State Teachers Retirement System of Ohio

Comprehensive Annual Financial Report

2008

Fiscal Year Ended
June 30, 2008

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

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

Comprehensive Annual Financial Report

2008

Fiscal Year Ended
June 30, 2008

Prepared through the joint efforts of the STRS Ohio staff

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The State Teachers Retirement System of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 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.

President

Executive Director

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Comprehensive Annual Financial Report **2008**

Professional Consultants: Independent Public Accountants, Clifton Gunderson LLP, Toledo, Ohio; Investment Consultants, Russell Investment Group, Tacoma, Wash.; and Actuarial Consultants, PricewaterhouseCoopers (PwC), Chicago, Ill. See Page 53 for a list of external domestic equity, international and fixed-income managers.

THE STATE OF OHIO

Auditor of State Mary Taylor, CPA
Making Your Tax Dollars Count Award

is presented to

State Teachers Retirement System of Ohio

for excellence in financial reporting.

You are a trustworthy guardian of taxpayer dollars
and deserve the highest amount of recognition
for your vigilance.

The 2007 Comprehensive Annual Financial Report (CAFR)
demonstrates your commitment to careful spending,
accurate fiscal recording and efficiency.

You are truly a model for government entities
throughout the state of Ohio.

Mary Taylor

Mary Taylor, CPA
Auditor of State

2007–2008 State Teachers Retirement Board

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

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

In May 2008, Tim Myers was elected to the Retirement Board to fill the contributing member seat being vacated by John Lazares. He took his board seat on Sept. 1, 2008, and will serve a four-year term through Aug. 31, 2012.

In December 2008, Gov. Ted Strickland named Regina F. Burch as his appointee to the Retirement Board, replacing Thomas W. Johnson, who completed his term in September 2008. Burch will serve through Sept. 28, 2012. In addition, Craig C. Brooks was named as the joint appointee of Ohio Senate President Bill Harris and Speaker Jon Husted of the Ohio House of Representatives. His four-year term will end on Nov. 4, 2012. This appointment continued Brooks' involvement on the board; he had been serving as the appointee of the Treasurer of the State of Ohio. As of December 2008, this seat is now unfilled.

In June 2008, The Retirement Board named Michael J. Nehf as the ninth executive director of the State Teachers Retirement System of Ohio. He succeeds Dr. Damon Asbury, who retired June 30, 2008.

Jeffrey Chapman, *Chair*
Retired teacher member since 2005.

Mary Ann Quilter Cervantes , *Vice Chair*
Contributing member since 2005.
Oregon City Schools, Lucas County

Craig C. Brooks
Appointed by the Treasurer of State in 2007.

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

Thomas W. Johnson
Appointed by the Governor of Ohio in 2006.

John Lazares
Contributing member since 2004.
Warren County Educational Service Center, Warren County

Dennis Leone
Retired teacher member since 2005.

Mark H. Meuser
Contributing member since 2006.
Gahanna-Jefferson City Schools, Franklin County

Steven Puckett
Representing Susan Tave Zelman, Superintendent of Public Instruction. Ex officio member of the board since appointed to office in 1999.

Constance K. Ramser
Contributing member since 2004.
Jackson Local Schools, Stark County

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

STRS Ohio Senior Staff Members

Michael J. Nehf, Executive Director

Sandra L. Knoesel, Deputy Executive Director — Member Benefits

Stephen A. Mitchell, Deputy Executive Director — Investments

Robert A. Slater, Deputy Executive Director — Finance and Chief Financial Officer

Terri Meese Bierdeman, Director, Governmental Relations

Eileen F. Boles, Retirement Board Liaison

Laura R. Ecklar, Director, Communication Services

Andrew J. Marfurt, Director, Human Resource Services

William J. Neville, General Counsel

David Tackett, Chief Audit Executive, Internal Audit

Gregory A. Taylor, Director, Information Technology Services

State Teachers
Retirement System
of Ohio

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

Dec. 15, 2008

Members of the State Teachers Retirement Board:

We are pleased to present the *Comprehensive Annual Financial Report* of the State Teachers Retirement System of Ohio for the fiscal year ended June 30, 2008. This report is intended to provide financial, investment, actuarial and statistical information in a single publication. STRS Ohio management is responsible for the accuracy of the data, as well as the completeness and fairness of the presentation.

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

More analysis and information of the financial activities of STRS Ohio can be found in the Management's Discussion and Analysis section that begins on Page 9 of this report.

Major Initiatives

On Sept. 18, 2007, Rep. Scott Oelslager reintroduced the STRS Ohio-proposed health care funding proposal in House Bill 315. This bill carries with it the support of the Health Care Advocates for STRS (HCA) — a coalition of major management, professional and retiree organizations representing Ohio's public K–12 and higher education teachers. This member-driven initiative calls for increasing public teachers' contributions to STRS Ohio by up to 2.5% and their employers' contributions by up to 2.5% of teacher payroll to create an ongoing, dedicated revenue stream for the STRS Ohio Health Care Program for current and future retired educators. These increases would be phased in over a five-year period, in .5% increments.

Rep. Oelslager previously introduced this legislation in mid-December 2006. However, no action was taken on it before the Ohio General Assembly adjourned. There were no hearings on House Bill 315; it is anticipated that the legislative proposal will be reintroduced with the start of the 2009–2010 General Assembly session.

Lending grassroots support to this funding initiative are more than 150 "Health Care Champions." These active and retired STRS Ohio members are playing a major role in ensuring dialogue about the legislation continues among STRS Ohio members, legislators and employers.

After several months of discussion, the State Teachers Retirement Board adopted a policy at its October 2007 meeting regarding divestment of investments in Iran and Sudan. This policy is consistent with the board's fiduciary duty to act solely in the best interests of the active and retired members. It establishes a voluntary process for divestment of active, direct holdings in STRS Ohio's international portfolios in certain non-U.S. publicly traded companies doing business in Iran and Sudan. Divestment will occur only when substitute investments with similar quality, return and safety can be identified.

Since January 2008, STRS Ohio has been collaborating with School Employees Retirement System (SERS), Ohio Public Employees Retirement System (OPERS) and Highway Patrol Retirement System (HPRS) to obtain bids for administration of health care plans. The systems' goals are to leverage collective buying power, share project expenses and maximize project value. Collectively, these four systems have more than 375,000 health care plan enrollees resulting in more than $1 billion in medical expenditures for 2007.

This collaborative effort follows the successful undertaking by STRS Ohio, OPERS, SERS and The Ohio State University to choose a common pharmacy benefits manager for their respective health care programs. Express Scripts was chosen and began offering prescription drug coverage to enrollees in STRS Ohio's Aetna, Medical Mutual and Paramount health care plans on Jan. 1, 2008.

During its June 2008 meeting, the Retirement Board voted unanimously to name Michael (Mike) J. Nehf as the ninth executive director of STRS Ohio. He previously was the executive director of the Employees' Retirement System of Georgia. He succeeded Dr. Damon Asbury, who retired June 30, 2008.

For a number of years, STRS Ohio has participated in benchmarking studies developed by CEM, Inc., of Toronto, Ontario. Today, more than 50 retirement systems from the United States, Canada, Australia and the Netherlands participate in the annual studies that represent pension funds serving more than 18 million members. About 80% of STRS Ohio's total investment fund is internally managed by STRS Ohio associates. The value of this organizational structure continued to be confirmed by a CEM study covering calendar year 2007. It indicated that STRS Ohio saved more than $100 million through internal management of its investment assets. Another CEM comparative study covers systems' service levels. The most recent research showed that STRS Ohio earned the No. 1 spot for its service to members. STRS Ohio has been the highest-rated system in service levels for eight of the 10 years of the benchmarking survey and rated second for the other two years.

Work continues on the replacement of STRS Ohio's pension management computer system. The project is scheduled to be completed during calendar year 2009.

Investments

Total investments (including short-term investments) decreased to $72.6 billion as of June 30, 2008. The Investment Review starting on Page 35 discusses the investment environment during fiscal 2008. The allocation of investment assets is designed to provide high long-term yields while minimizing risk. A summary of the asset allocation can be found on Page 50.

For the fiscal year ended June 30, 2008, investments returned –5.44%. STRS Ohio's annualized rate of return was 9.09% over the last three years and 11.40% for the last five years. Similar benchmark returns over the same one-, three- and five-year periods were –5.79%, 8.11% and 10.38%, respectively.

2008 Additions to Plan Net Assets

Member and employer contributions, as well as income from investments, provide funds for pension benefits and health care coverage. Employer contributions include amounts paid by employers of participants in alternative retirement plans (ARPs). ARP participants are not members of STRS Ohio; however, their employers are required to contribute 3.5% of salaries to STRS Ohio to help pay for unfunded liabilities. Effective Jan. 1, 2006, STRS Ohio began receiving Medicare Part D reimbursements for participant prescription costs. Fiscal 2008 included $36.9 million in Medicare Part D reimbursements. This federal subsidy helps offset the overall cost of managing the post-employment health care program. Total additions to plan net assets were a negative amount in fiscal 2008. Contributions of nearly $2.8 billion were more than offset by the $4.2 billion investment loss.

Additions to Plan Net Assets
(in thousands)

	2008
Net Investment Income	$ (4,175,418)
Contributions:	
Member	1,058,549
Employer	1,427,840
Health Care Premiums	214,700
Medicare Part D Reimbursement	36,915
Other	23,546
Total Contributions	2,761,550
Total Additions to Plan Net Assets	**$ (1,413,868)**

2008 Deductions From Plan Net Assets

The principal purpose for STRS Ohio is to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Benefit payments, including refunds to terminated members, totaled more than $5.0 billion. Administrative expenses decreased by 1.2% from 2007.

Deductions From Plan Net Assets
(in thousands)

	2008
Benefits	$ 4,879,110
Withdrawals	142,918
Administrative Expenses	62,620
Total Deductions From Net Assets	**$ 5,084,648**

Funding

Contribution rates are actuarially determined to provide a level basis of funding using the entry age normal cost method, and an actuarial valuation is performed annually by PricewaterhouseCoopers, Chicago, Ill. The July 1, 2008, valuation shows that the amortization period for the unfunded accrued liability increased to 41.2 years from 26.1 years, and the ratio of assets to total accrued liabilities decreased to 79.1% from 82.2%. These changes reflect the experience of the fiscal year, as well as changes to some actuarial assumptions as a result of a five-year review.

Generally accepted accounting principles require pension plans to report annual required contributions at the amount necessary to have a maximum amortization period of 40 years, declining to 30 years effective with the year ended June 30, 2007. Consequently, the amortization period shown on Page 31, is 30 years for financial reporting purposes.

A detailed discussion of funding is provided in the Actuarial Section of this report beginning on Page 54.

Internal Controls

STRS Ohio management is responsible for and has implemented internal controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records. We believe that the internal controls currently in place adequately meet the purpose for which they were intended.

Certificate of Achievement and Other Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to STRS Ohio for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. STRS Ohio has received a Certificate of Achievement for the last 18 years. We believe our current report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA.

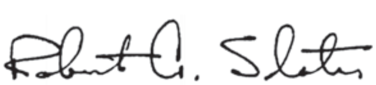
STRS Ohio was presented with the "Making Your Tax Dollars Work" award from the Auditor of State's Office. This award recognizes the quality of financial reporting and absence of audit issues at STRS Ohio. Less than 5% of the 5,500 entities that the Auditor of State's Office audits each year receive this award.

Acknowledgments

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

Respectfully submitted,

Michael J. Nehf
Executive Director



Robert A. Slater, CPA
Deputy Executive Director
Chief Financial Officer

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditors' Report

The Retirement Board
State Teachers Retirement System of Ohio
and
The Honorable Mary Taylor, CPA
Auditor of State

We have audited the accompanying statements of plan net assets of the State Teachers Retirement System of Ohio (STRS Ohio) as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of STRS Ohio's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STRS Ohio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the plan net assets of STRS Ohio as of June 30, 2008 and 2007, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2008, on our consideration of STRS Ohio's internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 9 through 15 and the schedules of funding progress and employer contributions and related notes on pages 31 and 32 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as whole. The supplementary information included on pages 33 and 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introduction section on pages 1 through 7, the Investments section on pages 35 through 53, the Actuarial section on pages 54 through 62, and the Statistical section on pages 63 through 70 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.

Clifton Gunderson LLP

Toledo, Ohio
December 9, 2008

Offices in 16 states and Washington, DC

Member of HLB International

Management's Discussion and Analysis

Management is pleased to provide this overview and analysis of the financial activities of the State Teachers Retirement System of Ohio (STRS Ohio) for the years ended June 30, 2008 and 2007. This information is intended to supplement the financial statements, which begin on Page 17 of this report. We encourage readers to consider additional information and data in this 2008 *Comprehensive Annual Financial Report*.

Five consecutive fiscal years of positive investment returns (fiscal years 2003–2007) enabled the system to make a significant recovery from the impact of the market downturn that occurred in the prior three years. However, the credit crisis and overall market decline adversely impacted the investment assets during fiscal year 2008. As of June 30, 2008, STRS Ohio held more than $70.8 billion in trust on behalf of more than 455,000 active, inactive and retired educators. This represented a more than $6 billion decline from the previous fiscal year end.

Subsequent to June 30, 2008, the financial markets have continued to decline significantly, further impacting the value of STRS Ohio investment assets. STRS Ohio's diversified portfolio is designed to allow the system to weather market fluctuations over time. The current asset allocation calls for 20% in fixed income, 42% in domestic equities, 25% in international equities, 9.5% in real estate and 3.5% in alternative investments.

STRS Ohio is a long-term investor with a long time horizon. It is investing money today that is used to pay the benefits earned by its members — but not all those benefits are due at once. Many STRS Ohio members are just entering the classroom and will not retire for many years.

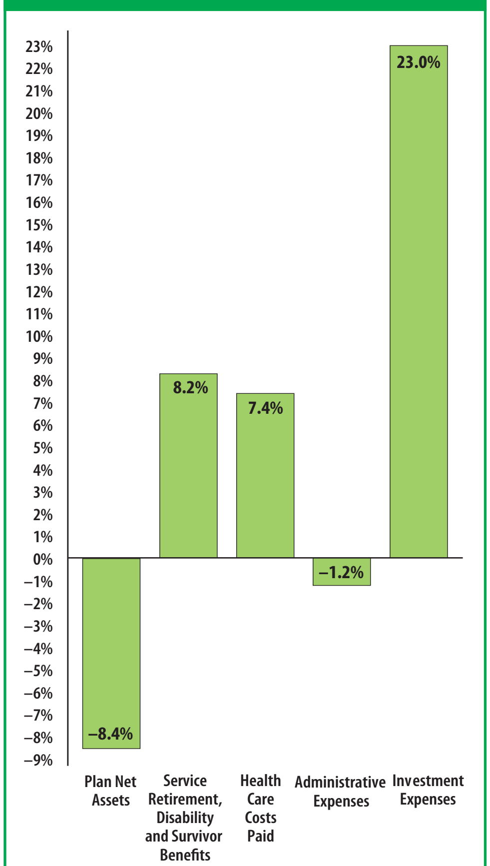
The asset allocation model is designed to provide the best long-term yields while minimizing risks to the system. This fiscal year, STRS Ohio will conduct a scheduled asset allocation study to determine if current allocation levels continue to be appropriate.

Financial Highlights

The chart below illustrates the percentage changes in plan assets and expenses for fiscal 2008. Highlights of the fiscal year include:

- The investment rate of return was –5.44% in fiscal 2008. The investment rate of return for fiscal 2007 was 20.73% following a 13.73% return in 2006. Five- and 10-year total fund annualized returns are 11.40% and 6.52%, respectively.
- Plan net assets decreased 8.4% from the prior fiscal year, ending at $70.8 billion as of June 30, 2008. Plan net assets increased 17.3% from fiscal 2006 to fiscal 2007, ending at $77.3 billion as of June 30, 2007.
- The post-employment health care balance was $3.7 billion as of June 30, 2008, a decrease of 10.1% from the prior fiscal year. Net investment loss for the fund was $218 million in 2008. The post-employment health care balance increased 15.3% from fiscal 2006 to fiscal 2007, ending at $4.1 billion as of June 30, 2007.
- Defined contribution accounts finished the year with $307 million in net assets, an increase of 3.5% from 2007. The defined contribution accounts ended at June 30, 2007, with $297 million in assets, an increase of 32.5% from fiscal 2006.
- Total benefit payments were $4.9 billion during fiscal 2008, an increase of 8.2% from fiscal 2007. STRS Ohio paid members $4.3 billion in service retirement, disability and survivor benefits plus $540 million for health care coverage during fiscal 2008. Total benefit payments were $4.5 billion during fiscal 2007, an increase of 8.1% from fiscal 2006.

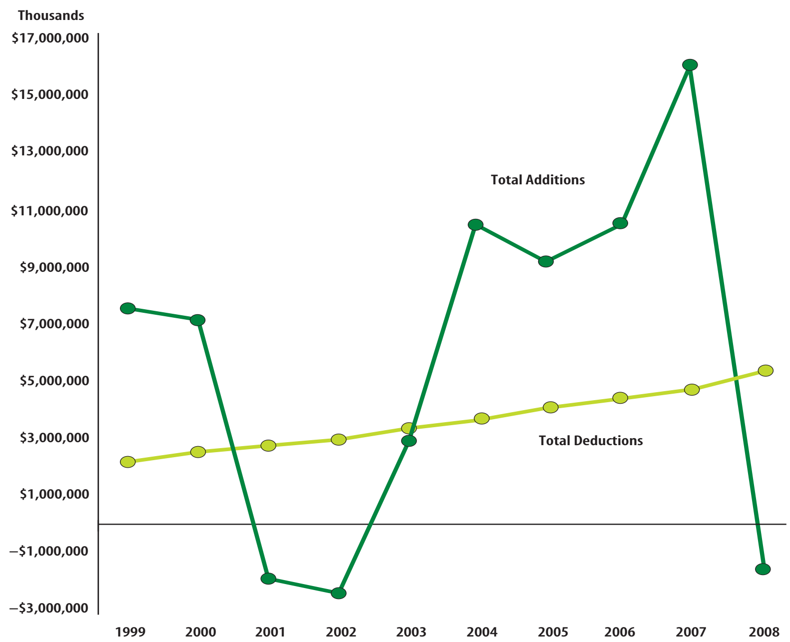
Percentage Changes in Plan Assets and Expenses for Fiscal 2008



- Total additions to plan net assets were –$1.4 billion during fiscal 2008, a decrease of $17.5 billion from 2007 additions to plan net assets. Net investment loss during fiscal 2008 totaled $4.2 billion, the losses coming primarily from market reductions in investment values. Total additions to plan net assets were $16.1 billion during fiscal 2007, an increase of $5.5 billion over fiscal 2006.
- Member and employer contributions totaled $2.5 billion during fiscal 2008. Total covered payroll, which is the combined salaries for all plan participants, increased almost 2.6%. During fiscal 2007, member and employer contributions totaled $2.4 billion.

