

Ohio PERS

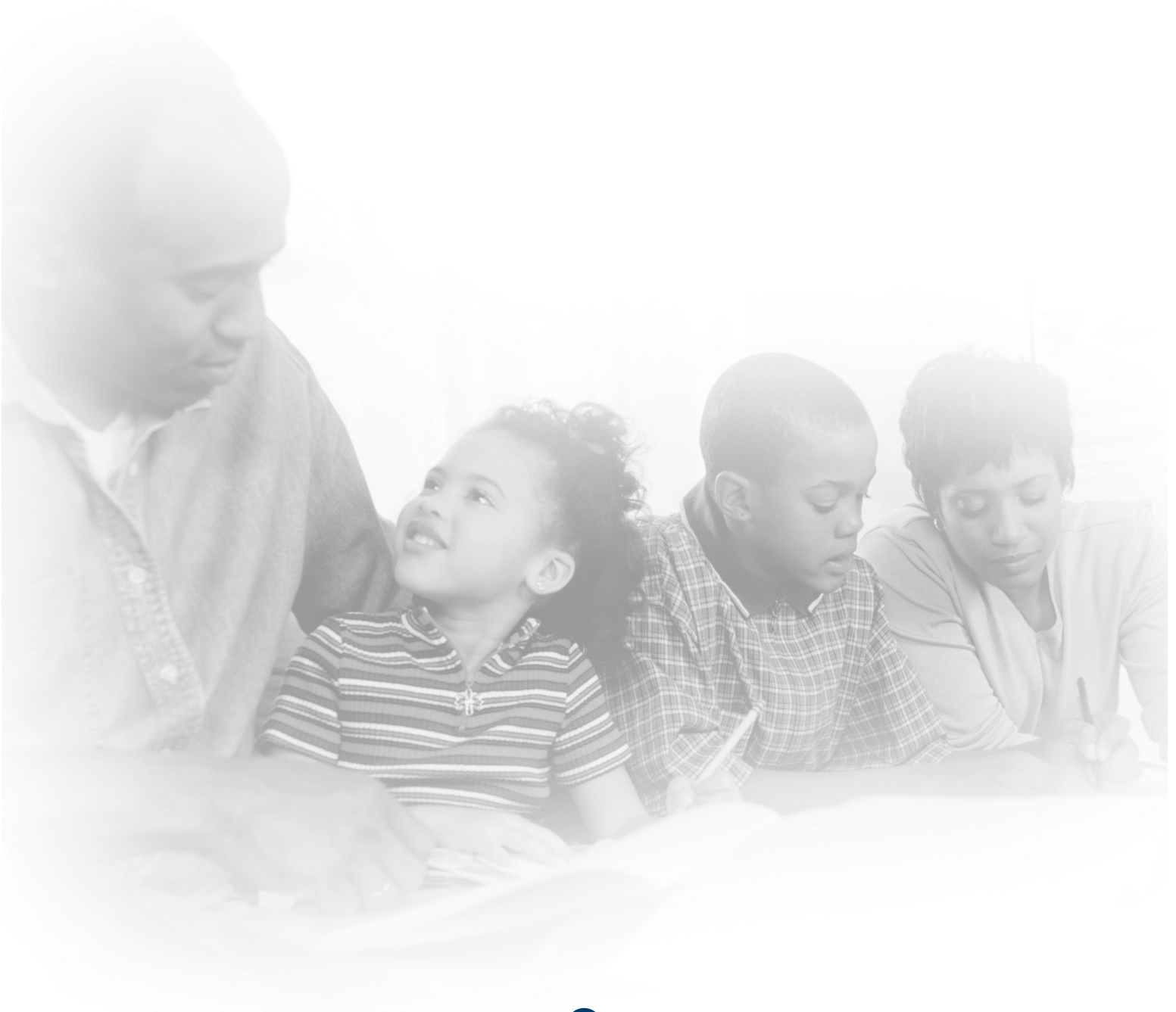
Retirement Plan Investment Guide for new members

Ohio Public Employees Retirement System



Table of Contents

Guide to choosing your retirement plan	Select your investment options	
	Member-Directed or Combined Plan	2
	OPERS Investment Options	2
	Target Date Funds	2
	Core Funds	5
	Ready to take action?	8
	Frequently asked questions	9



Guide To Choosing Your Investment Options

Select your investment options –

for members choosing the Member-Directed or Combined Plan

OPERS Investment Options

One of the most important features of the Member-Directed Plan and the defined contribution component of the Combined Plan is that you have the flexibility to make investment decisions that fit your retirement needs. OPERS provides a variety of professionally managed investment options for members with all levels of investment experience.

You can take the simple route and choose a Target Date Fund, or take a more hands-on approach and build your own portfolio from among the Plan's core funds. Of course, you can change your investment selections at any time to suit your changing needs.

A Simple Way to Invest – Ten OPERS Target Date Funds

The Target Date Funds offer a simple solution to investing for your retirement. These funds may be appropriate if you do not want to build your own customized investment portfolio.

With a single decision, you get a fund that is well diversified across different asset classes based on your time frame until retirement. Just choose the fund that is closest to the year in which you expect to start withdrawing from your account when you separate from public service.

OPERS Target Date Funds

These investment options provide members with a true 'one decision' investment vehicle. The diversified investment options automatically change their asset allocation over time, to become more conservative as you get closer to retirement. The OPERS Target Date Funds incorporate the same investment professionals who manage the core OPERS investment options. These professionals will manage the funds' transitions from aggressive (stocks) to more conservative (bonds) over time.

Asset Class: Balanced

Matching Benchmark/Index: Associated with the allocation of the underlying funds (see the Investment Options Disclosures Document at www.opers.org for specifics)

Benefits: A professionally managed, low cost, easy to use, investment option.

Appeal: Investors looking for a well diversified, one decision investment option to guide them through their working career into retirement.

Risks: The OPERS Target Date Funds were developed on the premise that this is an individual's only source of retirement income. Be sure to take into consideration all your retirement accounts when selecting a target date fund.

Select your investment options *(continued)*

Ten OPERS Target Date Funds *(continued)*

Finding the appropriate Target Date Fund is easy

Select the fund that is nearest to the date you expect to retire and begin withdrawing from your account. The following list assumes retirement at age 65.

If you were born	and you expect to retire at age 65, then consider:
1948-1952	OPERS Target 2015 Fund
1953-1957	OPERS Target 2020 Fund
1958-1962	OPERS Target 2025 Fund
1963-1967	OPERS Target 2030 Fund
1968-1972	OPERS Target 2035 Fund
1973-1977	OPERS Target 2040 Fund
1978-1982	OPERS Target 2045 Fund
1983-1987	OPERS Target 2050 Fund
After 1988	OPERS Target 2055 Fund

OPERS Target Payout Fund

This fund is designed to be the fund your money will be in after you begin the distribution or “payout” phase. When the target date fund that you are invested in comes to maturity it will convert into the OPERS Target Payout Fund. For example: If you choose the OPERS Target 2035 Fund when you initially enroll in the Member-Directed or Combined Plan, the assets in the fund will be transferred into the OPERS Target Payout Fund in 2035. Retiring will not automatically put you in the OPERS Target Payout Fund. Unless the target date fund in which you are invested reaches its maturity, you will have to voluntarily move your money into this fund. The OPERS Target Payout Fund is the most conservative of the OPERS Target Date Funds.

An investment strategy that lasts a lifetime

Rather than selecting from a collection of funds that invests in different asset classes, you can choose just one target date fund to ensure a well-diversified investment mix of OPERS funds for years to come.

Each target date fund is invested in a mix of equity and bond funds designed to generate returns suitable for different age groups. Funds with target dates furthest in the future have the most aggressive investment mix, focused on growth. They start out invested almost entirely in equities. As the target date for a fund gets closer, OPERS gradually makes the adjustment to a more conservative investment mix with fewer equities and more bonds. This change happens automatically. You don't have to do a thing. When you reach your target retirement date and are ready to withdraw from your account, your fund will be focused more on preserving what you have accumulated.

We still encourage you to review your individual account on a regular basis. You can make changes to your OPERS investment elections at any time.

Guide To Choosing Your Investment Options

Select your investment options *(continued)*

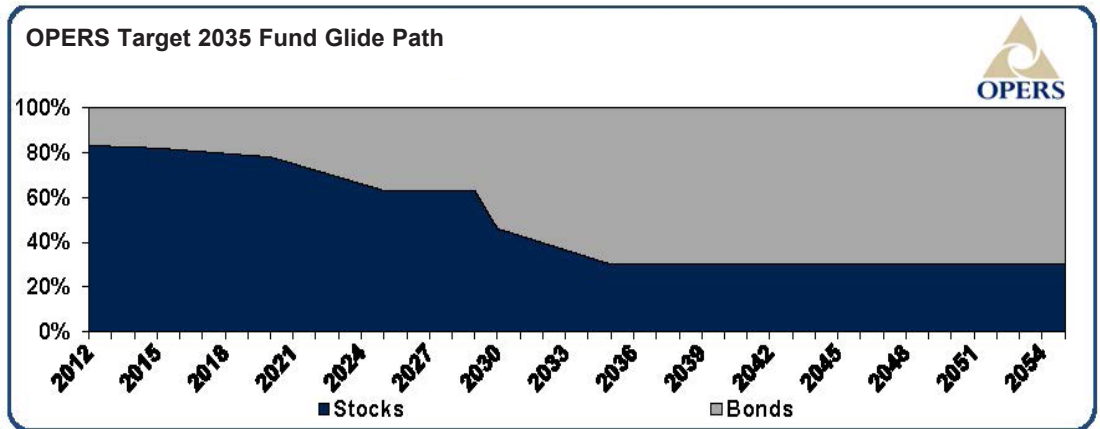
Ten OPERS Target Date Funds *(continued)*

Diversification that changes with your needs

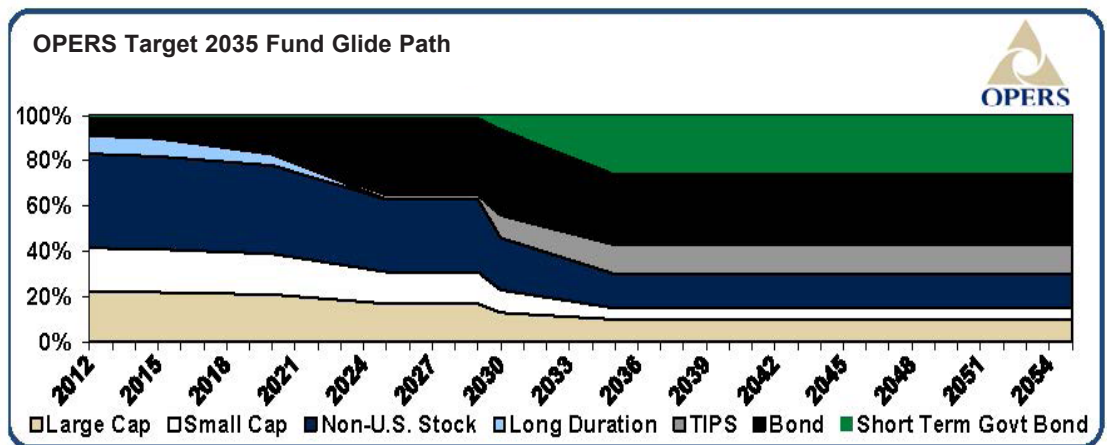
An investment strategy appropriate to your age and expected retirement date

Glide paths for all the OPERS Target Date Funds can be found at www.opers.org.

This chart shows how the mix between equities and bonds gradually changes over a lifetime for the OPERS Target 2035 Fund*.



This chart shows how the assets of the OPERS Target 2035 Fund* are allocated among the investment options and how that allocation changes over a lifetime.



*The asset allocation from 2035 and beyond represents the allocation of the Payout Fund.

Guide To Choosing Your Investment Options

Select your investment options *(continued)*

Use the core funds to build your own portfolio

As an alternative to the Target Date Funds, you can build your own tailored portfolio using the OPERS core funds (see chart below). Each of these professionally managed funds invests in one of the major asset classes, including stable value, bonds and stocks. These funds are managed by large institutional investment advisors and are monitored by the OPERS investment staff.

These core funds represent a diversified mix of investments from different asset classes and have varying levels of risk. Many investors select percentages of three or more funds to create an investment blend consistent with personal investment goals and risk tolerance. If you choose to build your own portfolio, you should understand the importance of having a diversified portfolio, asset allocation and rebalancing. By spreading your money among different investments, you can reduce the potential impact of any one investment and lower potential risk, while taking advantage of an appropriate asset allocation mix. Rebalancing means periodically adjusting your account investments to ensure it remains aligned with your desired asset allocation mix. You should consider the automatic rebalancing option offered through Online Account Access on the OPERS website at www.opers.org or through the OPERS Help Line at 1-866-673-7748 (see *Is there an automatic way to rebalance my individual investment account?* on page 10).

What is an index? A fund's performance is usually compared with its market benchmark or index. An index is a grouping of stocks or bonds selected to represent the market. The best known index is the Dow Jones Industrial Average that follows 30 of the largest U.S. companies. The Standard and Poor's 500 index widens the range to include 500 of the largest U.S. companies for a broader reading of the market. An index is not managed and cannot be invested in directly.

Asset Class
Non-U.S. stocks (pursuing growth and international diversification)
U.S. stocks (pursuing growth)
Global bonds (focusing on income)
Stable value (seeking safety)

OPERS Core Fund
OPERS Non-U.S. