

PERSONAL

INVESTOR

Summer 2007

A Publication for OPERS members participating in the Member-Directed and Combined Plans

> YOUR ACCOUNT

Invest for the Long-term and Reach Your Retirement Goals

There was a notable increase in the trading activity of Member-Directed and Combined Plan participants during last quarter. It's important to understand how frequent short-term trading can impact your long-term returns.

Many financial experts agree the best strategy is to choose a diversified mix of high-quality investments, stay patient, ignore short-term market fluctuations and let time help your account grow. We offer you a great opportunity to diversify with the investment options OPERS offers. There are nine investment options, including three pre-mixed portfolios, that offer a diversified mix of investments from various asset classes.

We make it easy for you, but you also need to try to take the emotion out of investing and tune out the "investment noise." These are the distractions that can prevent you from focusing on what is most important, cause needless worry, and ultimately reduce long-term results. Tuning out the investment noise from market downturns, glamour stocks, television, magazine "tips," and passing fads will help you focus on maintaining a diversified portfolio that is right for your personal retirement needs.

Although it may be tempting to sell a fund that just experienced a loss, or chase trends you've seen in the news about a hot market sector or asset class, making decisions based on recent market developments is risky. What the market did last month or last week may not be what the market will do in the long term. And, recalculating your

portfolio value daily won't necessarily turn losses into gains. In fact, making hasty decisions based on what the market did yesterday or this morning generally goes against one of the major principles of long-term investing: "buy low and sell high."

Selling an investment that is not performing well on a particular day and then reinvesting when the fund recovers actually locks in your losses. As a participant, you shouldn't let a stock market drop or rally influence your long-term investment goals. When you're saving for the long term, daily fluctuations become less significant. Other factors, like whether or not you're invested in the market on good days, are far more important in your eventual wealth.

As a participant, you're working to build savings for your retirement years. So, you should always keep that time horizon in mind and avoid investment decisions based on short-term performance. Because fund returns can rise and fall very quickly for many different reasons, performance figures for short periods (like a quarter or even a year) may not reflect an investment's long-term performance potential. Consider attending one of the *Managing Your Individual OPERS Account* workshops to learn more about the pitfalls of short-term trading and the importance of proper asset allocation (see page 2).

The OPERS office will be closed in observance of Labor Day on **Monday, Sept. 3, 2007**. Transactions made on this day will be processed the following business day. The OPERS office will be closed in observance of Columbus Day on **Monday, Oct. 8, 2007**. However, the OPERS Help Line will be available that day and transactions made on Oct. 8 will be processed that day.

> INVESTMENT EDUCATION

Quiet the Noise with Automatic Rebalancing

Rebalancing is moving some money from an investment option that has “outgrown” the original allocation you chose and moving it into one that has fallen below the original percentage. Rebalancing enables you to, in essence, buy low and sell high.

By activating the automatic rebalancing feature for your individual account, you can take advantage of an easy and convenient way to keep your asset allocation in balance for the long-term and take the “noise” out of investing (see related article on page 1).

You can turn on the automatic rebalancing feature by going to www.opers.org and logging onto MBS. After clicking on the link to view your account, go to the “Manage Investments” tab and select “Rebalance Account.” Or, you can call the OPERS Help Line at 1-866-OPERS-4-U (1-866-673-7748) and speak with a representative who can assist you with this process.

Rebalancing is moving some money from an investment option that has ‘outgrown’ the original allocation you chose and moving it into one that has fallen below the original percentage.”

When you choose this feature, we rebalance your account on a quarterly basis according to your desired asset allocation mix. Your account rebalancing will be done in the same percentages as you have directed for your future contributions. On the last business day of each calendar quarter, your overall account will be automatically rebalanced. If the last day of the quarter falls on a weekend or a holiday, the rebalancing takes place on the previous business day.

Prior to the rebalancing beginning, you will receive a pre-confirmation in the mail reminding you that rebalancing is going to occur soon. Do not do anything if you want it to take place. However, if you want to change or cancel rebalancing before it occurs, you must make this request prior to the date the transaction will take place. Once the rebalancing transaction occurs, you will receive another confirmation showing the amounts in each investment option prior to and after the transaction.

Once chosen, it is an automatic feature. You do not have to remember to request it each quarter. However, if you do make any account transaction (i.e., transfer funds from one investment option to another), automatic rebalancing will be turned off. If you want it reactivated, you will have to request it again.

> QUARTERLY STATEMENTS RETURNED

More than 300 quarterly statements have been returned to OPERS this year due to incorrect addresses. It is your responsibility to let us know of any changes to your personal data, including your mailing address. You will not receive your quarterly statement, this newsletter, or any other important information in a timely manner if we do not have your current address on file.

The easiest way to make changes is online through our Member Benefits System at www.opers.org. Just click on the “Login” link on the home page and follow the instructions. You also can call the OPERS Member Services Center at 1-800-222-7377 to make changes.

Remember, changing your address with your employer does not automatically change OPERS records. You also must make the changes with OPERS.