Management's Discussion and Analysis

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



Contributions
Years Ended June 30, 2008 and 2007 (dollar amounts in thousands)

	2008	2007	Percentage Change
Employer Contributions	1,427,840	1,390,491	2.69%
Member Contributions	1,058,549	1,039,585	1.82%
Health Care Premiums and Medicare Part D Reimbursement	251,615	237,849	5.79%
Other	23,546	20,468	15.04%
Total Revenue	**$2,761,550**	**$2,688,393**	**2.72%**

Benefits and Administration
Years Ended June 30, 2008 and 2007 (dollar amounts in thousands)

	2008	2007	Percentage Change
Benefits (includes optional health care)	$ 4,879,110	$ 4,511,112	8.16%
Refunds	142,918	134,994	5.87%
Administration	62,620	63,387	–1.21%
Total Expenses	**$5,084,648**	**$4,709,493**	**7.97%**

- Administrative expenses decreased 1.2% to $62.6 million for fiscal 2008. Investment expenses, which include salaries and benefits for investment personnel, increased 23.0% to $37.7 million in fiscal 2008. Incentive payments and base compensation were increased for eligible investment associates in fiscal 2008. In fiscal 2007, administrative expenses decreased 5.5% and investment expenses increased 10.7%.

Annual Financial Review

The combined portfolio delivered a –5.44% rate of return in fiscal 2008. Real estate led all investment categories by generating an 18.92% return followed by the alternative investments return of 9.34%. Fixed income had a 6.82% return. Domestic stocks had a –15.60% return and international equity had a –9.10% return. Diversification of investments among the different asset classes enables STRS Ohio to reduce risk by offsetting short-term fluctuations in individual asset classes. Looking at annualized investment returns for the period of July 1, 1999, to June 30, 2008, STRS Ohio had a total fund return of 6.52%.

The unfunded pension liability for STRS Ohio as of July 1, 2008, is $18.2 billion, up $3.7 billion from $14.5 billion as of July 1, 2007. The expected amortization period to pay off the unfunded liability is 41.2 years at current contribution rates. The funded ratio at July 1, 2008, is 79.1%, a decrease from 82.2% at July 1, 2007. Actuarial losses resulted from investment returns being less than expected, retirees living longer and payroll growth being less than expected; several actuarial assumptions were also changed as a result of a five-year review. STRS Ohio recorded a net actuarial loss of $894 million.

Historical additions to and deductions from plan assets indicate a pattern of steadily increasing deductions compared to fluctuating additions as shown in the chart at the top of the page. Although varying from year-to-year, growth in assets exceeded deductions over the longer term. Changes in contributions and benefits and administration for fiscal years ended June 30, 2008, and 2007, are shown in the charts to the left. Pension benefit payments

Management's Discussion and Analysis

and health care costs exceed member and employer contributions. Investment income generally compensates for the difference between benefit payments and contributions.

Investment market declines decreased the net assets for post-employment health care to $3.7 billion at June 30, 2008, from $4.1 billion at June 30, 2007. Small modifications were made to the health care program for calendar year 2008. Premiums charged to health care recipients in fiscal 2008 increased to $214.7 million from $201.5 million in fiscal 2007. Medicare Part D reimbursements of $36.9 million were received to help offset the costs for prescription drugs. Eligibility to collect Medicare Part D reimbursements became effective Jan. 1, 2006, and STRS Ohio received $36.3 million in the first full year of reimbursements. Health care payments grew 7.4% from fiscal 2007. In fiscal 2007, health care premiums rose to $201.5 million from $189.4 million. Health care payments grew 2.7% from fiscal 2006.

Governmental Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 50, *Pension Disclosures*. Statement No. 43 was effective for fiscal 2007 and requires STRS Ohio to calculate and disclose the estimated health care liability for all current and future retirees in a manner similar to calculating the liability for pension benefits. Even though post-employment health care is not a guaranteed benefit, STRS Ohio is required by accounting standards to provide information based on parameters established by GASB. This information appears in the footnotes and the required supplementary information beginning on Page 31. The funded ratio of the post-employment health care fund is 33.2% and 28.1% as of Jan. 1, 2008 and 2007, respectively.

Statement No. 50 is effective for fiscal year 2008 and requires uniformity in disclosure requirements between pension plans and post-employment benefit plans.

Reductions in computer support services and depreciation expenses caused administrative expenses to decrease $767,600 in fiscal 2008 from fiscal 2007 levels. Administrative expenses decreased by $3.7 million in fiscal 2007 from fiscal 2006.

Overview of the Financial Statements of STRS Ohio

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

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

The *Statements of Changes in Plan Net Assets* show additions and deductions for the fiscal year. The net increase (or decrease) is the change in net assets available for benefits since the end of the previous fiscal year.

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

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

  As an alternative to the Defined Benefit or Defined Contribution Plan, new members may elect the Combined Plan. Combined Plan participants allocate their member contributions among the same investment choices as DC members, and employer contributions are used to provide a reduced formula service retirement benefit along with disability and survivor protection. Assets to provide benefits to Combined Plan members are divided between the Defined Benefit Plan and the Defined Contribution Plan.

Management's Discussion and Analysis

Investment Performance

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

1-Year Returns (2008)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	–15.60%	Russell 3000	–12.69%
International[7]	–9.10%	International Equity Blended Benchmark[3]	–10.00%
Fixed Income[7]	6.82%	Lehman Universal	6.22%
Real Estate[7]	18.92%	Real Estate Blended Benchmark[4]	5.50%
Alternative Investments[7]	9.34%	Russell 3000 + 3%[5]	–
Total Fund	–5.44%	Total Fund Blended Benchmark[6]	–5.79%

5-Year Returns (2004–2008)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	7.88%	Domestic Equity Blended Benchmark[2]	8.36%
International[7]	19.37%	International Equity Blended Benchmark[3]	18.27%
Fixed Income[7]	4.55%	Lehman Universal	4.15%
Real Estate[7]	22.38%	Real Estate Blended Benchmark[4]	14.39%
Alternative Investments[7]	18.82%	Russell 3000 + 3%[5]	11.38%
Total Fund	11.40%	Total Fund Blended Benchmark[6]	10.38%

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.40%

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

[1]The one-year returns for the fiscal years ended June 30, 2008, and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

[2]The Domestic Equity Blended Benchmark is calculated using the Russell 3000 Index for all periods beginning on or after Aug. 1, 2003, and a blend of the S&P 1500 and Russell 3000 benchmarks from April 1, 2003, through July 31, 2003.

[3]The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index for all periods beginning on or after Jan. 1, 2006, and 75% MSCI World ex USA Index (50% hedged) and 25% MSCI EMF Index from July 1, 2003, through Dec. 31, 2005.

[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Dow Jones Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007.

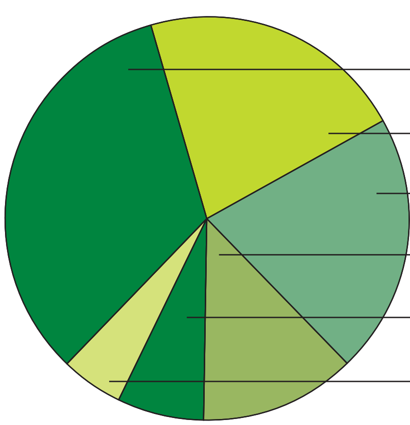
[5]The Alternative Investments benchmark is 3% above the five-year annualized return of the Russell 3000 Index. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one-year period.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. Information concerning asset class benchmarks and policy weights is available upon request.

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

Investment Distribution by Fair Value — as of June 30, 2008

(dollar amounts in thousands)



Domestic Equities:	$24,209,249	33.35%
International:	$15,603,705	21.50%
Fixed Income:	$15,174,345	20.90%
Real Estate:	$9,122,534	12.57%
Short-Term Investments:	$4,859,059	6.69%
Alternative Investments:	$3,621,415	4.99%
Total Investments:	**$72,590,307**	

Management's Discussion and Analysis

- Net assets for post-employment health care consist of funds set aside to subsidize health care coverage for members enrolled in the Defined Benefit and Combined Plans.

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

In addition to the basic financial statements and footnotes, a *Schedule of Pension Plan Funding Progress*, a *Schedule of Employer Contributions Related to Pension Plan* and *Notes to Pension Plan Trend Data* are included as "required supplementary information." These schedules emphasize the long-term nature of pension plans and show the progress of STRS Ohio in accumulating sufficient assets to pay benefits when due.

The *Schedule of Pension Plan Funding Progress* shows actuarial trend information for the past six years. It includes the ratio of valuation assets to actuarial accrued liability (funded ratio). The funded ratio increases over time as the funding status of a pension plan improves and vice versa. The *Schedule of Pension Plan Funding Progress* also shows the unfunded actuarial accrued liability as a percentage of member payroll. This percentage decreases as a pension plan grows financially stronger.

The *Schedule of Employer Contributions Related to Pension Plan* shows the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed. Employers have met their obligation by contributing at the legally required contribution rates for each of the six years shown in the schedule.

The *Notes to Pension Plan Trend Data* provide the actuarial method and assumptions used to determine the data in the *Schedule of Pension Plan Funding Progress* and the *Schedule of Employer Contributions Related to Pension Plan*.

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

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

Investment Allocation and Fiscal Year Performance

For fiscal 2008, total investments achieved a –5.44% rate of return. The relative benchmark for STRS Ohio returned –5.79%. STRS Ohio generated 35 basis points of additional value compared to the passively managed benchmark. The target allocations during the fiscal year were 20% fixed income, 42% domestic stock, 25% international, 9.5% real estate and 3.5% alternative investments. Amounts actually invested in these categories at the end of June 2008 represent an investment over/underweight if different from the target allocation. Over/underweighting occurs as fair values change and as investment managers determine allocation entry and exit timing strategies. See Page 12 for detailed investment performance.

External asset management fees are shown separately in the *Statements of Changes in Plan Net Assets* as a reduction of investment income. Coupled with direct internal investment costs, the cost to manage investments was $165 million in fiscal 2008 and $151 million in fiscal 2007.

Financial Statement Analysis

The tables on Page 14 show condensed information from the *Statements of Plan Net Assets* and the *Statements of Changes in Plan Net Assets*.

The plan net assets decreased 8.4% from fiscal 2007. The plan net assets increased 17.3% from fiscal 2006. The fluctuation of plan net assets for both fiscal 2008 and 2007 was largely due to changes in the fair value of investments.

The value of capital assets decreased slightly from 2007 because depreciation expense in fiscal 2008 exceeded the cost of new capital items. The value of capital assets increased from 2006 because costs for information technology systems and other asset purchases exceeded depreciation costs during the year.

Management's Discussion and Analysis

Plan Net Assets
(dollar amounts in thousands)

	2008	2007	2006	Amount Increase (Decrease) From 2007 to 2008	Percentage Change From 2007 to 2008
Cash and investments	$ 72,587,826	$ 79,607,931	$ 67,394,431	$ (7,020,105)	–8.82%
Receivables	1,842,726	839,474	2,308,407	1,003,252	119.51%
Securities lending collateral	2,307,026	3,970,484	3,214,660	(1,663,458)	–41.90%
Capital assets	128,310	128,804	127,943	(494)	–0.38%
Total assets	76,865,888	84,546,693	73,045,441	(7,680,805)	–9.08%
Liabilities	6,065,512	7,247,801	7,169,777	(1,182,289)	–16.31%
Plan net assets	**$ 70,800,376**	**$ 77,298,892**	**$ 65,875,664**	**$ (6,498,516)**	**–8.41%**

Additions to Plan Net Assets
(dollar amounts in thousands)

	2008	2007	2006	Amount Increase (Decrease) From 2007 to 2008	Percentage Change From 2007 to 2008
Contributions:					
Member contributions	$ 1,058,549	$ 1,039,585	$ 1,020,970	$ 18,964	1.82%
Employer contributions	1,427,840	1,390,491	1,368,943	37,349	2.69%
Health care premiums	214,700	201,537	189,432	13,163	6.53%
Other	60,461	56,780	36,921	3,681	6.48%
Total contributions	2,761,550	2,688,393	2,616,266	73,157	2.72%
Total investment income (loss)	(4,175,418)	13,444,328	8,004,571	(17,619,746)	–131.06%
Total additions to plan net assets	**$ (1,413,868)**	**$ 16,132,721**	**$ 10,620,837**	**$ (17,546,589)**	**–108.76%**

Deductions From Plan Net Assets
(dollar amounts in thousands)

	2008	2007	2006	Amount Increase (Decrease) From 2007 to 2008	Percentage Change From 2007 to 2008
Deductions:					
Benefit payments	$ 4,326,053	$ 3,997,592	$ 3,673,320	$ 328,461	8.22%
Health care coverage	540,493	503,407	490,122	37,086	7.37%
Refunds to members	142,918	134,994	127,208	7,924	5.87%
Administrative expenses	62,620	63,387	67,093	(767)	–1.21%
Other	12,564	10,113	11,065	2,451	24.24%
Total deductions	**$ 5,084,648**	**$ 4,709,493**	**$ 4,368,808**	**$ 375,155**	**7.97%**

Management's Discussion and Analysis

Total investment income decreased $17.6 billion from fiscal 2007. Total investment income increased $5.4 billion from fiscal 2006.

Employer contributions increased 2.7% as improvements were made in statewide covered payroll. Employer contributions increased 1.6% in fiscal 2007. Member contributions increased 1.8% in fiscal 2008 and 2007 as programs to purchase service credit continued to slow. The member and employer rate remained at 10% and 14%, respectively, of earned compensation for fiscal 2007 and 2008.

Health care premiums helped to offset some of the increases in health care costs. Of the $540.5 million paid to health care providers in fiscal 2008, health care enrollees paid $214.7 million of the total costs through premium deductions. Health care enrollees were also responsible for additional health care costs paid through deductibles, coinsurance, copayments and other out-of-pocket expenditures. Employer contributions of $98.3 million and Medicare Part D reimbursements of $36.9 million help reduce health care costs. The remaining health care costs of $190.5 million were absorbed by the accumulated net assets held for post-employment health care. For fiscal 2007, benefit recipients and employers contributed $201.5 million and $96.3 million, respectively.

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

Total deductions from plan net assets were $5.1 billion in fiscal 2008, an 8.0% increase over fiscal 2007. Total deductions from plan net assets were $4.7 billion in fiscal 2007, a 7.8% increase over fiscal 2006. The largest component was monthly benefit payments for service retirement, disability and survivor benefits. Total pension benefit payments increased 8.2% in fiscal 2008 and 8.8% in fiscal 2007 as a result of new retirees and cost-of-living adjustments.

Health care costs increased 7.4% in fiscal 2008. Health care costs increased a modest 2.7% in fiscal 2007 primarily as a result of litigation settlements and a full year of the Medicare Part D reimbursement.

Funding Analysis

In fiscal 2008, the funding period increased to 41.2 years as a result of actuarial losses from investment returns being less than expected and due to reducing the payroll growth assumption to 3.5% (for next 10 years, 4.00% thereafter) from 4.5%. In fiscal 2007, the funding period decreased by 21.1 years to 26.1 years from 47.2 years in fiscal 2006. In fiscal 2007, actuarial gains resulted from investment returns being greater than expected and individual salary increases being less than expected. Members' retirement patterns, retirees living longer and payroll growth being less than expected generated actuarial losses.

The unfunded accrued liability for STRS Ohio pension benefits is $18.2 billion at July 1, 2008, up from $14.5 billion at July 1, 2007. Market changes in investment assets are smoothed over a four-year period for valuation proposes. Valuation assets ended fiscal 2008 at $69.2 billion, up from $66.7 billion the prior year. The present value of promised benefits to current and future benefit recipients (the actuarial accrued liability) at fiscal 2008 and 2007 was $87.4 billion and $81.1 billion, respectively. The funded ratio, which is the valuation assets divided by the actuarial accrued liability, was 79.1% at July 1, 2008, down from 82.2% at July 1, 2007.

Requests for Information

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

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

Statements of Plan Net Assets

(in thousands)

	June 30, 2008				June 30, 2007			
	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals
Assets:								
Cash and short-term investments	$ 4,554,317	$ 49,970	$ 252,291	$ 4,856,578	$ 2,763,735	$ 40,467	$ 155,701	$ 2,959,903
Receivables:								
Accrued interest and dividends	176,522		9,779	186,301	193,962		10,927	204,889
Employer contributions	206,897	109	11,461	218,467	205,052	49	11,552	216,653
Retirement incentive	637			637	1,018			1,018
Member contributions	139,950	228		140,178	139,714	91		139,805
Due from defined contribution plans	2,888			2,888	49			49
Securities sold	1,224,413		67,828	1,292,241	260,462		14,674	275,136
Miscellaneous receivables	2,014			2,014	1,924			1,924
Total receivables	1,753,321	337	89,068	1,842,726	802,181	140	37,153	839,474
Investments, at fair value:								
Fixed income	14,322,229	58,721	793,395	15,174,345	16,529,598	51,367	931,229	17,512,194
Domestic common and preferred stock	22,809,968	135,699	1,263,582	24,209,249	28,368,647	140,319	1,598,207	30,107,173
International	14,746,976	39,805	816,924	15,603,705	16,795,439	36,147	946,206	17,777,792
Real estate	8,619,467	25,583	477,484	9,122,534	8,039,487	28,381	452,921	8,520,789
Alternative investments	3,431,333		190,082	3,621,415	2,584,478		145,602	2,730,080
Total investments	63,929,973	259,808	3,541,467	67,731,248	72,317,649	256,214	4,074,165	76,648,028
Invested securities lending collateral	2,185,934		121,092	2,307,026	3,758,728		211,756	3,970,484
Capital assets, at cost, net of accumulated depreciation of $100,146 and $93,747, respectively	128,310			128,310	128,804			128,804
Total assets	72,551,855	310,115	4,003,918	76,865,888	79,771,097	296,821	4,478,775	84,546,693
Liabilities:								
Securities purchased and other investment liabilities	1,457,841		80,759	1,538,600	790,783		44,551	835,334
Debt on real estate investments	2,049,233		113,519	2,162,752	2,268,654		127,809	2,396,463
Accrued expenses and other liabilities	21,435		1,188	22,623	17,499		986	18,485
Due to defined benefit plans		2,888		2,888		49		49
Medical benefits payable			31,623	31,623			26,986	26,986
Obligations under securities lending program	2,185,934		121,092	2,307,026	3,758,728		211,756	3,970,484
Total liabilities	5,714,443	2,888	348,181	6,065,512	6,835,664	49	412,088	7,247,801
Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage: (Schedules of funding progress are presented on Pages 31 and 32.)	$ 66,837,412	$ 307,227	$ 3,655,737	$ 70,800,376	$ 72,935,433	$ 296,772	$ 4,066,687	$ 77,298,892

See accompanying Notes to Financial Statements.

Statements of Changes in Plan Net Assets
(in thousands)

	Year Ending June 30, 2008				Year Ending June 30, 2007			
	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals
Additions								
Contributions:								
Member	$ 1,017,720	$ 40,829		$ 1,058,549	$ 1,002,876	$ 36,709		$ 1,039,585
Employer	1,305,027	24,471	$ 98,342	1,427,840	1,272,559	21,645	$ 96,287	1,390,491
Transfers between retirement plans	14,399	(14,399)			15,845	(15,845)		
Retirement incentive	5,175			5,175	8,435			8,435
Medicare Part D reimbursement			36,915	36,915			36,312	36,312
Benefit recipient health care premiums			214,700	214,700			201,537	201,537
Other retirement systems	18,371			18,371	12,033			12,033
Total contributions	2,360,692	50,901	349,957	2,761,550	2,311,748	42,509	334,136	2,688,393
Investment income from investing activities:								
Net appreciation (depreciation)								
in fair value of investments	(5,618,388)	(32,471)	(311,197)	(5,962,056)	10,984,675	35,601	617,541	11,637,817
Interest	662,284	1,517	36,683	700,484	765,556	1,540	42,985	810,081
Dividends	900,160		49,859	950,019	853,271		47,815	901,086
Real estate income	263,294		14,584	277,878	216,339		12,123	228,462
	(3,792,650)	(30,954)	(210,071)	(4,033,675)	12,819,841	37,141	720,464	13,577,446
Less investment expenses	(35,610)	(166)	(1,972)	(37,748)	(28,936)	(118)	(1,628)	(30,682)
Less external asset management fees	(120,551)		(6,677)	(127,228)	(113,603)		(6,366)	(119,969)
Net income from investing activities	(3,948,811)	(31,120)	(218,720)	(4,198,651)	12,677,302	37,023	712,470	13,426,795
From securities lending activities:								
Securities lending income	122,838		6,804	129,642	207,547		11,630	219,177
Securities lending expenses	(100,824)		(5,585)	(106,409)	(190,944)		(10,700)	(201,644)
Net income from securities lending activities	22,014		1,219	23,233	16,603		930	17,533
Net investment income (loss)	(3,926,797)	(31,120)	(217,501)	(4,175,418)	12,693,905	37,023	713,400	13,444,328
Total additions	(1,566,105)	19,781	132,456	(1,413,868)	15,005,653	79,532	1,047,536	16,132,721
Deductions								
Benefits:								
Service retirement	4,029,937			4,029,937	3,708,919			3,708,919
Disability benefits	201,949			201,949	198,581			198,581
Survivor benefits	94,167			94,167	90,092			90,092
Health care			540,493	540,493			503,407	503,407
Other retirement systems	12,347			12,347	10,019			10,019
Additional death benefits (net)	217			217	94			94
Total benefit payments	4,338,617		540,493	4,879,110	4,007,705		503,407	4,511,112
Refunds to members who have withdrawn	133,832	9,086		142,918	128,587	6,407		134,994
Administrative expenses	59,467	240	2,913	62,620	60,002	358	3,027	63,387
Total deductions	4,531,916	9,326	543,406	5,084,648	4,196,294	6,765	506,434	4,709,493
Net increase	(6,098,021)	10,455	(410,950)	(6,498,516)	10,809,359	72,767	541,102	11,423,228
Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage:								
Beginning of year	72,935,433	296,772	4,066,687	77,298,892	62,126,074	224,005	3,525,585	65,875,664
End of year	$ 66,837,412	$ 307,227	$ 3,655,737	$ 70,800,376	$ 72,935,433	$ 296,772	$ 4,066,687	$ 77,298,892

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 2008 and 2007

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

Capital Assets — Capital assets are recorded at historical cost. Depreciation is provided on a straight-line basis over estimated useful lives of five to 10 years for equipment and 40 years for building and building improvements. Capital assets include purchases of $500 or more with a useful life of at least five years.

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

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

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

Recently Issued Accounting Pronouncement — In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for post-employment benefits other than pension plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

STRS Ohio implemented Statement No. 43 for the year ended June 30, 2007. Additional disclosures related to the estimated liability of health care benefits for current and future retirees is included in this year's report.

STRS Ohio implemented Statement No. 50, *Pension Disclosures*, for the year ended June 30, 2008. This statement provides uniformity in disclosure requirements between pension plans and post-employment benefit plans.

2. Description of the STRS Ohio Plan

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

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

Member and Retiree Data at July 1, 2008 and 2007

	2008	2007
Current active members	173,327	174,110
Inactive members eligible for refunds only	130,259	127,351
Terminated members entitled to receive a benefit in the future	18,300	18,346
Retirees and beneficiaries currently receiving a benefit	126,506	122,934
Defined Contribution Plan members	6,428	6,103
Reemployed retirees	21,467	20,631
Total Plan Membership	476,287	469,475

Participating Employers at June 30, 2008 and 2007

	2008	2007
City school districts	194	194
Local school districts	370	369
County educational service centers	59	60
Exempted village school districts	49	49
Joint vocational schools	49	49
Colleges and universities	36	36
County boards of mental retardation and developmental disabilities	73	73
Community schools	272	255
State of Ohio	1	1
Other	8	8
Total	1,111	1,094

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

DB Plan Benefits — Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32nd year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

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

Notes to Financial Statements

Years ended June 30, 2008 and 2007

Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code. Benefits are increased annually by 3% of the original base amount.

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

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

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

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service.

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

Combined Plan — In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment.

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

Both DC and Combined Plan members transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. During fiscal 2008, $14,399,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan. During fiscal 2007, the first year transfers were possible, $15,845,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan.

Death, Survivor and Disability Benefits — A Defined Benefit Plan or Combined Plan member with five or more years of credited service who becomes disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) is entitled to a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits.

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

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

Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients, for the year ended June 30, 2008, pay a portion of the heath care costs in the form of a monthly premium. Benefit recipients contributed $214.7 million or 40% of the total health care costs (excluding deductibles, coinsurance and copayments). For the year ended June 30, 2007,

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benefit recipients also contributed 40% of the total health care costs.

Under Ohio law, funds to pay health care costs may be deducted from employer contributions, currently 14% of compensation. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the years ended June 30, 2008 and 2007, employer contributions allocated to health care totaled $98.3 million and $96.3 million, respectively.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription benefits since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the years ended June 30, 2008 and 2007, STRS Ohio received $36.9 million and $36.3 million in Medicare Part D reimbursements, respectively.

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

Key Methods and Assumptions Used in Actuarial Valuation

Actuarial Information	Pension	Health Care
Valuation date	July 1, 2008	Jan. 1, 2008
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Amortization period	30 years	30 years
Asset valuation method	Four-year, smoothed market with 91%/109% corridor	Fair market value
Actuarial assumptions:		
Investment rate of return	8.0%	5.5%
Projected salary increases	12.00% at age 20, to 3.25% at age 65	10.45% at age 20, to 3.85% at age 65
Payroll increase	3.50% for next 10 years; 4.00% thereafter	4.5%
Inflation assumption	3.0%	3.5%
Cost-of-living adjustment	3.0% simple	N/A
Trend rate	N/A	8.7%–12.8% initial; 5% ultimate

Pension Plan and Health Care Plan Funding Progress — The actuarial assumptions and methods used in the pension plan and health care valuations were selected in compliance with the parameters established under GASB Statements No. 25 and No. 43. As noted previously, health care plan net assets are commingled with pension plan net assets for investment purposes.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions shown below presents information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of GASB Statements No. 25 and No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The most recent pension valuation reflects an amortization period of 41.2 years, but is reduced to 30 years for disclosure compliance.

Required Pension and Health Care Employer Contributions
(dollar amounts in thousands)

	Pension		Health Care	
Year Ended June 30	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
2006	$1,417,598	88%	N/A	N/A
2007	$1,539,805	83%	$630,138	15.3%
2008	**$1,329,498**	**100%**	**$582,185**	**16.9%**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan participants), and include the types of benefits provided at the time of the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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The funded status and funding progress of the pension plan and health care plan require an actuarial valuation. The funded status and funding progress of the pension plan as of June 30, 2008, and the preceeding two years is as follows:

Schedule of Pension Plan Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2006	$58,008,050	$77,371,024	$19,362,974	75.0%	$9,974,061	194%
2007	$66,671,511	$81,126,642	$14,455,131	82.2%	$10,199,505	142%
2008	**$69,198,008**	**$87,432,348**	**$18,234,340**	**79.1%**	**$10,460,473**	**174%**

The funded status and funding progress of the health care plan as of Jan. 1, 2008 and 2007, is as follows:

Schedule of Health Care Plan Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2007	$3,821,687	$13,599,374	$9,777,687	28.1%	$9,665,780	101.2%
Jan. 1, 2008	**$4,037,843**	**$12,170,949**	**$8,133,106**	**33.2%**	**$9,834,501**	**82.7%**

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

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

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

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

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

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

For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5% of payroll. For the year ended June 30, 2008, the ARP participant payroll totaled $397,920,000, and there were 9,764 participants. For the year ended June 30, 2007, the ARP participant payroll totaled $365,837,000, and there were 9,047 participants.

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

3. Contribution Requirements and Reserves

Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Revised Code. The member rate is limited to 10% and the employer rate is limited to 14% of covered payroll.

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

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

The Employers' Trust Fund (ETF) is used to accumulate employer contributions in trust. The ETF includes assets allocated to post-employment health care from which payments for health care coverage are made.

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

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

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

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

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

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

At June 30, 2008 and 2007, plan net assets were included in the various funds as shown in the chart below.

Fund Balances (in thousands)

	June 30, 2008	June 30, 2007
Teachers' Savings Fund	$ 9,797,907	$ 9,563,125
Employers' Trust Fund	10,504,351	20,599,555
Annuity and Pension Reserve Fund	49,228,998	45,923,897
Survivors' Benefit Fund	961,893	915,543
Defined Contribution Fund	307,227	296,772
Total	$ 70,800,376	$ 77,298,892

4. Commitments and Contingencies

STRS Ohio has made commitments to fund various real estate investments totaling $969,287,354 as of June 30, 2008. The commitments as of June 30, 2008, have expected funding dates from October 2008 to June 2013.

STRS Ohio has made commitments to fund various alternative investments totaling $2,928,678,054 as of June 30, 2008. The expected funding dates for the commitments as of June 30, 2008, range from July 2008 to June 2014.

STRS Ohio is a party in various lawsuits. 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 net assets available for benefits.

5. Deposit and Investment Risk Disclosure

Investment Authority — The investment authority of the Retirement Board is governed by Section 3307.15 of the Revised Code that also requires the Retirement Board to publish its investment policies annually and make copies available to interested parties. This section requires that investments be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investments held at fair value by STRS Ohio at June 30, 2008 and 2007, are summarized in the chart below.

Investments Held at Fair Value by STRS Ohio at June 30, 2008 and 2007 (summarized and in thousands)

Category	June 30, 2008	June 30, 2007
Short-term:		
Commercial paper	$ 4,826,059	$ 2,856,211
Short-term investment funds	33,000	95,000
Total short-term	4,859,059	2,951,211
Fixed income:		
U.S. government agency obligations	1,683,347	671,995
Canadian bonds	–	38,702
Corporate bonds	4,771,333	5,230,977
High yield and emerging market	1,417,563	1,240,954
Mortgages and asset-backed	6,823,684	7,804,648
U.S. government obligations	478,418	2,524,918
Total fixed income	15,174,345	17,512,194
Domestic common and preferred stock	24,209,249	30,107,173
International: (See Note 6)	15,603,705	17,777,792
Real estate: (See Note 7)		
East region	2,822,350	2,420,671
Midwest region	1,143,424	1,123,493
South region	797,096	775,950
West region	2,168,644	2,081,172
REITs	914,075	632,036
Other	1,276,945	1,487,467
Total real estate	9,122,534	8,520,789
Alternative investments: (See Note 8)	3,621,415	2,730,080
Invested securities lending collateral	2,307,026	3,970,484
Total investments and invested securities lending collateral	$ 74,897,333	$ 83,569,723

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Years ended June 30, 2008 and 2007

Decline in Investment Fair Value — Subsequent to the fiscal year end, financial markets as a whole have incurred significant declines in values. STRS Ohio's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that STRS Ohio will recognize in its future financial statements, if any, cannot be determined.

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

Quality Ratings of Fixed-Income Investments Held at June 30, 2008 and 2007 (in thousands)

Investment Type	Quality Rating	June 30, 2008 Fair Value	June 30, 2007 Fair Value
U.S. government agency obligations	AAA	$ 1,667,711	$ 641,855
	AA		30,140
	A	15,636	
Total U.S. government agency obligations		1,683,347	671,995
Canadian bonds	AA	–	23,579
	A	–	15,123
Total Canadian bonds			38,702
Corporate bonds	AAA	1,392,385	2,178,187
	AA	1,108,400	1,221,840
	A	1,525,562	1,342,293
	BBB	663,079	482,111
	BB	37,160	
	NR	44,747	6,546
Total corporate bonds		4,771,333	5,230,977
High yield and emerging market fixed income	AAA	14,413	7,613
	AA	3,242	
	A	41,593	7,229
	BBB	113,133	145,630
	BB	301,788	290,645
	B	559,593	561,406
	CCC and below	130,178	158,013
	NR	253,623	70,418
Total high yield and emerging market fixed income		1,417,563	1,240,954
Mortgages and asset-backed	AAA	6,713,790	6,867,599
	NR	109,894	937,049
Total mortgages and asset-backed		6,823,684	7,804,648
Total credit risk debt securities		14,695,927	14,987,276
U.S. government obligations		478,418	2,524,918
Total fixed-income investments		$ 15,174,345	$ 17,512,194

Credit Risk — The quality ratings of investments in fixed-income securities as described by Standard & Poor's or Moody's, which are nationally recognized statistical rating organizations, at June 30, 2008, are shown in the chart below. U.S. government fixed-income securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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

All investments are held in the name of STRS Ohio or its nominee by the Treasurer of the State of Ohio as custodian. At June 30, 2008 and 2007, the bank cash balances were approximately $7,725,000 and $17,294,000, respectively. The bank balances are insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC). In September 2008, the FDIC issued a temporary increase to insured bank balances up to $250,000. The remaining bank deposits are covered by collateral held in the name of STRS Ohio's pledging financial institution, as required by state statute.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses

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Years ended June 30, 2008 and 2007

Duration of Fixed-Income Investments Held at June 30, 2008 and 2007 (in thousands)

	June 30, 2008		June 30, 2007	
Investment Type	Fair Value	Weighted-Average Duration	Fair Value	Weighted-Average Duration
U.S. government agency obligations	$ 1,683,347	2.525	$ 671,995	3.306
Canadian bonds			38,702	1.315
Corporate bonds	4,771,333	4.424	5,230,977	2.719
High yield and emerging market fixed income	1,417,563	5.604	1,240,954	6.121
Mortgages and asset-backed	6,823,684	4.265	7,804,648	4.349
U.S. government obligations	478,418	8.110	2,524,918	8.203
Total fixed income	$ 15,174,345		$ 17,512,194	

the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes. The table above shows the maturities by weighted-average duration at June 30, 2008 and 2007.

Concentration of Credit Risk — STRS Ohio is guided by statute and policy in the selection of security investments. No investment in any one organization represents 5% or more of plan net assets.

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

Overall Investment Portfolio — The Retirement Board has approved a target risk budget range of 0.60% to 1.20%, with a working range of .20% to 1.5%, annualized for active investment management for the total fund. A risk budget is the amount the Retirement Board has approved for returns to vary from an unmanaged passive investment profile. The total actively managed fund is expected to add 0.40% of annualized excess return over moving five-year periods.

Fixed Income — The portfolio will seek diversification by market sector, quality and issuer. The risk budget range for fixed income is 0.10% to 1.30% using the Lehman Universal Index as the benchmark. Derivatives may be used to adjust the exposure to interest rates, individual securities or to various market sectors in the portfolio. Underlying exposure of derivatives for fixed-income investments will not exceed 5% of total fund assets.

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

International — International assets will be a diversified portfolio including both developed and emerging countries. The risk budget range for international equity is between 1.00% to 2.50% using a blended benchmark of 80% MSCI World ex USA Index (50% hedged) and 20% MSCI Emerging Market Free Index. Derivatives may be used in management of the portfolio and underlying exposure of derivatives for international investments will not exceed 10% of total fund assets.

Real Estate — The real estate portfolio shall be diversified between property type, geographic location and investment structure. The risk budget range for real estate investments is 2.00% to 7.00% using a benchmark of 85% NCREIF Property Index and 15% Dow Jones Wilshire Real Estate Investment Trust Index. Investments in non-core real estate, which includes domestic and international opportunity funds and real estate development projects, shall not exceed 20% of total real estate assets. Derivatives may be used and cannot exceed 1% of total fund assets. STRS Ohio may borrow funds on a secured or unsecured basis and leverage is limited to 50% of internally

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managed real estate assets excluding publicly traded real estate investment trusts (REITs).

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Through internal or external international equity management, the investment portfolio is exposed to foreign currency risk. STRS Ohio has exposure to foreign currency as shown in the chart below.

