Comprehensive Annual Financial Report

A Component Unit of the State of Ohio

Year Ending December 31, 2008

Richard A. Curtis, Executive Director

6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highway Patrol Retirement System, Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

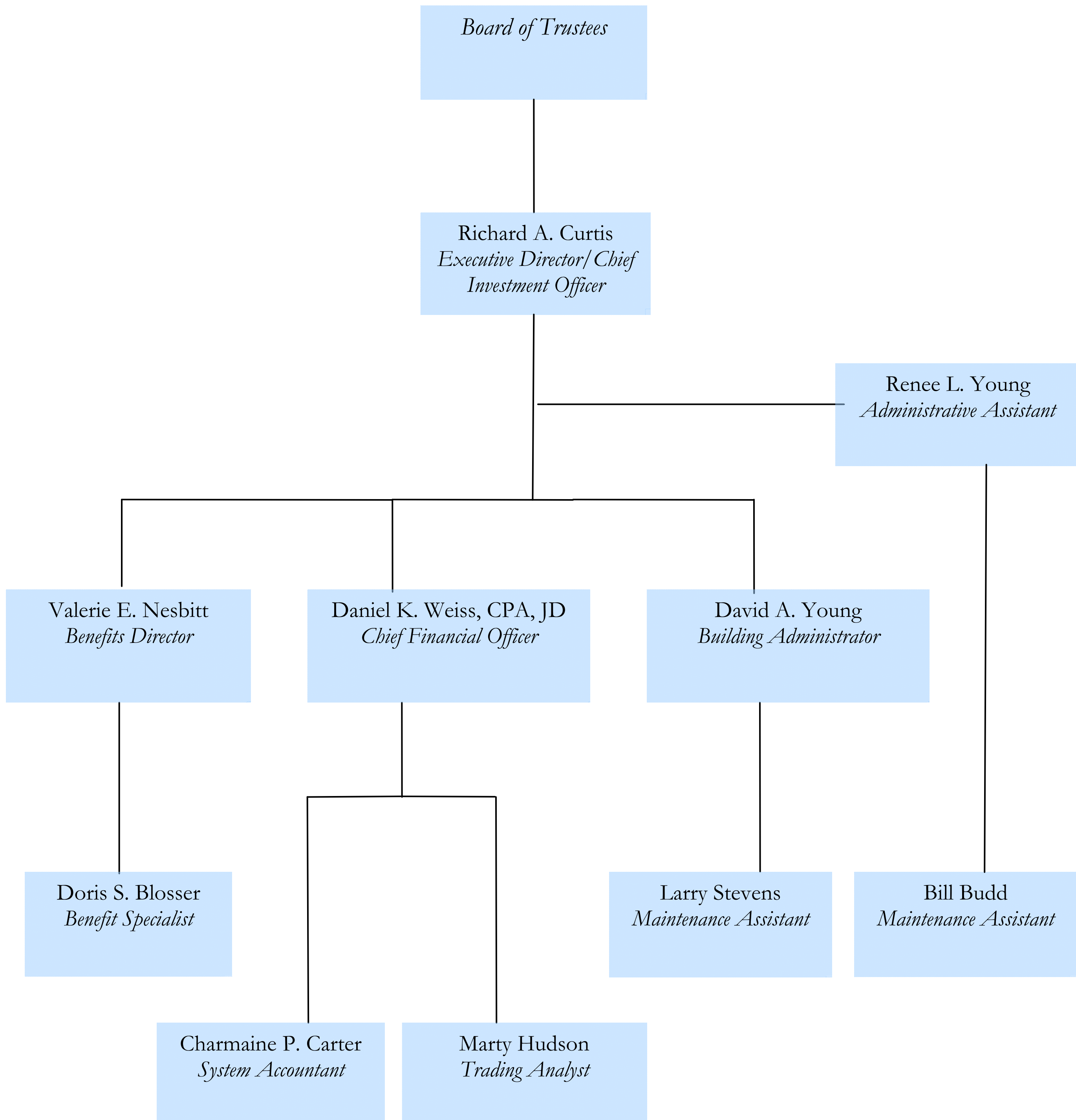
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Highway Patrol Retirement System
Board of Trustees

Organizational Chart



Professional Consultants

Medical Advisor
Earl N. Metz, M.D.
Columbus, Ohio

Independent Auditor
Kennedy, Cottrell, Richards
Columbus, Ohio

Actuary
Gabriel, Roeder, Smith & Company
Southfield, Michigan

Investment Consultant
Hartland & Co.
Cleveland, Ohio

Investment Managers

Artio Global Investors
New York, New York
International Equity

The Bank of New York Mellon
Pittsburgh, Pennsylvania
Global Tactical Asset Allocation

Brandywine Global Investment Management
Philadelphia, Pennsylvania
Small/Mid Cap Value Equity

Credit Suisse Alternative Investments
New York, New York
Private Equity

DePrince, Race & Zollo
Winter Park, Florida
Large Cap Value Equity

Dimensional Fund Advisors
Austin, Texas
Small Cap Blend Equity

Evanston Capital Management
Evanston, Illinois
Fund of Hedge Funds

Feingold O'Keeffe Capital
Boston, Massachusetts
Fund of Hedge Funds

Fred Alger Management
Jersey City, New Jersey
Small Cap Growth Equity

INTECH
Palm Beach Gardens, Florida
Large Cap Growth Equity

J.P.Morgan Asset Management
New York, New York
Intermediate-Term Fixed Income

Kayne Anderson Capital Advisors
Los Angeles, California
Energy Private Equity

Lehman Brothers Alternative Investment Management
New York, New York
Fund of Hedge Funds

LSV Asset Management
Chicago, Illinois
Large Cap Value Equity

Manning & Napier Fund
Dublin, Ohio
International Equity

Oaktree Capital Management
New York, New York
Real Estate

Pantheon Ventures
San Francisco, California
Private Equity

PIMCO
Newport Beach, California
Global Tactical Asset Allocation

Protégé Partners
New York, New York
Fund of Hedge Funds

Pyramis Global Advisors
Boston, Massachusetts
Real Estate

Sankaty Advisors
Boston, Massachusetts
Fund of Hedge Funds

Seix Investment Advisors
Upper Saddle River, New Jersey
Fund of Hedge Funds

State Street Global Advisors
Boston, Massachusetts
Large Cap Blend Indexed

Timbervest
Atlanta, Georgia
Timberland

Wellington Management
Boston, Massachusetts
Large Cap Growth Equity

Wells Capital Management
Los Angeles, California
Intermediate-Term Fixed Income

Western Asset
Pasadena, California
World Fixed Income

Westfield Capital Management
Boston, Massachusetts
Small/Mid Cap Growth Equity

World Asset Management
Birmingham, Michigan
Small Cap Value Indexed, Mid Cap Blend Indexed, & International Equity

See Investment Section, pages 42-43, for payments to investment managers and brokers.

Legislative Summary

No significant pension legislation was passed in either the Ohio General Assembly or the U.S. Congress during 2008. Pension fund managers were primarily absorbed with rapidly declining investment markets and many elected officials were busy trying to shore up the financial crisis.

The negative impacts of 2008 to the financial solvency of public pension plans will likely be the subject of future legislative actions.

The HPRS health savings account (HSA) plan approved by the Ohio General Assembly two years ago is still stalled at the Internal Revenue Service level. To implement this plan, HPRS needs a Private Letter Ruling from the IRS. About two years ago, the IRS suspended issuing HSA rulings while it revised its rules. Periodic follow-up contacts with the IRS indicate that no rulings are being issued at this time. The HSA plan would enable active duty members to contribute a portion of salary to a tax-deferred account that would be used to pay for health care costs, including copays and deductibles, after retirement. As long as the proceeds of the account are used to pay for health care, no federal income tax will ever need to be paid on the contributions or investment earnings.

Highway Patrol Retirement System
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fax 614.431.9204 · www.ohprs.org

June 25, 2009

Letter of Transmittal

Members of the Board of Trustees:

It is our privilege to submit to you the *Comprehensive Annual Financial Report* for the Highway Patrol Retirement System (HPRS) for the fiscal year ending December 31, 2008. Responsibility rests with the management of the system for both the accuracy of the data and the completeness and fairness of the presentation. We believe this report reflects a careful stewardship of the system's assets and dedicated service to our members and our retirees.

The Ohio General Assembly established the Highway Patrol Retirement System in 1941 with membership limited to uniformed and communications personnel employed by the State Highway Patrol. Previously, SHP personnel were members of the Public Employees Retirement System of Ohio. Today, membership in the Highway Patrol Retirement System is limited to troopers with arrest authority, trooper cadets in training while at the Highway Patrol Training Academy, and members of the radio division who were hired prior to November 2, 1989.

Plan benefits include age and service pensions, disability retirement, survivor and death benefits, and health care coverage for benefit recipients and eligible dependents. A more detailed benefits description is provided in the Plan Summary in the Actuarial Section.

Major Initiatives and Changes Enacted

The HPRS administrative office has continued to use technology and automation to improve security and efficiency. Original member records, in paper form, have been imaged to provide for data integrity, backup redundancy, and ease of access. A redesigned website was developed to allow for secure and convenient member access to personal account records. In multiple ways, HPRS has nearly completed its project of moving toward a "paperless office."

Investments

The funds of the system are invested to balance risk and long-term appreciation. The HPRS investment policy objective is to assure that the system meets the responsibility of providing quality benefits for retirees and their surviving dependents. The portfolio is diversified to earn the highest possible rate of return while operating within the *prudent person* parameters of risk to protect the fund from severe depreciation during adverse market conditions.

Investment returns for the Highway Patrol Retirement System in 2008 were (28.3%), with a three-year annualized return of (3.9%), and a five-year annualized return of 1.3%. Because current fund expenditures exceed current fund income, the total investment portfolio decreased to $581.5 million (including cash, but excluding collateral on loaned securities) at December 31, 2008, representing a 30.7% decrease from the prior year.

For a detailed analysis of financial operations, please refer to Management's Discussion and Analysis on pages 13 through 15.

Internal Controls

The management of HPRS has implemented and is responsible for a system of internal accounting controls, designed to assure the safeguarding of assets and the reliability of financial records. The internal accounting controls in place are adequate to meet the purpose for which they were intended and are reviewed annually by an external auditor. The financial statements, supporting schedules, and statistical tables are presented fairly in all material respects.

Funding

The goal of the Board has been to limit the period of unfunded pension liability to no more than thirty years. At December 31, 2007, unfunded actuarially accrued pension liabilities were amortized over a twenty-seven year period. From the prior year, pension assets remained at 80.9% of pension liabilities.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Highway Patrol Retirement System for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the *Certificate of Achievement* program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Professional Services

To aid in efficient and effective management, professional services are provided to the Highway Patrol Retirement System by consultants appointed by the Board. Gabriel, Roeder, Smith & Company of Southfield, Michigan provides actuarial services. The investment advisor to the Board is Hartland & Co. of Cleveland, Ohio. Under contract with the Auditor of the State of Ohio, Kennedy, Cottrell, Richards, Certified Public Accountants of Columbus, Ohio, audited the financial records of the system.

Acknowledgments

The preparation of this report reflects the combined efforts of the system's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, a means for determining compliance with legal provisions, and a means for determining responsible stewardship over the assets contributed by the members and their employer, the State of Ohio.

Upon publication of this report at www.ohprs.org, HPRS will notify interested parties of its availability, including all State Highway Patrol facilities, professional consultants, investment managers, and the Ohio Retirement Study Council.

Respectfully Submitted,

Richard A. Curtis
Executive Director/Chief Investment Officer

Daniel K. Weiss, CPA, JD
Chief Financial Officer

Financial Section

383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

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INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Ohio State Highway Patrol Retirement System

We have audited the accompanying combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), a component unit of the State of Ohio, as of December 31, 2008, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of HPRS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of HPRS as of December 31, 2008, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued our report dated June 4, 2009 on our consideration of HPRS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 13-15 and Required Supplementary Information on pages 24-25 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the financial statements that collectively comprise the HPRS' basic financial statements. The Supplementary Information on pages 26-27 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 3-10, the investment section on pages 29-46, the actuarial section on pages 47-56, and the statistical section on pages 57-62 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
June 4, 2009

Accountants & Consultants for Business & Government

Management's Discussion and Analysis
(unaudited)

Financial Highlights

• At December 31, 2008, the assets of HPRS exceeded liabilities by $571,415,989. All of the net assets are held in trust for pension and health benefits, and are available to meet HPRS's ongoing obligation to plan participants and their beneficiaries.

• During 2008, HPRS's total net assets decreased by $262,288,087, or 31.5%, with 90.9% of this decrease attributable to investment activity.

• HPRS's funding objective is to meet long-term benefit obligations through contributions and investment income. At December 31, 2007, the date of the latest actuarial valuation, HPRS funds totaled 80.9% of projected obligations.

• Revenues (Additions to Plan Net Assets) for the year were ($204,236,942), which includes member and employer contributions of $33,523,675 and investment income of ($238,393,511).

• Expenses (Deductions in Plan Net Assets) increased 3.4% over the prior year. Of this amount, pension benefits increased by 7.3%, health care expenses decreased by 17.5%, and administrative expenses increased by 1.1%.

Overview of the Financial Statements

HPRS's financial statements consist of these components:

1. Combining Statement of Plan Net Assets.
2. Combining Statement of Changes in Plan Net Assets.
3. Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The *Combining Statement of Plan Net Assets* provides a snapshot of account balances at year-end, indicating the assets available for future payments to retirees, less any current liabilities of the system.

The *Combining Statement of Changes in Plan Net Assets* provides a summary of current year additions and deductions to the plan. At December 31, 2007, the date of the latest actuarial valuation, HPRS's current funding ratio was 80.9%. This means that HPRS's fund had approximately $0.81 available for each $1.00 of projected pension liability.

The *Combining Statement of Plan Net Assets* and the *Combining Statement of Changes in Plan Net Assets* report information about HPRS's activities and financial position. These statements reflect the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date rather than settlement date. Investments are shown at fair value, reflecting both realized and unrealized gains and losses. Each capital asset is depreciated over its expected useful life.

The difference between HPRS assets and liabilities is reported on these statements as *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits.* Over time, increases and decreases in HPRS's net assets are one indicator of whether the fund's financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring HPRS's overall health (see HPRS's financial statements on pages 16-17 of this report).

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements (see *Notes to the Financial Statements* on pages 18-23 of this report).

Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning HPRS's progress in funding its obligations to provide pension benefits to members (see *Required Supplementary Schedules* on pages 24-25 of this report).

The schedules of administrative expenses, investment expenses, and payments to consultants are presented immediately following the required supplementary information.

HPRS Activities

Revenues - Additions to Plan Net Assets. Employer and member contributions, as well as income from investments, provide reserves needed to finance retirement benefits. In 2008, total contributions, offset by investment losses in an unfavorable market, resulted in negative additions of $204.2 million. Employer contributions increased by 1.7% and member contributions decreased by 0.3%.

Revenues – Additions to Plan Net Assets (In 000's)

	2008	2007	$ Change	% Change
Net Appreciation in Fair Value of Investments	($245,121)	$53,547	($298,668)	(557.8%)
Interest and Dividend Income	10,865	12,793	(1,928)	(15.1)
Real Estate Operating Income, Net	121	49	72	146.9
Investment Expenses	(4,688)	(5,107)	419	(8.2)
Security Lending Activity, Net	430	305	125	41.0
Employer Contributions	24,653	24,233	420	1.7
Member Contributions	8,871	8,902	(31)	(0.3)
Transfers from Other Ohio Systems	633	717	(84)	(11.7)
Total Additions	($204,236)	$95,439	($299,675)	(314.0%)

The investment section of this report summarizes the result of investment activity for the year ending December 31, 2008.

Expenses - Deductions from Plan Net Assets. HPRS was created to provide retirement, disability, and survivor benefits to qualified members and their beneficiaries. The cost of these programs includes benefit payments as designated by the plan, refunded contributions, and the administrative costs of the system. In 2008, total deductions from plan net assets increased 3.4%. This included a 7.3% increase in pension benefits, largely attributable to an increase in the number of benefit recipients and cost of living adjustments. Health care expenses decreased by 17.5%, and administrative expenses increased by 1.1%. Refunds of member contributions increased by 476.8%, and transfers of contributions to other Ohio retirement systems decreased by 14.2%.

Expenses - Deductions from Plan Net Assets (In 000's)

	2008	2007	$ Change	% Change
Pension Benefits	$47,939	$44,676	$3,263	7.3%
Refunds of Member Contributions	571	99	$472	476.8
Health Care	8,547	10,354	(1,807)	(17.5)
Administrative Expenses	711	703	8	1.1
Transfers to Other Ohio Systems	283	330	(47)	(14.2)
Total Deductions	$58,051	$56,162	$1,889	3.4%

Changes in Net Assets

In 2008, *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits* decreased by $262,288,087, or 31.5%. Investment income attributable to the depreciation in fair values of investments equaled ($245,121,370), or 93.5% of the decrease in net assets. All of the net assets are available to meet HPRS's ongoing obligation to plan participants and their beneficiaries.

