** counties

81% STRS Ohio benefit recipients **live in Ohio**

$1.3 BILLION
STRS Ohio **investments** with companies headquartered in **Ohio**

State Teachers Retirement System of Ohio
275 E. Broad St., Columbus, OH 43215-3771 • 614.227.4090 • www.strsoh.org

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