Amendment Two to the
Public Employees Retirement System of Ohio
Combined Defined Benefit/Defined Contribution Plan

WHEREAS, the Public Employees Retirement System of Ohio Combined Defined Benefit/Defined Contribution Plan ("Plan") was originally effective January 1, 2003;

WHEREAS, the Public Employees Retirement Board, as Trustees of the Plan ("Trustees"), reserved the right to amend the Plan pursuant to Article XXV of the Plan; and

WHEREAS, the Trustees now desire to amend the Plan due to the provisions of Substitute House Bill 98 of the 125th General Assembly and Amended House Bill 10 of the 126th General Assembly;

NOW, THEREFORE, the Plan is hereby amended as follows, effective October 27, 2006:

1. **Section 9.02(a) of the Plan**, describing Payment Options for Accounts under Section 9.01(a), is hereby amended to be and read as follows:

   (a) Subject to Article XIV and section 145.92 of the Ohio Revised Code, a Participant may select from payment options in the form of a partial lump sum, subject to any rules adopted by the Board; monthly annuity payments (with joint and survivor options); periodic payments over a period certain; periodic payments of a specific monthly amount; payments with a deferred start date; or a combination of these options. An unmarried Participant who fails to select a payment option under this Section shall be paid in accordance with Section 8.01. Unless the Participant is eligible to or required to elect another payment option as described in this Section, a married Participant shall receive a monthly joint and survivor annuity, which shall consist of the actuarial equivalent of the Participant's single life annuity based on the Participant's Accounts in a lesser amount payable for life and one-half of such allowance continuing after death to the Participant's spouse for the life of the spouse. The effective date of a payment option provided under this Section shall be the later of (1) a date determined by the Participant or (2) the attainment of minimum age and service credit eligibility under Section 9.01.

2. **Section 9.02(b) of the Plan**, describing Payment Options for Accounts under Section 9.01(a), is hereby amended to be and read as follows:

   (b) A married Participant may elect to receive the Participant's Accounts under a payment option other than a monthly joint and survivor annuity if either of the following is the case: the Participant's spouse consents in writing to the Participant's election of a payment option other than a monthly joint and survivor annuity or the Board waives the requirement that the spouse consent; or a plan of payment providing for payment in a specified portion of a monthly annuity continuing after the Participant’s death to a former spouse is required by a court order issued under section 3105.171 or 3105.65 of the Ohio Revised Code or the laws of another state regarding division of marital property prior to the Effective Date of the Participant’s Retirement.
If a Participant is required to select a monthly annuity plan of payment providing for payment in a specified portion to a former spouse and the Board has received a copy of the order described in this Section, the Board shall accept the Participant’s election of a plan of payment under this Section only if the Participant complies with both of the following: the Participant elects a monthly annuity plan of payment that is in accordance with the order described in this Section; and, if the Participant is married, the Participant elects a monthly annuity plan of payment and designates the Participant’s current spouse as a Beneficiary under that plan of payment unless that spouse consents in writing to not being designated a Beneficiary under any plan of payment, or the Board waives the requirement that the current spouse consent.

An application for a benefit under this Section shall include an explanation of all of the following:

1. That, if the Participant is married, unless the spouse consents to another payment option or there is a court order dividing marital property issued under section 3105.171 or 3105.65 of the Ohio Revised Code or the laws of another state regarding the division of marital property that provides for payment in a specified amount, the Participant’s benefit under this Section will be paid as a monthly joint and survivor annuity, which consists of the actuarial equivalent of the Participant’s single-life annuity based on the Participant’s Accounts in a lesser amount payable for life and one-half of the benefit continuing after death to the surviving spouse for the life of the spouse;

2. A description of the alternative payment options available with the consent of the spouse;

3. That the spouse may consent to another payment option and the procedure for giving consent;

4. That consent is irrevocable once notice of consent is filed with the Board.

Consent shall be valid only if it is signed, in writing, and witnessed by a notary public. The Board may waive the requirement of consent if the spouse is incapacitated or cannot be located or for any other reason specified by the Board. Consent or waiver is effective only with regard to the spouse who is the subject of the consent or waiver.