Changes in Net Assets (In 000's)

	2008	2007
Beginning Balance	$833,704	$794,427
Ending Balance	571,416	833,704
Total Change	($262,288)	$39,277
% Change	(31.5%)	4.9%

Capital Assets

As of December 31, 2008, HPRS's investment in capital assets totaled $5,964 (net of accumulated depreciation), a decrease of $4,127, or 40.9% from December 31, 2007. This investment in capital assets includes office equipment, software, and furniture for administrative use. The decrease in HPRS's net investment in capital assets for the current year was wholly attributable to the depreciation of existing assets.

Total Assets

In 2008, total assets decreased by $315,535,465, or 33.7%. The decrease in total assets was largely attributable to reductions in the fair value of investments.

Assets (In 000's)

	2008	2007	$ Change	% Change
Cash, Short-Term Investments	$14,794	$12,226	$2,568	21.0%
Receivables	3,591	3,362	229	6.8
Investments, at Fair Value	566,672	827,238	(260,566)	(31.5)
Collateral on Loaned Securities	36,888	94,655	(57,767)	(61.0)
Prepaid Assets	4	0	4	--
Property & Equipment, Net	6	10	(4)	(40.0)
Total Assets	$621,955	$937,491	($315,536)	(33.7%)

Total Liabilities

Total liabilities decreased by $53,247,378, or 51.3%, primarily as a result of a decrease in securities lending activity at the end of 2008. The decrease in total liabilities attributable to a lower level of securities lending activity was $57,766,333. Without this decrease, total liabilities would have increased by $4,518,955, or 4.4%.

	2008	2007	$ Change	% Change
Current Liabilities	$39,412	$98,155	($58,743)	(59.8%)
Long-term Liabilities	11,127	5,631	5,496	97.6
Total Liabilities	$50,539	$103,786	($53,247)	(51.3%)

Summary

Both management and HPRS's actuary concur that HPRS remains in a financial position to meet its obligations to plan participants and beneficiaries. The current financial position of HPRS is the result of a strong and successful investment program, risk management, and strategic planning.

Requests for Information

This financial report is designed to provide retirees, members, trustees, and investment managers with a general overview of HPRS's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, HPRS, 6161 Busch Boulevard, Suite 119, Columbus, OH 43229-2553.

Combining Statement of Plan Net Assets

December 31, 2008

	Pension	Postemployment Health Care	Total
Assets			
Cash and Short-Term Investments	$12,754,299	$2,039,274	$14,793,573
Receivables			
Employer Contributions Receivable	1,382,063	296,156	1,678,219
Member Contributions Receivable	1,047,676	--	1,047,676
Accrued Investment Income	472,373	75,527	547,900
Health Care Receivable	--	317,498	317,498
Total Receivables	2,902,112	689,181	3,591,293
Investments, at Fair Value			
Domestic Equity	194,233,189	31,055,773	225,288,962
International Equity	74,136,983	11,853,697	85,990,680
Fixed Income	108,942,370	17,418,699	126,361,069
Real Estate	8,258,223	1,320,400	9,578,623
Private Equity	50,115,976	8,012,999	58,128,975
Hedge Funds	42,161,043	6,741,092	48,902,135
Global Tactical Asset Allocation	10,709,400	1,712,316	12,421,716
Total Investments	488,557,184	78,114,976	566,672,160
Collateral on Loaned Securities	31,803,141	5,084,976	36,888,117
Prepaid Expenses	3,416	546	3,962
Property and Equipment, Net	5,142	822	5,964
Total Other Assets	8,558	1,368	9,926
Total Assets	536,025,294	85,929,775	621,955,069
Liabilities			
Accounts Payable	857,491	137,103	994,594
Accrued Payroll Liabilities	237,243	37,932	275,175
Accrued Pension Liabilities	11,505,494	--	11,505,494
Accrued Health Care Liabilities	--	844,299	844,299
Obligations Under Securities Lending	31,803,141	5,084,976	36,888,117
Other Liabilities	27,072	4,329	31,401
Total Liabilities	44,430,441	6,108,639	50,539,080
Net Assets Held in Trust for Pension and Postemployment Health Care Benefits	$491,594,853	$79,821,136	$571,415,989

See accompanying *Notes to Financial Statements*, pages 18-23. A *Schedule of Funding Progress* is presented on page 24.

Combining Statement of Changes in Plan Net Assets

Year Ending December 31, 2008

	Pension	Postemployment Health Care	Total
Additions			
Contributions			
Employer	$20,302,216	$4,350,474	$24,652,690
Member	8,870,985	---	8,870,985
Transfers from Other Systems	632,894	---	632,894
Total Contributions	29,806,095	4,350,474	34,156,569
Investment Activity			
Net Depreciation in Fair Value of Investments	(213,384,392)	(31,736,978)	(245,121,370)
Interest and Dividend Income	9,366,997	1,497,681	10,864,678
Real Estate Operating Income, Net	104,345	16,684	121,029
	(203,913,050)	(30,222,613)	(234,135,663)
Less: Investment Expenses	4,041,555	646,201	4,687,756
Net Income from Investment Activity	(207,954,605)	(30,868,814)	(238,823,419)
Income from Security Lending Activity			
Gross Income	2,039,723	326,130	2,365,853
Less: Borrower Rebates	1,510,149	241,457	1,751,606
Less: Management Fees	158,928	25,411	184,339
Net Income from Security Lending Activity	370,646	59,262	429,908
Total Net Investment Income	(207,583,959)	(30,809,552)	(238,393,511)
Total Additions	(177,777,864)	(26,459,078)	(204,236,942)
Deductions			
Pension Benefits	47,939,139	---	47,939,139
Refunds of Member Contributions	570,827	---	570,827
Health Care Expenses	---	8,546,663	8,546,663
Administrative Expenses	613,447	98,082	711,529
Transfers to Other Systems	282,987	---	282,987
Total Deductions	49,406,400	8,644,745	58,051,145
Net Increase	(227,184,264)	(35,103,823)	(262,288,087)
Net Assets Held in Trust for Pension and Postemployment Health Care Benefits			
Balance, December 31, 2007	718,779,117	114,924,959	833,704,076
Balance, December 31, 2008	$491,594,853	$79,821,136	$571,415,989

See accompanying *Notes to Financial Statements*, pages 18-23. A *Schedule of Funding Progress* is presented on page 24.

Notes to Financial Statements

Year Ending December 31, 2008

Plan Description

Organization **-** The Highway Patrol Retirement System (HPRS) is a single-employer retirement plan for certain employees of the Ohio State Highway Patrol, including troopers with arrest authority, trooper cadets in training while at the Highway Patrol Training Academy, and members of the radio division who were hired prior to November 2, 1989. HPRS was created by Ohio Revised Code Chapter 5505 and is administered by a Board of Trustees consisting of five active members, two retired members, three appointed members, and one ex-officio member. The Board appoints an executive director, actuary, investment consultant, and employees.

HPRS administers both a defined benefit pension plan and a postemployment health care plan, which is considered to be an "other postemployment benefit," or OPEB. Financial information for pensions and OPEB are presented separately in the combining financial statements. HPRS, a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, is a component unit of the State of Ohio.

Membership - HPRS membership consisted of the following at December 31, 2007 (the latest available actuarial data):

Pension & OPEB Benefits	
Retirees & other benefit recipients	1,359
Terminated members not yet receiving Benefits	5
Active members	
Vested	615
Nonvested	982

Contributions - The Ohio Revised Code requires contributions by both active members and the Ohio State Highway Patrol. The member contribution rate is established by the Ohio General Assembly and any change in the rate requires legislative action. The employer contribution rate is established by the Board and certified to the State of Ohio every two years. By law, the employer rate may not exceed three times the member contribution rate.

In 2008, the member and employer contribution rates were 10.0% and 25.5% of payroll, respectively. Effective for the two-year period beginning July 1, 2009, the employer contribution rate will increase to 26.5%.

Based on the December 31, 2006 actuarial valuation, the Board allocated the employer contribution rate to pension benefits and OPEB as follows:

Pension	OPEB	Total
21.00%	4.50%	25.5%

The allocation of the employer contribution rate to pension benefits has been established as the rate necessary to cover normal cost, plus the amortization of the unfunded actuarially accrued liabilities based on a twenty-eight (28) year amortization schedule.

During 2008, the Board increased the employer contribution rate to 26.5%, effective for the two-year period beginning July 1, 2009. Based on the December 31, 2007 actuarial valuation, the Board allocated the increased employer contribution rate to pension benefits and OPEB as follows:

Pension	OPEB	Total
21.00%	5.50%	26.5%

This allocation produces a pension liability amortization of twenty-seven (27) years.

Member contributions may be refunded to a member who terminates employment with the Ohio State Highway Patrol or to the member's beneficiary following the member's death, provided that no survivor benefits are payable.

A member with credited service in Ohio Public Employees Retirement System (OPERS), School Employees Retirement System (SERS), State Teachers Retirement System (STRS), or Cincinnati Retirement System (CRS) may transfer that service credit to HPRS. Similarly, a member with credited service in HPRS may transfer that service to OPERS, SERS, STRS, or CRS.

Benefits - Members are eligible for pension and health care benefits upon reaching both an age and a service requirement with the Ohio State Highway Patrol. The pension benefit is a percentage of the member's final average salary, which is defined as the average of the member's three highest salaried years. For a minimum of 15 years of service, but less than 20, the percentage is determined by multiplying 1.5% times the number of years of service credit, with benefits commencing at age 55. For 20 or more years of service, the percentage is determined by multiplying 2.5% times the first 20 years of service, plus 2.25% for the next 5 years of service, plus 2.0% for each year in excess of 25 years of service. A member's pension may not exceed 79.25% of the final average salary. Early retirement with reduced benefits is available upon reaching age 48 with 20 years of service credit. Early retirement with normal benefits is available upon reaching age 48 with 25 years of service credit. In addition to pension and health care benefits, HPRS also provides for disability and survivor benefits.

In 2006, HPRS implemented a Deferred Retirement Option Plan ("DROP"). Generally, a member who is eligible to retire with an unreduced pension benefit may enter the DROP. The member will continue to work in the existing assignment as determined by the employer and receive the appropriate compensation for that rank. A DROP member is considered retired and does not accumulate additional pension service credit; however, instead of receiving a monthly pension benefit, the member "accrues" that benefit in a tax-deferred account until employment with the Ohio State Highway Patrol is terminated. At December 31, 2008, HPRS has a liability of $11,126,648 to 125 DROP participants.

Funded Status and Funding Progress - Pension – The funded status of the pension plan at the most recent actuarial valuation, December 31, 2007, is as follows:

Actuarially Accrued Liability	$866,255,394
Valuation Assets	700,860,707
Unfunded Actuarially Accrued Liability	$165,394,687
Assets as a % of AAL	80.9%
Active Member Payroll	$93,752,908
UAAL as a % of Active Member Payroll	179.4%
Pension Amortization Period	27 years

A schedule of funding progress for the pension plan is presented as required supplementary information following the notes to the financial statements, including six years of data.

Funded Status and Funding Progress - OPEB -- The funded status of the OPEB plan at the most recent actuarial valuation, December 31, 2007, is as follows:

Actuarially Accrued Liability	$335,231,779
Valuation Assets	111,180,356
Unfunded Actuarially Accrued Liability	$224,051,423
Assets as a % of AAL	33.2%
Active Member Payroll	$93,752,908
UAAL as a % of Active Member Payroll	239.0%
OPEB Amortization Period	30 years

A schedule of funding progress for the OPEB plan is presented as required supplementary information following the notes to the financial statements, including three years of data.

Actuarial Assumptions and Methods
An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed experience and actual experience ("actuarial gains and losses") become part of actuarially accrued liabilities. Unfunded actuarially accrued liabilities are amortized to produce payments (principal and interest) that are a level percent of payroll contributions based on an open amortization period.

The health care coverage provided by HPRS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Health care benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including the historical pattern of cost-sharing between the plan and benefit recipients. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future.

The asset valuation method fully recognizes assumed investment income each year. Differences between actual and expected investment income are phased in over a closed four-year period.

Other actuarial assumptions and methods are as follows:

- projected investment return of 8.0% for pension assets and 6.5% for OPEB assets, compounded annually, net of administration expenses,
- projected salary increases of 4.0%, compounded annually, attributable to inflation,
- additional projected salary increases ranging from 0.3% to 10.0% per year, depending on service, attributable to seniority and merit,
- postemployment mortality life expectancies of members based on 105% of the RP-2000 Combined Healthy Male and Female Tables,
- probabilities of early withdrawal from active service have been developed on the basis of actual plan experience,
- for disability retirement, impaired longevity is recognized by basing benefit values on the RP-2000 Combined Healthy Male and Female Tables, set forward 10 years,
- fifty percent of disability retirements are assumed to be duty-related and fifty percent are assumed to be non-duty-related,
- projected health care cost trend rate increases of 4.0%, compounded annually, attributable to inflation,
- OPEB recipients are eligible for Medicare at age 65, or immediately if disability retired,

- employer contributions are assumed to be received in equal installments throughout the year, and
- maximum contribution rates have not been considered in the projection of actuarially accrued liabilities for pension or OPEB benefits.

Summary of Significant Accounting Policies

Basis of Accounting - HPRS financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment purchases and sales are recorded at the trade date. Administrative expenses are financed by investment income.

The accounting and reporting policies of HPRS conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the accounting period. Actual results could differ from these estimates.

GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 26, *Financial Reporting for Postemployment Health Care Plans Administered by Defined Benefit Pension Plans,* require that plan assets be split between pension benefits and health care. To meet this requirement, plan assets and liabilities not specifically identifiable to a plan were proportionately allocated to the pension and postemployment health care plans.

Investments -- Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges, recognized at the trade date, are determined using the average cost of equity securities sold, and for all other investments, the specific cost of securities sold.

All investments are reported at fair value. Fair value is the amount that the plan could reasonably expect to receive in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. Fair values of real estate and private equity investments are based on information provided by the fund's managers or by independent appraisal.

Net appreciation (or depreciation) in fair value of investments is determined by calculating the change in the fair value between the beginning of the year and the end of the year, less purchases at cost, plus sales at fair value. Investment expenses consist of expenses directly related to HPRS investment operations, as well as an allocation of certain administrative expenses.

Accrued Health Care Liabilities - Accrued health care liabilities are based upon estimates furnished by the claims administrators. These estimates have been developed from prior claims experience.

In general, costs of member health care benefits are recognized as claims are incurred and premiums are paid. Health care benefit expenses in 2008 of $8,546,663 are shown on the accompanying *Combining Statement of Changes in Plan Net Assets.*

Federal Income Tax Status - HPRS is a qualified entity under Section 501(a) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Deposits and Investment Risk Disclosures

Deposits – HPRS cash balances represent an operating cash account held by US Bank, and investment cash on deposit with the State Highway Patrol Federal Credit Union, KeyBank, and US Bank as the investment custodian. Cash balances are either interest-bearing or invested in highly-liquid debt instruments with an original maturity of three months or less. At December 31, 2008, the carrying value of all HPRS's book deposits was $14,793,573 (including money market funds of $2,350,604), as compared to bank balances of $14,824,817. The difference in the carrying amount and the bank balances is caused by outstanding warrants and deposits in transit.

Investments – Ohio Revised Code Section 5505.06 grants "full power" to the Retirement Board to invest the system's assets pursuant to a prudent person standard. This standard provides that "the board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."

Investments at December 31, 2008

Domestic Equity	$225,288,962
International Equity	85,990,680
Fixed Income	126,361,069
Real Estate	9,578,623
Private Equity	58,128,975
Hedge Funds	48,902,135
Global Tactical Asset Allocation	12,421,716
Total Investments	$566,672,160
Collateral on Loaned Securities	$36,888,117

All investments, including domestic and international, are registered in the name of HPRS.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. HPRS does not have a policy to limit credit risk.

HPRS exposure to credit risk on fixed income securities, based on S&P Quality Ratings, is as follows:

Quality Ratings at December 31, 2008

AAA	$81,684,434
AA	13,144,959
A	7,620,047
BBB	5,382,835
BB+	9,065,081
BB	304,133
B	9,152,009
Unrated	7,571
Total Credit Risk Debt Securities	$126,361,069

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to its investment policy, and excluding U.S. government securities, HPRS has no more than ten percent of the fixed income portfolio invested in the securities of any one issuer, and no more than five percent in any one issue.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value.

HPRS does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the system's fixed income assets.

Investment Maturities at December 31, 2008

<1 Year	$6,555,630
1-5 Years	68,855,869
>5-10 Years	42,319,020
>10 Years	8,630,550
Totals	$126,361,069

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, HPRS will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. HPRS does not have a policy to limit custodial credit risk. At December 31, 2008, all of the fixed income investments of HPRS were held in commingled funds.