Foreign Currency Held at June 30, 2008 and 2007 (in thousands)

Foreign Currency Denomination	June 30, 2008 International Equity	June 30, 2008 High Yield & Emerging Market Fixed Income	June 30, 2007 International Equity	June 30, 2007 High Yield & Emerging Market Fixed Income
Argentina Peso	$ 515		$ 941	$ 713
Australian Dollar	263,991		327,970	
Brazilian Real	295,901	$ 19,040	279,295	10,283
British Pound Sterling	436,314		1,017,095	
Canadian Dollar	503,078		322,980	
Chilean Peso	17,212		19,346	
China Renminbi Yuan	11,413		59,447	
Colombian Peso	3,661	6,013	3,857	
Czech Koruna	46,070		30,017	
Danish Krone	89,130		97,680	
Egyptian Pound	38,448	287	37,054	739
Euro Currency	1,336,605	(683)	1,481,479	345
Hong Kong Dollar	312,838		375,929	
Hungarian Forint	23,863		33,881	
Indian Rupee	96,299		118,039	
Indonesian Rupiah	84,899	330	80,407	377
Israeli Shekel	83,227		62,117	
Japanese Yen	453,916	29	615,549	25
Jordan Dollar	1		1	
Malaysian Ringgit	85,437	6,305	141,523	7,525
Mexican Nuevo Peso	77,244	4,963	110,174	5,919
New Zealand Dollar	(18,120)		72,932	
Norwegian Krone	241,318		139,097	
Philippines Peso	13,913		43,781	
Polish Zloty	31,846		32,717	
Russian New Ruble	43,566		46,303	529
Singapore Dollar	145,824		163,295	
South African Rand	202,239		296,506	
South Korean Won	377,754		577,020	
Sri Lanka Rupee	5,763		8,674	
Swedish Krona	107,027		85,094	
Swiss Franc	193,377		73,713	
Taiwan Dollar	327,218		376,390	
Thai Baht	101,471		118,118	
Turkish Lira	73,792	1,033	107,901	8,556
Uruguayo Peso		643		1,712
Zimbabwian Dollar	1,328		1,283	
Held In Foreign Currency	6,108,378	37,960	7,357,605	36,723
Held In U.S. Dollars	9,495,327	1,379,603	10,420,187	1,204,231
Total	$ 15,603,705	$ 1,417,563	$ 17,777,792	$ 1,240,954

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

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

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

The credit quality of the invested cash collateral is the same as the credit quality on STRS Ohio direct holdings. There are slight mismatches between the duration of the cash invested and the length of time the securities are on loan. As of June 30, 2008, the average maturity of the invested cash collateral is 272 days. Because much of the cash collateral is invested in floating rate securities, interest rates are reset every 14 days on average as of June 30, 2008. STRS Ohio has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that the required collateral meets the specified collateral requirements. There are no restrictions on the amount of securities that can be loaned. The fair value of the loaned securities was approximately $2,215,326,000 and $3,867,809,000 as of June 30, 2008 and 2007, respectively. The fair value of the associated invested cash collateral as of June 30, 2008 and 2007, was approximately $2,307,026,000 and $3,970,484,000, respectively.

6. International Investments

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

Internally Managed:

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

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

Equity Swaps — Five EAFE and six Emerging Market Free (EMF) international equity swap agreements were contracted during fiscal 2008 with maturity dates in fiscal 2009. In exchange for LIBOR (London Interbank Offered Rate) minus a negotiated spread, STRS Ohio will receive or pay the difference of the change in the total return of the various market indices included in the swap agreements. Fixed-income securities with a notional amount of $2.11 billion have been set aside at the Bank of New York as security.

The fair values of international investments held at June 30, 2008 and 2007, are shown in the chart below.

Fair Values of International Investments Held at June 30, 2008 and 2007 (in thousands)

	June 30, 2008	June 30, 2007
Externally managed		
International stocks	$ 8,907,853	$ 10,184,186
International fixed income	103,031	104,057
International currency and liquidity reserves	257,388	325,885
Forward contracts	(37,372)	4,581
Total externally managed	9,230,900	10,618,709
Internally managed		
Developed markets	3,760,637	4,008,184
Emerging stock and country funds	1,089,160	1,112,609
EAFE Index Fund	1,566,539	1,806,549
EAFE equity swaps	(82,568)	225,597
EMF equity swaps	39,037	6,144
Total internally managed	6,372,805	7,159,083
Total international	$ 15,603,705	$ 17,777,792

7. Real Estate Investments

General — STRS Ohio properties are geographically distributed throughout the United States. Real estate investments include retail single-tenant stores and malls; single- and multi-tenant office properties and warehouses; apartments; real estate investment trusts (REITs); and other investments such as timberland.

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

Other — Other real estate investments include timberland and opportunity funds that are externally managed. Income is generated from the sale of timber on timberland investments. Opportunity funds generate income as a result of operations and property sales, which are distributed to the investors.

Debt on Real Estate Investments and Interest Rate Swaps — STRS Ohio uses debt to lower the cash outlay in acquiring real estate assets and to positively impact the performance of the real estate portfolio. Of the debt on real estate investments at June 30, 2008 and 2007, $200 million was recourse debt. This debt is recourse to STRS Ohio with a covenant not to mortgage a specific pool of real estate assets. The remainder of the debt on real estate investments at June 30, 2008 and 2007, is non-recourse debt, which means that in the event of default, the specific real estate holding is used as collateral for the loan and general assets of STRS Ohio are not pledged as collateral.

At June 30, 2008, the recourse loan of $200 million has a maturity date of May 2009. Interest on the recourse loan is based on LIBOR plus a spread. At June 30, 2007, recourse loans of $400 million had maturity dates in May 2008.

Of the non-recourse debt at June 30, 2008, loan maturities ranged from July 2008 to July 2034. Non-recourse debt at June 30, 2007, had loan maturities ranging from July 2008 to December 2034. The debt on real estate repayment schedule is reflected in the table below.

Real Estate Debt Repayment Schedule as of June 30, 2008 (in thousands)

By Fiscal Year	Principal	Interest
2009	$ 267,972	$ 90,549
2010	370,233	81,192
2011	246,087	59,601
2012	124,979	42,962
2013	6,117	41,445
2014–2018	560,614	115,638
2019–2023	–	51,662
2024–2028	132,000	47,732
2029–2033	202,000	28,307
2034–2035	252,750	4,428
Total	$ 2,162,752	$ 563,516

8. Alternative Investments

Alternative investments are primarily investments in private equities, which include venture and buyout/growth opportunities. STRS Ohio invests as a limited partner in closed-end partnerships along with other pension funds, endowments and high-net-worth individuals. Individual alternative investments tend to be limited to a particular industry to take advantage of the general partner's knowledge and skill.

9. Derivatives

Equity Swap Agreements — As discussed in Note 6, STRS Ohio has entered into international equity swap agreements. No funds are required as collateral by either party; however, STRS Ohio has purchased fixed-income securities equivalent to the initial exposure, which are located in a subcustodial account at the Bank of New York Mellon. The notional amount of the fixed-income securities is $2.11 billion. The market risk of the swap is the same as if STRS Ohio owned the underlying stocks that comprise the indexes. The revenues and expenses resulting from these agreements have been recorded in the basic financial statements.

Forward Contracts — Forward contracts in various currencies were used to transact and hedge direct foreign equity and real estate investments that STRS Ohio maintains through the use of outside managers. Additionally, forward contracts were used to hedge currency exposure as a result of the EAFE and EMF equity swap agreements. STRS Ohio is obligated to deliver the foreign currency at a certain dollar price sometime in the future. To fulfill this obligation at maturity, STRS Ohio must obtain the currency in the open market. Before the contract matures, STRS Ohio can enter into an offsetting forward contract that nets out the original contract. These events expose STRS Ohio to currency market risk, which can fluctuate. STRS Ohio is also subject to the risk that the counterparty will fail to fulfill the contract.

Futures — STRS Ohio had investments in S&P 500 Index futures during the year. Index futures are designed to offer lower cost and more efficient alternatives to buying individual stocks that comprise the index. The market and credit risk of the futures were the same as if STRS Ohio had owned the underlying stocks that comprise the index.

Additionally, futures were used in the EAFE Index Fund and by external money managers. The values of the future and forward contracts at June 30, 2008 and 2007, are shown in the chart below.

Value of Future and Forward Contracts Held at June 30, 2008 and 2007 (in thousands)

	June 30, 2008	June 30, 2007
Forward contracts		
Externally managed	$ 4,846,300	$ 4,255,500
Internally managed	4,480,500	4,130,500
Total forward contracts	$ 9,326,800	$ 8,386,000
Future contracts		
S&P 500	$ 4,794,800	$ 60,600
EAFE Index Fund	42,700	23,200
Externally managed	23,300	41,200
Total future contracts	$ 4,860,800	$ 125,000

Notes to Financial Statements
Years ended June 30, 2008 and 2007

Options — STRS Ohio writes option contracts on existing stock positions to enhance the return on the stock portfolio. In exchange for a premium, STRS Ohio gives the option buyer the right to buy or sell the underlying stock. Options are also purchased to "cover" existing written open option positions.

Fixed-Income Credit Default Swaps — At June 30, 2008, and June 30, 2007, STRS Ohio did not hold credit default swaps in its portfolio.

Fixed-Income Interest Rate Swaps — Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract. At June 30, 2008, STRS Ohio did not hold any interest rate swaps. At June 30, 2007, STRS Ohio held six interest rate swaps with a notional amount of $600 million. STRS Ohio received fixed rates ranging from 5.50% to 5.88%, and payed a floating LIBOR rate.

10. Pension Plan

Substantially all STRS Ohio employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system.

Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of credited service up to 30 years and 2.5% for each year of service over 30 years. Final average salary is the employee's average salary over the highest three years of earnings. Benefits fully vest on reaching five years of service. Vested employees may retire at any age with 30 years of credited service; at age 55 with a minimum of 25 years of credited service; and at age 60 with a minimum of five years of service. Employees retiring with less than 30 years of service and under age 65 receive reduced retirement benefits. Benefits are established by state law.

Effective Jan. 1, 2007, the member and employer contribution rates increased to 9.5% and 13.85% of covered payroll, respectively. Effective Jan. 1, 2008, the member and employer contribution rates increased to 10.0% and 14.0% of covered payroll, respectively. The required employer contributions for the current year and the two preceding years are shown in the chart below.

STRS Ohio Required Employer Contributions to OPERS

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2006	$5,795,000	100%
2007	$6,352,000	100%
2008	**$6,951,000**	**100%**

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

OPERS also provides post-employment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for funding post-employment health care. The Revised Code provides statutory authority for employer contributions. For calendar year 2007, the portion of the employer rate set aside for post-employment health care was 5.0% from Jan. 1, 2007, to June 30, 2007, and 6.0% from July 1, 2007, to Dec. 31, 2007, as compared to 4.5% for the entire calendar year of 2006.

Required Schedule of Pension Plan Funding Progress For the Years Ended June 30, 2003–2008 (dollar amounts in thousands)

Valuation Year	Actuarial Accrued Liability (AAL)*	Valuation Assets*	Unfunded Actuarial Accrued Liability (UAAL)*	Ratio of Assets to AAL	Covered Payroll**	UAAL as % of Covered Payroll
2003	$65,936,357	$48,899,215	$17,037,142	74.2%	$9,206,086	185%
2004	$69,867,425	$52,253,798	$17,613,627	74.8%	$9,565,978	184%
2005	$73,817,114	$53,765,570	$20,051,544	72.8%	$9,775,159	205%
2006	$77,371,024	$58,008,050	$19,362,974	75.0%	$9,974,061	194%
2007	$81,126,642	$66,671,511	$14,455,131	82.2%	$10,199,505	142%
2008	**$87,432,348**	**$69,198,008**	**$18,234,340**	**79.1%**	**$10,460,473**	**174%**

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

**Covered payroll includes salaries for alternative retirement plan participants and defined contribution plan participants. For 2008 and 2007, alternative retirement plan participant payroll totaled $397,920 and $365,837, respectively. For 2008 and 2007, defined contribution plan payroll totaled $228,347 and $205,023, respectively.

Required Schedule of Employer Contributions Related to Pension Plan For the Years Ended June 30, 2003–2008 (dollar amounts in thousands)

Year Ended June 30	Annual Required Contributions*	Percentage Contributed
2003**	$1,163,732	100%
2004	$1,270,388	95%
2005	$1,281,546	96%
2006	$1,417,598	88%
2007	$1,539,805	83%
2008**	**$1,329,498**	**100%**

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The Governmental Accounting Standards Board (GASB) requires disclosure of the Annual Required Contributions (ARC) using a maximum amortization period of 40 years; reduced to 30 years effective July 1, 2007. Amounts shown as the ARC for each year may be different from the contributions required by state statute. The information here was determined as part of the actuarial valuations for the dates indicated. Additional information as of the latest actuarial valuation is shown in the table below.

**Revised economic and non-economic assumptions due to experience review.

Notes to Pension Plan Trend Data

Valuation date	July 1, 2008	July 1, 2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Remaining amortization period (for GASB disclosure)	30.0 years	26.1 years
Asset valuation method	Four-year, smoothed with 91%/109% corridor	Four-year, smoothed with 91%/109% corridor
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	12.00% at age 20 to 3.25% at age 65	10.45% at age 20 to 3.85% at age 65
Payroll increase	3.50% for next 10 years, 4.00% thereafter	4.50%
Inflation assumption	3.00%	3.50%
Cost-of-living adjustments	3% simple	3% simple

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

Required Schedule of Health Care Funding Progress, 2007 and 2008
(dollar amounts in thousands)

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Funded (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2007	$3,821,687	$13,599,374	$9,777,687	28.1%	$9,665,780	101.2%
Jan. 1, 2008	**$4,037,843**	**$12,170,949**	**$8,133,106**	**33.2%**	**$9,834,501**	**82.7%**

*Valuations prior to Jan. 1, 2007, are not available.

Required Schedule of Employer Contributions Related to Health Care For the Years Ended June 30, 2007 and 2008 (dollar amounts in thousands)

Year Ended June 30*	Annual Required Contributions	Percentage Contributed
2007	$630,138	15.3%
2008	**$582,185**	**16.9%**

*Information prior to the year ended June 30, 2007, is not available.

Notes to Health Care Trend Data

Valuation date	Jan. 1, 2008	Jan. 1, 2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Remaining amortization period	30.0 years	30.0 years
Asset valuation method	Fair market value	Fair market value
Actuarial assumptions:		
Investment rate of return	5.50%	5.50%
Projected salary increases	10.45% at age 20 to 3.85% at age 65	10.45% at age 20 to 3.85% at age 65
Payroll increase	4.5%	4.5%
Inflation assumption	3.50%	3.50%
Trend rates	8.70%–12.80% initial; 5.00% ultimate	8.97%–13.40% initial; 5.00% ultimate

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

Schedules of Administrative Expenses
For the Years Ending June 30, 2008 and 2007

	2008	2007
Personnel		
Salaries and wages	$ 30,797,416	$ 29,798,296
Retirement contributions	4,204,292	4,068,525
Benefits	4,085,366	3,881,433
Total personnel	**39,087,074**	**37,748,254**
Professional and technical services		
Computer support services	2,855,426	3,557,443
Health care services	916,901	1,106,048
Actuary	412,335	407,419
Auditing	270,281	120,683
Defined contribution administrative fees	1,041,377	1,018,870
Legal	247,912	230,017
Temporary employment services	21,196	12,583
Total professional and technical services	**5,765,428**	**6,453,063**
Communications		
Postage and courier services	1,416,902	1,426,889
Printing and supplies	1,862,720	1,793,035
Telephone	491,085	477,174
Total communications	**3,770,707**	**3,697,098**
Other expenses		
Equipment repairs and maintenance	3,905,100	4,376,489
Building utilities and maintenance	1,501,352	1,474,849
Transportation and travel	267,250	252,812
Recruitment fees	166,704	256,277
Equipment rental	16,127	19,254
Depreciation	6,434,183	7,225,683
Member and staff education	249,826	235,277
Insurance	716,295	807,845
Memberships and subscriptions	169,311	175,439
Ohio Retirement Study Council	221,633	362,404
Miscellaneous	348,660	302,553
Total other expenses	13,996,441	**15,488,882**
Total administrative expenses	**$ 62,619,650**	**$ 63,387,297**

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on Page 34.

See accompanying independent auditors' report.

Schedules of Investment Expenses
For the Years Ending June 30, 2008 and 2007

	2008	2007
Personnel		
Salaries and wages	$ 22,830,650	$ 17,202,668
Retirement contributions	2,746,722	2,283,269
Benefits	2,294,199	1,771,518
Total personnel	**27,871,571**	**21,257,455**
Professional and technical services		
Investment research	2,378,493	2,036,542
Financial asset advisors	679,791	668,675
Banking fees	4,917,680	5,040,071
Total professional and technical services	**7,975,964**	**7,745,288**
Other expenses		
Printing and supplies	5,714	16,246
Building utilities and maintenance	324,496	323,262
Travel	329,792	284,366
Investment quotation systems	1,119,363	967,879
Memberships and subscriptions	96,519	67,187
Miscellaneous	24,777	20,534
Total other expenses	**1,900,661**	**1,679,474**
Total investment expenses	**$ 37,748,196**	**$ 30,682,217**

See accompanying independent auditors' report.

Schedules of Fees to External Asset Managers by Asset Class
For the Years Ending June 30, 2008 and 2007

	2008	2007
Asset class		
Domestic common and preferred stock	$ 9,697,901	$ 11,542,135
International	40,505,924	39,723,518
Fixed income	5,315,493	5,207,320
Alternative investments	52,810,607	46,829,532
Real estate	18,898,215	16,666,949
Total external manager fees	**$ 127,228,140**	**$ 119,969,454**

See accompanying independent auditors' report.

Investment Review

For Fiscal Year July 1, 2007, through June 30, 2008
Prepared by STRS Ohio's Investments Associates

Financial market crisis looms over the economy

Entering fiscal 2008, the U.S. economy appeared to have weathered the crushing housing downturn that began a year-and-a-half earlier. Real residential investment had fallen more than 20% from its mid-fiscal 2006 peak to the beginning of fiscal 2008, while single-family housing starts were down 38% from the January 2006 high. During the same time span, real gross domestic product (GDP) grew a moderate 2.4% and real GDP excluding residential investment advanced a solid 3.4%.

In fiscal 2008 the trend continued, with real GDP soaring at an annualized rate of 4.8% in the first quarter and growth in real GDP excluding residential investment hitting a four-year high of 6.0%. However, the good times slipped away as three additional macroeconomic problems jumped to the forefront along with the ongoing housing downturn. A renewed energy cost surge was joined by a credit crunch in the financial markets and the appearance of the first food cost crisis in more than 10 years. Together, they forced a significant slowing in real economic activity and an alarming increase in headline inflation measures — even as core inflation concepts (i.e., inflation excluding food and energy costs) remained relatively well behaved.

The strong first quarter was followed by two very weak middle quarters. Real GDP fell an annualized 0.2% in the second quarter followed by a meager 0.9% annualized increase in the third quarter, lowering real GDP through the third quarter to an annualized 1.8%. Furthermore, the support for economic activity outside of housing also disappeared with real GDP excluding residential investment growing only an annualized 1.5% over the middle two quarters of the fiscal year. For an economy whose potential longer-term growth rate is nearly 3%, the middle period of fiscal 2008 clearly showed weakness across most economic sectors. The modest economic activity was supported primarily by foreign trade from still-growing countries and a falling U.S. dollar that made American goods and services more affordable for foreigners. That support, along with marginally better consumer spending arising from one-time federal tax rebate checks, pushed real GDP growth up an annualized 2.8% in the final quarter of the fiscal year.