3. **Section 9.02(d) of the Plan**, describing Payment Options for Accounts under Section 9.01(a), is hereby amended to be and read as follows:

   (d) The death of a spouse or any designated Beneficiary following commencement of benefits under this Section shall cancel any the portion of the monthly annuity plan of payment option to provide providing continuing lifetime benefits to the deceased spouse or deceased designated Beneficiary and return the . The retired Participant to shall receive the actuarial equivalent of the retired Participant's single life annuity equivalent, as determined by the Board, based on the number of remaining Beneficiaries, with no change in the amount payable to any remaining Beneficiary. The change shall be effective the month following receipt by the Board of notice of the date of death.
4. **Section 9.02(e) of the Plan**, describing Payment Options for Accounts under Section 9.01(a), is hereby amended to be and read as follows:

   (e) On divorce, annulment, or marriage dissolution, a retired Participant receiving benefits under this Section under a monthly annuity plan of payment option that provides for continuation of all or part of the benefits after death for the lifetime of the retired Participant's surviving spouse may, with the written consent of the spouse or pursuant to an order of the court with jurisdiction over the termination of the marriage, elect to cancel the portion of the monthly annuity plan and of payment providing continuing lifetime benefits to that spouse. The retired Participant shall receive the actuarial equivalent of the retired Participant's single life annuity equivalent, as determined by the Board, based on the number of remaining Beneficiaries, with no change in amount payable to any remaining Beneficiary. The election shall be made on an Applicable Form and shall be effective the month following its receipt by the Board.

5. **Section 9.02(f) of the Plan**, describing Payment Options for Accounts under Section 9.01(a), is hereby amended to be and read as follows:

   (f) Following a marriage or remarriage, both of the following apply:

   1. A retired Participant who is receiving benefits in the form of a monthly single life annuity may elect a new monthly annuity plan of payment option under this Section based on the actuarial equivalent of the retired Participant's single life annuity, as determined by the Board.

   2. A retired Participant who is receiving a benefit under a monthly annuity plan of payment providing for payment to a former spouse pursuant to a court order described in Section 9.02(b) may elect a new plan of payment providing for payment to a former spouse based on the actuarial equivalent of the retired Participant's single life annuity, as determined by the Board, if the new plan of payment elected does not reduce the payment to the former spouse.

   If the marriage or remarriage occurs on or after June 6, 2005, the election must be made not later than one year after the date of the marriage or remarriage.

   The new plan of payment option shall become effective the first day of the month following the date of receipt by the Board of an Applicable Form, but any change in the amount of the benefit shall commence on the first day of the month following the effective date of the plan of payment.

6. **Section 9.03(d) of the Plan**, describing Payment of Retirement Allowance, is hereby amended to be and read as follows:

   (d) (1) The Administrator shall annually increase each allowance payable under this Section by three (3) per cent, subject to Article IV. The first increase is payable upon a Participant receiving a Retirement Allowance for twelve
(12) months. The increased amount is payable for the ensuing twelve-month period or until the next increase is granted under this Section, whichever is later. In the case of an allowance being paid to a Beneficiary under one of the options specified in this Section, subsequent increases shall be determined from the date of the first increase paid to the former Member. The date of the first increase under this Section becomes the anniversary date for any future increases. The Retirement Allowance used in the first calculation of an increase shall remain as the base for all future increases, unless a new base is established.

(2) If payment of a portion of an allowance is made to an alternate payee under section 145.571 of the Ohio Revised Code, increases under this Section granted while the order is in effect shall be apportioned between the alternate payee and the Participant in the same proportion that the amount being paid to the alternate payee bears to the amount paid to the Participant.

If payment of a portion of an allowance is made to one or more Beneficiaries under “plan F” as described in this Section, each increase under this Section granted while the plan of payment is in effect shall be divided among the designated Beneficiaries in accordance with the portion each Beneficiary has been allocated.

7. Section 9.03(e) of the Plan, describing Payment of Retirement Allowance, is hereby amended to be and read as follows:

(e) A Participant who is eligible for a Retirement Allowance under this Section shall elect a plan of payment on a form provided by the Board. A plan of payment elected under this Section shall be effective only if approved by the System, which shall approve it only if it is certified by an Actuary engaged by the Board to be the actuarial equivalent of the Retirement Allowance calculated under this Section:

(1) Unless the Participant is eligible to elect another plan of payment—Except as provided in this Section, a Participant who retires under this Section shall receive a Retirement Allowance under "plan A," which shall consist of the actuarial equivalent of the Participant's Retirement Allowance determined under this Section in a lesser amount payable for life and one-half of such allowance continuing after death to the Participant's surviving spouse for the life of the spouse. A Participant may elect to receive the Participant's Retirement Allowance under a plan of payment other than "plan A" if either of the following is the case: the Participant is not married or either the Participant's spouse consents in writing to the Participant's election of a plan of payment other than "plan A" or the Board waives the requirement that the spouse consent.—An or a plan of payment providing for payment in a specified portion of the allowance continuing after the Participant's death to a former spouse is required by a court order issued under section 3105.171 or 3105.65 of the Ohio Revised
Code or the laws of another state regarding division of marital property prior to the Effective Date of the Participant’s Retirement.