The Federal Deposit Insurance Corporation (FDIC) insured $540,971 of HPRS bank balances. The bank balances with KeyBank N.A. are secured by a letter of credit from the Federal Home Loan Bank of Cincinnati. The remaining bank balances are secured by letters of credit, pursuant to ORC section 135.18(B)(2), held by the Treasurer of State.

Foreign Currency Risk – Foreign Currency Risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. HPRS does not have a policy to limit foreign currency risk. HPRS exposure to currency exchange risk in its international equity investments, stated in U.S. dollars, is as follows:

International Equity Securities, December 31, 2008

Currency	Allocation	Fair Value
Australian dollar	1.05%	$906,406
Brazilian real	0.34	293,531
British pound	4.39	3,775,874
Canadian dollar	1.35	1,157,749
Czech koruna	(0.18)	(151,951)
Danish krone	0.58	496,821
European Union euro	25.82	22,196,426
Hong Kong dollar	0.30	255,326
Hungarian forint	(0.42)	(360,883)
Japanese yen	7.03	6,044,218
New Zealand dollar	0.03	28,491
Polish zloty	(0.56)	(478,012)
Romanian new leu	0.04	37,988
Swedish krona	0.20	167,779
Swiss franc	4.77	4,102,146
Thailand baht	0.14	123,178
Total Held in Foreign Currencies	44.88%	$38,595,087
Held in U.S. dollars	55.12	47,395,593
Total	**100.00%**	**$85,990,680**

Securities Lending -- Under the HPRS securities lending program, administered by US Bank, securities are loaned to investment brokers/dealers (borrowers). In return, HPRS receives cash collateral and agrees to return the collateral for the same securities in the future. The cash collateral from securities loaned is reinvested in short-term securities and repurchase agreements ("repo's"). Securities loaned are collateralized at a minimum of 102 percent of the fair value of loaned securities. Collateral is marked-to-market daily. If the fair value of the collateral held falls below 102 percent of the fair value of securities loaned, additional collateral is provided by the borrowers. The maturity of the repo's is always identical to the maturity of the securities loaned. Further, there is always a positive spread between the cost of funds raised from securities loaned and the income earned from the associated repo's.

Either HPRS or the borrowers can terminate all loans on demand. The custodial bank and its affiliates are prohibited from borrowing HPRS securities. HPRS cannot pledge or sell collateral securities received unless the borrower defaults.

There are no restrictions on the amount of loans that can be made. Since the fair value of collateral held by HPRS at year-end exceeded the fair value of securities loaned, HPRS had no credit risk exposure to borrowers. In addition, HPRS is indemnified by US Bank in the event of a borrower's default based on insolvency or a failure to return loaned securities.

As of December 31, 2008, the fair values of loaned securities and associated collateral were $35,966,293 and $36,888,117, respectively.

Total net proceeds from securities lending was $429,908 in 2008.

Derivatives – Derivatives are instruments on which the fair values are derived from the value of some other asset or index. At December 31, 2008, HPRS held shares in commingled funds that had only incidental investments in derivatives.

Property and Equipment

Capital Assets – An item of property or equipment in excess of $5,000 is capitalized at cost when acquired. An improvement in excess of $5,000 that extends the useful life of an asset is capitalized. An expenditure for maintenance or repair of an asset is expensed as incurred. Depreciation is computed using the straight-line method over the following range of useful lives of the assets:

Furniture and Fixtures	3 - 10 years
Office Equipment	3 - 10 years

The following is a summary of equipment, at cost, less accumulated depreciation, at December 31, 2008:

Cost, 12/31/07	$165,830
+ Additions	---
- Retirements	---
Cost, 12/31/08	$165,830
Accumulated Depreciation, 12/31/07	$155,739
+ Depreciation	4,127
- Retirements	---
Accumulated Depreciation, 12/31/08	$159,866
Book Value, 12/31/08	$5,964

Pension Benefits for Employees

The employees of HPRS are members of the Ohio Public Employee Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. The 2008 member contribution rate was 10.0% of covered payroll. The 2008 employer contribution rate was 14.0% of covered payroll. HPRS employer contributions to OPERS for the years ending December 31, 2008, 2007, and 2006 were $94,660, $88,304, and $79,423, respectively, which were equal to the required contributions for each year.

Other Postemployment Benefits for Employees

As described above, Ohio Public Employees Retirement System (OPERS) administers three separate pension plans — the Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. OPERS provides retirement, disability, survivor, cost-of-living adjustments, death benefits, and postemployment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to eligible members and beneficiaries. In order to qualify for postemployment health care coverage, Age & Service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code provides the statutory authority for public employers to fund post retirement health care through contributions to OPERS. Accordingly, a portion of employer contributions is set aside for funding these benefits – 7.0% of covered payroll for 2008 -- a total of $44,630 for HPRS employees.

In 2007, these benefits were funded by 5.0% of covered payroll for January 1 through June 30, 2007 and 6.0% for July 1 through December 31, 2007 -- a total of $35,067 for HPRS employees. In 2006, these benefits were funded by 4.5% of covered payroll -- a total of $26,088 for HPRS employees.

The assumptions and calculations below are based on OPERS' latest actuarial review performed as of December 31, 2007:

- Funding Method — The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarially accrued liability.
- Assets Valuation Method — All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used, under which assets are annually adjusted to reflect 25% of unrealized market appreciation (or depreciation), not to exceed a 12% corridor.
- Investment Return — The investment assumption rate is 6.5%.
- Active Employee Total Payroll — An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual merit and seniority pay increases are assumed to range from 0.5% to 6.3%.
- Health Care — Health care costs are assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 4.0% for the next seven years. In subsequent years (eight and beyond), health care costs are assumed to increase at 4.0% (the projected wage inflation rate).

Other Postemployment Benefits are advance-funded on an actuarially determined basis. At December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 363,503. At December 31, 2007, the actuarial value of OPERS' net assets available for OPEB was $12.8 billion, at which time there were 364,076 active contributing participants. The actuarially accrued liability and the unfunded actuarially accrued liability on that date were $29.8 billion and $17.0 billion, respectively.

The Health Care Preservation Plan (HCPP), adopted by the OPERS Retirement Board in 2004, became effective on January 1, 2007. As a result, member and employer contribution rates increased at the beginning of 2006, 2007, and 2008 to allow for supplementary funding of the health care plan.

Risk Management

HPRS purchases insurance policies in varying amounts providing coverage for general liability, property damage, employee, and public official liability. In the past three years, no settlements have exceeded insurance coverage and coverage has not been significantly reduced.

Contingent Liabilities

HPRS is a party to various litigation 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 the financial position of HPRS.

Required Supplementary Schedules

Schedule of Employer Contributions

Years Ending December 31, 2003-2008

	Pension		OPEB	
Year	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
2003	16,361,339	100	--	--
2004	17,205,610	100	--	--
2005	18,467,789	100	--	--
2006	19,567,233	98.45	15,962,073	21.2
2007	21,666,160	92.11	18,303,145	25.0
2008	21,221,089	95.67	19,272,604	24.2

Schedule of Funding Progress – Pension

Years Ending December 31, 2002-2007

Valuation Year	Actuarially Accrued Liab. (AAL)	Valuation Assets	Unfunded Actuarially Accrued Liab. (UAAL)	Assets as a % of AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2002 ►	663,069,805	527,604,456	135,465,349	79.6	78,997,065	171.5
2003	702,799,017	545,981,513	156,817,504	77.7	81,737,962	191.9
2004 ▲	734,464,371	569,858,387	164,605,984	77.6	81,757,707	201.3
2005 ►	773,856,164	591,922,200	181,933,964	76.5	83,408,155	218.1
2006 ▲	807,760,712	653,493,046	154,267,666	80.9	85,878,329	179.6
2007	866,255,394	700,860,707	165,394,687	80.9	93,752,908	176.4

▲ Plan amendment ► Assumption or method change.

Schedule of Funding Progress – OPEB

Years Ending December 31, 2005-2007

Valuation Year	Actuarially Accrued Liab. (AAL)	Valuation Assets	Unfunded Actuarially Accrued Liab. (UAAL)	Assets as a % of AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2005 ►	281,094,482	95,889,279	185,205,203	34.1	83,408,155	222.0
2006 ►	294,078,575	104,857,212	189,221,363	35.7	85,878,329	220.3
2007	335,231,779	111,180,356	224,051,423	33.2	93,752,908	239.0

► Assumption or method change.

See *Notes to Required Supplementary Schedules*, page 25.

Notes to the Trend Data

Information in the *Required Supplementary Schedules* is from the actuarial valuation for each year indicated. Additional information from the latest actuarial valuation is as follows:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	27 years for retirement allowances and 30 years for retiree health benefits in determining the Annual Required Contribution
Asset Valuation Method	4 year smoothed market, 20% Corridor
<u>Actuarial Assumptions</u>	
Investment Rate of Return	8.0% for pension, 6.5% for OPEB
Projected Salary Increases	4.3 – 14.0%, including wage inflation of 4.0%
Cost-of-living adjustments for retirees	3.0% increases for years after age 53
Health Trend	Intermediate Trend

Notes to Required Supplementary Schedules

Description of Schedule of Funding Progress

An unfunded actuarially accrued liability exists when (1) actual financial experiences are less favorable than assumed financial experiences and (2) additional benefit obligations are applied to past service. Section 5505.121 of the Ohio Revised Code requires that an unfunded liability be systematically financed over a period of no more than thirty years.

In an inflationary economy, the value of a dollar decreases over time. While member payroll and unfunded actuarially accrued liabilities may be increasing in dollar amounts, the relative percentages of these factors may be declining. To account for this inconsistency, it is useful to measure the quotient of unfunded actuarially accrued liabilities divided by active member payroll. A smaller ratio indicates greater system strength. A declining ratio over time indicates an improving financial position.

Supplementary Information

Schedule of Administrative Expenses

Year Ending December 31, 2008

Personnel	$332,362
Professional and Technical Services	
Computer services	35,140
Actuary	59,950
Education	14,162
Medical Consulting	19,240
Audit	16,879
Legal	21,733
Miscellaneous services by others	6,228
Medical services	7,095
Total Professional and Technical Services	180,427
Communications	
Printing	7,300
Postage	18,353
Telephone	11,119
Total Communications	36,772
Other Expenses	
Office Rent	65,923
Depreciation	4,127
Insurance	20,900
Equipment repairs and maintenance	4,369
Supplies	5,282
Miscellaneous	24,031
Ohio Retirement Study Council	2,665
Travel	21,576
Membership and subscriptions	2,281
New equipment	10,814
Total Other Expenses	161,968
Total Administrative Expenses	$711,529

Above amounts do not include investment-related administrative expenses.

Schedule of Investment Expenses

Year Ending December 31, 2008

Personnel	$319,328
Professional Services	
Investment services	4,087,766
Monitor services	235,496
Total Professional Services	4,323,262
Other Expenses	
Computer Services	35,140
Memberships and subscriptions	3,422
Printing and supplies	6,604
Total Other Expenses	45,166
Total Investment Expenses	$4,687,756

Payments to Consultants

Year Ending December 31, 2008

Consultant	Fee	Service
Hartland & Co.	$225,496	Investment
Gabriel, Roeder, Smith & Company	59,950	Actuarial
Kennedy Cottrell Richards LLC	16,275	Auditing
PricewaterhouseCoopers	16,115	Health Care
Tucker Ellis & West LLP	13,362	Health Care
Global Trading Analytics, LLC	10,000	Investment
Earl N. Metz, M.D.	2,125	Medical
Total	$343,323	

See Investment Section, pages 42-43, for payments to investment managers and brokers.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Retirement Board
Ohio State Highway Patrol Retirement System

We have audited the combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), as of December 31, 2008, and the related combining statement of changes in plan net assets for the year then ended, and have issued our report thereon dated June 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the U.S. Comptroller General.

Internal Control over Financial Reporting

In planning and performing our audit, we considered HPRS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HPRS' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HPRS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended for the information and use of the audit committee, management, Board of Trustees, and Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

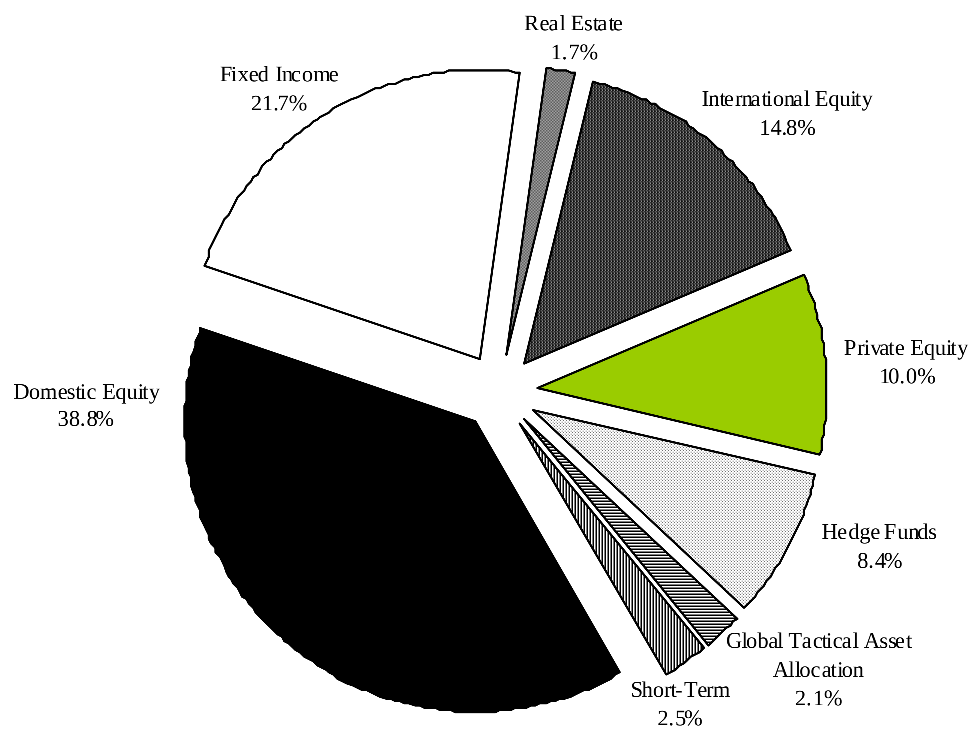
Kennedy Cottrell Richards LLC
June 4, 2009

Accountants & Consultants for Business & Government

Investment Section

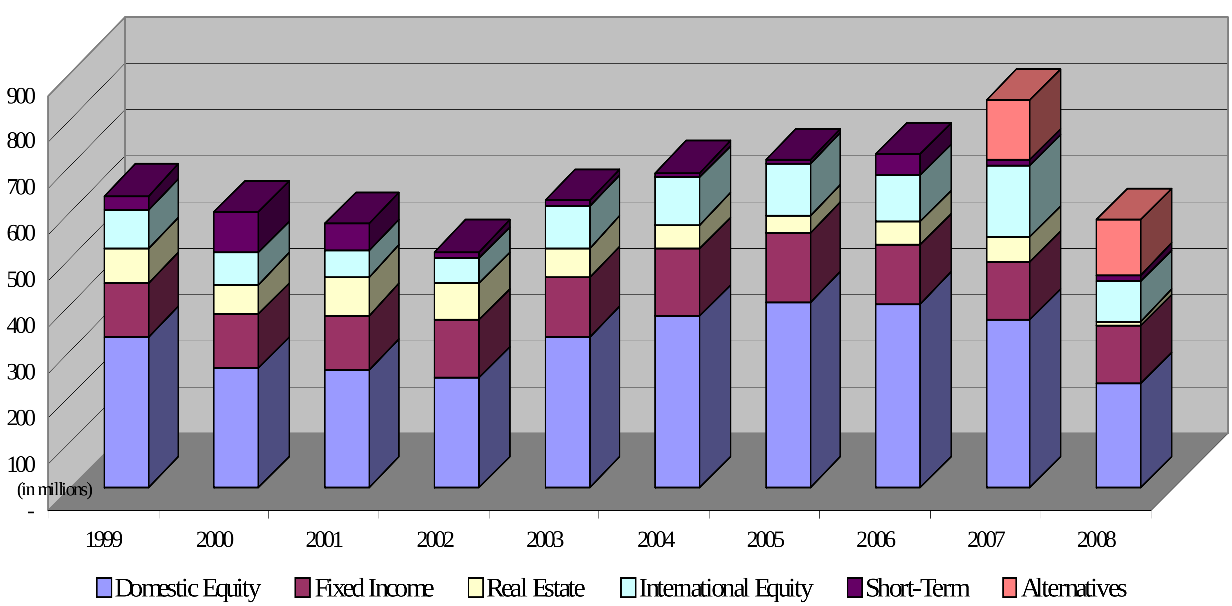
Investment Distribution

at Fair Value, December 31, 2008



Ten-Year Investment Comparison

at Fair Value, December 31, 2008



Report on Investment Activity

Year Ending December 31, 2008

General Market & Economic Conditions

Going into 2008, many market participants were contemplating a slowdown in the housing market that might lead to a curtailment in consumer spending and possibly induce a recession. With the benefit of perfect hindsight, the devaluation of home prices not only triggered these two aforementioned events, but it also nearly caused an outright collapse of the entire U.S. financial system and sparked a worldwide slowdown of epic proportions.

At the beginning of the year, unemployment was just over 4%, GDP was averaging 3% in the four most recent quarters, and while policymakers had begun to lower short-term interest rates in late 2007, many were publicly stating that the problems within the housing market would be "contained."

At the halfway point of the year, concerns over falling real estate prices remained, but rapidly rising energy prices became equally concerning and somewhat vexing as well. In fact, there were some economists that began advocating for higher interest rates in order to stave off the potential threat of inflation as oil, gold and other commodities climbed to record highs.

By the end of the year, a far more different picture had emerged. Unemployment had moved closer to 8%, GDP had fallen by its largest amount in over twenty-five years, and short-term interest rates were lowered to zero. In short, fears of inflation had been replaced by deflation and moreover, a panic over liquidity gripped the financial system.

In response, policymakers undertook many unprecedented actions including the Federal Reserve lending directly to banks, and a slew of new programs were announced, many created hastily in hopes of restoring some normalcy to the markets.

Along the way, companies such as AIG, Bear Stearns, Lehman Brothers, Washington Mutual, Wachovia and (much closer to home) National City disappeared from the economic landscape last year (or soon will in the not too distant future). Other financial companies underwent significant levels of stress, as investors fretted over the health of their balance sheets.

Outside of the financial sector, GM and Chrysler were kept on life support, only to fall into bankruptcy in the first half of 2009. And in a year of history-making events, the U.S. electorate made history by electing Barack Obama as President.

As a result of these tumultuous events, investments of all types took a beating. Treasury bonds were the only safe haven although there truly were few places to hide as even money market funds faced challenges shortly after the demise of Lehman Brothers due to severe dislocations that occurred within the commercial paper market.

For the year, the S&P 500 Index fell 37.0%, its worst calendar year performance since 1937. Small-cap stocks fell slightly less than their large-cap counterparts, but offered little in the way of consolation, finishing the year down 33.8%. Investors were universally negative on both Growth and Value segments of the market: The best performing style was still down nearly 30% (small-cap value at -28.9%), whereas the worst performing area of the U.S. equity market was down over 40% (mid-cap growth at -44.3%).

In a sign of just how extensive the sell-off was, within the S&P 500 Index, only 15 stocks ended the year in positive territory. In addition, 2008 was an especially volatile year as well; there were 18 days in which the S&P 500 Index moved up or down by 5% or more. In the last 51 years, there have only been 17 days total in which the Index has moved by that magnitude.

As investors sold U.S. stocks en masse, they fled risky assets worldwide, as well. This, combined with a 20% rise in the U.S. dollar in the second half, prompted the MSCI EAFE Index to fall 43.1% last year, ending a winning streak in which international stocks bested domestic stocks for six straight years.

Japan fared comparatively better (down 29.1%), whereas emerging markets fared comparatively worse (down 53.2%). Within the emerging markets, China's stock market declined 25% (outperforming the U.S. by 1,300 basis points), whereas the Russian stock market plummeted 45%, fueled by a collapse in the price of oil from $145 per barrel in early July 2008 to $45 per barrel by the end of the year.

Weakness within the real estate market led to more pressure on REITs. For the year, the NAREIT Index declined 37.3%, in line with the S&P 500, though there was a wide range within the underlying subsectors: lodging-related REITs were off nearly 60%, whereas the self-storage sector generated a positive 5% return in 2008.

Significant dispersion was also prevalent within hedge funds, yet in the aggregate, hedge funds provided some downside protection as evidenced by a decline of 19.9% registered by the HFRI Fund of Funds Index, 1,700 basis points ahead of the S&P 500 Index.

Lastly, the Lehman Brothers Aggregate Bond Index returned 5.2% in 2008. This Index is often viewed as a diversified proxy for the overall U.S. Bond Market. Shortly after the beginning of the year, its name was changed to the Barclays Capital Aggregate Bond Index, reflecting the disappearance of the Lehman name.

Within fixed income, long-dated Treasuries vastly outperformed all other segments as interest rates fell rapidly. Conversely, high yield securities were the worst performing fixed income, falling 26.2% as high yield spreads widened to all-time high levels, another vivid illustration of the fear that overtook the market in the fourth quarter of 2008.

Source: Hartland & Co.

Investment Operations

During 2008, very few changes to the investment portfolio were commenced, with funding of certain alternative investments continuing. The performance of the alternative investment categories mitigated risk through the use of non-correlated investments. Hartland & Co. offered advice based on their experience with various alternative investment styles and managers.

Careful attention was given to matching expected returns to liabilities. This process insures that funds will be available to meet future obligations and that only the appropriate level of risk is taken to achieve those returns. In order to preclude the need to sell investment holdings during periods of market decline, the Board took action to establish a separate investment account for operating cash.

The entire year of 2008 was particularly difficult for any type of investor. Every major asset class underperformed expectations. Long-established investment banks and managers collapsed. There was no place in the market to invest with confidence.

The following *Schedule of Investment Results* presents HPRS gross-of-fee investment returns, based upon market values, as calculated by Hartland & Co. using time-weighted rates of return.

Report by Richard A. Curtis, Executive Director/Chief Investment Officer

Schedule of Investment Results

Year Ending December 31, 2008

	2008	2007	3-Year	5-Year
Domestic Equity	**(38.3%)**	**4.7%**	**(9.3%)**	**(1.8%)**
S&P 500	(37.0)	5.5	(8.4)	(2.2)
Russell 2500	(36.8)	1.4	(9.4)	(1.0)
International Equity	**(42.0)**	**18.0**	**(5.1)**	**2.7**
MSCI ACWI ex US	(45.3)	17.1	(6.6)	3.0
Fixed Income	**(1.1)**	**6.3**	**3.6**	**4.1**
Barclays Capital Aggregate	5.2	7.0	5.5	4.7
Real Estate	**(29.8)**	**10.9**	**(4.7)**	**1.8**
NCREIF	(6.5)	16.3	8.1	11.7
Alternatives ▲	**(13.6)**	**8.8**	--	--
HFRI Fund of Funds Composite	(21.0)	9.9	(1.3)	2.0
CPI + 5%	5.1	9.8	7.4	7.8
Total Fund	**(28.3)**	**8.2**	**(3.9)**	**1.3**
Absolute Objective	8.0	8.0	8.0	8.0
Relative/Composite Benchmark ►	(24.9)	8.5	(2.3)	2.5

▲ Includes Private Equity, Hedge Funds, and Global Tactical Asset Allocation
► Relative/Composite Benchmark: 30% S&P 500, 15% Russell 2500, 15% MSCI ACWI ex US, 20% Barclays Capital Aggregate, 5% NCREIF, 5% HFRI Fund of Funds, and 10% CPI+5%.

All returns are calculated gross-of-fees on market values using time-weighted rates of return.

Source: Hartland & Co.

Investment Summary

December 31, 2008

Portfolio Type	Fair Value	% of Total Fair Value	Policy %
Domestic Equity	$225,288,962	38.8	45.0
International Equity	85,990,680	14.8	15.0
Fixed Income	126,361,069	21.7	20.0
Real Estate	9,578,623	1.7	5.0
Alternatives ▲	119,452,826	20.5	15.0
Short-Term	14,793,573	2.5	0.0
Total	$581,465,733	100.0	100.0

▲ Includes Private Equity, Hedge Funds, and Global Tactical Asset Allocation

A complete list of portfolio holdings begins on page 34.

Largest Equity Holdings (by Fair Value)

December 31, 2008

	Shares	Fair Value
Exxon Mobil Corp	31,000	$2,474,730
Chevron Corporation	19,200	1,420,224
Annaly Capital Management Inc	83,500	1,325,145
AT&T Inc	42,500	1,211,250
ConocoPhillips	23,100	1,196,580
General Electric Co	71,300	1,155,060
International Business Machines	12,500	1,052,000
Pfizer Inc	55,600	984,676
Marathon Oil Corporation	34,400	941,184
Corinthian Colleges Inc	54,590	893,638

Investment Portfolio

December 31, 2008

Domestic Equity Securities

	Shares	Fair Value
3M Co	1,400	$80,556
A A R CORP	8,400	154,644
AK Steel Holding Corp	2,200	20,504
Ansys Inc	3,290	91,758
ATMI Inc	7,900	121,897
Abbot Labs	9,200	491,004
Abercrombie & Fitch Co Class A	5,200	119,964
ACI Worldwide Inc	12,700	201,930
Activision Blizzard Inc	14,100	121,824
Actuant Corp	25,270	480,635
Adobe System Inc	600	12,774
Advance Auto Parts Inc	2,100	70,665
AECOM Technology Corp	3,580	110,013
Aeropostale Inc	3,910	62,951
Affiliated Computer Services Inc Class A	1,300	59,735
AFLAC Inc	2,600	119,184
Air Products & Chemicals Inc	8,300	417,241
Airgas Inc	500	19,495
Airtran Holdings Inc	18,840	83,650
Alberto Culver Co	500	12,255
Alcoa Inc	47,700	537,102
Alexion Pharmaceuticals Inc	20,650	747,324
Alliant Techsystems Inc	5,100	148,818
Allos Therapeutics Inc	5,500	33,660
Allstate Corp	7,700	252,252
Alpha Natural Resources Inc	6,500	105,235
Altera Corp	5,700	95,247
Altria Group Inc	4,400	66,264
Amazon Company Inc	2,000	102,560
American Eagle Outfitters Inc	48,000	449,280
American Electric Power Company Inc	8,200	272,896
American International Group Inc	17,200	27,004
AMERIGROUP Corp	3,320	98,006
Ameriprise Financial Inc	14,400	336,384
AmerisourceBergen Corp	8,000	285,280
Ametek Inc	12,350	373,094
Amgen Inc	10,000	577,500
Amphenol Corp	1,700	40,766
Anadarko Petroleum Corp	2,500	96,375
Analog Devices Inc	26,800	509,736
Annaly Capital Management Inc	83,500	1,325,145
Anworth Mortgage Asset Corp	41,500	266,845
Apache Corp	2,500	186,325
Apartment Invest and Mgmt Co Class A	748	8,639
Apple Inc	4,600	392,610
Applies Materials Inc	2,300	23,299
AptarGroup Inc	9,000	317,160
Arch Cap Group Ltd	6,700	469,670
Arch Chemicals Inc	7,900	205,953
Arch Coal Inc	1,100	17,919
Archer Daniels Midland Co	14,900	429,567
Ashland Inc	20,930	219,974

	Shares	Fair Value
Assurant Inc	5,200	$156,000
AT&T Inc	42,500	1,211,250
Atheros Communications Inc	6,280	89,867
Atmos Energy Corp	5,600	132,720
Autoliv Inc	7,400	158,804
Automatic Data Processing Inc	500	19,670
Autozone Inc	400	55,788
Auxilium Pharmaceuticals Inc	2,670	75,935
Avery Dennison Corp	10,400	340,392
Avon Products Inc	1,200	28,836
BB & T Corp	6,400	175,744
BE Aerospace Inc	33,260	255,769
BMC Software Inc	20,300	546,273
Ball Corp	6,000	249,540
Bally Technologies Inc	4,070	97,802
Bank of America Corp	50,600	712,448
Bank of Hawaii Corp	4,100	185,197
Bank of New York Mellon Corp	26,600	753,578
Bank of the Ozarks Inc	6,300	186,732
Bard, C R Inc	600	50,556
Barnes & Noble Inc	10,500	157,500
Baxter International Inc	6,700	359,053
Becton Dickinson & Co	900	61,551
Bed Bath & Beyond Inc	200	5,084
Best Buy Company Inc	300	8,433
Big Lots Inc	4,300	62,307
Biogen Idec Inc	100	4,763
Biomarin Pharmaceutical Inc	1,000	17,800
Black & Decker Corp	8,650	361,657
Blackrock Inc	400	53,660
Block H & R Inc	6,600	149,952
Boeing Co	3,100	132,277
Borg Warner Inc	16,600	361,382
Boston Scientific Corp	4,600	35,604
Brinker International Inc	41,900	441,626
Brink's Co	2,500	67,200
Brink's Home Security Holdings Inc	1,800	39,456
Bristol-Myers Squibb Co	18,000	418,500
Broadcom Corp	600	10,182
Broadridge Financial Solutions Inc	7,100	89,034
Brocade Communications Systems	53,100	150,273
Brookline Bancorp Inc	10,440	111,186
Brown Forman Corp Class B	875	45,054
Bruker Corp	9,740	39,350
Bucyrus International Inc	4,630	85,748
Build A Bear Workshop Inc	8,400	40,824
Burger King Holdings Inc	1,000	23,880
Burlington Northern Santa Fe Corp	3,900	295,269
CH Robinson Worldwide Inc	1,900	104,557
CONSOL Energy Inc	5,400	154,332
CSX Corp	12,300	399,381
CVS/Caremark Corp	6,978	200,548

Domestic Equity Securities (continued)

	Shares	Fair Value
Cabot Corp	18,000	$275,400
Cabot Oil & Gas Corp Class A	2,100	54,600
Cal Dive International Inc	7,360	47,914
Calpine Corp	3,000	21,840
Campbell Soup Co	1,100	33,011
Capital One Financial Corp	6,200	197,718
Capitol Federal Financial	100	4,560
Capstead Mortgage Corp	8,381	90,263
Cardinal Health Inc	500	17,235
Carlisle Cos Inc	7,200	149,040
Cash America International Inc	11,400	311,790
Caterpillar Inc	7,900	352,893
Cavium Networks Inc	4,470	46,980
CBS Corp	61,800	506,142
Celanese Corp	900	11,187
Celgene Corp	2,100	116,088
Central European Distribution Corp	3,460	68,162
CenturyTel Inc	7,900	215,907
Cephalon Inc	200	15,408
Cepheid	3,270	33,943
CF Industries Holdings Inc	200	9,832
Charles River Laboratories	500	13,100
Charles Schwab Corp	800	12,936
Chesapeake Energy Corp	2,900	46,893
Chevron Corp	19,200	1,420,224
Chubb Corp	6,800	346,800
Church and Dwight Inc	10,150	569,618
Cimarex Energy Co	11,413	305,640
Cincinnati Bell Inc	16,840	32,501
Cincinnati Financial Corp	4,500	130,815
Cisco Systems Inc	25,100	409,130
Citigroup Inc	71,100	477,081
Citrix Systems Inc	12,400	292,268
CLARCOR Inc	3,170	105,181
Cliffs Natural Resources Inc	4,800	122,928
Coach Inc	300	6,231
Coca Cola Co	12,900	583,983
Coca-Cola Enterprise Inc	11,000	132,330
Colgate Palmolive Co	3,500	239,890
Comcast Corp Class A	6,900	116,472
Comerica Inc	17,900	355,315
CommScope Inc	300	4,662
Community Health Systems Inc	1,100	16,038
Computer Sciences Corp	5,100	179,214
Compuware Corp	6,200	41,850
Comstock Resources Inc	1,770	83,633
Comtech Telecommunications Corp	15,500	710,210
Comverse Technology Inc	33,500	209,710
Conway Inc	400	10,640
ConAgra Foods Inc	27,700	457,050
Concho Resources Inc	4,920	112,274
Concur Technologies Inc	3,550	116,511
CONMED Corp	22,000	526,680
ConocoPhillips	23,100	1,196,580

	Shares	Fair Value
Constellation Energy Group, Inc	300	$7,527
Convergys Corp	13,300	85,253
Copart Inc	3,000	81,570
Corinthian College Inc	54,590	893,637
Corning Inc	1,700	16,201
Corrections Corp of America	20,100	328,836
Costco Wholesale Corp	2,000	105,000
Covance Inc	1,900	87,457
Crane Co	4,300	74,132
Crown Holdings Inc	39,600	760,320
Cubist Pharmaceuticals Inc	4,480	108,237
Cummins Inc	900	24,057
DTE Energy Co	6,300	224,721
Darden Restaurants Inc	4,600	129,628
DaVita Inc	10,100	500,657
DeVry Inc	10,450	599,935
Deckers Outdoor Corp	590	47,123
Deere & Co	3,200	122,624
Del Monte Foods Co	21,800	155,652
Dell Inc	11,700	119,808
Denbury Resources Inc	43,440	474,365
DENTSPLY International Inc	9,700	273,928
Devon Energy Corp	2,400	157,704
Diamond Offshore Drilling Inc	200	11,788
Diebold Inc	1,000	28,090
Digital Realty Trust Inc	500	16,425
DIRECTV Group Inc	2,500	57,275
Disney, Walt Co	2,900	65,801
Dolby Laboratories Inc	1,000	32,760
Dollar Tree Stores Inc	2,300	95,887
Donaldson Company Inc	300	10,095
Donnelley R R & Sons Co	43,100	585,298
Dover Corp	3,800	125,096
Dow Chemical	30,800	464,772
Dr Pepper Snapple Group Inc	10,500	170,625
DreamWorks Animation SKG Inc	9,700	245,022
Dril-Quip Inc	3,280	67,273
Dun & Bradstreet Corp	500	38,600
Dycom Industries Inc	6,800	55,896
EOG Resources Inc	2,300	153,134
Eaton Corp	3,500	173,985
Ecolab Inc	200	7,030
Edison International	4,500	144,540
Edwards Lifesciences Corp	2,300	126,385
Eli Lilly & Co	10,900	438,943
Embarq Corp	200	7,192
Emerson Electric Co	1,200	43,932
Encore Acquisition Co	900	22,968
Energen Corp	6,300	184,779
Ensco International Inc	2,300	65,297
Entergy Corp	300	24,939
Equifax Inc	500	13,260
Equitable Resources Inc	8,700	291,885
Essex Property Trust Inc	300	23,025

Domestic Equity Securities (continued)

	Shares	Fair Value
Esterline Technologies Corp	8,260	$312,971
Euronet Worldwide Inc	6,700	77,787
ev3 Inc	7,490	45,689
Exelon Corp	400	22,244
Expedia Inc	25,100	206,824
Express Scripts Inc Class A	2,300	126,454
Exterran Holdings Inc	14,800	315,240
Exxon Mobil Corp	31,000	2,474,730
Ezcorp Inc	11,800	179,478
FMC Corp	700	31,311
FTI Consulting Inc	2,820	125,998
F5 Networks Inc	2,300	52,578
Family Dollar Stores Inc	200	5,214
FASTENAL CO	2,800	97,580
Fidelity National Information Services	9,500	154,565
Fifth Third Bancorp	41,900	346,094
First American Corp	1,600	46,224
First Commonwealth Financial Corp	5,650	69,947
First Mercury Financial Corp	8,290	118,215
First Solar Inc	1,200	165,552
FLIR Systems Inc	1,700	52,156
Flowserve Corp	1,700	87,550
Fluor Corp	1,700	76,279
FMC Technologies Inc	900	21,447
Foot Locker Inc	10,500	77,070
Forest Laboratories Inc	7,000	178,290
Forest Oil corp.	41	676
Foundation Coal Holdings Inc	2,300	32,246
Frontier Communications Corp	32,400	283,176
Fuller, H B Co	15,100	243,261
GATX Corp	200	6,194
GameStop Corp Class A	1,700	36,822
Gap Inc	13,300	178,087
Gen Probe Inc	10,100	432,684
Genentech Inc	1,700	140,947
General Dynamics Corp	2,400	138,216
General Electric Co	71,300	1,155,060
General Mills Inc	1,000	60,750
Genesis Lease Ltd	15,100	42,733
Gentiva Health Services Inc	4,930	144,252
Genworth Financial Inc Class A	12,900	36,507
Genzyme Corp	800	53,096
Geo Group Inc	6,900	124,407
Gilead Sciences Inc	4,000	204,560
Glacier Bancorp Inc	13,182	250,722
Global Payments Inc	800	26,232
Goldman Sachs Group Inc	2,300	194,097
Goodrich Corp	100	3,702
Google Inc Class A	800	246,120
Graco Inc	2,500	59,325
Grainger, W W Inc	300	23,652
Greenhill & Co Inc	970	67,677
Greif Inc Class A	200	6,686
GSI Commerce Inc	11,640	122,453

	Shares	Fair Value
HCC Insurance Holdings Inc	6,700	$179,225
Hain Celestial Group Inc	5,950	113,586
Halliburton Co	2,600	47,268
Hanesbrands Inc	4,500	57,375
Harley-Davidson Inc	6,200	105,214
Harsco Corp	200	5,536
Hartford Financial Services Group Inc	1,700	27,914
Hasbro Inc	2,900	84,593
HCP INC	800	22,216
Health Care REIT	600	25,320
Heinz H J Co	2,700	101,520
HESS CORP	3,300	177,012
Hewitt Associates Inc Class A	3,800	107,844
Hewlett-Packard Co	14,900	540,721
Hill Rom Holdings Inc	200	3,292
Hologic Inc	3,530	46,137
Home Depot Inc	24,100	554,782
Honeywell International Inc	9,600	315,168
Hospira Inc	100	2,682
Hospitality Properties Trust	5,500	81,785
Hudson City Bancorp Inc	8,200	130,872
Humana Inc	5,000	186,400
Hunt J B Transportation Services Inc	8,400	220,668
Huntington Bancshares Inc	43,000	329,380
ITT Corp	300	13,797
ITT Educational Services Inc	2,500	237,450
Iconix Brand Group Inc	10,390	101,614
Idex Corp	15,900	383,985
IHS Inc Class A	2,980	111,512
Illinois Tool Works Inc	12,200	427,610
Illumina Inc	31,820	828,910
Immucor Inc	3,320	88,246
Informatica Corp	8,020	110,115
Ingram Micro Inc	5,700	76,323
Insulet Corp	4,900	37,828
Intel Corp	20,900	306,394
InterMune Inc	5,350	56,603
International Business Machines Corp	12,500	1,052,000
International Paper Co	10,300	121,540
Interpublic Group of Companies Inc	4,400	17,424
Interwoven Inc	9,440	118,944
Intuit Inc	300	7,137
Intuitive Surgical Inc	200	25,398
Inverness Medical Innovations Inc	2,510	47,464
Investment Technology Group Inc	11,900	270,368
ITC Holdings Corp	3,140	137,155
Itron Inc	200	12,748
J Crew Group Inc	2,840	34,648
JM Smucker Co	300	13,008
JP Morgan Chase & Co	20,100	633,753
Jabil Circuit Inc	57,300	386,775
Jacobs Engineering Group Inc	200	9,620
Jefferies Group Inc	18,700	262,922
Johnson & Johnson	12,300	735,909

Domestic Equity Securities (continued)

	Shares	Fair Value
Joy Global Inc	400	$9,156
Kansas City Southern	19,800	377,190
Kellogg Co	700	30,695
KeyCorp	70,400	599,808
Kimberly Clark Corp	1,500	79,110
Kinetic Concepts Inc	13,800	264,684
Kirby Corp	2,000	54,720
Kohl's Corp	300	10,860
Kraft Foods Inc Class A	2,500	67,125
Kroger Co	4,800	126,768
L-3 Communications Holdings Inc	500	36,890
Laboratory Corp of America Holdings	100	6,441
Landstar System Inc	2,000	76,860
Lauder, Estee Class A	1,900	58,824
Lender Processing Services Inc	8,900	262,105
Lennox International Corp	4,100	132,389
Liberty Global Inc Class A	400	6,368
Liberty Media Corp	1,400	24,472
Life Technologies Corp	11,836	275,897
Life Time Fitness Inc	5,640	73,038
Limited Brands	44,000	441,760
Lincoln Electric Holdings Inc	700	35,651
Linear Technology Corp	4,200	92,904
LKQ Corp	10,910	127,211
Lockheed Martin Corp	3,400	285,872
Lorillard Inc	7,000	394,450
Loews Corp	300	6,456
LSI Corp	1,300	4,277
Lubrizol Corp	10,200	371,178
MBIA Inc	5,400	21,978
Macrovision Corp	9,671	122,338
Macy's Inc	38,400	397,440
Mair Holdings Inc	15,580	156
Marathon Oil Corp	34,400	941,184
Mariner Energy Inc	14,070	143,514
Marshall & Ilsley Corp	27,800	379,192
Masco Inc	23,900	266,007
Masimo Corp	3,100	92,473
Massey Energy Co	27,000	372,330
MasterCard Inc	1,700	242,981
Maxim Integrated Products Inc	29,300	334,606
McGraw-Hill Companies Inc	7,400	171,606
McAfee Inc	200	6,914
McCormick & Co Inc	500	15,930
McCormick & Schmick's Seafood	6,810	27,376
McDonalds Corp	4,500	279,855
Medco Health Solutions Inc	8,100	339,471
Medtronic Inc	3,300	103,686
Merck & Co Inc	12,600	383,040
Mercury General Corp	12,400	570,276
Meridian Bioscience Inc	4,610	117,417
Merrill Lynch & Co Inc	27,100	315,444
Metavante Technologies Inc	400	6,444
MetroPCS Communications Inc	100	1,485

	Shares	Fair Value
Mettler-Toledo International Inc	7,600	$512,240
Microchip Technology Inc	4,500	87,885
Microsemi Corp	4,080	51,571
Microsoft Inc	45,200	878,687
Midas Inc	9,300	97,557
Molex Inc	7,700	111,573
Monolithic Power Systems Inc	1,790	22,572
Monsanto Co	2,300	161,805
Morgan Stanley	38,800	622,352
Motorola Inc	69,900	309,657
MSC Industrial Direct Co Inc Class A	2,000	73,660
MSCI Inc	300	5,328
Murphy Oil Corp	5,800	257,230
Mylan Labs Inc	9,000	89,010
Myriad Genetics Inc	1,650	109,329
NBTY Inc	1,000	15,650
NCI Buildings Systems Inc	7,800	127,140
NCR Corp	9,300	131,502
NII Holdings Inc	400	7,272
Nstar	3,800	138,662
NACCO Industries Inc Class A	1,100	41,151
Nash-Finch Co	10,800	484,812
National Oilwell Varco Inc	2,300	56,212
National Retail Properties REIT	5,500	94,545
National Semiconductor Corp	800	8,056
Nationwide Health REIT	300	8,616
Navigant Consulting Inc	25,500	404,685
Ness Technologies Inc	26,400	112,992
Network Appliance Inc (NetApp Inc)	23,500	328,295
NeuStar Inc Class A	3,380	64,659
Newell Rubbermaid Inc	23,000	224,940
News Corp Inc Class A	9,600	87,264
Nike Inc Class B	2,900	147,900
NiSource Inc	7,500	82,275
Norfolk Southern Corp	4,600	216,430
Northern Trust Corp	1,100	57,354
Northrop Grumman Corp	18,900	851,255
NRG Energy Inc	12,400	289,292
Nuance Communications Inc	40,600	420,616
Nucor Inc	4,900	226,380
NutriSystem Inc	22,700	331,193
NuVasive Inc	1,010	34,997
ON Semiconductor Corp	19,330	65,722
O'Reilly Automotive Inc	12,400	381,176
Occidental Petroleum Corp	16,300	977,837
OfficeMax Inc	40,000	305,600
Oil States International Inc	1,800	33,642
Omnivision Technologies Inc	13,900	72,975
Omnicom Group Inc	200	5,552
Omniture Inc	4,420	47,029
Optimer Pharmaceuticals Inc	10,140	122,795
Oracle Corp	13,362	236,908
OSI Pharmaceuticals Inc	21,020	820,830
Overseas Shipholding Group Inc	2,700	113,697

Domestic Equity Securities (continued)

	Shares	Fair Value
Owens-Illinois Inc	19,400	$530,202
PPG Industries Inc	9,500	403,085
PPL Corp	4,000	122,760
Pacer International Inc	11,200	116,816
Pall Corp	600	17,058
Panera Bread Co	1,100	57,464
Parexel International Corp	7,610	73,893
Parker-Hannifin Corp	2,800	119,112
Patriot Coal Corp	8,000	50,000
Patterson-UTI Energy Inc	5,000	57,550
Peabody Energy Corp	200	4,550
Pediatrix Medical Group Inc	6,300	199,710
Penney, JC Co Inc	20,200	397,940
Pepsi Bottling Group Inc	7,100	159,821
PepsiCo Inc	8,900	487,453
Perkin Elmer Inc	8,100	112,671
Perrigo Co	1,800	58,158
Petrohawk Energy Corp	2,900	45,327
PetSmart Inc	17,600	324,720
Pfizer Inc	55,600	984,676
Pharmaceutical Product Development	1,200	34,812
Philip Morris International Inc	8,700	378,537
Phillips-Van Heusen Corp	2,280	45,896
Pinnacle West Capital Corp	5,700	183,141
Pitney Bowes Inc	15,000	382,200
Plains Exploration & Production Co	1,100	25,564
Plum Creek Timber Co Inc	200	6,948
Polaris Industries Inc	4,400	126,060
Polo Ralph Lauren Crop	700	31,787
Polycom Inc	15,070	203,596
Praxair Inc	1,500	89,040
Precision Castparts Corp	300	17,844
Priceline Company Inc	1,550	114,158
Pride International Inc	2,500	39,950
PrivateBancorp Inc	12,100	392,766
Procter & Gamble Co	15,192	939,168
Protective Life Corp	20,200	289,870
Prudential Financial Inc	6,200	187,612
Public Service Enterprise Group Inc	1,000	29,170
Puget Energy Inc	5,600	152,712
Qualcomm Inc	8,600	308,138
Quanta Services Inc	1,100	21,780
Quest Diagnostics Inc	900	46,719
Questar Corp	200	6,538
Quicksilver Resources Inc	2,200	12,254
RadioShack Corp	9,000	107,460
Range Resources Corp	10,300	354,217
Raytheon Co	100	5,104
RBC Bearings Inc	3,940	79,903
Red Hat Inc	5,100	67,422
Regal Entertainment Group	6,610	67,488
Regions Financial Corp	44,600	355,016
Rent-A-Center Inc	21,500	379,475
Republic Services Inc	1,500	37,185

	Shares	Fair Value
Robert Half International Inc	200	$4,164
Rockwell Automation Inc	17,200	554,528
Rohm & Haas Co	500	30,895
Ross Stores Inc	6,700	199,191
RPM International Inc	25,300	336,237
Ryder System Inc	1,300	50,414
SCANA Corp	5,300	188,680
SPX Corp	7,700	312,235
Safeway Inc	4,200	99,834
salesforece.com inc	3,200	102,432
SandRidge Energy Inc	400	2,460
Santarus Inc	85,200	133,764
SBA Communications Corp	7,670	125,174
Schein, Henry Inc	100	3,669
Scientific Games Corp	400	7,016
Sherwin Williams Co	3,900	233,025
Sigma-Aldrich Corp	1,400	59,136
Signature Bank	3,420	98,120
Silgan Holdings Inc	13,340	637,785
Simon Property Group Inc	1,100	58,443
Smith International Inc	1,900	43,491
Sohu.com Inc	1,400	66,276
Solera Holdings Inc	5,680	136,888
Sonus Networks Inc	21,840	34,507
Southwestern Energy Co	3,500	101,395
St Jude Medical Inc	1,000	32,960
St Mary Land & Exploration Co	100	2,031
Staples Inc	4,100	73,472
Starwood Hotels & Resorts Worldwide	19,700	352,630
State Street Corp	2,300	90,459
Steel Dynamics Inc	900	10,062
Stericycle Inc	300	15,624
Steris Corp	1,280	30,579
Strayer Education Inc	200	42,882
Stryker Corp	2,300	91,885
Sunoco Inc	11,000	478,060
Sunstone Hotel Investments Inc	15,000	92,850
SunTrust Banks Inc	21,200	626,248
Superior Energy Services Inc	2,900	46,197
Symantec Corp	10,500	141,960
Synaptics Inc	2,600	43,056
Synchronoss Technologies Inc	5,410	57,671
TJX Companies Inc	6,300	129,591
Taleo Corp	8,580	67,181
Taubman Center REIT	400	10,184
Techne Corp	1,200	77,424
TeleTech Holdings Inc	9,730	81,246
Tellabs Inc	21,500	88,580
Tenet Healthcare Corp	12,200	14,030
Teradyne Inc	2,600	10,972
Terex Corp	3,500	60,620
Tessera Technologies Inc	4,860	57,737
Texas Instructions Inc	300	4,656
The Hershey Co	7,700	267,498

Domestic Equity Securities (continued)