Workshops

Learn more about investing and managing your account at *Managing Your Individual OPERS Account—A Workshop*.

The OPERS Education Team provides investment education and discusses the tools and resources available to help Member-Directed and Combined Plan participants manage their OPERS account. During the two-hour workshop participants will learn different ways to help manage risk in their individual account. Participants also will complete and evaluate their specific Investor Profile and receive additional information regarding the nine OPERS Investment Options.

Registration is required. Call the OPERS Member Services Center at 1-800-222-7377 and ask for extension 8-3993 to reserve your spot at this informative workshop.

• **Cincinnati area:** 6:00 pm, Wednesday, Aug. 29, 2007, Room 3A, Public Library of Cincinnati and Hamilton County—Main Branch, 800 Vine Street, Cincinnati

You can also check for upcoming workshops at www.opers.org. Click on “Seminars & Counseling” on the “Members” page.

Investment Manager Updates

Changes to the OPERS Large Cap Fund

OPERS utilizes a multiple manager approach to investing for each of the nine OPERS Investment Options. Wellington was recently terminated as manager of the OPERS Large Cap Fund due to performance issues. The Large Cap Fund is composed of one active manager, Grantham Mayo Van Otterloo (GMO), and one index manager, Barclays Global Investors (BGI). OPERS' staff will continue to evaluate the structure of the Large Cap Fund and conduct a search for new managers as needed.

OPERS Staff Monitoring Stable Value Fund Manager

The OPERS Stable Value Fund is composed of two managers, Invesco and Goode. The team that manages the Invesco Stable Value Fund recently experienced several staff departures. OPERS' staff and investment consultant consider the departures to be material and are monitoring, and taking steps to mitigate, the impact of the staff departures on the OPERS Stable Value Fund.

> INVESTMENT PERSPECTIVES

Current Investment Environment

Stock markets around the world moved higher in the second quarter, continuing their positive trend from the first quarter of 2007. The U.S. stock market was up 5.76 percent and non-U.S. stock markets were up 8.19 percent. Bonds were down in the second quarter with a total return of -0.48 percent.

U.S. stock markets were higher largely because of solid corporate profits, although no longer at the double-digit rates that had wowed investors in previous years. In addition, some market experts believe a strong world economy and low interest rates have helped the U.S. economy avoid a much-feared recession.

Non-U.S. stock markets were higher for many of the same reasons U.S. stock markets were up—healthy economies and strong corporate earnings. In addition, soaring emerging markets in the second quarter helped foreign stock market returns.

Bond returns were down in the second quarter, largely due to rising interest rates. The yield on the 10-year Treasury note, the foundation for long-term interest rates, began the quarter at 4.651 percent and ended the quarter at 5.034 percent amid mounting inflation fears.

> CLARIFICATION

We ran an article about basis points in last quarter's *Ohio PERSonal Investor*. The following is clarification on the definition of what a basis point is and how it is measured.

A basis point is a unit equal to one hundredth of 1 percent (0.01 percent). Basis points are often used to measure changes in or differences between yields on fixed income securities, since these often change by very small amounts. Although basis points may be an unfamiliar term, it is much easier to refer to basis points (e.g., 22 basis points) rather than saying "22/100th of 1 percent."

> OPERS LAUNCHES NEW AND IMPROVED WEB SITE

OPERS is excited to announce the launch of a new and more robust Web site in July. The new site can be accessed at our current web address, www.opers.org. On your first visit, you'll immediately notice the inviting new look, but that's just the beginning of what the site has to offer. We have added a number of features designed to allow you to find the information you need quickly and easily.

By analyzing our site's usage trends for the past several years, we've identified the most commonly viewed information and made it easily accessible from the home page. In addition, the home page features a prominent news section containing the most current OPERS news and information.

Our new site features an enhanced search engine, which allows visitors to search not only by keyword but also within specific sections of the site and for a particular document type.

Another enhancement is an anthology of recent site changes located right on the home page. This feature allows visitors to quickly identify recent changes to site content and new items added.

Each page of the new site offers a one-step Member Benefits System (MBS) log-in button. Your secure, personal retirement account information is always just a click away.

The relationship between percentage and basis points can be summarized as follows: 1 percent change equals 100 basis points and 0.01 percent equals 1 basis point. So, a bond whose yield increases from 5 percent to 5.5 percent is said to increase by 50 basis points; or interest rates that have risen 1 percent are said to have increased by 100 basis points. An investment with an expense ratio of 0.22 percent can also be said to have a fee of 22 basis points, which is equal to 22/100th of 1 percent.