If a Participant is required to select a plan of payment providing for payment in a specified portion to a former spouse and the Board has received a copy of the order described in this Section, the Board shall accept the Participant’s election of a plan of payment under this Section only if the Participant complies with both of the following: the Participant elects a plan of payment that is in accordance with the order described in this Section; and, if the Participant is married, the Participant elects “plan F” and designates the Participant’s current spouse as a beneficiary under that plan unless that spouse consents in writing to not being designated a beneficiary under any plan of payment, or the Board waives the requirement that the current spouse consent.

An application for Retirement shall include an explanation of all of the following:

(i) That, if the Participant is married, unless the spouse consents to another plan of payment or there is a court order dividing marital property issued under Section 3105.171 or 3105.65 of the Ohio Revised Code or the laws of another state regarding division of marital property that provides for payment in a specified amount, the Participant's Retirement Allowance will be paid under "plan A," which consists of the actuarial equivalent of the Participant's Retirement Allowance in a lesser amount payable for life and one-half of the allowance continuing after death to the surviving spouse for the life of the spouse;

(ii) A description of the alternative plans of payment, including all plans described in Section 9.02(e)(2) and (3), available with the consent of the spouse;

(iii) That the spouse may consent to another plan of payment and the procedure for giving consent;

(iv) That consent is irrevocable once notice of consent is filed with the Board.

Consent shall be valid only if it is signed, in writing, and witnessed by a notary public. The Board may waive the requirement of consent if the spouse is incapacitated or cannot be located or for any other reason specified by the Board. Consent or waiver is effective only with regard to the spouse who is the subject of the consent or waiver.

(2) A Participant eligible to elect to receive the Participant's Retirement Allowance under a plan of payment other than "plan A" shall receive the Participant's Retirement Allowance under the plan described in Section
9.03(c)(3) or one of the following plans elected at the time the Participant makes application for Retirement:

(i)  "Plan B," which shall consist of a Retirement Allowance determined under this Section;

(ii) "Plan C," which shall consist of the actuarial equivalent of the Participant's Retirement Allowance determined under this Section in a lesser amount payable for life and one-half or some other portion of the Retirement Allowance continuing after death to the Participant's sole surviving Beneficiary designated at the time of the Participant's Retirement, provided that the amount payable to the Beneficiary does not exceed the amount payable to the Participant;

(iii) "Plan D," which shall consist of the actuarial equivalent of the Participant's Retirement Allowance determined under this Section in a lesser amount payable for life and continuing after death to a surviving Beneficiary designated at the time of the Participant's Retirement;

(iv) "Plan E," which shall consist of the actuarial equivalent of the Participant's Retirement Allowance determined under this Section in a lesser amount payable for a certain period from the Participant's Retirement date, as elected by the Participant and approved by the Board, and on the Participant's death before the expiration of that certain period, the Participant's lesser Retirement Allowance payable for the remainder of that period to the Participant's surviving designated Beneficiary nominated by written designation filed with the Board. Should the nominated Beneficiary die prior to the expiration of the guarantee period, then for the purpose of completing payment for the remainder of the guarantee period, the present value of such payments shall be paid to the estate of the Beneficiary last receiving.

(v)  "Plan F," which shall consist of the actuarial equivalent of the Participant's Retirement Allowance determined under this Section in a lesser amount payable to the retired Participant for life and some portion of the lesser amount continuing after death to two, three, or four surviving Beneficiaries designated at the time of the Participant's Retirement. The portion of the lesser allowance that continues after the Participant’s death shall be allocated among the Beneficiaries at the time of the Participant’s Retirement. If the Participant elects this Plan as required by a court order issued under section 3105.171 or 3105.65 of the Ohio Revised Code or the laws of another state regarding division of marital property and compliance with the court order requires the allocation of a portion
less than ten per cent (10%) to any Beneficiary, the Participant shall allocate a portion less than ten per cent (10%) to that Beneficiary in accordance with that order. In all other circumstances, no portion allocated under this plan of payment shall be less than ten per cent (10%). The total of the portions allocated shall not exceed one hundred per cent of the Participant’s lesser allowance.

(3) Beginning on a date selected by the Administrator, which shall not be later than July 1, 2004, a Participant may elect to receive a Retirement Allowance under a plan of payment consisting of both a lump sum in an amount the Participant designates that constitutes a portion of the Participant’s Retirement Allowance under a plan of payment described in this Section and the remainder as a monthly allowance under that plan. The total amount paid as a lump sum and a monthly benefit shall be the actuarial equivalent of the amount that would have been paid had the lump sum not been selected. The lump sum designated by the Participant shall be not less than six (6) times and not more than thirty-six (36) times the monthly amount that would be payable to the Participant under the plan of payment elected by the Participant had the lump sum not been elected and shall not result in a monthly Allowance that is less than fifty percent per cent (50%) of that monthly amount.

(4) An election under (e)(2) or (e)(3) of this Section shall be made at the time the Participant makes application for Retirement.

(5) A Participant eligible to elect to receive the Participant's Retirement Allowance under a plan of payment other than "plan A" because the Participant is unmarried who fails to elect a plan of payment shall receive the Participant's Retirement Allowance under "plan B."

(6) If a Retirement Allowance, regardless of the plan of payment, due and paid is in a total amount less than the amounts paid by the Participant under Sections 3.05 or 3.06, if any, as provided by this Plan, then the difference between the total amount of the Allowance paid and those deposits shall be paid to the Beneficiary.

8. **Section 9.03(f) of the Plan**, describing Payment of Retirement Allowance, is hereby amended to be and read as follows:

(f) The death of a spouse or any designated Beneficiary following Retirement shall cancel any the portion of the plan of payment to provide providing continuing lifetime benefits to the deceased spouse or deceased designated Beneficiary and return the. The retired Participant to shall receive the actuarial equivalent of the retired Participant's single lifetime allowance equivalent, as determined by the Board, to based on the number of remaining Beneficiaries, with no change in the amount payable to any remaining Beneficiary. The change shall be effective the month following receipt by the Board of notice of the date of death.
9. **Section 9.03(g) of the Plan**, describing Payment of Retirement Allowance, is hereby amended to be and read as follows:

(g) On divorce, annulment, or marriage dissolution, a retired Participant receiving a Retirement Allowance under a plan that provides for continuation of all or part of the allowance after death for the lifetime of the retired Participant's surviving spouse may, with the written consent of the spouse or pursuant to an order of the court with jurisdiction over the termination of the marriage, elect to cancel the portion of the plan and providing continuing lifetime benefits to that spouse. The retired Participant shall receive the actuarial equivalent of the retired Participant's single lifetime allowance equivalent, as determined by the Board, based on the number of remaining Beneficiaries, with no change in amount payable to any remaining Beneficiary. The election shall be made on a form provided by the Board and shall be effective the month following its receipt by the Board.

10. **Section 9.03(h) of the Plan**, describing Payment of Retirement Allowance, is hereby amended to be and read as follows:

(h) Following a marriage or remarriage, both of the following apply:

1. A retired Participant who is receiving the Retirement Allowance under "plan B" may elect a new plan of payment under this Section based on the actuarial equivalent of the retired Participant's single lifetime allowance, as determined by the Board.

2. A retired Participant who is receiving a Retirement Allowance pursuant to a plan of payment providing for payment to a former spouse pursuant to a court order described in this Section may elect a new plan of payment under “plan F” based on the actuarial equivalent of the retired Participant’s single lifetime Retirement Allowance, as determined by the Board, if the new plan of payment elected does not reduce the payment to the former spouse.

If the marriage or remarriage occurs on or after June 6, 2005, the election must be made not later than one year after the date of the marriage or remarriage.

The new plan of payment option shall become effective the first day of the month following on the date of receipt by the Board of an application on a form approved by the Board, but any change in the amount of the Retirement Allowance shall commence on the first day of the month following the effective date of the plan of payment.

11. In all other respects the Plan shall be and remain unchanged.

IN WITNESS WHEREOF the undersigned has executed this Amendment on the date indicated:

9-28-06

Date

Blake Sherry, Interim Executive Director