	Shares	Fair Value
The Mosaic Co	1,500	$51,900
The St Joe Co	4,200	102,144
Thermo Fisher Scientific Inc	100	3,407
Thoratec Corp	4,510	146,530
Tibco Softwave Inc	15,110	78,421
Tidewater Inc	100	4,027
Time Warner Inc	24,500	246,470
Titan Machinery Inc	4,850	68,191
Toll Brothers Inc	10,800	231,444
Torchmark Corp	9,900	442,530
Travelers Companies Inc	8,100	366,120
Tupperware Brands Corp	5,260	119,402
Tyco International Ltd	6,800	146,880
Tyson Foods Inc Class A	600	5,256
URS Corp	2,960	120,679
US Bancorp	4,800	120,048
Union Pacific Corp	6,400	305,920
Unit Corp	1,600	42,752
United Health Group Inc	7,700	204,820
United Online Inc	8,800	53,416
United Parcel Service Inc Class B	500	27,580
United States Steel Corp	1,500	55,800
United Technologies Corp	300	16,080
United Therapeutics Corp	1,620	101,331
Urban Outfitters Inc	6,300	94,374
Valero Energy Corp	5,200	112,528
Valmont Industries Inc	100	6,136
Valspar Corp	13,300	240,597
ValueClick Inc	15,900	108,756
Varian Medical Systems Inc	2,500	87,600
Ventas Inc	600	20,142
Verifone Holdings Inc	42,210	206,829
VeriSign Inc	14,700	280,476
Verizon Communications Inc	22,900	776,310
Vertex Pharmaceuticals Inc	700	21,266
Vignette Corp	5,460	51,379
Visa Inc Class A	2,800	146,860
Wachovia Corp	10,700	59,278
Waddell & Reed Financial Inc Class A	1,200	18,552
Wal-Mart Stores Inc	10,200	571,812
Walgreen Co	700	17,269
Walter Industries Inc	9,400	164,594
Washington Federal Inc	36,512	546,220
Waste Connections Inc	4,110	129,753
Waste Management Inc	2,600	86,164
Watson Pharmaceuticals Inc	6,100	162,077
WellCare Health Plans Inc	200	2,572
WellPoint Inc	4,500	189,585
Wells Fargo & Co	12,000	353,760
WESCO International Inc	10,600	203,838
Western Digital Corp	16,700	191,215
Western Union Co	5,300	76,002
Whirlpool Corp	3,100	128,185
Whiting Petroleum Corp	4,000	133,840
Wiley, John & Sons Inc	900	32,022
Williams-Sonoma Inc	37,200	$292,392
Wilmington Trust Corp	18,600	413,664
Williams Companies Inc	3,120	83,928
Wright Express Corp	4,450	56,070
Wyeth	8,800	330,088
XTO Energy Inc	150	5,291
Xerox Corp	26,700	212,799
Xilinx Inc	15,600	277,992
Yahoo! Inc	1,000	12,200
YUM! Brands Inc	1,300	40,950
Zebra Technologies Corp	500	10,130
Zenith National Insurance Corp	9,750	307,808
Zimmer Holdings Inc	400	16,168
Zions Bancorporation	25,150	616,427
Total Domestic Equity Securities	5,534,921	$111,963,411

Domestic Equity Commingled Funds

	Fair Value
DFA Small Cap Subtrust	$9,601,775
SSGA S&P 500 Flagship Fund	46,192,391
Wellington Mgmt Diversified Growth	25,728,766
World Asset Mgmt Russell 2000	8,553,150
World Asset Mgmt Russell Mid-Cap	23,249,469
Total Domestic Equity Commingled Funds	$113,325,551

Total Domestic Equity	**$225,288,962**

International Equity Securities (ADR's)

	Shares	Fair Value
Accenture Ltd	3,200	$104,928
Ace Ltd	2,800	148,176
Aircastle Ltd	1,257	6,008
Allied World Assurance Co	9,211	373,967
Amdocs Limited	21,526	393,711
Apex Silver Mines Ltd	1,268	1,243
Argo Group Intl Holdings Ltd	492	16,689
Aspen Insurance Holdings Ltd	2,165	52,501
Assured Guaranty Ltd	1,344	15,322
Axis Capital Holdings Ltd	1,613	46,971
Banco LatinoAmericano DE Exp	653	9,377
BP plc Sons	6,700	313,158
Castlepoint Holdings Ltd	901	12,218
Central European Media Enterprises Ltd	367	7,971
Check Point Software Tech Ltd	23,900	453,861
Cooper Industries Ltd Class A	1,887	55,157
Copa Holdings SA Class A	313	9,490
DHT Maritime Inc	561	3,108
Domtar Corp	4,990	8,333
Dr Pepper Snapple Group	2,780	45,175
Elan plc	40,600	243,600
Endurance Specialty Holdings	4,858	148,315
Energy XXI Bermuda Ltd	2,709	2,140
Enstar Group Ltd	60	3,548

International Equity Securities (ADR's) (continued)

	Shares	Fair Value
EVEREST RE Group Ltd	8,683	$661,124
First BanCorp/Puerto Rico	1,714	19,094
Flagstone Reinsurance Holdings	811	7,923
Foster Wheeler Ltd	1,466	34,275
Frontline Ltd	2,821	83,530
Garmin Ltd	21,519	412,519
Genpact Ltd	641	5,269
Golar LNG Ltd	153	1,034
Greenlight Capital RE Ltd Class A	776	10,080
Helen of Troy Ltd	726	12,603
Herbalife Ltd	4,284	92,877
ICON plc	5,020	98,844
Ingersoll Rand Company	29,758	516,301
Invesco Ltd	4,280	61,803
IPC Holdings Ltd	1,184	35,402
Lazard Ltd Class A	807	24,000
Maiden Holdings Ltd	1,323	4,141
Marvell Technology Group Ltd	6,961	46,430
Max RE Capital Ltd	1,393	24,656
McDermott Intl Inc	2,456	24,265
Mellanox Technologies Ltd	12,290	96,599
MF Global Ltd	846	1,726
Montpelier RE Holding Ltd	8,667	145,519
Nabors Industries Ltd	6,053	72,454
Nice Systems Ltd Sponsored	4,960	111,451
Noble Corp	2,915	64,392
OneBeacon Insurance Group Ltd	242	2,526
Orient-Express Hotels Ltd Class A	444	3,401
Oriental Financial Group Inc	597	3,612
Orthofix Intl	281	4,308
Partnerre Ltd	588	41,907
Petrobank Energy & Resources	4,060	67,324
Platinum Underwriter Holdings	9,576	345,502
Popular Inc	3,005	15,506
Primus Guaranty Ltd	767	874
Renaissance RE Holdings Ltd	8,354	430,732
Santander Bancorp	92	1,149
Sappi Limited	12,300	48,093
Schlumberger Ltd	13,300	562,989
Seagate Technology	68,257	302,379
Shire plc	15,700	703,046
Signet Jewelers Ltd	911	7,898
Sohu.com Inc	297	14,060
Syneron Medical Ltd	24,800	206,832
Teva Pharmaceutical Industries Ltd	125	5,321
Textainer Group Holdings Ltd	133	1,410
Tim Hortons Inc Company	2,003	57,767
Teekay Corp	423	8,312
Toyota Motor Corp	5,100	333,744
Ultrapetrol Bahamas Ltd	673	2,147
United American Indemnity Ltd	444	5,688
UTI Worldwide Inc	600	8,604
Validus Holdings Ltd	1,633	42,719
Vistaprint Ltd	5,630	104,774

	Shares	Fair Value
Warner Chilcott Ltd Class A	964	$13,978
Weatherford Intl Ltd	5,600	60,592
White Mountains Insurance	97	25,910
XL Capital Ltd	6,535	24,180
Total International Equity Securities (ADR's)	462,193	$8,600,563

International Equity Commingled Funds

	Fair Value
Artio Int'l Equity II Group Trust	$31,656,413
Manning & Napier Overseas Series	17,429,124
World Asset Mgmt Foreign Equity Fund	28,304,580
Total Int'l Equity Commingled Funds	$77,390,117

Total International Equity	**$85,990,680**

Fixed Income Commingled Funds

	Fair Value
JP Morgan Investment Management	$50,837,604
Wells Capital Management	47,121,557
Western Asset - High Yield Portfolio	9,082,106
Western Asset - Strategic Emerging Markets LLC	9,065,081
Western Asset - Strategic Non-Hedge LLC	10,254,721
Total Fixed Income Commingled Funds	**$126,361,069**

Real Estate

	Fair Value
6161 Busch Blvd, Columbus, OH 43229	$2,265,000
6500 Busch Blvd, Columbus, OH 43229	1,880,000
Pyramis Global Advisors (FREG I)	259,169
Pyramis Global Advisors (FREG II)	1,888,096
Pyramis Global Advisors (FREG III)	1,069,140
World Asset Mgmt Russell 2000 (REIT's)	884,319
World Asset Mgmt Russell Mid-Cap (REIT's)	1,332,899
Total Real Estate	**$9,578,623**

Private Equity

	Fair Value
CSFB Private Equity Opportunities Fund LP	$8,203,951
Kayne Anderson Energy Fund IV	692,348
Kayne Anderson MLP Fund	6,292,067
Pantheon USA Fund VII, LP	4,992,900
Timbervest	37,947,709
Total Private Equity	**$58,128,975**

Fund of Hedge Funds

	Fair Value
Evanston Capital Weatherlow Offshore Fund II	$14,346,936
Feingold O'Keeffe Distressed Loan Fund	3,740,524
Lehman Bros Offshore Diversified Arbitrage Fund II	13,058,329
Protégé Partners, LP	6,942,309
Protégé Opportunistic Fund, LP	1,897,047
Sankaty Propsect Harbor Credit Partners, LP	1,181,638
Seix Credit Opportunities Fund, LLC	4,211,766
Oaktree Real Estate Opportunities Fund IV	3,523,586
Total Funds of Hedge Funds	**$48,902,135**

Global Tactical Asset Allocation

	Fair Value
Mellon Capital EB Global Alpha II Fund	$10,101,221
PIMCO Funds StockPLUS, LP Fund A	2,320,495
Total GTAA	**$12,421,716**

Total Investments, at Fair Value	**$566,672,160**

Summary Schedule of Investment Manager Fees

Year Ending December 31, 2008

Manager	Assets Managed, 12/31/08	Fees
Artio Global Investors	$31,656,414	$336,414
The Bank of New York Mellon	10,101,222	107,615
Brandywine Global Investment Management	17,746,892	148,518
Credit Suisse Alternative Investments	8,203,951	112,500
DePrince, Race & Zollo	24,080,621	181,667
Dimensional Fund Advisors	9,601,775	42,805
Evanston Capital Management	14,346,936	169,621
Feingold O'Keeffe Capital	3,740,524	81,190
Fred Alger Management	8,370,857	110,860
HPRS Internal Staff (real estate)	4,145,000	---
INTECH	24,768,652	188,224
J.P. Morgan Asset Management	50,837,603	132,851
Kayne Anderson Capital Advisors	6,984,415	117,918
Lehman Brothers Alternative Investment Management	13,058,329	150,406
LSV Asset Management	27,405,770	104,354
Manning & Napier Fund	17,429,124	178,629
Oaktree Capital Management	3,523,586	181,640
PanAgora	---	63,139
Pantheon Ventures	4,992,900	137,844
PIMCO	2,320,494	122,260
Protégé Partners	8,839,356	102,149
Pyramis Global Advisors	3,216,405	76,355
Sankaty Advisors	1,181,638	51,119
Seix Investment Advisors	4,211,766	103,943
State Street Global Advisors	46,192,391	4,510
Timbervest	37,947,709	288,761
Wellington Management	25,728,766	180,384
Wells Capital Management	47,121,557	128,335
Western Asset	28,401,908	123,663
Westfield Capital Management	16,841,826	227,896
World Asset Management	63,673,773	78,847
Total	$566,672,160	$4,034,417

Summary Schedule of Broker Fees

Year Ending December 31, 2008

Brokers	Fees	Shares	Average Cost
Cabrera Capital Markets	$50,746	4,648,475	$0.011
Capital Institutional Services	32,196	2,096,793	0.015
Robert W. Baird & Co. Inc.	14,350	956,650	0.015
Rosenblatt Securities Inc.	6,735	338,206	0.020
Credit Suisse Securities (USA)	6,371	406,592	0.016
Jefferies & Co.	5,929	392,680	0.015
Deutsche Bank Securities, Inc.	5,674	275,900	0.021
UBS Securities LLC	5,257	389,663	0.013
Goldman Sachs	3,758	221,500	0.017
Instinet	3,394	161,860	0.021
BNY Convergex/LJR	3,088	204,350	0.015
Guzman & Co.	2,736	139,100	0.020
Weeden & Co.	2,145	172,356	0.012
Donaldson & Co.	1,559	119,900	0.013
Other	12,186	624,627	0.020
Total	$156,124	11,148,652	$0.014

Investment Objectives, Policies, and Guidelines

Objectives

1. The purpose of this Investment Policy statement is to comply with the directive of Ohio Revised Code Section 5505.06, wherein the Board of Trustees is to adopt public "policies, objectives or criteria for the operation of the investment program." As such, this statement is intended to provide general guidelines within which the Board may take full advantage of its investment authority pursuant to ORC Section 5505.06, while complying with its fiduciary responsibility. This statement is not intended to restrict the Board from consideration of all lawful and legal investment opportunities.

2. The primary objective of the Highway Patrol Retirement System is to provide eligible members with scheduled pension benefits. Although the fund is not governed by the Employees Retirement Income Security Act of 1974 (ERISA), the basic provisions contained in that Act are recognized and will serve as guidance to the management of this fund. In particular, the *prudent person* guidelines are to be followed with regard to the investment management of the fund. These guidelines require that the Board and other system fiduciaries exercise the 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 with like aims.

3. A secondary objective of the fund is to maintain a sufficient degree of liquidity in order to meet unanticipated demands and changing environments.

4. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal of the fund is to earn the highest possible rate of return consistent with the fund's tolerance for risk as determined periodically by the Board in its role as a fiduciary. This objective should ensure adequate funds to meet scheduled benefits while maintaining level contributions.

5. In meeting these objectives, the Board will give consideration to investments that enhance the welfare of the State of Ohio, and Ohio citizens, where such investments offer safety and quality of return comparable to other investments currently available. Equal consideration will be given to investments otherwise qualifying under this section that involve minority-owned and controlled firms, or firms owned and controlled by women, either alone or in joint venture with other firms.

Policies

1. Diversification of assets will ensure that adverse or unexpected results from a security class will not have a detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by asset type, performance and risk characteristic, number of investments, and by investment style of management organizations.

   These guidelines may be implemented through specific directions or instructions to investment managers, and those directions or instructions may contain other more specific restrictions on diversification of assets by percentage holdings, by quality, or other factors.

2. Asset classes and ranges considered appropriate for investment of fund assets are to be determined by the Board in accordance with these investment guidelines.

3. Assignment of responsibilities for each asset category (components of each asset category) may be assigned to one or more management firms that may be "specialty" managers (i.e., managing only one type of asset class).

4. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified investment managers, when an Ohio-qualified investment manager offers quality, services, and safety comparable to other investment managers otherwise available.

5. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified agents for the execution of domestic equity and fixed income trades on behalf of the retirement system, when an Ohio-qualified agent offers quality, services, and safety comparable to other agents otherwise available.

Investment Guidelines for Specific Asset Classes

In order to achieve the return objectives, the fund will employ the following investment strategies:

1. U.S. equities will represent from 40 to 50 percent of the market value of total fund assets with a targeted average of 45 percent. The term "equities" includes common stock, convertible bonds, and convertible stock.

2. Non-U.S. equities will represent from 10 to 20 percent of the market value of total fund assets with a targeted average of 15 percent.

3. Real estate may represent 0 to 10 percent of total fund assets with a targeted average of 5 percent.

4. U.S. fixed income obligations, including cash, will represent from 15 to 25 percent of the market value of total fund assets with a targeted average of 20 percent. Intermediate-term bonds may include contractual payments, preferred stocks, and bonds with a maturity date greater than one year and less than or equal to ten years. Long-term bonds have a maturity date greater than ten years.

5. Investments in alternatives will represent from 10 to 20 percent of the market value of total fund assets with a targeted average of 15 percent. The term "alternatives" includes hedge funds, private equity, and Global Tactical Asset Allocation.

Asset Allocation

As the result of an asset allocation study, the following was adopted as part of the system's overall Investment Policy in December 2006:

Short-Term Investments. When investing cash balances in order to provide effective cash management, emphasis will be placed on the protection of principal through the purchase of high-quality money market instruments, including money market open-end mutual funds, while attempting to achieve the highest available return.

Daily cash balances may be invested through the HPRS custodian, under contract with the office of the Treasurer of State of Ohio.

Fixed Income Investments. The core bond portfolio will be diversified as to type of security, issuer, coupon, and maturity. Qualifying bonds, at the time of purchase, must be rated as investment-grade by at least two nationally-recognized bond rating services. Generally, the average maturity of the fixed income portfolio will be ten years or less, although individual securities may be longer.

An alternative bond portfolio may invest in (1) high-yield or other non-investment-grade bonds, (2) non-United States bonds, and (3) bonds issued by emerging countries.

No more than ten percent of the fixed income portfolio is to be invested in the securities of any one issuer, and no more than five percent in any one issue, with the exception of U.S. government securities. Diversification of the bond portfolio will be accomplished by investing in a combination of U.S. government bonds, U.S. agency bonds, and domestic corporate bonds.

Equities. Equities may include common stock, preferred stock, and securities convertible into common stock.

International Securities. The fund may invest in both equity and fixed income securities issued by sovereign governments and corporations.