While core real economic activity slid within the U.S. borders, inflation turned higher. The GDP price index started the fiscal year growing only an annualized 1.5% in the first quarter, while the personal consumption expenditure (PCE) less food and energy price index (the core PCE price index favored by the Federal Reserve) rose by a behaved 2.1%. The middle quarters of the fiscal year, however, would tell a different story as both food and energy costs soared once again — eating away at discretionary consumer and business spending and elevating overall inflation measures. The GDP price index climbed from 1.5% at the beginning of the fiscal year to average an annualized 2.7% in the middle quarters, while the core PCE price index moved to 2.4% from 2.1% over the same periods of time. Inflation pressures eased following the slower economic growth, shown by the deceleration in the GDP price index to an annualized 1.1% and the core PCE price index to 2.2% in the final quarter. The current measures of inflation are only modestly above the desired range of growth in inflation that the Federal Reserve would like to see. However, the direction and constant pressure on real economic activity from ever-higher energy and food costs have created a severe macroeconomic problem.

Because the greatest economic effect from higher food and energy costs has been on real economic activity, the Federal Reserve has aggressively lowered policy interest rates to spark future economic growth. The combined impacts of a housing slump, credit market crunch and soaring costs on mandatory purchases of food and energy have endangered current and future economic growth. The Federal Reserve started the fiscal year with a policy interest rate — the federal funds rate — at 5.25%. Credit market liquidity problems developed in August 2007 when investors worried about subprime mortgages in the face of higher home foreclosure rates. Credit market spreads to safer Treasury securities widened significantly, indicating that greater risks needed to be priced into credit instruments.

The Federal Reserve initially tried to address the seizing up of the credit markets by encouraging banks to use the discount loan window for liquidity and by dropping the federal funds rate 50 basis points (0.5%) to 4.75% in mid-September 2007. During September and October, many of the credit market problems eased and it appeared that the Federal Reserve had moved monetary policy into an appropriate area. After a marginal 25 basis points (0.25%) easing of interest rates at the end of October, the Federal Reserve thought the crisis was under control. Yet, investors questioned other financial instruments, worried that their lack of transparency could also signal default problems. By late November, it was clear that the Federal Reserve would have to do more to address the growing crisis of confidence in the credit markets and the chance that threat would spread elsewhere in the financial markets.

Before Christmas the Federal Reserve again marginally lowered policy interest rates, dropping the federal funds rate to 4.25%. But, it also introduced a new credit facility that provided banks the opportunity to secure funds through an auction process rather than simply relying on the existing discount window that banks were loathe to use. The banking sector's liquidity problems during a credit crunch were now being appropriately addressed by the Federal Reserve with its new credit facility and the combined percentage point drop in the federal funds rate since mid-September. However, broker-dealers in the financial markets continued to face strains from the credit crunch and lack of confidence in many financial instruments.

By late January 2008 the stock market was facing a severe decline. Fiscal and monetary policymakers began to combat the growing financial market crisis that threatened to spread to the broader economy. In a span of three months, the Federal Reserve would drop interest rates by another 225 basis points (2.25%) to 2% for the federal funds rate. It also introduced three additional liquidity programs directed at broker-dealers to help them remain solvent. Furthermore, the Federal Reserve guaranteed part of a rescue package for Bear Stearns that allowed that sinking broker, heavily exposed to the subprime mortgage market collapse, to be bought by JPMorgan Chase & Co. At the same time, the president and Congress agreed to a one-time tax rebate program that provided most taxpayers with $600 checks beginning in May and continuing into the summer, while also temporarily lowering some tax burdens for businesses.

Fiscal 2008 will be remembered as the year when monetary and fiscal policymakers threw many policy responses at a severe financial market crisis that deeply threatened the broader economy. Most of the monetary policy changes were only enacted in late January and will need roughly a year or so before they truly impact the financial markets and the economy. The fiscal policy changes should have an impact sooner and hopefully create a bridge to the monetary policy support. Nonetheless, the economy will likely plod on for much of fiscal 2009 as severe underlying problems that have restrained growth continue to weigh on future economic activity.

Some interest rates fell during the credit crunch

The credit crunch that began early in fiscal 2008 had a significant impact on the fixed-income market during the entire year. Tightening credit conditions and slower economic growth prompted the Federal Reserve to lower the federal funds rate to 2.00% from 5.25% during the year. This contributed to lower long-term 10-year Treasury yields that declined by approximately 1.00%, causing Treasury notes to perform well as prices increased. Many other mortgage and credit-related securities did not perform as well as Treasuries as investors grew increasingly risk averse. While there was a wide dispersion in returns across sectors, the fixed-income market still produced very respectable overall returns during the year.

The STRS Ohio fixed-income portfolio returned 6.82% versus the benchmark's return of 6.22%. Over the three prior fiscal years, the STRS Ohio fixed-income portfolio returned an annual average of 4.61% versus the benchmark's return of 4.14%. The STRS Ohio performance over the prior five fiscal years was 4.55% versus the benchmark's 4.15%. A more complete report of STRS Ohio performance appears on Page 49.

Domestic equity returns fall amid a housing sector collapse and credit crisis

Fiscal 2008 was a turbulent year for the U.S. equity market as the Russell 3000 Index declined by 12.69%. The drop in the index was primarily due to the weakness in the housing market that became the catalyst for a wider credit crisis and resulted in a sharp slowdown of the domestic economy. The crisis also caused both a steep decline in corporate earnings and a significant rise in risk aversion. Most of the fall in earnings in fiscal 2008 can be directly attributed to the credit-related write-downs in the financial sector, as the slowdown did not initially result in more widespread earnings downgrades. Investor fear of future earnings downgrades due to the weakening economy led to a rise in risk aversion and investors fled the equity markets for the lower risk U.S. Treasury markets.

Housing weakness and the credit crisis also led to a slowdown in consumer spending as consumers were no longer able to use mortgage equity withdrawals of housing appreciation as a means to spend. Employment conditions also deteriorated and consumer confidence waned. Consumer-exposed stocks were among the weakest in fiscal 2008 with commodity sectors performing the strongest as they were expected to decouple from a weak domestic economy. In total, fiscal 2008 was an extremely difficult environment for the equity market with volatility rising and returns falling.

The STRS Ohio domestic equities portfolio returned –15.60% versus the Russell 3000 benchmark's return of –12.69% after exceeding the benchmark the previous two fiscal years. Over the three prior fiscal years, the STRS Ohio domestic equities portfolio returned an annualized 4.07% versus the benchmark's return of 4.73%. The STRS Ohio performance over the prior five fiscal years was 7.88% versus the benchmark's 8.36%. A more complete report of STRS Ohio performance appears on Page 49.

Financial system uncertainty impacts international equity returns

International equity markets fell during fiscal 2008, despite positive returns in the emerging markets. The developed markets, represented by the Morgan Stanley Capital International (MSCI) World ex USA Index, dropped 13.6%, and the emerging markets, represented by the MSCI Emerging Market Free (EMF) Index were up 4.9%. The developed markets suffered their first decline after four straight years of appreciation as the financial turmoil initiated by the subprime problem in the United States gave global markets their first serious setback since the beginning of the decade. In addition to the financial system uncertainty, investors could no longer overlook continued high energy prices and rising short-term interest rates, and the tolerance for risk decreased significantly. The result was negative returns following four consecutive years of exceptional returns.

The returns in the international markets were weak across every region for the year, with only four markets being up — compared to the previous year when every market was up. The four positive markets were Canada, which was up 14.5%; Norway, up 9.7%; Denmark up 8.6%; and Hong Kong up 3.5%. The laggards were Ireland, which fell 36.2%, while New Zealand dropped 29.7% and Belgium fell 29.3%. Currency played a large role in returns for fiscal 2008 as both the euro and the Japanese yen appreciated more than 16% versus the dollar — giving a huge boost to returns for U.S. dollar-based investors.

On a regional basis, Europe was weaker than the Far East, falling 14%. The Pacific (Far East) developed markets dropped 11% as a group and North America (Canada) rose nearly 15%.

The top performing sector for the fiscal year was the materials group for the third consecutive year, rising 18%. This was followed by the energy and utilities sectors, up 14% and 7%, respectively. On the other end of the spectrum, the financial sector fell 24%.

The STRS Ohio international portfolio returned –9.10% versus the benchmark's return of –10.00%. Over the past three fiscal years, the STRS Ohio international portfolio returned an annualized 15.38% versus the benchmark's return of 14.64%. The STRS Ohio performance over the prior five fiscal years was 19.37% versus the benchmark's 18.27%. A more complete report of STRS Ohio performance appears on Page 49.

Real estate returns were strong, but conditions turned negative as the fiscal year progressed

In the fourth fiscal quarter of 2008, private market real estate turned in slight negative appreciation for the first time since the third quarter of fiscal 2003 — signaling the beginning of a price correction for the asset class. However, the return for fiscal 2008 still exceeded its long term expected average. Conversely, public market real estate (REITs) turned in a substantial negative return for the fiscal year (–15.3%) for the first time since fiscal 1999, offsetting some of the extraordinary gains of the prior several years.

Real estate returns in fiscal 2008 were driven primarily by property-level fundamentals rather than the capital markets as had been the case in recent years. The rate of price appreciation continued to decline over the course of the year as investors increasingly chose to sit on the sidelines given the uncertainty in the market.

The STRS Ohio real estate portfolio returned 18.92% versus the benchmark's return of 5.50%. Over the three prior fiscal years, the STRS Ohio real estate portfolio returned an annual average of 24.23% versus the benchmark's return of 13.51%. The STRS Ohio performance over the prior five fiscal years was 22.38% versus the benchmark's 14.39%. A more complete report of STRS Ohio performance appears on Page 49.

Total fund returns outperformed benchmark returns in fiscal 2008

During fiscal 2008, the STRS Ohio fund returned –5.44% versus the benchmark's (hybrid index of industry benchmarks) return of –5.79%. All but one of the STRS Ohio asset classes registered outperformance during the fiscal year. Over the three prior fiscal years, the STRS Ohio fund returned an annual average of 9.09% versus the benchmark's return of 8.11%. The STRS Ohio fund performance over the prior five fiscal years was 11.40% versus the benchmark's 10.38%. This was the sixth straight year that the fund outperformed its benchmark and both the three- and five-year annualized returns exceeded the absolute long-term policy standard for STRS Ohio investments. A more complete report of STRS Ohio fund performance appears on Page 49.

Statement of Investment Objectives and Policy

Effective Nov. 16, 2007

1.0 Purpose

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

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

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

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

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

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

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

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

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

1.95 The Board approved this Statement on Nov. 16, 2007.

2.0 Investment Objective

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

(a) to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return (ARR) approved by the Board to value STRS Ohio liabilities. The current actuarial rate of return is 8.0%;

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

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

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

2.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ARR over a 20-year time horizon.

3.0 Key Document Policy

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

Exhibit 1: Key Document Schedule

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

4.0 Asset Mix Policy, Risk Diversification and Return Expectations

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

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

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

4.4 Forecasts of capital market and active management returns undertaken by the Board's asset management consultant indicate that the Board's investment policy summarized in Exhibit 2 has an expected 20-year annualized return of 8.4%. The expected 8.4% annualized

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

Asset Class	Target Allocation[4]	Rebalancing Range	Expected Nine-Year Policy Returns[1, 2]	Expected Five-Year Management Returns[3]	Expected Total Return
Equity					
Domestic	42.00%	35–50%	8.00%	0.25%	8.25%
International	25.00%	20–30%	8.00%	1.00%	9.00%
Alternatives	3.50%	2-5%	10.70%		10.70%
Total Equity	70.50%				
Fixed Income	20.00%	15–30%	5.50%	0.35%	5.85%
Real Estate	9.50%	6–12%	6.70%	0.75%	7.45%
Liquidity Reserve	0.00%	0–5%	4.20%		4.20%
Total Fund [5]	100.00%		7.45%	0.40%	7.85%

[1] Based on the 2005 Asset/Liability Study.

[2] The 20-year return forecast is 8.4% per year.

[3] Individual asset classes are gross value added; the total fund is net value added.

[4] The target allocation percentage became effective Oct. 1, 2007.

[5] The Total Fund composite benchmark is a blend of the asset class benchmarks based on the Total Fund's target allocation for the respective asset classes. As of Oct. 1, 2007, the Total Fund benchmark is calculated using 20% Lehman Universal, 42% Russell 3000, 25% International Hybrid, 9.5% Real Estate Hybrid and 3.5% Alternative Investment actual return.

return is 0.4% above the Board-approved 8.0% actuarial rate of return.

4.5 From the 2005 Asset/Liability Study, the 7.45% expected asset mix policy return was developed with reference to the observed long-term relationships among major asset classes. The Board believes this return expectation is reasonable, but recognizes that the actual nine-year asset mix policy return can deviate significantly from this expectation — both positively and negatively.

4.6 Fund assets are invested using a combination of passive and active management strategies. Active management of public market securities and real estate assets is expected to earn net 0.40% per annum of additional returns over moving five-year periods. The Board recognizes that unsuccessful active management can reduce total fund returns.

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

4.8 Liquidity reserves are kept at a minimum level, but sufficient to cover the short-term cash flow needs. STRS Ohio investment staff may utilize a derivative overlay to maintain the level at 0%.

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

5.0 Rebalancing

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

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

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

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

6.0 Passive and Active Management Within Risk Budgets

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

6.2 The Board has approved a target risk budget of .60% to 1.20%, with a working range of .20% to 1.50%, annualized for active management for the total fund. In exchange for assuming this level of active risk, the Board expects active management to add net 0.40% of annualized excess return over moving five-year periods.

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

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

6.5 Active management tries to earn higher returns than those available from index funds by making value-adding security selection and asset mix timing decisions. Unsuccessful active management earns below index fund returns.

6.6 Because there are no index fund products for real estate and alternative investments, these asset classes must be actively managed.

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

7.0 Global Equities — Domestic

7.1 Domestic equity is being managed relative to a Board-approved risk budget range of .20% to

1.50%, and is expected to earn at least 0.25% of annualized excess return above the Russell 3000 Index over moving five-year periods.

7.2 Key elements of the strategy:

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

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

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

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

8.0 Global Equities — International

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

8.2 Key elements of the strategy:

(a) The portfolio emphasizes fundamental management approaches and exposures to security selection and country allocation decisions. These decisions have been shown to be the principal sources of the excess return in international equity portfolios. Managers have the ability to add value through currency management.

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

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

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

9.0 Fixed Income

9.1 Fixed income is being managed relative to a Board-approved risk budget range of 0.1% to 1.30%, and is expected to earn at least 0.35% of annualized excess returns above the Lehman Brothers Universal Bond Index over moving five-year periods.

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

9.3 Key elements of the strategy:

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

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

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

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

10.0 Real Estate

10.1 Real estate investments are being managed relative to a Board-approved risk budget range of 2.00% to 7.00%, and are expected to earn at least 0.75% of annualized excess returns above a composite benchmark over moving five-year periods. The composite benchmark is 85% NCREIF Property Index and 15% Dow Jones Wilshire Real Estate Investment Trust Index.

10.2 Key elements of the strategy:

(a) Real estate is 100% actively managed because index funds replicating the real estate broad market are not available. The portfolio is primarily managed internally. External managers are utilized primarily for specialized segments of the market.

(b) Direct property investments represent most of the real estate portfolio. Risk is diversified by investing across major property types and geographic areas.

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

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

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

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

11.0 Alternative Investments

11.1 Alternative investments are being managed with the objective of earning at least 3% net of fees above domestic public equity markets over very long time horizons, typically moving 10-year periods. Because alternative investments are traded infrequently, risk budget concepts are not applicable.

11.2 Key elements of the strategy:

(a) Alternative investments are 100% actively managed because index funds are not available.

(b) Asset class risk is diversified by investing across different types of alternative investments including private equity (venture capital, leverage buyouts, mezzanine debt, sector and international funds), distressed debt and hedge funds.

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

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

12.0 Derivatives

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

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

(a) 5% for fixed-income investments;

(b) 10% for domestic equity investments;

(c) 10% for international equity investments; and

(d) 1% for real estate investments.

Hedging derivatives will not be included in the limits above, but must be footnoted.

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

13.0 Proxy Voting

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

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

14.0 Ohio Investments

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

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

15.0 Broker-Dealers

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

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

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

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

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

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

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

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

16.0 Securities Lending

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

17.0 Securities Litigation

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

18.0 Security Valuation

Valuation of investments shall be the total of:

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

(b) The NASDAQ Official Closing Price (NOCP) as reflected by NASDAQ for common and preferred stocks not listed on a registered stock exchange.

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

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

(e) Real estate valued through a combination of independent appraisals and manager valuations. Methodology underlying internal valuations will be reviewed by the real estate consultant. REIT shares are valued at primary closing prices on the principal registered stock exchange.

(f) The most recent manager valuations for alternative investments updated to include subsequent capital activity.

(g) International investments are valued by the subcustodian using relevant closing market prices and exchange rates.

19.0 Performance Monitoring and Evaluation

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

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

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

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

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

19.4 Exhibit 3 is one of many reports used by the Board to monitor and evaluate performance of the total fund. Panel one indicates whether the total fund return exceeded the 8.0% actuarial rate of return. Panel two indicates whether the Fund was rewarded for investing in higher return but more risky equity investments. Panel three indicates whether active management added or subtracted returns.

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

(a) Performance of the total fund;

(b) Performance of individual asset class strategies;

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

(d) Performance of individual external managers.

Exhibit 3: EXAMPLE Total Fund Trustee Summary Report, as of June 30, 2007

Experienced Returns	Annualized Rates of Return			
	1 Year	3 Years	5 Years	10 Years
Have returns affected funded ratio?				
1. Total fund return	20.73%	15.51%	13.17%	8.58%
2. Actuarial discount rate	8.00%	8.00%	7.95%	7.77%
3. Out/under-performance (1–2)	12.73%	7.51%	5.22%	0.81%
Has plan been rewarded for capital market risk?				
4. Total fund policy return	19.49%	14.34%	12.16%	8.20%
5. Minimum risk/high opportunity cost policy of 91-day T-Bills	5.01%	3.81%	2.74%	3.62%
6. Impact of asset mix policy (4–5)	14.48%	10.53%	9.42%	4.58%
Has plan been rewarded for active management risk?				
7. Active management return (1–4)	1.24%	1.17%	1.01%	0.38%
8. External alternative & real estate costs reflected in line 1*	0.10%	0.10%	0.10%	0.07%
9. Gross active management return (7+8)	1.34%	1.27%	1.11%	0.45%

*Performance for external real estate and alternative investments is reported net of fees. These costs are already reflected in the total fund return in line 1.

Statement of Fund Governance

Effective Nov. 16, 2007

1.0 Purpose

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

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

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

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

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

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

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

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

1.9 The Board approved this Statement on Nov. 16, 2007.

2.0 Governance Principles

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

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

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

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

3.0 Investment Decisions Retained by the Board

3.1 The Board approves the following investment policies:

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

(i) Total fund risk and return objectives;

(ii) Total fund target asset mix policy;

(iii) Total fund asset mix policy rebalancing ranges;

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

(v) Performance measurement criteria and evaluation standards.

