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In this issue

How to deal with the market's ups and downs

Be prepared to weather the next short-term market correction. Short-term market corrections can happen at any time and without warning. Recently a correction was triggered by the Japanese earthquake, tsunami and nuclear crisis, a spike in oil prices, and unrest in the Middle East and North Africa. Eight years ago, it was the war in Iraq.

Market corrections can be unsettling. A natural reaction by many investors is to reduce or eliminate exposure to stocks, thinking it will prevent further losses and calm their fears.

Consider this:

What seemed like some of the worst times to get into the stock market turned out to be some of the best times. For example, the best five-year return in the U.S. stock market began in May 1932 during the Great Depression. The next best five-year period began in July 1982 in the middle of one of the worst recessions in the post-war period. More recently, since its March 9, 2008 low, the S&P 500 index has more than doubled. The S&P 500 includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as a gauge of the large cap U.S. equities market.

What does this mean? It may not be prudent to move funds out of the market when there is a market correction. What is appropriate? Be prepared.

Here are some things to consider to be prepared for the next market downturn:

1. **Diversify.** One of the most important things you can do to help protect your portfolio from volatility and losses during market corrections is to diversify. While diversification won't guarantee you won't have losses, it can help limit them. This strategy was put to the test during the extreme market correction in 2008.

   So how do you diversify? First, consider spreading your investments among at least the three core asset classes: stocks, bonds, and "cash equivalent" investments, such as a stable value fund. Then, to help offset risk even more, diversify the investments within each asset class, such as U.S. stocks and non-U.S. stocks.

   A quick and easy way to diversify is to choose an OPERS target date fund that is suitable for the year you plan to retire and/or when you will start taking distributions from your account.

2. **Do not try to time the market.** Attempting to move your funds in and out of the stock market can be costly, particularly because a significant portion of the market's gains over time have tended to come in concentrated periods of days. Many of the best periods to invest in stocks have been in those environments that were among the most frightening. Investors face long odds in trying to time the ups and downs of the market. Data show that even investment professionals cannot time the market consistently.

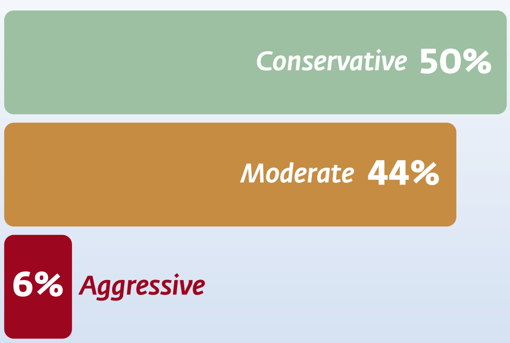
3. **Be comfortable with your investments.** If you are nervous when the market goes down, you may not be in investments suitable for your risk tolerance. Even if your time horizon is long enough to warrant an aggressive portfolio, you have to be comfortable with the short-term ups and downs you'll encounter. If watching your balances fluctuate is too nerve-racking for you, think about re-evaluating your investment mix to find one that feels right. But be wary of being too conservative, especially if you have a long-term horizon. Inflation can eat away purchasing power when a retirement account has been managed too conservatively without enough exposure to stocks in the long term.

What's your investing style?

In a recent survey, government employees were asked to describe their investing style by choosing one of three broad categories:

- **Conservative:** Want to "protect" savings and avoid any possible losses
- **Moderate:** Willing to accept a moderate level of risk to possibly have moderate investment growth
- **Aggressive:** Willing to accept a high level of risk to possibly achieve high asset growth

Which best describes your retirement investment philosophy?



*Results are from **Public Employees in Focus** published by the ING Retirement Research Institute in September 2010.*

The majority reported they are risk averse, with only six percent saying they are aggressive retirement investors.

Given the timing of the survey, these answers are not surprising. Memories of the market's record low in March 2009 were still fresh when the survey was conducted.

In the three years following the 2008-2009 global financial crisis, investment options that invested in stocks rose in value. If your investing style was aggressive or moderate, most likely you participated in the gains. If you pulled out of the market in an attempt to avoid losses, you missed out on the recovery.

Be true to your own style

While it's interesting to know how other government employees invest, you don't want to run with the pack.

Instead, you want to understand your own ability to handle risk based on your personal circumstances, including your age, income, the amount of time left for investing before you expect to retire, confidence in investing, and attitude toward short-term market volatility.