Real Estate. The fund may invest in improved or unimproved real property, mortgage collective investment funds (Real Estate Investment Trusts or Real Estate Funds), notes secured by real property, mortgage-backed bonds, and pass-through securities backed by mortgages.

The real estate portfolio will be constructed and managed to –

- provide sufficient diversity to protect against adverse conditions in any single market sector,
- provide diversity among geographical locations, property types, and property sizes,
- provide relatively stable returns consistent with the overall U.S. commercial real estate market,
- provide a strong current income stream with the potential for long-term principal growth,
- primarily contain fully developed, fully leased properties, and
- minimize the use of debt financing.

Alternative Investments. The fund may invest in alternatives with individual fund managers or with fund of funds managers.

Performance

Comparative performance measurement of the total fund and its components will be conducted at least quarterly to insure that fund managers are providing added value to the general market values. Large capitalization equity returns are expected to exceed the S&P 500 benchmark (generally accepted as the "market") by 1% annually over a market cycle (generally three to five years). In addition, equity managers will be expected to exceed the median of their peer group as measured by style and capitalization. Small/mid capitalization managers are expected to exceed the Russell 2500 benchmark by 1% annually over a market cycle. Fixed income returns are expected to exceed the Lehman Brothers Aggregate Index.

International managers will be measured against the MSCI ACWI ex-US Index. Real estate managers will be compared to the NCREIF Index. Hedge Fund managers will be benchmarked to the HFRI Fund of Funds Index. Private equity and GTAA managers will be measured against the Consumer Price Index, plus 5%.

Over a market cycle, the total fund return is expected to exceed the following benchmarks:

- A minimum return target of 8 percent, representing the fund's actuarial assumption, and also representing the long-term inflation rate of 3 percent plus a risk premium of 5 percent.
- A composite reference benchmark composed of 30 percent S&P 500 Index, 15 percent Russell 2500 Index, 15 percent MSCI ACWI ex-US Index, 20 percent Lehman Brothers Aggregate Index, 5 percent NCREIF Index, 5 percent HFRI Fund of Funds Index, and 10 percent CPI+5%..

Investment Responsibilities

The Board recognizes that its role is supervisory, and that discretion is delegated to the investment managers who must adhere to the general guidelines established by the Board. The primary role of the Board is to –

- establish performance goals,
- identify and review appropriate investment policy and guidelines,
- retain outside investment and actuarial counsel, and
- review the results of the fund on a regular basis and implement necessary changes in the investment policies, objectives, asset allocation, and investment managers as needed.

Annual Review

In light of rapid changes in the capital markets and in investment management techniques, these guidelines will be reviewed by the Board on an annual basis. Changes and exceptions to these guidelines may be made at any time with the approval of the Board.

Revised, October 25, 2007
Revised, June 16, 2005
Revised, June 26, 2003
Revised, November 15, 2001
Revised, June 22, 1999
Revised, March 13, 1997
Adopted and approved, September 7, 1994
Revised, June 29, 1994
Revised, September 5, 1990
Revised, June 1, 1988
Adopted and approved, June 11, 1986

Actuarial Section

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June 3, 2009

The Retirement Board
Ohio State Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229

Dear Board Members:

The basic financial objective of the Highway Patrol Retirement System (HPRS) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of HPRS to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2007.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared or assisted in preparing the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section
Summary of Assumptions
    Funding Method, Asset Valuation Method, Interest Rate
    Payroll Growth
    Probabilities of Age & Service Retirement
    Probabilities of Separation from Active Employment Before Age & Service Retirement
        Health Care and Medicare
    Short-Term Solvency Test
    Recent Experience in the Health Care Fund
Membership Data
    Analysis of Financial Experience

Supplementary Schedules
Schedule of Funding Progress
Schedule of Employer Contributions
Notes to Trend Data

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four-year period, subject to an 80% to 120% corridor on market value. The actuarial value of assets are 97% of the market value of assets as of December 31, 2007.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements 25 and 43 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The assumptions used in the December 31, 2007 valuation were based upon a study of experience during the years 2000 through 2004.

Investment return on a market value basis during 2007 was slightly less than assumed. However, phased-in investment gains from calendar years 2006 and 2004 resulted in an overall recognized investment gain during 2007, and the pension amortization period as of December 31, 2007 decreased to 27 years. The comparable figure from the 2006 valuation is 28 years. The Retiree Health Plan continues to be cause for concern. Based upon the present contribution rate allocation, the Plan is expected to remain solvent until 2025. Benefit payouts and available resources need to be brought in line before that time if the Plan is to continue to provide benefits similar to those currently provided.

Based upon the results of the December 31, 2007 valuations, we are pleased to report to the Board that the Highway Patrol Retirement System of Ohio is meeting its basic financial objective with respect to pensions and continues to operate in accordance with actuarial principles of level percent of payroll financing. Continued cost containment efforts can have a positive effect on the Retiree Health Plan, but we believe that additional contribution income is needed. Investment experience during 2008 will be incorporated in the December 31, 2008 annual actuarial valuations.

Respectfully submitted,

Brian B Murphy

Brian B. Murphy, FSA, MAAA

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

BBM:MDD:mdd

Gabriel Roeder Smith & Company

Summary of Assumptions

After consulting with the actuary, these assumptions have been adopted by the Highway Patrol Retirement System Board of Trustees, effective January 1, 2003.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed experience and actual experience ("actuarial gains and losses") become part of actuarially accrued liabilities. Unfunded actuarially accrued liabilities are amortized to produce payments (principal and interest) that are a level percent of payroll contributions based on an open amortization period.

Asset Valuation Method. The asset valuation method fully recognizes assumed investment income each year. Differences between actual and expected investment income are phased in over a closed four-year period.

Interest Rate. The investment return rates used in making valuations are 8.0% for pension assets and 6.5% for OPEB assets, compounded annually (net of administration expenses).

Payroll Growth. Base pay increases are assumed to be 4.0% annually, attributable to broad economic effects such as inflation and real wage growth. Additional merit and seniority increases are assumed as follows:

Service Years	Merit & Seniority	Base (Economic)	Total
1-2	10.0%	4.0%	14.0%
3-5	3.0	4.0	7.0
6-10	1.0	4.0	5.0
11 +	0.3	4.0	4.3

Other Assumptions. Each retiree is assumed to have a surviving spouse.

Beginning in 2009, health care costs are assumed to increase annually by 4.0%, plus an additional declining percentage ranging from 5.0-0.5% through 2018.

Each benefit recipient is assumed to be eligible for Medicare at age 65.

Postemployment mortality is based on 105% of the RP-2000 Combined Healthy Male and Female Tables.

Rates of separation from active service before retirement are developed on the basis of actual plan experience.

Probabilities of Separation from Active Employment before Age & Service Retirement

Percentage of Active Members Separating Within Next Year

Sample Age	Disability	Death: Men	Death: Women	Other
20	0.08%	0.02%	0.01%	2.57%
25	0.08	0.02	0.01	2.24
30	0.23	0.02	0.01	1.91
35	0.42	0.04	0.02	1.56
40	0.70	0.05	0.04	0.84
45	0.85	0.08	0.06	0.41
50	1.13	0.11	0.08	0.15
55	1.32	0.18	0.14	0.00

Probabilities of Age & Service Retirement

Percentage of Eligible Members Retiring Within Next Year

Retirement Ages	Unreduced Benefit	Reduced Benefit
48	40%	7%
49	35	7
50	25	7
51	30	7
52	30	--
53	30	--
54	40	--
55	25	--
56	25	--
57	25	--
58	30	--
59	35	--
60+	100	--

Short-Term Solvency Test. The HPRS financing objective is to pay for benefits through contributions that remain approximately level from year to year as a percentage of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due -- the ultimate test of financial soundness.

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

Accrued Liabilities and Assets Allocated to Retirement, Survivor, and Disability Allowances

Year	(1) Active Member Contributions	(2) Retirees, Beneficiaries & Vested Deferreds	(3) Active Members (Employer Financed Portion)	Valuation Assets	Percentage of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
2002►	68,794,904	391,098,788	203,176,113	527,604,456	100	100	33
2003	73,358,075	412,818,959	216,621,983	545,981,513	100	100	28
2004▲	77,100,466	445,084,791	212,279,114	569,858,387	100	100	22
2005►	77,779,569	463,476,318	232,600,277	591,922,200	100	100	22
2006▲	82,720,940	482,998,754	242,041,018	653,493,046	100	100	36
2007	89,279,853	509,179,659	267,795,882	700,860,707	100	100	38

▲ Plan Amendment
► Assumption or method change

Postemployment Health Care and Medicare Reimbursement

Year	Covered Lives	Medical	Prescriptions	Med B	Dental	Vision	Member Premiums/ Adjustments	Net Paid By HPRS	Per Covered Life	Payroll	% of Payroll
2002	1,943	4,147,534	2,431,297	260,772	$194,893	$80,909	(200,021)	6,915,384	3,559	78,997,065	8.8
2003	1,912	4,256,046	2,681,414	290,506	209,429	82,097	(507,642)	7,011,850	3,667	81,737,962	8.6
2004	1,928	4,074,972	2,710,367	347,585	230,994	84,136	(641,707)	6,806,347	3,530	81,757,707	8.3
2005	1,958	6,015,277	2,980,755	422,045	364,139	124,658	(552,570)	9,354,304	4,777	83,408,155	11.2
2006◄	2,078	4,999,822	2,832,743	503,034	408,667	127,266	(198,141)	8,673,391	4,174	85,878,328	10.1
2007▲	2,085	6,580,455	3,513,662	572,127	464,402	130,029	(980,539)	10,280,136	4,931	93,752,908	11.0

Figures do not include Medicare-D reimbursement.
◄ Member Premiums/Adjustments include member premiums totaling ($570,648), and claims of $372,506 paid in 2007 but recognized in 2006.
▲ Member Premiums/Adjustments include member premiums totaling ($608,033), and claims of ($372,506) paid in 2007 but recognized in 2006.

Active Member Data

Year Ending December 31	Active Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
2002	1,548	$78,997,065	$51,032	1.6
2003	1,542	81,737,962	53,008	3.9
2004	1,562	81,757,707	52,342	(1.3)
2005	1,573	83,408,155	53,025	1.3
2006	1,592	85,878,329	53,944	1.7
2007	1,597	93,752,908	58,706	8.8

Retiree and Beneficiary Data

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Year Ending December 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase In Annual Allowances	Average Annual Allowance
2002	55	$2,211,612	31	$498,012	1,231	$31,237,296	5.8	$25,376
2003	48	2,356,620	26	352,128	1,253	33,241,788	6.4	26,532
2004	58	3,448,140	29	409,836	1,282	36,280,092	9.1	28,296
2005	45	2,335,992	26	483,312	1,301	38,132,772	5.1	29,316
2006	70	2,589,840	34	620,952	1,337	40,101,660	5.2	29,988
2007	53	2,215,728	31	673,440	1,359	41,643,948	3.8	30,648

Analysis of Financial Experience

Gains and Losses in Pension Accrued Liabilities Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	Gain (or Loss) for Year 2007	Gain (or Loss) for Year 2006
Age & Service Retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	$590,891	$809,589
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	738,713	(218,643)
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(190,263)	20,027
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(161,202)	(161,554)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	(14,289,526)	6,152,934
Contribution Income. If more contributions are received than expected, there is a gain. If less, a loss.	0	0
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	11,307,544	27,841,080
Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, and other events.	(7,732,825)	(2,533,870)
Gain (or Loss) During Year From Financial Experience	$(9,741,668)	$31,909,563
Non-Recurring Items. Adjustments for benefit and assumption changes.	0	0
Composite Gain (or Loss) During Year	$(9,741,668)	$31,909,563

Plan Summary

Purpose
In 1941, the Highway Patrol Retirement System (HPRS) was created by the Ohio General Assembly to provide for retirement and survivor benefits for members and beneficiaries.

Administration
The general administration and management of HPRS are vested in the Highway Patrol Retirement System Retirement Board under Ohio Revised Code Chapter 5505. The eleven-member Board consists of the Superintendent of the State Highway Patrol, three appointed members, five elected active members, and two elected retired members.

The appointed members are investment experts designated by the Governor, the Treasurer of State, and the General Assembly. The active members are elected to four-year terms by members of the plan. Any contributing member is eligible to become an active member candidate, and each contributing member is eligible to vote in the active member election process. Any retiree who is an Ohio resident and who has not served as a statutory or active member of the Board during the past three years is eligible to become a retired member candidate. Each retiree is eligible to vote in the retired member election process.

The Superintendent of the State Highway Patrol serves by virtue of the office held. The Attorney General of the State of Ohio is the legal advisor to the Board.

A chairperson and vice chairperson are elected by the Board annually. All regular Board meetings are considered to be public meetings. The members of the Board are reimbursed for actual and necessary expenses. While the Board members serve without compensation, they are not expected to suffer any loss because of absence from regular employment while engaged in official Board duties.

Employer Contributions
State statute requires that the Board certify the employer contribution rate to the Office of Budget and Management on even-numbered years. The employer rate may not be lower than the member rate, nor may it exceed three times the member rate.

Member Contributions
Each member of HPRS, through payroll deduction, must contribute the legally-established contribution rate as a percentage of regular salary. Individual member accounts are maintained by HPRS and the amount contributed is refundable in lieu of the payment of a pension benefit upon termination of employment.

Service Credit
Prior to retirement, the following types of additional service credit may be purchased: (1) prior refunded State Highway Patrol service, (2) military service pursuant to the Ohio Revised Code, (3) prior refunded full-time service as a contributing member of the Ohio Police & Fire Pension Fund, the State Teachers Retirement System of Ohio, the School Employees Retirement System of Ohio, the Ohio Public Employees Retirement System, or the Cincinnati Retirement System. Military service and prior refunded full-time service in the Ohio Police & Fire Pension Fund may be used to meet the minimum service requirement to qualify for unreduced pension benefits. In the case of prior service credit that was not refunded, service credit may be transferred directly from another Ohio retirement system to HPRS.

Retirement
Age and Service Retirement. Upon retirement from active service, a member is eligible to receive a pension by achieving a minimum age and service requirement, as follows:

Age	Service Credit
52	20 years
48	25 years

For a twenty-year pension, benefits are calculated as 2.5 percent of final average salary times the number of years of service. For a pension based on greater than twenty but less than twenty-five years, benefits are calculated as 2.5 percent of final average salary times the first twenty years of service, plus 2.25 percent of final average salary times the number of years of service in excess of twenty. For a pension based on twenty-five years or more, benefits are calculated as 2.5 percent of final average salary times the first twenty years of service, 2.25 percent of final average salary times the next five years of service, and 2.0 percent of final average salary in excess of twenty-five years. The maximum allowed pension factor of 79.25 percent of final average salary would be earned with thirty-four years of service credit.

The final average salary, which includes base pay, longevity, hazard duty, shift differential, and professional achievement pay, is calculated as the average of a member's three highest years of salary.

Benefit payments become effective the day following the last day of employment and are payable monthly throughout the retiree's lifetime.

Deferred Retirement. A member who has met a service requirement, but not the requisite age, may retire and defer the receipt of benefits until the age requirement is met.

Reduced Retirement. A member who has accumulated at least twenty but less than twenty-five years of service credit may retire and receive a reduced lifetime pension based on the following schedule:

Age	Reduced Pension
48	75 percent of normal service pension
49	80 percent of normal service pension
50	86 percent of normal service pension
51	93 percent of normal service pension

The election to receive a reduced pension may not be changed once a retiree has received a payment.

Resignation or Discharge. A member who has accumulated at least fifteen years of service, and who voluntarily resigns or is discharged from the State Highway Patrol for a reason other than "dishonesty, cowardice, intemperate habits, or conviction of a felony," will receive a lifetime pension benefit, beginning at age 55, calculated as 1.5 percent of final average salary times the number of years of service.

Disability Retirement. A member who retires as the result of a disability incurred in the line of duty receives a pension of at least 61.25 percent of final average salary. A member who retires as the result of a disability that was not incurred in the line of duty receives a pension of at least 50 percent of final average salary.

Deferred Retirement Option Plan (DROP). A member who is eligible to retire with an unreduced pension benefit may enter the DROP. The member will continue to work in the existing assignment as determined by the employer and receive the appropriate compensation for that rank. A DROP member is considered retired; however, instead of receiving a monthly pension benefit, the member begins to accumulate funds in a tax-deferred account. The DROP account is funded by both the monthly pension benefit and the member's continuing active contributions, as well as interest that accrues on these amounts.

A member may participate in DROP until age 60, but for no more than eight years. The minimum participation period is two years for members who enter the DROP at age 52 or more and three years for members who enter the DROP before age 52. A member who terminates employment earlier than the minimum participation period will forfeit any accrued interest.

When a DROP participant terminates employment with the State Highway Patrol, the participant will begin to receive the monthly pension benefit that had previously been funding the DROP account. In addition, after the minimum participation period, the proceeds of the DROP account may, at the participant's option, be rolled over into a qualified plan or paid to the participant in a lump sum, an annuity, or a combination of these distribution types.