(b) Proxy voting;

(c) Ohio investments;

(d) Securities lending;

(e) Broker-dealer selection criteria and procedures;

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

(g) Securities litigation.

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

4.0 Investment Decisions Delegated to Investment Staff

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

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

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

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

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

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

5.0 Board Oversight

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

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

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

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

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

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

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

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

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

Vincent Performance
Services LLC

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

We have verified whether State Teachers Retirement System of Ohio ("STRS Ohio") (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from July 1, 2006 through June 30, 2008, and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2008. STRS Ohio's management is responsible for compliance with the GIPS standards and the design of its processes and procedures. Our responsibility is to express an opinion based on our verification. We completed this verification in accordance with the verification procedures set forth in the GIPS standards. We also completed such other procedures as we considered necessary in the circumstances.

In our opinion, State Teachers Retirement System of Ohio has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the period from July 1, 2006 through June 30, 2008, and
- Designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2008.

This report does not relate to any composite presentation of STRS Ohio.

Karyn D. Vincent

Karyn D. Vincent, CFA, CIPM
Vincent Performance Services LLC
October 6, 2008

Investments

Investment Performance

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

1-Year Returns (2008)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	–15.60%	Russell 3000	–12.69%
International[7]	–9.10%	International Equity Blended Benchmark[3]	–10.00%
Fixed Income[7]	6.82%	Lehman Universal	6.22%
Real Estate[7]	18.92%	Real Estate Blended Benchmark[4]	5.50%
Alternative Investments[7]	9.34%	Russell 3000 + 3%[5]	–
Total Fund	–5.44%	Total Fund Blended Benchmark [6]	–5.79%

3-Year Returns (2006–2008)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	4.07%	Russell 3000	4.73%
International[7]	15.38%	International Equity Blended Benchmark[3]	14.64%
Fixed Income[7]	4.61%	Lehman Universal	4.14%
Real Estate[7]	24.23%	Real Estate Blended Benchmark[4]	13.51%
Alternative Investments[7]	17.72%	Russell 3000 + 3%[5]	–
Total Fund	9.09%	Total Fund Blended Benchmark [6]	8.11%

5-Year Returns (2004–2008)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	7.88%	Domestic Equity Blended Benchmark[2]	8.36%
International[7]	19.37%	International Equity Blended Benchmark[3]	18.27%
Fixed Income[7]	4.55%	Lehman Universal	4.15%
Real Estate[7]	22.38%	Real Estate Blended Benchmark[4]	14.39%
Alternative Investments[7]	18.82%	Russell 3000 + 3%[5]	11.38%
Total Fund	11.40%	Total Fund Blended Benchmark[6]	10.38%

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.40%

State Teachers Retirement System of Ohio claims compliance with the Global Investment Performance Standards (GIPS®). To receive a presentation that complies with the GIPS standards and/or a list and description of all firm composites, please contact the STRS Ohio Communication Services Department at (614) 227-4077.

State Teachers Retirement System of Ohio is defined and created by the Ohio Revised Code, Chapter 3007.15. The STRS Ohio Total Fund performance returns consist of all assets of the fund, including both internally and externally managed accounts. All returns are calculated in U.S. dollars using a time-weighted rate of return. All returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest and capital gains. Performance is generally gross of fees; net of fees returns are available upon request. Investment management fees vary among asset class. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular.

The Total Fund reflects an asset allocation to six primary asset classes. As of June 30, 2008, the actual asset allocation is as follows: Liquidity Reserves 1.5%, Fixed Income 17.1%, Domestic Equities 41.2%, International Equities 25.1%, Real Estate 10.0% and Alternative Investments 5.1%. The investment objective for the Total Fund is to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return, approved by the State Teachers Retirement Board ("Board") to value STRS Ohio liabilities. As of June 30, 2008, the current actuarial rate of return is 8.0%.

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

- Fixed Income: Exposure to derivatives for internally managed fixed-income investments may not exceed 5% of Total Fund assets. A variety of derivatives may be used to adjust the exposure to interest rates, individual securities or to market sectors in the fixed-income asset class.
- Domestic Equities: Exposure to derivatives, including, but not limited to, futures, stock options and index options may not exceed 10% of Total Fund assets.
- International Equities: Exposure to derivatives, including swap agreements, may not exceed 10% of Total Fund assets.
- Real Estate: Activities may include borrowing funds on a secured or unsecured basis with leverage limited to 50% of the internally managed direct real estate assets. At June 30, 2008 and 2007, debt as a percentage of these assets was 26% and 33%, respectively. Derivatives may also be used and cannot exceed 1% of Total Fund assets.

[1]The one-year returns for the fiscal years ended June 30, 2008 and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

[2]The Domestic Equity Blended Benchmark is calculated using the Russell 3000 Index for all periods beginning on or after Aug. 1, 2003, and a blend of the S&P 1500 and Russell 3000 benchmarks from April 1, 2003, through July 31, 2003.

[3]The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index for all periods beginning on or after Jan. 1, 2006, and 75% MSCI World ex USA Index (50% hedged) and 25% MSCI EMF Index from July 1, 2003, through Dec. 31, 2005.

[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Dow Jones Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007.

[5]The Alternative Investments benchmark is 3% above the five-year annualized return of the Russell 3000 Index. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one- and three-year periods.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. Information concerning asset class benchmarks and policy weights is available upon request.

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

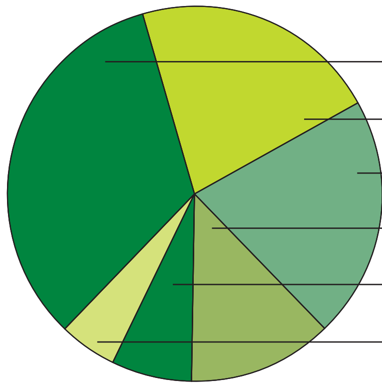
Summary of Investment Assets
As of June 30, 2008 and 2007 (dollar amounts in thousands)

	June 30, 2008 Fair Value	%	June 30, 2007 Fair Value	%
Short term				
Commercial paper	4,826,059	6.65%	$ 2,856,211	3.59%
Short-term investment funds	33,000	0.04%	95,000	0.12%
Total short term	4,859,059	6.69%	2,951,211	3.71%
Fixed income				
U.S. government agency obligations and U.S. government obligations	2,161,765	2.98%	3,196,913	4.02%
Canadian bonds			38,702	0.04%
Corporate bonds	4,771,333	6.57%	5,230,977	6.57%
High yield and emerging market	1,417,563	1.95%	1,240,954	1.56%
Mortgages and asset-backed	6,823,684	9.40%	7,804,648	9.81%
Total fixed income	15,174,345	20.90%	17,512,194	22.00%
Domestic common and preferred stock	24,209,249	33.35%	30,107,173	37.82%
Real estate				
East region	2,822,350	3.89%	2,420,671	3.04%
Midwest region	1,143,424	1.58%	1,123,493	1.41%
South region	797,096	1.10%	775,950	0.98%
West region	2,168,644	2.99%	2,081,172	2.61%
REITs	914,075	1.25%	632,036	0.79%
Other	1,276,945	1.76%	1,487,467	1.88%
Total real estate	9,122,534	12.57%	8,520,789	10.71%
Alternative investments	3,621,415	4.99%	2,730,080	3.43%
International	15,603,705	21.50%	17,777,792	22.33%
Total investments	72,590,307	100.00%	$ 79,599,239	100.00%

Investment asset schedule excludes invested securities lending collateral.

Investments

Investment Distribution by Fair Value — as of June 30, 2008



Ohio Investment Profile — as of June 30, 2008 (in thousands)

STRS Ohio continues to engage in quality Ohio investments. As of June 30, 2008, STRS Ohio investments in companies with headquarters in Ohio are valued at more than $1.38 billion.

Liquidity reserves	$ 40,159
Fixed income	201,945
Common stock	770,376
Alternative investments	173,355
Real estate	195,164
Total Ohio-headquartered investments	**$ 1,380,999**

Schedule of U.S. Stock Brokerage Commissions Paid

(for the year ended June 30, 2008)

Brokerage Firm	Shares Traded*	Commissions Paid	Avg. Cents Per Share
Nomura Securities	260,811,732	$ 1,956,488.45	0.8
ITG, Inc.	106,336,592	1,669,437.60	1.6
Cantor Fitzgerald	58,310,751	1,577,060.69	2.7
Banc of America Securities	40,818,362	1,040,938.34	2.6
Weeden & Company LP	52,378,731	1,038,156.03	2.0
Bear, Stearns & Company	38,961,772	991,900.10	2.5
Citigroup	36,150,260	904,290.31	2.5
Lehman Brothers	31,173,213	887,680.00	2.8
Liquidnet Inc.	35,284,864	682,888.28	1.9
Deutsche Bank Securities	53,383,742	659,842.26	1.2
Merrill Lynch	20,376,553	650,715.63	3.2
JP Morgan Securities	15,585,347	649,610.11	4.2
Jefferies & Company	18,582,860	538,793.51	2.9
RBC Capital Markets	16,167,722	483,559.66	3.0
Credit Suisse First Boston	13,496,235	411,513.73	3.0
Bernstein (Sanford C.) & Company	9,527,437	409,912.29	4.3
UBS Investment Bank	10,732,962	387,833.54	3.6
Morgan Stanley	10,357,652	385,770.23	3.7
Baird (Robert) & Company	9,878,993	346,221.05	3.5
Wachovia Securities	10,258,764	341,321.87	3.3
ICAP Corporates LLC	12,114,393	339,001.14	2.8
Goldman Sachs	8,367,329	318,369.73	3.8
Piper Jaffray	9,191,402	279,819.06	3.0
Cowen & Company	6,311,388	262,621.78	4.2
Knight Equity Markets LP	8,799,355	248,829.49	2.8
Others (includes 76 brokerage firms and external managers)	238,388,311	5,689,687.07	2.4
Total	**1,131,746,722**	**$23,152,261.95**	**2.0**

* Includes option equivalent shares

Schedule of Largest Investment Holdings*
(as of June 30, 2008)

Domestic Equities — Top 20 Holdings

	Shares	Fair Value
Exxon Mobil Corp.	9,550,961	$ 841,726,193
General Electric Co.	19,030,694	$ 507,929,223
Microsoft Corp.	16,807,402	$ 462,371,629
Johnson & Johnson	5,886,110	$ 378,712,317
ChevronTexaco Corp.	3,690,470	$ 365,836,291
AT&T Inc.	10,671,746	$ 359,531,123
Procter & Gamble Co.	5,164,726	$ 314,066,988
Cisco Systems	12,748,784	$ 296,536,716
International Business Machines Corp.	2,485,685	$ 294,628,243
Hewlett-Packard Co.	6,414,410	$ 283,581,066
ConocoPhillips	2,778,518	$ 262,264,314
Apple Computer Inc.	1,545,661	$ 258,805,478
Wal Mart Stores Inc.	4,374,857	$ 245,866,963
JPMorgan Chase & Co.	7,087,969	$ 243,188,216
Pfizer Inc.	13,912,222	$ 243,046,518
Verizon Communications	6,760,343	$ 239,316,142
Intel Corp.	10,900,590	$ 234,144,673
Philip Morris International	4,716,200	$ 232,933,118
Coca Cola Co.	4,093,900	$ 212,800,922
Google Inc.	375,471	$ 197,655,444

International Equities — Top 20 Holdings

	Shares	Fair Value
Royal Dutch Shell (United Kingdom)	5,343,518	$ 217,118,449
Total SA (France)	2,430,473	$ 207,569,400
E ON AG (Germany)	963,093	$ 194,473,343
ENI SPA (Italy)	3,838,258	$ 143,336,156
Vodafone (United Kingdom)	46,687,327	$ 138,599,692
Arcelor Mittal (Netherlands)	1,358,934	$ 134,471,810
BHP Billiton (Australia)	2,636,950	$ 110,613,823
Encana Corp. (Canada)	1,187,700	$ 109,320,390
Syngenta AG (Switzerland)	329,319	$ 107,449,905
Yara International (Norway)	1,196,130	$ 105,947,843
BASF SE (Germany)	1,503,872	$ 103,838,042
Statoil Hydro (Norway)	2,752,390	$ 102,653,114
BP PLC (United Kingdom)	8,728,187	$ 101,325,507
Nestle SA (Switzerland)	2,188,270	$ 99,195,270
Novartis AG (Switzerland)	1,680,088	$ 92,806,589
Royal Bank of Scotland (United Kingdom)	21,429,995	$ 91,706,586
ABB LTD (Switzerland)	3,199,989	$ 91,320,515
Bayer AG (Germany)	1,080,325	$ 91,003,192
British American Tobacco (United Kingdom)	2,615,648	$ 90,535,494
Telefonica SA (Spain)	3,391,243	$ 90,199,597

Fixed Income — Top 20 Holdings

	Par Value	Fair Value
Federal Home Loan Bank, 2.599%, due 02/18/2009, AAA	280,000,000	$ 280,052,800
Federal Home Loan Bank, 2.5960%, due 02/11/2009, AAA	225,000,000	$ 225,099,000
Federal Home Loan Bank, 2.6160%, due 12/15/2008, AAA	175,000,000	$ 174,984,250
FNMA Pool #735578, 5.000%, due 06/01/2035, AAA	177,531,356	$ 170,719,478
CSFB 2001-CP4 A4, 6.180%, due 12/15/2035, AAA	162,699,000	$ 166,245,838
TBA 30YR FN, 5.500%, due 07/25/2033, AAA	155,999,844	$ 153,814,286
FUBOA 2001-C1 A2, 6.136%, due 03/15/2033, AAA	148,991,153	$ 151,996,304
Federal Home Loan Bank, 2.5340%, due 07/16/2009, AAA	147,115,000	$ 147,072,484
FNMA Pool #960605, 5.000%, due 08/01/2034, AAA	151,766,241	$ 145,942,970
FHLMC GOLD #G02086, 5.000%, due 02/01/2036, AAA	131,688,034	$ 126,675,987
FHLMC 10/20 #H09112, 5.500%, due 11/01/2037, AAA	122,653,058	$ 119,855,342
FNMA, 5.375%, due 06/12/2017, AAA	113,200,000	$ 118,493,232
Federal Home Loan Bank, 2.6440%, due 08/05/2009, AAA	112,000,000	$ 112,008,176
Hilton Hotel, 2.8575%, due 10/03/2015, AAA	111,800,000	$ 111,571,816
GE Capital Credit, 2.4810%, due 06/15/2013, AAA	109,875,000	$ 108,221,049
JPMCC 2001-C1 A3, 5.857%, due 10/12/2035, NR	106,425,000	$ 107,549,912
CSFB 2001-CK3 A4, 6.530%, due 06/15/2034, AAA	101,635,000	$ 104,465,535
Federal Home Loan Bank, 2.6140%, due 05/05/2009, AAA	100,000,000	$ 100,025,000
Federal Home Loan Bank, 2.7190%, due 04/30/2009, AAA	100,000,000	$ 100,019,000
U.S. Treasury, 8.750%, due 08/15/2020, AAA	69,960,000	$ 98,575,739

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

Schedule of External Managers
(as of June 30, 2008)

Domestic Equity

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

International

EAFE	Arrowstreet Capital
	Alliance Bernstein
	Marvin & Palmer Associates
Emerging Market	First State Investments
	Genesis Asset Managers
	Marvin & Palmer Associates
	Alliance Bernstein

Fixed Income

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

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December 3, 2008

The Retirement Board
State Teachers Retirement System of Ohio
275 East Broad Stret
Columbus, Ohio 43215

Ladies and Gentlemen:

This report presents the results of the annual valuation of the assets and liabilities of The State Teachers Retirement System of Ohio (STRS Ohio) as of July 1, 2008, prepared in accordance with Section 3307.51 of Chapter 3307 of the Ohio Revised Code. This valuation takes into account all of the promised pension and survivor benefits to which members are entitled. A separate valuation of the retiree health care benefits provided by the System is performed as of January 1 of each year.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8% per annum, compounded annually. The actuarial methods are unchanged from the prior valuation. Some of the assumptions have been changed from the prior valuation based upon the five-year experience review covering the period July 1, 2003 through June 30, 2008.

Actuarial Assumptions

The demographic assumptions, including the withdrawal, active death, retirement, and retiree mortality rates have been changed to better reflect the past experience and the expected future experience of the System. The economic assumptions have also been modified. The inflation assumption has been reduced from 3.5% to 3.0%. The real rate of return has been increased from 4.5% to 5.0%, resulting in an interest rate of 8.0%, which is unchanged from the prior year. The payroll growth assumption has been changed from 4.5% to a graded payroll growth assumption of 3.5% for the next 10 years and 4.0% thereafter. The individual salary increase assumption has been modified to better reflect actual and expected experience.

The actuarial assumptions and methods comply with the parameters set forth in Governmental Accounting Standards No. 25.

Assets and Membership Data

The State Teachers Retirement System of Ohio reported to the actuary the individual data for members of the System as of the valuation date. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared by The State Teachers Retirement System of Ohio.

Funding Adequacy

The total contribution rate from employers and members is 24%. The Board allocates the total contribution rate between pension and survivor benefits and health care. For fiscal 2008 and after, the Board has allocated 1% toward health care, leaving 23% for pension and survivor benefits. The valuation indicates that the contribution rate of 23% for fiscal 2008 and after is sufficient to provide for the payment of the promised pension and survivor benefits, with a 41.2-year funding period to amortize the unfunded accrued liability. The funding period has increased 15.1 years from 26.1 years as of July 1, 2007 to 41.2 years as of July 1, 2008. This increase was due to net demographic losses, investment losses, and changes in the actuarial assumptions.

The valuation indicates that for the fiscal year ending June 30, 2008, the actuarial experience of STRS Ohio was unfavorable and generated a net actuarial loss of $894 million.

Financial Results and Membership Data

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

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

The undersigned actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. There is no relationship between PricewaterhouseCoopers and STRS Ohio that impairs our objectivity.

Respectfully submitted,

PricewaterhouseCoopers LLP

Kim M Nicholl

Kim Nicholl
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

Joshua Shapiro
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

Actuarial

Statement of Actuarial Assumptions and Methods

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

Financing Objective: To establish contributions as a level percentage of active member payroll which, when invested, will be sufficient to provide specified benefits to STRS Ohio members and retirees.

Interest Rate: 8% per annum, compounded annually. (Adopted 2003)

Mortality Rates: According to the RP 2000 Combined (Projection 2018 — Scale AA). Males' ages are set back two years. Females younger than age 85 are set back three years, while females age 85 and over are set back two years. Special mortality tables are used for the period after disability retirement. (Adopted 2008)

Future Expenses: The assumed interest rate is net of the anticipated future administrative expenses of the fund.