Risk is part of investing. But did you know there are different types of risk, not just the risk of an investment losing value? For example, maintaining a portfolio of only the most conservative investments could expose you to the risk of running out of retirement assets too soon.

You can be better prepared to manage risk by maintaining an investment mix in your Plan account using diversification and asset allocation. Diversification involves spreading your dollars among a variety of investments. Asset allocation is deciding how to diversify by dividing your money among different asset classes, such as stocks, bonds, or cash equivalents.

Of course, using diversification or asset allocation as part of your investment strategy does not assure or guarantee better performance and may not protect against loss in declining markets. Past performance does not guarantee future results.

To develop and pursue your retirement investing strategy, be sure to determine what type of investor you are. Go to the Plan website or call the Plan Information Line to learn more about the tools, education, and services available to help you understand and stick to your investing style.

Make your retirement savings count

After you retire, your financial needs may change. Given longer life expectancies and inflation, you'll need to make sure you don't end up outliving your retirement savings.

As a result, you may need to fine-tune your investment strategy. Keep in mind:

Don't neglect growth.
Many retirees believe retirement is a time to shift their money into conservative money market funds or certificates of deposit (CDs). While these vehicles may involve little risk to principal, the return they offer may not keep up with the rate of inflation.* Since stock returns have historically outpaced inflation by a wider margin than the returns of other securities, consider including some investment options that invest in stocks throughout retirement.**

Balance income and risk.
Along with some investment options that invest in stocks, investing in fixed-income investment options could help provide a consistent stream of income during your retirement years. The amount of risk you take on should be determined in part by your income needs. For example, if you expect to receive income from other sources during retirement, you may be able to focus your investment strategy on investment options that offer lower income potential but may also be less risky. However, if you need to generate more income, you may have to take on more risk.

A number of variables, including your risk tolerance and need for income and growth, should help guide your retirement investment decisions. You may want to consult a qualified financial professional to reassess your portfolio in light of your changing needs.

* *Investment in a money market fund is neither insured nor guaranteed by the U.S. government, and there can be no guarantee that the fund will maintain a stable $1 share price. The fund's yield will vary. Certificates of Deposit (CDs) offer a guaranteed rate of return, guarantee repayment of principal, and are generally insured by the Federal Deposit Insurance Corp. (FDIC), but do not necessarily protect against the rising cost of living.*

** *Source: Standard & Poor's. For the 75-year period ended December 31, 2006. Past performance does not guarantee future results.*

If you need to retire sooner than you thought

Forty-five percent of retirees reported they retired sooner than they had planned, according to the 2011 survey by the Employee Benefit Research Institute (EBRI).[1]

Those surveyed cited several reasons why:

- Health problems or disability: *63 percent*
- Employer downsizing or closure: *23 percent*
- Providing care for other family members: *18 percent*

Although these facts present a stark picture, there are things you can do now to prepare yourself for the unexpected. As a start, consider these steps:

First, invest as much as you can while you are still working. If you are participating in a voluntary 457(b) plan, you are allowed to contribute a maximum of $16,500 in 2011. If you are age 50 or older, you are eligible to make an additional catch-up contribution of $5,500.

Second, invest smart: maintain a portfolio with a mix of options that invest in stocks, bonds, and cash equivalents appropriate for your time horizon and keep an eye on your investment costs.

Third, be sure to maintain an emergency fund of liquid savings that you can tap into for unexpected expenses such as a car or home repair.

Fourth, determine when you will start collecting Social Security if you or your spouse are eligible (in some states, government employees do not pay into Social Security and therefore do not receive benefits at retirement). While most people qualify for Social Security benefits at age 62, waiting until you reach full retirement age entitles you to a larger benefit — a retirement credit of as much as eight percent annually, depending on the year of your birth and how long you wait. Log on to **www.ssa.gov** to review the estimated benefits you can expect at different ages before making a decision.

1 *Source: 2011 Retirement Confidence Survey, Employee Benefit Research Institute, a private, nonprofit research institute based in Washington, D.C., that focuses on health, savings, retirement, and economic security issues. Percentages do not add up to 100 percent. Survey results available at www.ebri.org.*

You should review the *Investment Options Disclosures* document before making any investment decisions.

Ohio PERS Investment Options
Fund and Portfolio Returns
June 30, 2011

	Asset Class	Year-to-Date 06/30/11	Last Month 06/30/11	Prior 3 Months 06/30/11	Prior 6 Months 06/30/11	Calendar Years 2010	2009	2008	2007	2006	1-Year Ending 06/30/11	3-Years[1] Ending 06/30/11	5-Years[1] Ending 06/30/11	Expense Ratio
OPERS Target Date Funds														
Target Payout Fund	PO	3.42%	-0.49%	1.31%	3.42%	8.34%	16.44%	-14.63%	6.26%	9.20%	12.17%	4.42%	4.72%	0.09%
Target 2015 Fund	15	4.02%	-0.86%	1.19%	4.02%	10.61%	21.14%	-28.36%	7.96%	14.18%	17.74%	1.76%	3.38%	0.07%
Target 2020 Fund	20	4.25%	-1.21%	0.76%	4.25%	12.59%	25.81%	-33.50%	8.72%	15.97%	22.46%	1.72%	3.40%	0.07%
Target 2025 Fund	25	4.55%	-1.45%	0.38%	4.55%	13.87%	28.98%	-36.27%	8.90%	16.98%	26.25%	1.98%	3.50%	0.07%
Target 2030 Fund	30	4.64%	-1.51%	0.28%	4.64%	14.10%	29.44%	-37.15%	9.02%	17.37%	27.16%	1.84%	3.40%	0.07%
Target 2035 Fund	35	4.69%	-1.53%	0.25%	4.69%	14.31%	29.72%	-37.76%	9.08%	17.72%	27.81%	1.72%	3.33%	0.08%
Target 2040 Fund	40	4.77%	-1.58%	0.17%	4.77%	14.41%	30.09%	-38.52%	9.32%	18.14%	28.52%	1.52%	3.26%	0.08%
Target 2045 Fund	45	4.83%	-1.61%	0.12%	4.83%	14.56%	30.51%	-39.42%	9.43%	18.52%	29.76%	1.31%	3.12%	0.08%
Target 2050 Fund	50	4.83%	-1.61%	0.12%	4.83%	14.55%	30.53%	-39.39%	9.43%	18.52%	29.70%	1.33%	3.13%	0.08%
Target 2055 Fund	55	4.83%	-1.60%	0.12%	4.83%	14.55%	30.53%	-39.39%	9.43%	18.52%	29.70%	1.33%	3.13%	0.08%
OPERS Funds														
Stable Value Fund	SV	1.11%	0.19%	0.55%	1.11%	3.68%	3.20%	4.00%	4.44%	4.48%	2.92%	3.30%	3.74%	0.18%
Bond Index Fund[2]	GB	2.70%	-0.35%	2.26%	2.70%	8.35%	17.67%	-5.26%	4.14%	4.82%	5.01%	7.68%	6.39%	0.04%
Stock Index Fund	SI	6.36%	-1.79%	-0.01%	6.36%	17.00%	28.35%	-37.17%	5.18%	15.70%	32.36%	4.09%	3.42%	0.03%
Large Cap Index Fund[2]	LC	6.27%	-1.75%	0.06%	6.27%	16.60%	28.73%	-38.02%	3.30%	11.54%	31.75%	3.99%	2.38%	0.05%
Small Cap Index Fund[2]	SC	6.07%	-2.42%	-1.71%	6.07%	27.05%	27.16%	-33.27%	-3.14%	14.88%	37.19%	7.85%	3.58%	0.08%
Non-U.S. Stock Index Fund[2]	NU	3.95%	-1.41%	0.53%	3.95%	10.78%	35.90%	-48.85%	17.21%	25.26%	31.45%	-4.07%	1.60%	0.10%

Benchmarks for the above Funds are available at www.opers.org.
The inception date for OPERS Funds is 12-27-02. With the exception of Target 2055 Fund the inception date for OPERS Target Date Funds is 9-25-08 with returns for prior periods being calculated from returns of the OPERS Funds allocated according to prescribed target allocations. The inception date for the Target 2055 Fund is 12-6-10 and prior returns are calculated using the same method as all other Target Date funds. See the Investment Options Guide for details about investment managers, target allocations and expected fees. Total returns are net of investment management fees.
1. 3-Year and 5-Year investment returns are annualized.
2. Prior to December 2010, these funds were actively managed .

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quarterly calendar

The New York Stock Exchange is closed:

- **Monday, September 5, 2011**

Transactions made on this day will be processed the following business day.

Program website: www.opers.org

Benefits questions and personal data changes: (800) 222-PERS (7377)

Account information and management: (866) OPERS-4-U (866-673-7748)