Payment Plans

Each retirement applicant must select a benefit payment plan. Regardless of the plan selected, a survivor benefit is paid to an eligible survivor of a deceased active member or retiree. The plan options are as follows:

Plan 1 - Single Life Annuity. This plan pays the highest monthly benefit, calculated as a percentage of final average salary, and is limited to the lifetime of the retiree. A member who receives a disability retirement may only receive a single life annuity.

Plan 2 - Joint and Survivor Annuity. This plan pays a reduced monthly benefit for a member's lifetime and provides for a monthly benefit to a surviving beneficiary.

Plan 3 - Life Annuity Certain and Continuous. This plan is an annuity that is payable for a guaranteed minimum period. If a retiree dies before the end of the period, the pension benefit is paid to the designated beneficiary for the remainder of the specified period.

Partial Lump Sum (PLUS) Distribution. In addition to selecting one of the three retirement payment plans, a retiree may elect to receive a lump sum cash payment, either as a taxable distribution, or as a rollover to a tax-qualified plan. Following this payment, a retiree will receive a reduced monthly benefit for life. To be eligible for a PLUS distribution, a retiree must have attained age 51 with at least 25 years of total service, or age 52 with at least 20 years of total service. The lump sum amount may not be less than six times the monthly single life pension and not more than sixty times the monthly single life pension.

Survivor Benefits

A surviving spouse of a deceased retiree, or of an active member who was eligible to receive a retirement pension at the time of death, receives a monthly benefit equal to one-half the deceased member's monthly pension benefit (minimum, $900). A surviving spouse of an active member who was not eligible for a retirement benefit at the time of death receives a monthly survivor benefit of $900.

Each surviving dependent child receives $150 monthly until age 18. If the child continues to be a full-time student, this benefit continues until age 23.

Health Care

A comprehensive preferred provider medical health care plan is currently offered to all benefit recipients and dependents. Benefit recipients may choose one of two offered networks and elect to cover spouses and dependent children by authorizing the appropriate premium deduction.

Dental and vision coverage is also available to benefit recipients and dependents. The Board, which has the authority to implement changes, annually evaluates the premiums and plan design.

Medicare

Benefit recipients who submit proof of Medicare Part B coverage are reimbursed for the basic Part B premium.

Cost of Living

At age 53 and thereafter, each retiree receives an annual cost of living adjustment (COLA) equal to 3.0% of the base pension amount. Each survivor benefit recipient is eligible for a COLA increase after receiving benefits for twelve months. Each disability benefit recipient is eligible for a COLA increase after receiving benefits for sixty months, or at age 53, whichever occurs first.

Death After Retirement

Upon the death of a retiree, a lump sum of $5,000 is paid to the surviving spouse, or to the retiree's estate if there is no surviving spouse.

Statistical Section

Changes in Net Assets – Pension, 1999-2008

Additions	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Employer Contributions	$20,302,216	$19,956,700	$19,263,941	$18,467,789	$17,205,609	$16,361,339	$14,923,893	$13,901,313	$13,228,166	$13,590,916
Member Contributions	8,870,985	8,901,454	8,610,088	8,582,130	8,192,944	8,136,974	7,563,173	7,042,044	6,954,301	6,708,497
Transfers from Other Systems	632,894	717,017	648,282	1,180,951	856,496	763,419	999,176	999,380	925,998	418,603
Investment Income, net of expenses	(207,583,959)	50,333,115	85,692,657	37,890,851	62,907,281	105,112,725	(42,921,956)	(17,920,157)	(14,120,288)	33,612,434
Total Additions	($177,777,864)	$79,908,286	$114,214,968	$66,121,721	$89,162,330	$130,374,457	($19,435,714)	$4,022,580	$6,988,177	$54,330,450
Deductions										
Benefits Paid Directly to Participants	47,939,139	44,676,510	40,343,244	37,716,268	35,187,531	33,074,853	31,325,089	29,457,281	27,042,946	24,324,038
Refunds of Member Contributions	570,827	98,628	299,128	495,640	155,989	386,931	266,137	306,452	363,067	529,654
Administrative Expenses	613,447	605,165	572,616	561,817	518,834	559,052	462,200	524,922	549,168	449,167
Transfers to Other Systems	282,987	330,539	914,950	403,975	602,345	789,387	1,054,264	448,381	904,972	196,414
Total Deductions	$49,406,400	$45,710,842	$42,129,938	$39,177,700	$36,464,699	$34,810,223	$33,107,690	$30,737,036	$28,860,153	$25,499,273
Change in Pension Net Assets	($227,184,264)	$34,197,444	$72,085,030	$26,944,021	$52,697,631	$95,564,234	($52,543,404)	($26,714,456)	($21,871,976)	$28,831,177

Changes in Net Assets – OPEB, 1999-2008

Additions	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Employer Contributions	$4,350,474	$4,276,436	$3,064,718	$3,006,385	$2,867,602	$3,395,749	$3,780,715	$3,521,665	$3,351,135	$2,787,880
Investment Income, net of expenses	(30,809,552)	11,254,046	15,632,184	8,998,070	12,051,961	18,885,722	(6,673,383)	(2,900,183)	(3,114,980)	6,878,890
Total Additions	($26,459,078)	$15,530,482	$18,696,902	$12,004,455	$14,919,563	$22,281,471	($2,892,668)	$621,482	$236,155	$9,666,770
Deductions										
Health Care Expenses	8,546,663	10,354,006	7,980,823	8,932,259	6,948,650	7,181,129	7,025,043	6,179,096	4,720,260	5,498,402
Administrative Expenses	98,082	97,101	92,761	92,344	86,031	93,769	78,635	90,422	95,423	78,854
Total Deductions	$8,644,745	$10,451,107	$8,073,584	$9,024,603	$7,034,681	$7,274,898	$7,103,678	$6,269,518	$4,815,683	$5,577,256
Change in OPEB Net Assets	($35,103,823)	$5,079,375	$10,623,318	$2,979,852	$7,884,882	$15,006,573	($9,996,346)	($5,648,036)	($4,579,528)	$4,089,514

Benefit Deductions from Net Assets by Type – Pension, 1999-2008

Type of Benefit	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Age & Service	$19,683,104	$16,838,694	$15,064,493	$17,904,543	$14,041,248	$13,526,379	$12,874,767	$12,362,626	$11,350,168	$10,508,140
Early	25,159,586	19,997,110	17,533,382	15,729,197	14,183,148	12,901,479	11,972,979	11,120,366	10,330,228	9,275,973
Reduced	1,833,554	1,693,050	1,659,235	86,287	1,573,077	1,504,785	1,422,072	1,342,338	1,278,883	1,139,917
Disability	2,927,862	2,761,851	2,534,672	2,305,544	2,051,805	1,875,919	1,828,394	1,605,426	1,407,201	1,089,813
Survivor	3,575,139	3,320,805	3,486,462	1,615,697	3,258,253	3,186,291	3,141,877	2,961,525	2,620,466	2,288,195
Death Benefits	80,000	65,000	65,000	75,000	80,000	80,000	85,000	65,000	56,000	22,000
Total Pension Benefits	$53,259,245	$44,676,510	$40,343,244	$37,716,268	$35,187,531	$33,074,853	$31,325,089	$29,457,281	$27,042,946	$24,324,038

Benefit Deductions from Net Assets by Type – OPEB, 1999-2008

Type of Benefit	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Medical	$5,087,073	$6,512,976	$4,971,003	$6,015,277	$4,413,042	$4,667,790	$4,688,375	$4,568,057	$3,394,042	$4,275,700
Wellness	79,679	67,479	28,820	--	--	--	--	--	--	--
Prescriptions	3,274,896	3,513,662	2,832,743	2,980,755	2,710,367	2,681,414	2,431,297	1,960,825	1,684,300	1,364,990
Medicare-B reimbursement	632,293	572,127	503,034	422,045	347,585	290,506	260,772	231,046	203,157	197,606
Dental	453,003	464,402	408,667	364,139	230,994	209,429	194,893	--	--	--
Vision	121,599	130,029	127,266	124,658	84,136	82,097	80,909	--	--	--
Total	$9,648,543	$11,260,675	$8,871,533	$9,906,874	$7,786,124	$7,931,236	$7,656,246	$6,759,928	$5,281,499	$5,838,296
Member Premiums/Adjustments	(1,101,880)	(906,669)	(890,710)	(552,570)	(489,889)	(459,601)	(370,431)	(349,786)	(358,082)	(339,894)
Net Paid by HPRS	$8,546,663	$10,354,006	$7,980,823	$9,354,304	$7,296,235	$7,471,635	$7,285,815	$6,410,142	$4,923,417	$5,498,402

Member Premiums/Adjustments include Medicare-D reimbursement. Prior to 2002, Dental & Vision were combined with Medical.

Principal Participating Employer, 2008 & 1999

Year	Participating Government	Covered Employees	Percentage of Total System
2008	State Highway Patrol	1,544	100%
1999	State Highway Patrol	1,445	100%

Retired Members by Type of Benefit, December 31, 2008

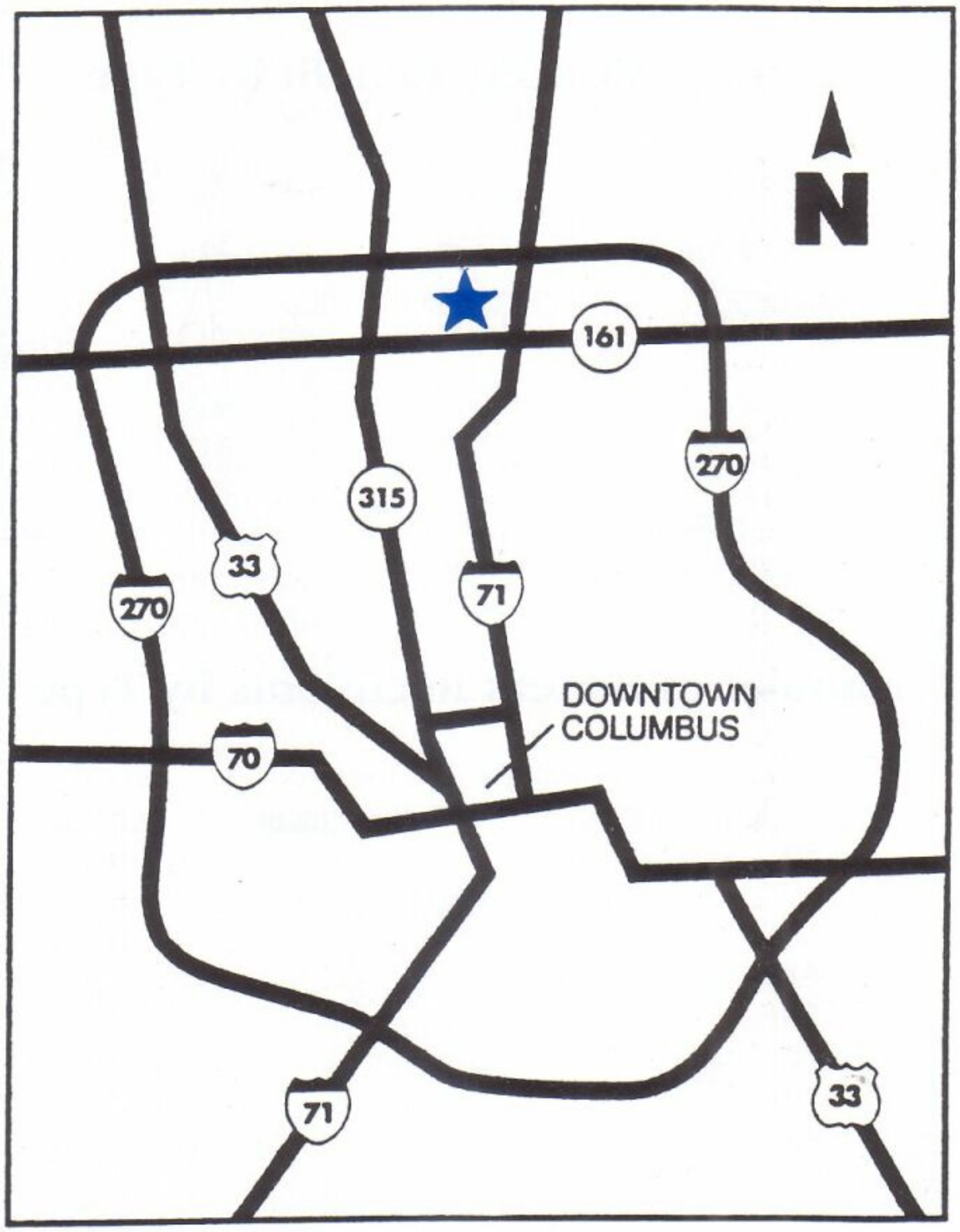
Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6	Retirement Option Unmodified	1	2	3	4	5	6	7
Deferred	6														
$1 - 250	37					36	1	37							
251-500															
501 - 750	4						4	4							
751 - 1000	32					27	5	32							
1001 - 1250	135			8	1	123	3	135							
1251 - 1500	107		1	28	1	73	4	106	1						
1501 - 1750	118	72	4	16	14	10	2	118							
1751 - 2000	54	24	2	13	7	7	1	53	1						
2001 - 2250	52	21	3	14	13	1		51	1						
2251 - 2500	56	20	17	3	16			53		3					
2501 - 2750	134	25	89	1	19			127		5	1				1
2751 - 3000	143	39	93	2	9			138	1	2	1				1
3001 - 3250	155	54	86	2	13			151		3	1				
3251 - 3500	139	46	90	1	2			135		2	2				
Over 3,500	347	159	183		5			336	1	4	5			1	
Total	1,519	460	568	88	100	277	20	1,476	5	19	10	0	0	1	2

Type of Retirement
1 – Normal age and service
2 – Early
3 – Reduced
4 – Disability
5 – Survivor
6 – Alternate payee (Division of Property Order)

Retirement Option
Under the unmodified plan, a surviving spouse receives a 50% continuance (minimum, $900 monthly)
Under the following options, a surviving spouse qualifies for the above-noted 50% continuance; however, the member's lifetime benefit is reduced:
Option 1 – Beneficiary receives 0 to <25% of member's reduced monthly benefit
Option 2 – Beneficiary receives 25 to <50% of member's reduced monthly benefit
Option 3 – Beneficiary receives 50% or more of member's reduced monthly benefit
Option 4 – Beneficiary receives 100% of member's remaining reduced monthly benefit for 5 years after benefit begins
Option 5 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >5 to 10 years after benefit begins
Option 6 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >10 to 15 years after benefit begins
Option 7 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >15 years after benefit begins

Average Benefit Payments, 1999-2008

Retirement During		Years of Credited Service		
		20 to <25	**25 to <30**	**30+**
2008	Average Monthly Benefit	$2,621	$3,879	$4,822
	Average Final Average Salary	$5,182	$6,009	$6,491
	Number of Retirees	6	24	3
2007	Average Monthly Benefit	$2,089	$3,245	$5,619
	Average Final Average Salary	$4,359	$5,138	$7,523
	Number of Retirees	5	17	2
2006	Average Monthly Benefit	$2,681	$3,571	$6,850
	Average Final Average Salary	$4,838	$5,575	$8,852
	Number of Retirees	13	24	1
2005	Average Monthly Benefit	$2,601	$3,238	$5,064
	Average Final Average Salary	$4,807	$4,995	$6,721
	Number of Retirees	4	26	4
2004	Average Monthly Benefit	$2,267	$3,327	$5,386
	Average Final Average Salary	$4,781	$5,113	$7,109
	Number of Retirees	3	36	5
2003	Average Monthly Benefit	$2,116	$3,322	$3,685
	Average Final Average Salary	$4,313	$5,206	$5,015
	Number of Retirees	6	28	5
2002	Average Monthly Benefit	$2,151	$2,937	$3,223
	Average Final Average Salary	$4,348	$4,726	$4,651
	Number of Retirees	5	21	12
2001	Average Monthly Benefit	$2,228	$3,100	$3,900
	Average Final Average Salary	$4,164	$4,653	$5,211
	Number of Retirees	13	13	12
2000	Average Monthly Benefit	$2,171	$3,004	$3,857
	Average Final Average Salary	$4,127	$4,620	$5,128
	Number of Retirees	11	29	11
1999	Average Monthly Benefit	$2,015	$2,570	$3,384
	Average Final Average Salary	$3,758	$4,045	$4,583
	Number of Retirees	17	44	11



Highway Patrol Retirement System
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Fax 614-431-9204
e-mail system@ohprs.org
www.ohprs.org

Office Hours: 7:30 am to 4:30 pm

One block west of Interstate 71 on State Route 161, drive north on Busch Boulevard. Turn left at the first traffic light, Shapter Avenue. Turn right into the entrance.