Actuarial Cost Method: Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the accrued liability.

Asset Valuation Method: A four-year moving market average value of assets that spreads the difference between the actual investment income and the expected income (based on the valuation interest rate) over a period of four years. The actuarial value shall not be less than 91% or more than 109% of market value. (Adopted 1997)

Payroll Growth: 3.50% per annum compounded annually for the next 10 years, 4.00% thereafter. (Adopted 2008)

Separations From Active Service and Salary Increases: Representative values of the assumed rates of separation and annual rates of salary increase are shown in the table below. (Adopted 2008)

Replacement of Retiring Members: The majority of members who retire do so effective July 1. These members are replaced by new members who are hired after July 1. As a result, new members are not reported on the census data. To compensate for this disparity, assumed payroll for these new members is equal to the difference between actual total system payroll for the fiscal year just ended and reported payroll for members reported on the valuation date.

Census and Assets: The valuation was based on members of the system as of July 1, 2008, and does not take into account future members. All census and asset data was supplied by the system.

Definition of Active Member: Members employed on the valuation date who have earned at least 0.25 years of service are considered active.

Marital Status: 80% of male members and 60% of female members are assumed to be married, with husbands assumed to be three years older then their spouse.

Annual Rates of Separation and Salary Increase

Age	Non-Vested Withdrawal	Vested Withdrawal	Mortality	Disability	Salary Increase*
MEN					
20	24.70%	15.00%	.02%	.01%	12.00%
25	13.60%	15.00%	.03%	.01%	12.00%
30	12.75%	3.20%	.04%	.02%	8.00%
35	14.50%	2.61%	.06%	.04%	7.25%
40	13.75%	2.16%	.09%	.10%	6.00%
45	13.40%	1.90%	.13%	.18%	5.25%
50	13.40%	1.80%	.29%	.24%	4.50%
55	13.40%	1.80%	.40%	.30%	4.00%
60	13.40%	1.80%	.52%	.35%	3.50%
65	13.40%	—	.85%	.40%	3.25%
WOMEN					
20	19.50%	20.00%	.01%	.02%	12.00%
25	9.99%	19.00%	.01%	.02%	12.00%
30	9.99%	6.40%	.02%	.02%	8.00%
35	11.75%	3.60%	.03%	.07%	7.25%
40	9.00%	2.25%	.04%	.12%	6.00%
45	9.00%	1.80%	.07%	.17%	5.25%
50	9.00%	2.00%	.10%	.24%	4.50%
55	9.00%	2.40%	.21%	.30%	4.00%
60	7.25%	2.40%	.40%	.35%	3.50%
65	7.25%	—	.70%	.40%	3.25%

*Includes an inflation adjustment of 3.00%.

Retirement Rates

Age	Under 25 Years of Service	25–29 Years of Service	30–34 Years of Service	35+ Years of Service
MEN				
52	0%	0%	20%	40%
55	0%	18%	12%	60%
60	13%	9%	15%	45%
65	17%	20%	10%	30%
70	12%	15%	10%	20%
75	100%	100%	100%	100%
WOMEN				
52	0%	0%	20%	80%
55	0%	14%	12%	50%
60	22%	15%	25%	40%
65	20%	32%	25%	45%
70	12%	20%	15%	35%
75	100%	100%	100%	100%

Benefit Recipients Added to and Removed From the Rolls, 2002–2008

Fiscal Year Ended	Beginning Number of Benefit Recipients	Beginning Annual Allowances (in thousands)	Benefit Recipients Added	Payments Added (in thousands)	Benefit Recipients Removed	Payments Removed (in thousands)	Ending Number of Benefit Recipients	Ending Annual Allowance (in thousands)
2002	102,132	$2,595,549	6,500	$261,243	3,332	$50,310	105,300	$2,806,482
2003	105,300	$2,806,482	6,299	$267,889	3,305	$52,546	108,294	$3,021,825
2004	108,294	$3,021,825	7,038	$310,262	3,479	$60,009	111,853	$3,272,078
2005	111,853	$3,272,078	6,929	$330,284	3,387	$62,121	115,395	$3,540,241
2006	115,395	$3,540,241	7,194	$354,245	3,405	$66,091	119,184	$3,828,395
2007	119,184	$3,828,395	7,289	$370,503	3,539	$74,241	122,934	$4,124,657
2008	**122,934**	**$4,124,657**	**7,182**	**$373,385**	**3,610**	**$79,243**	**126,506**	**$4,418,799**

Schedule of Valuation Data — Active Members, 1999–2008

Valuation Date	Number	Annualized Salaries (in thousands)	Annual Average Pay	% Increase in Average Pay
1999	170,854	$7,040,902	$41,210	3%
2000	174,072	$7,386,122	$42,431	3%
2001	177,013	$7,721,258	$43,620	3%
2002	178,557	$8,063,134	$45,157	4%
2003	179,944	$8,425,838	$46,825	4%
2004	179,063	$8,646,404	$48,287	3%
2005	176,692	$8,757,200	$49,562	3%
2006	175,065	$8,894,400	$50,806	3%
2007	174,110	$9,051,842	$51,989	2%
2008	**173,327**	**$9,187,562**	**$53,007**	**2%**

Schedule of Valuation Data — Retirees/Beneficiaries, 1999–2008

Valuation Date	Number	Annual Allowances (in thousands)	% Increase in Annual Allowances	Average Annual Allowances
1999	95,796	$2,103,139	9%	$21,954
2000	99,011	$2,391,680	14%	$24,156
2001	102,132	$2,595,549	9%	$25,414
2002	105,300	$2,806,482	8%	$26,652
2003	108,294	$3,021,825	8%	$27,904
2004	111,853	$3,272,078	8%	$29,253
2005	115,395	$3,540,241	8%	$30,679
2006	119,184	$3,828,395	8%	$32,122
2007	122,934	$4,124,657	8%	$33,552
2008	**126,506**	**$4,418,799**	**7%**	**$34,930**

Solvency Test, 1999–2008 (dollar amounts in thousands)

	Accrued Liability for:				Portion of Accrued Liabilities Covered by Valuation Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer-Financed Portion)	Valuation Assets*	(1)	(2)	(3)
1999	$6,867,910	$25,152,626	$19,959,438	$46,341,436	100%	100%	72%
2000	$7,174,675	$27,604,436	$20,994,941	$51,293,815	100%	100%	79%
2001	$7,445,894	$30,145,012	$21,834,394	$54,194,672	100%	100%	76%
2002	$7,771,703	$32,639,291	$22,804,650	$48,958,824	100%	100%	37%
2003	$8,155,685	$34,938,341	$22,842,331	$48,899,215	100%	100%	25%
2004	$8,600,068	$37,870,700	$23,396,658	$52,253,799	100%	100%	25%
2005	$8,940,971	$40,937,540	$23,938,603	$53,765,570	100%	100%	16%
2006	$9,284,076	$44,219,489	$23,867,459	$58,008,050	100%	100%	19%
2007	$9,563,124	$47,526,142	$24,037,375	$66,671,511	100%	100%	40%
2008	**$9,737,926**	**$51,874,103**	**$25,820,319**	**$69,198,008**	**100%**	**100%**	**29%**

*Excludes health care assets. Years prior to 2008 included the health care assets in prior disclosures, but have been restated to exclude these assets.

Analysis of Financial Experience

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

	Gain (loss) for year ended June 30:				
Type of Activity:	**2008**	**2007**	**2006**	**2005**	**2004**
Investment income. If there is greater investment income than assumed, there is a gain. If less, there is a loss.	$ (593,933)	$5,865,787	$1,492,303	$(1,389,574)	$ 458,527
Payroll growth. If more contributions from payroll growth are received than expected, there is a gain. If less, there is a loss.	(55,621)	(312,644)	(456,690)	(469,877)	(173,960)
Salary increases. If there are smaller salary increases than assumed, there is a gain. If greater increases, there is a loss.	327,750	54,930	57,775	60,217	(129,322)
Retirement and other separation experience. If members retire from service at an older age or with a lower final average salary than assumed, there is a gain. If separation claims are less than expected, there is a gain. If new members don't enter the system as expected, there is a loss.	(436,523)	(329,777)	(197,519)	(262,267)	(221,112)
Death after retirement. If retirees live shorter than expected, there is a gain. If retirees live longer than assumed, there is a loss.	(136,493)	(46,727)	(64,720)	(246,023)	(105,826)
Defined Contribution Plan administrative expenses. If there is more expense than participant income, there is a loss.	0	(49)	(3,642)	(5,144)	(6,761)
Final plan reselection. If the account value from defined contribution accounts is greater than the reestablished defined benefit account balance, there is a gain.	821	2,951	2,873		
Gain (or loss) during year from financial experience	(893,999)	5,234,471	830,380	(2,312,668)	(178,454)
Nonrecurring items adjustment for plan amendments	0	0	127,300	0	0
Composite gain (or loss) during the year	$ (893,999)	$ 5,234,471	$ 957,680	$(2,312,668)	$ (178,454)

Summary of Benefit and Contribution Provisions — Defined Benefit Plan

Eligibility for Membership

Immediate upon commencement of employment.

Service Retirement

Eligibility

Any age with 30 years of service, age 55 with 25 years of service, or age 60 with five years of service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Amounts

Annual amount equal to the greater of (a) 2.2% of final average salary for the three highest paid years, multiplied by years of total Ohio service credit, or 2.5% of final average salary for the three highest paid years if the member has 35 or more years of contributing service credit, multiplied by years of total service credit — except that for years of Ohio contributing service credit in excess of 30 the following formula percentage will apply:

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

or (b) $86 multiplied by years of service credit, and adjusted by the following percentage:

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

Annual salary is subject to the limit under Section 401(a)(17).

Maximum benefit — The lesser of: (a) 100% of average annual salary for the three highest paid years, or (b) the limit as established by Section 415 of the Internal Revenue Code.

Minimum benefit — The sum of the annuity provided by: (a) the member's contribution with interest, (b) a pension equal to the annuity, and (c) an additional pension of $40 multiplied by the number of years of prior and military service.

Disability Retirement

Eligibility

A member may qualify if the following criteria are met: membership before July 30,1992, and election of this benefit; completion of five or more years of service; under age 60; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

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

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

Disability Allowance

Eligibility

A member may qualify if the following criteria are met: membership after July 29,1992, or membership on or before July 29,1992, and election of this benefit; completion of five or more years of service; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

The amount is 2.2% of the average salary during the three highest paid years times total service. Maximum allowance is 60% of final average salary. Minimum allowance is 45% of final average salary. The disability allowance payment terminates at age 65 (or later if payment begins after age 60). After termination of the disability allowance, the member may apply for service retirement.

Death After Retirement

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

Survivor Benefits

Eligibility

A member may qualify for this benefit after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death; or upon death of a disability retiree.

Amount

If a member was eligible for retirement, a spouse or other sole dependent beneficiary may elect to receive Option 1 benefits in lieu of return of contributions. If a member was not eligible for retirement, qualified beneficiaries may elect to receive dependent-based benefits in lieu of return of contributions (see chart below) or service-based benefits, which provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

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

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

Lump-Sum Withdrawal Option

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

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

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

Optional Forms of Benefit

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

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

Option 3 — The member's reduced retirement allowance provided under Option 1 or Option 2 paid for life to the member's sole beneficiary (named at retirement) after the member's death. In the event of the death of the sole beneficiary or termination of marriage between the retiree and the sole beneficiary, the retiree may elect to return to a single lifetime benefit equivalent, available for an actuarially computed charge as determined by the Retirement Board. In the case of termination of marriage, the election may be made with the written consent of the beneficiary or by court order.

Option 4 — A life annuity payable during the lifetime of the member with a guarantee that, upon the member's death before the expiration of a certain period, the benefit will continue for the remainder of such period to the beneficiary. Joint beneficiaries may receive the present value of any remaining payments in a lump-sum settlement. If all beneficiaries die before the expiration of the certain period, the present value of all remaining payments is paid to the estate of the beneficiary last receiving benefits.

Option 5 — A plan of payment established by the Retirement Board combining any of the features of Options 1, 2 and 4.

Partial Lump-Sum Option Plan (PLOP) — A lump-sum payment totaling between six and 36 times the member's monthly retirement benefit value. Lifetime monthly benefit payments then start at a reduced amount to account for the sum taken up front in a single payment.

Refund of Contributions

A member's contributions with interest are refunded upon termination of employment where no other benefit is payable. Upon death after retirement or upon death of a survivor in receipt of benefits, the member's accumulated contributions, less payments made, are returned to the designated beneficiary.

Cost-of-Living Benefits

The basic benefit is increased each year by 3% of the original base benefit.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary.

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

Summary of Benefit and Contribution Provisions — Combined Plan

Eligibility for Membership

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

Service Retirement

Eligibility

Age 60 with five years of service.

Amount

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

Annual salary is subject to the limit under Section 401(a)(17).

Vesting

Eligibility

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

Amount

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

Early Retirement

Eligibility

Before age 60 with five years of service.

Amount

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

Late Retirement

Eligibility

After age 60 with five years of service.

Amount

The formula benefit described in the service retirement section based on service credit and final average salary at termination without any actuarial adjustment.

Actuarial

Disability Benefits

Eligibility

Completion of five or more years of service and incapacitated for the performance of regular job duties for at least 12 months.

Amount

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

Survivor Benefits

Eligibility

Upon death after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death or upon death of a disability retiree.

Amount

Qualified surviving members have the option of receiving survivor benefits paid as an annuity. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. If a member had 30 years of service, was age 55 with 25 years of service or age 60 with five years of service, the spouse or other sole dependent beneficiary may elect to receive an Option 1 benefit in lieu of return of contributions.

If a member did not meet the eligibility requirements described above, qualified beneficiaries may elect to receive the following benefits in lieu of return of contributions.

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

Service-based benefits provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

Alternatively, the member's defined contribution account is available.

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

Optional Forms of Payment of Defined Benefit Portion

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

Joint and Survivorship Options — Options 1 through 5 described in the Defined Benefit Plan provisions are available, as well as the PLOP. All alternative forms of payment are the actuarial equivalent of the Single Life Annuity benefit payable at age 60.

Optional Forms of Payment of Member's Defined Contribution Account

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

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

Cost-of-Living Benefits

Not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased by 3% each year.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 13.7% of salaries is used to fund the defined benefit formula and health care; 0.3% of salaries is used to fund administrative expenses for the Defined Contribution Plan.

Summary of Benefit and Contribution Provisions — Defined Contribution Plan

Eligibility for Membership

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

Service Retirement

Eligibility

Termination after age 50.

Amount

The balance in the member's defined contribution account.

Vesting

Eligibility

Employer contributions and earnings on the member's account are vested after the first anniversary of membership. Member contributions and earnings are 100% vested at all times.

Amount

The balance in the member's defined contribution account.

Early Retirement

Eligibility

Termination before age 50.

Amount

The balance in the member's defined contribution account.

Disability Benefit

Not available. However, members who terminate employment may withdraw their account.

Survivor Benefits

Eligibility

Upon death.

Amount

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

Optional Forms of Payment

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

Cost-of-Living Benefits

Not available.

Health Care

Not available.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 10.5% of salary is deposited into the member's defined contribution account; 3.5% of salaries is used to amortize the unfunded liability of the Defined Benefit Plan.

Statistical

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

The schedules on Pages 64–65 show financial trend information that assists users in understanding and assessing how STRS Ohio's financial position has changed over time. The financial trend schedules presented are:

- Changes in Net Assets
- Net Assets by Plan
- Benefit Expenses by Type

Demographic and economic information begins on Page 66. This information is intended to assist users in understanding the environment in which STRS Ohio operates and to provide information that facilitates comparisons of financial statement information over time and among governments. The demographic and economic information presented are:

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

Operating information, which begins on Page 68, is intended to provide contextual information about STRS Ohio's operation to assist in using financial statement information. The operating information presented is:

- Benefit Payments by Type
- Average Benefit Payments for Service Retirees
- Number of Reporting Employers by Type
- Principal Participating Employers

Changes in Net Assets
Years Ending June 30, 1999–2008 (in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Defined Benefit Plan										
Additions:										
Member contributions	$ 716,551	$ 755,146	$ 785,009	$ 815,339	$ 868,157	$ 967,234	$ 969,226	$ 987,900	$ 1,002,876	$ 1,017,720
Employer contributions	450,479	470,473	779,274	817,742	1,164,734	1,206,439	1,232,317	1,255,053	1,272,559	1,305,027
Investment income	5,710,997	5,197,638	(3,472,421)	(4,039,314)	857,081	7,685,568	6,101,662	7,550,742	12,693,905	(3,926,797)
Other	49,014	50,190	35,000	193	21,486	20,777	20,488	18,974	36,313	37,945
Total additions	6,927,041	6,473,447	(1,873,138)	(2,406,040)	2,911,458	9,880,018	8,323,693	9,812,669	15,005,653	(1,566,105)
Deductions:										
Benefit payments	2,009,701	2,290,972	2,486,505	2,638,953	2,845,503	3,108,753	3,383,605	3,684,385	4,007,705	4,338,617
Refunds	91,037	105,759	93,868	83,859	76,453	99,538	110,018	121,290	128,587	133,832
Administrative expenses	46,596	54,543	65,884	69,991	69,085	62,768	59,093	63,398	60,002	59,467
Total deductions	2,147,334	2,451,274	2,646,257	2,792,803	2,991,041	3,271,059	3,552,716	3,869,073	4,196,294	4,531,916
Net increase (decrease)	4,779,707	4,022,173	(4,519,395)	(5,198,843)	(79,583)	6,608,959	4,770,977	5,943,596	10,809,359	(6,098,021)
Net assets held in trust, beginning of year	45,798,483	50,578,190	54,600,363	50,080,968	44,882,125	44,802,542	51,411,501	56,182,478	62,126,074	72,935,433
Net assets held in trust, end of year	$50,578,190	$54,600,363	$50,080,968	$44,882,125	$44,802,542	$51,411,501	$56,182,478	$62,126,074	$72,935,433	$66,837,412
Post-Employment Health Care Plan										
Additions:										
Employer contributions	$ 587,062	$ 615,652	$ 363,166	$ 380,437	$ 88,587	$ 91,589	$ 93,066	$ 94,610	$ 96,287	$ 98,342
Health care premiums	47,819	60,375	68,582	79,590	103,913	156,970	188,835	189,432	201,537	214,700
Investment income	292,600	306,499	(221,700)	(267,250)	54,800	470,125	361,600	433,999	713,400	(217,501)
Medicare D reimbursement	0	0	0	0	0	0	0	17,947	36,312	36,915
Total additions	927,481	982,526	210,048	192,777	247,300	718,684	643,501	735,988	1,047,536	132,456
Deductions:										
Health care provider payments	297,748	343,512	369,354	434,287	456,214	425,709	443,615	490,122	503,407	540,493
Administrative expenses	2,371	3,274	3,860	3,909	3,903	3,763	3,879	3,204	3,027	2,913
Total deductions	300,119	346,786	373,214	438,196	460,117	429,472	447,494	493,326	506,434	543,406
Net increase (decrease)	627,362	635,740	(163,166)	(245,419)	(212,817)	289,212	196,007	242,662	541,102	(410,950)
Net assets held in trust, beginning of year	2,156,004	2,783,366	3,419,106	3,255,940	3,010,521	2,797,704	3,086,916	3,282,923	3,525,585	4,066,687
Net assets held in trust, end of year	$ 2,783,366	$ 3,419,106	$ 3,255,940	$ 3,010,521	$ 2,797,704	$ 3,086,916	$ 3,282,923	$ 3,525,585	$ 4,066,687	$ 3,655,737
Defined Contribution Plan										
Additions:										
Member contributions				$ 11,571	$ 18,774	$ 23,612	$ 28,641	$ 33,070	$ 36,709	$ 40,829
Employer contributions				6,536	10,136	13,147	16,270	19,280	21,645	24,471
Investment income				(1,469)	2,677	11,741	13,560	19,830	37,023	(31,120)
Transfers between retirement plans				19,792	0	0	0	0	(15,845)	(14,399)
Total additions				36,430	31,587	48,500	58,471	72,180	79,532	19,781
Deductions:										
Refunds				218	1,076	2,656	4,533	5,918	6,407	9,086
Administrative expenses			$ 2,533	3,225	931	849	733	491	358	240
Total deductions			2,533	3,443	2,007	3,505	5,266	6,409	6,765	9,326
Net increase (decrease)			(2,533)	32,987	29,580	44,995	53,205	65,771	72,767	10,455
Net assets held in trust, beginning of year			0	(2,533)	30,454	60,034	105,029	158,234	224,005	296,772
Net assets held in trust, end of year			$ (2,533)	$ 30,454	$ 60,034	$ 105,029	$ 158,234	$ 224,005	$ 296,772	$ 307,227

Net Assets by Plan
Years Ending June 30, 1999–2008 (in thousands)

Fiscal Year	Defined Benefit Plan	Post-Employment Health Care Plan	Defined Contribution Plan	Total Net Assets
1999	$50,578,190	$2,783,366	—	$53,361,556
2000	$54,600,363	$3,419,106	—	$58,019,469
2001	$50,080,968	$3,255,940	$(2,533)	$53,334,375
2002	$44,882,125	$3,010,521	$30,454	$47,923,100
2003	$44,802,542	$2,797,704	$60,034	$47,660,280
2004	$51,411,501	$3,086,916	$105,029	$54,603,446
2005	$56,182,478	$3,282,923	$158,234	$59,623,635
2006	$62,126,074	$3,525,585	$224,005	$65,875,664
2007	$72,935,433	$4,066,687	$296,772	$77,298,892
2008	**$66,837,412**	**$3,655,737**	**$307,227**	**$70,800,376**

Benefit Expenses by Type, 1999–2008 (in thousands)

Fiscal Year Ended	Service Retirement	Disability Benefits	Survivor Benefits	Supplemental Benefit	Other	Total
1999	$1,764,172	$139,296	$52,863	$46,448	$6,922	$2,009,701
2000	$2,019,521	$152,365	$62,346	$48,493	$8,247	$2,290,972
2001	$2,203,280	$160,775	$65,591	$50,386	$6,473	$2,486,505
2002	$2,395,318	$168,704	$69,214	$0	$5,717	$2,638,953
2003	$2,588,800	$175,620	$73,680	$0	$7,403	$2,845,503
2004	$2,840,334	$182,889	$77,089	$0	$8,441	$3,108,753
2005	$3,106,371	$187,426	$81,589	$0	$8,219	$3,383,605
2006	$3,393,968	$193,329	$86,023	$0	$11,065	$3,684,385
2007	$3,708,919	$198,581	$90,092	$0	$10,113	$4,007,705
2008	**$4,029,937**	**$201,949**	**$94,167**	**$0**	**$12,564**	**$4,338,617**

Actuarial Funded Ratio and Funding Period
1999–2008 (dollar amounts in thousands)

At July 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Funding Period
1999	$46,341,436	$51,979,974	$5,638,538	89.2%	16.3 Yrs.
2000	$51,293,815	$55,774,052	$4,480,237	92.0%	23.1 Yrs.
2001	$54,194,672	$59,425,300	$5,230,628	91.2%	27.5 Yrs.
2002	$48,958,824	$63,215,643	$14,256,819	77.4%	39.0 Yrs.
2003	$48,899,215	$65,936,357	$17,037,142	74.2%	42.3 Yrs.
2004	$52,253,798	$69,867,425	$17,613,627	74.8%	42.2 Yrs.
2005	$53,765,570	$73,817,114	$20,051,544	72.8%	55.5 Yrs.
2006	$58,008,050	$77,371,024	$19,362,974	75.0%	47.2 Yrs.
2007	$66,671,511	$81,126,642	$14,455,131	82.2%	26.1 Yrs.
2008	**$69,198,008**	**$87,432,348**	**$18,234,340**	**79.1%**	**41.2 Yrs.**

Selected Funding Information — Defined Benefit Plan
1999–2008

As of July 1	Member Contribution Rate	Employer Contribution Rate: Normal	Health Care	Unfunded Actuarial Accrued Liability	Total Employer Rate	Interest Rate Assumption	Payroll Growth Assumption
1999	9.30%	0.05%	8.00%	5.95%	14.00%	7.50%	4.50%
2000	9.30%	6.02%	4.50%	3.48%	14.00%	7.75%	4.50%
2001	9.30%	6.02%	4.50%	3.48%	14.00%	7.75%	4.50%
2002	9.30%	6.02%	1.00%	6.98%	14.00%	7.75%	4.50%
2003	10.00%	4.89%	1.00%	8.11%	14.00%	8.00%	4.50%
2004	10.00%	4.90%	1.00%	8.10%	14.00%	8.00%	4.50%
2005	10.00%	4.90%	1.00%	8.10%	14.00%	8.00%	4.50%
2006	10.00%	4.82%	1.00%	8.18%	14.00%	8.00%	4.50%
2007	10.00%	4.81%	1.00%	8.19%	14.00%	8.00%	4.50%
2008	**10.00%**	**4.24%**	**1.00%**	**8.76%**	**14.00%**	**8.00%**	**3.50%**

Number of Benefit Recipients by Type
1999–2008

As of July 1	Service Retirement	Disability Benefits	Beneficiaries Receiving Optional Allowances	Survivor Benefits	Total
1999	78,341	6,259	5,948	5,248	95,796
2000	81,111	6,367	6,152	5,381	99,011
2001	83,918	6,449	6,340	5,425	102,132
2002	86,666	6,498	6,623	5,513	105,300
2003	89,257	6,552	6,885	5,600	108,294
2004	92,574	6,531	7,079	5,669	111,853
2005	95,843	6,514	7,314	5,724	115,395
2006	99,248	6,588	7,574	5,774	119,184
2007	102,771	6,480	7,859	5,824	122,934
2008	**106,099**	**6,417**	**8,151**	**5,839**	**126,506**

Summary of Active Membership Data
1999–2008 (dollars in thousands)

Defined Benefit Plan

As of July 1	Females Active Members	Females Annual Salaries	Females Average Age	Females Average Service	Males Active Members	Males Annual Salaries	Males Average Age	Males Average Service	Total Active Members	Total Annual Salaries	Total Average Age	Total Average Service
1999	117,832	$4,557,211	43.14	12.61	53,022	$2,483,692	44.54	14.27	170,854	$7,040,903	43.57	13.12
2000	121,025	$4,839,360	43.14	12.52	53,047	$2,546,762	44.52	14.07	174,072	$7,386,122	43.56	12.99
2001	123,703	$5,101,368	43.15	12.38	53,310	$2,619,890	44.52	13.75	177,013	$7,721,258	43.57	12.79
2002	123,198	$5,312,351	43.37	12.56	52,792	$2,674,763	44.54	13.70	175,990	$7,987,114	43.72	12.90
2003	123,850	$5,567,951	43.03	12.52	52,862	$2,758,722	44.11	13.41	176,712	$8,326,673	43.35	12.78
2004	123,320	$5,738,523	43.22	12.65	52,034	$2,787,446	44.21	13.38	175,354	$8,525,969	43.51	12.87
2005	121,940	$5,832,249	43.37	12.80	50,738	$2,787,043	44.36	13.42	172,678	$8,619,292	43.66	12.98
2006	121,106	$5,937,660	43.45	12.85	49,923	$2,808,086	44.38	13.33	171,029	$8,745,746	43.72	12.99
2007	120,641	$6,058,709	43.50	12.84	49,201	$2,829,219	44.41	13.21	169,842	$8,887,928	43.76	12.95
2008	**120,514**	**$6,176,798**	**44.05**	**13.12**	**48,500**	**$2,837,340**	**44.95**	**13.37**	**169,014**	**$9,014,138**	**44.31**	**13.19**

Combined Plan

As of July 1	Females Active Members	Females Annual Salaries	Females Average Age	Females Average Service	Males Active Members	Males Annual Salaries	Males Average Age	Males Average Service	Total Active Members	Total Annual Salaries	Total Average Age	Total Average Service
2002	1,973	$58,023	36.21	2.39	594	$17,997	39.94	2.22	2,567	$76,020	37.07	2.35
2003	2,474	$75,715	35.80	2.41	758	$23,449	38.83	2.18	3,232	$99,164	36.51	2.35
2004	2,833	$91,090	35.85	2.82	876	$29,345	38.99	2.55	3,709	$120,435	36.59	2.76
2005	3,081	$104,158	36.13	3.28	933	$33,750	39.22	3.02	4,014	$137,908	36.85	3.22
2006	3,144	$112,499	36.60	3.76	892	$36,155	39.81	3.68	4,036	$148,654	37.31	3.74
2007	3,342	$124,417	36.90	4.16	926	$39,497	40.12	4.04	4,268	$163,914	37.60	4.13
2008	**3,387**	**$132,008**	**37.91**	**4.91**	**926**	**$41,416**	**40.86**	**4.79**	**4,313**	**$173,424**	**38.54**	**4.88**

Total Active Membership

As of July 1	Females Active Members	Females Annual Salaries	Females Average Age	Females Average Service	Males Active Members	Males Annual Salaries	Males Average Age	Males Average Service	Total Active Members	Total Annual Salaries	Total Average Age	Total Average Service
1998	116,321	$4,359,157	43.08	12.63	53,805	$2,474,903	44.46	14.39	170,126	$6,834,060	43.52	13.19
1999	117,832	$4,557,211	43.14	12.61	53,022	$2,483,692	44.54	14.27	170,854	$7,040,903	43.57	13.12
2000	121,025	$4,839,360	43.14	12.52	53,047	$2,546,762	44.52	14.07	174,072	$7,386,122	43.56	12.99
2001	123,703	$5,101,368	43.15	12.38	53,310	$2,619,890	44.52	13.75	177,013	$7,721,258	43.57	12.79
2002	125,171	$5,370,374	43.25	12.40	53,386	$2,692,760	44.49	13.57	178,557	$8,063,134	43.62	12.75
2003	126,324	$5,643,666	42.89	12.32	53,620	$2,782,171	44.04	13.25	179,944	$8,425,837	43.23	12.60
2004	126,153	$5,829,613	43.05	12.43	52,910	$2,816,791	44.12	13.20	179,063	$8,646,404	43.37	12.66
2005	125,021	$5,936,407	43.20	12.56	51,671	$2,820,793	44.27	13.23	176,692	$8,757,200	43.51	12.76
2006	124,250	$6,050,159	43.45	12.85	50,815	$2,844,241	44.30	13.16	175,065	$8,894,400	43.58	12.77
2007	123,983	$6,183,126	43.32	12.60	50,127	$2,868,716	44.33	13.04	174,110	$9,051,842	43.61	12.73
2008	**123,901**	**$6,308,806**	**43.88**	**12.90**	**49,426**	**$2,878,756**	**44.87**	**13.21**	**173,327**	**$9,187,562**	**44.16**	**12.99**

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

Benefit Payments by Type
As of July 1, 2008

Age Last Birthday	Number	Annual Allowance (in thousands)	Average Annual Allowance
Service Retirees			
Under 60	13,740	$ 645,264	$ 46,962
60–64	23,408	1,035,085	44,219
65–69	21,242	830,943	39,118
70–74	16,368	574,260	35,084
75–79	12,910	400,451	31,019
Over 79	18,431	451,850	24,516
Total	**106,099**	**$3,937,853**	**$ 37,115**
Beneficiaries Receiving Optional Allowances			
Under 60	424	$ 9,379	$ 22,119
60–64	419	12,491	29,812
65–69	713	20,131	28,234
70–74	1,096	28,520	26,022
75–79	1,539	35,307	22,942
Over 79	3,960	73,379	18,530
Total	**8,151**	**$ 179,207**	**$ 21,986**
Survivor Benefit Beneficiaries			
Under 60	1,722	$ 24,649	$ 14,314
60–64	1,023	17,566	17,171
65–69	697	14,353	20,592
70–74	711	13,135	18,474
75–79	611	10,555	17,275
Over 79	1,075	16,680	15,516
Total	**5,839**	**$ 96,938**	**$ 16,602**
Disability Beneficiaries			
Under 60	2,295	$ 78,432	$ 34,175
60–64	1,496	51,279	34,277
65–69	923	30,511	33,057
70–74	658	19,136	29,082
75–79	478	12,819	26,818
Over 79	567	12,624	22,265
Total	**6,417**	**$ 204,801**	**$ 31,915**
Grand Total	**126,506**	**$ 4,418,799**	**$ 34,930**

Statistical

Average Benefit Payments for Service Retirees, 1999–2008

		Years of Service Credit						Average/
		5–9	10–14	15–19	20–24	25–29	>=30	Total
1999	Average monthly benefit	$337	$727	$1,097	$1,600	$1,952	$2,928	$2,455
	Average final average salary	$17,104	$29,709	$36,175	$46,180	$49,110	$53,952	$49,349
	Number of recipients	267	218	192	267	499	3,559	5,002
2000	Average monthly benefit	$298	$675	$1,125	$1,663	$2,039	$3,147	$2,714
	Average final average salary	$21,038	$32,083	$40,307	$47,625	$49,164	$54,643	$51,385
	Number of recipients	203	168	216	304	586	4,370	5,847
2001	Average monthly benefit	$319	$747	$1,155	$1,636	$2,091	$3,329	$2,828
	Average final average salary	$21,871	$35,775	$40,217	$46,271	$50,934	$56,954	$53,009
	Number of recipients	213	196	195	260	484	3,869	5,217
2002	Average monthly benefit	$322	$706	$1,128	$1,764	$2,187	$3,470	$2,912
	Average final average salary	$21,604	$33,672	$39,517	$51,098	$53,932	$58,868	$54,527
	Number of recipients	242	202	203	242	548	3,775	5,212
2003	Average monthly benefit	$301	$675	$1,182	$1,710	$2,231	$3,667	$3,007
	Average final average salary	$20,106	$30,929	$42,129	$48,616	$55,395	$62,104	$56,303
	Number of recipients	255	203	214	275	459	3,438	4,844
2004	Average monthly benefit	$314	$703	$1,182	$1,803	$2,365	$3,813	$3,159
	Average final average salary	$22,629	$34,373	$44,054	$52,442	$58,161	$63,778	$58,564
	Number of recipients	250	218	225	261	476	3,704	5,134
2005	Average monthly benefit	$395	$751	$1,188	$1,903	$2,391	$4,003	$3,428
	Average final average salary	$29,648	$34,508	$43,022	$54,610	$58,866	$66,075	$61,880
	Number of recipients	178	133	222	272	516	4,075	5,396
2006	Average monthly benefit	$401	$866	$1,372	$1,915	$2,538	$4,067	$3,511
	Average final average salary	$27,379	$42,713	$50,413	$54,747	$62,047	$67,315	$63,752
	Number of recipients	148	156	246	297	576	4,379	5,802
2007	Average monthly benefit	$434	$821	$1,285	$1,981	$2,578	$4,234	$3,608
	Average final average salary	$32,145	$38,230	$48,083	$57,959	$64,083	$69,712	$65,589
	Number of recipients	182	166	269	356	621	4,605	6,199
2008	**Average monthly benefit**	**$410**	**$852**	**$1,368**	**$2,030**	**$2,603**	**$4,309**	**$3,646**
	Average final average salary	**$30,655**	**$42,389**	**$50,152**	**$60,209**	**$65,031**	**$71,136**	**$66,823**
	Number of recipients	**169**	**161**	**302**	**361**	**548**	**4,278**	**5,819**

Number of Reporting Employers by Type, 1999–2008

Fiscal Year Ended	City School Districts	Local School Districts	County Educational Service Centers	Exempted Village School Districts	Vocational & Technical Schools	Colleges & Universities	County MR/DD Boards	Community Schools	Other	Total
1999	192	371	63	49	49	37	82	16	7	866
2000	194	369	61	49	49	37	82	51	8	900
2001	194	369	61	49	49	37	80	72	8	919
2002	194	369	60	49	49	37	77	101	8	944
2003	194	369	60	49	49	37	76	130	8	972
2004	194	369	60	49	49	37	76	142	9	985
2005	194	370	60	49	49	37	74	219	9	1,061
2006	194	369	60	49	49	37	73	246	9	1,086
2007	194	369	60	49	49	36	73	255	9	1,094
2008	**194**	**370**	**59**	**49**	**49**	**36**	**73**	**272**	**9**	**1,111**

Principal Participating Employers For the Year Ended June 30, 2008

Employer	Covered Members	Current Year Rank	Prior Year Rank	Percentage of Membership
Columbus City Schools	6,163	1	1	2.38%
Cleveland Municipal Schools	5,372	2	2	2.08%
The Ohio State University	4,882	3	3	1.89%
Akron City Schools	3,209	4	5	1.24%
Cincinnati City Schools	3,175	5	4	1.23%
Toledo City Schools	3,075	6	6	1.19%
Kent State University	2,902	7	7	1.12%
University of Cincinnati	2,784	8	8	1.08%
Univerity of Akron	2,325	9	10	0.90%
Cuyahoga Community College	2,313	10	9	0.89%
All Others	222,421			86.00%
Total Covered Members	**258,621***			**100.00%**

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

State Teachers Retirement System of Ohio

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