OHIO PERS INVESTMENT OPTIONS
Total Returns
June 30, 2007

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

	Asset Class ¹	Year-to-Date 6/30/07	Last Month 6/30/07	Prior 3 Months 6/30/07	Prior 6 Months 6/30/07	Calendar Years					1-Year Ending 6/30/07	3-Year ⁷ Ending 6/30/07	5-Year ⁷ Ending 6/30/07	Expense Ratio
						2006	2005	2004	2003					
OPERS Pre-Mixed Portfolios														
Conservative	CB	3.40%	-0.51%	2.02%	3.40%	8.27%	4.88%	6.95%	13.42%	9.93%	7.18%	7.16%	0.20%	
Moderate	MB	5.20%	-0.89%	3.77%	5.20%	11.51%	6.38%	9.28%	21.77%	14.22%	9.97%	9.46%	0.19%	
Aggressive	AB	6.63%	-1.06%	5.02%	6.63%	13.94%	7.42%	10.78%	28.09%	17.28%	11.97%	11.04%	0.20%	
OPERS Funds														
Stable Value Bond	SV GB	2.22% 1.09%	0.35% -0.58%	1.10% -0.53%	2.22% 1.09%	4.48% 4.82%	4.23% 2.74%	4.13% 5.24%	3.99% 6.30%	4.55% 6.65%	4.36% 4.40%	4.30% 5.08%	0.21% 0.19%	
Stock Index ¹	SI	7.17%	-1.89%	5.81%	7.17%	15.70%	6.15%	11.96%	30.80%	20.08%	12.46%	11.54%	0.03%	
Large Cap	LC	5.56%	-1.89%	5.39%	5.56%	11.54%	6.32%	9.34%	29.61%	16.26%	10.17%	9.72%	0.23%	
Small Cap Non-US Stock	SC NU	6.37% 13.49%	-1.42% 0.91%	4.40% 9.02%	6.37% 13.49%	14.88% 25.26%	7.99% 16.08%	12.78% 17.07%	48.45% 37.49%	14.52% 30.95%	12.49% 23.16%	12.84% 17.77%	0.30% 0.40%	
Custom Benchmarks														
Conservative Index ²	CB	3.65%	-0.43%	2.09%	3.65%	8.68%	4.43%	6.33%	12.37%	10.41%	7.26%	6.78%		
Moderate Index ³	MB	5.49%	-0.85%	3.81%	5.49%	12.48%	5.92%	9.48%	21.11%	15.06%	10.34%	9.49%		
Aggressive Index ⁴	AB	6.77%	-1.06%	4.95%	6.77%	15.34%	7.00%	11.99%	27.92%	18.26%	12.65%	11.48%		
Underlying Benchmarks⁵														
Stable Value Index Bond Index	SV GB	2.54% 1.11%	0.39% -0.42%	1.27% -0.48%	2.54% 1.11%	4.85% 4.98%	3.06% 2.73%	1.33% 4.95%	1.15% 5.84%	5.21% 6.63%	3.77% 4.54%	2.73% 5.18%		
Stock Index Large Cap Index	SI LC	7.10% 7.18%	-1.87% -1.91%	5.76% 5.89%	7.10% 7.18%	15.74% 15.46%	6.14% 6.29%	11.94% 11.38%	31.04% 29.90%	20.08% 20.43%	12.45% 12.35%	11.53% 11.29%		
Small Cap Index Non-US Stock Index	SC NU	6.46% 12.25%	-1.46% 0.82%	4.43% 8.19%	6.46% 12.25%	18.35% 26.65%	4.56% 16.62%	18.32% 20.90%	47.25% 40.72%	16.44% 29.62%	13.45% 24.52%	13.84% 19.44%		

OPERS Investment Options inception date was 12-27-02. Performance prior to that date reflects that of the underlying investment managers rebalanced to target allocations monthly. See the Investment Options Guide for details about investment managers, target allocations, and expected fees. Past performance is not necessarily an indication of future performance. Total returns are net of investment management fees.

1. Underlying investment manager inception date was 12-31-98. Returns prior to that date are for the Russell 3000 Index net of expected fees.
2. Custom index of underlying benchmarks with same target allocation as OPERS Conservative Portfolio.
3. Custom index of underlying benchmarks with same target allocation as OPERS Moderate Portfolio.
4. Custom index of underlying benchmarks with same target allocation as OPERS Aggressive Portfolio.
5. Asset classes suggest which benchmark to compare with each Investment Option. CB—Conservative Balanced, MB—Moderate Balanced, AB—Aggressive Balanced, SV—Stable Value, GB—Global Bond, SI—US Stocks Indexed, LC—Large Cap, SC—Small Cap, NU—Non US Stocks.
6. Stable Value Index—Merrill Lynch 3-Month T-Bill, Bond Index—Lehman Brothers Universal, Stock Index—Russell 3000, Large Cap Index—Russell 1000, Small Cap Index—Russell 2000, Non-US Stock Index—MSCI ACWI x US.
7. 3-Year and 5-Year investment returns are annualized.

CONTACT INFORMATION: www.opers.org

Benefits questions and personal data changes:
1-800-222-PERS(7377)
 Account information and management:
1-866-OPERS-4-U (1-866-673-7748)

This newsletter is intended for the use of plan participants and is not intended to constitute investment advice. Comments on investment strategies or on the performance of various investments or markets in this report are intended to provide general information only. They should not be interpreted as encouraging participants to make any particular investment decision. You should consult a financial advisor or attorney as to how this information affects your particular circumstances.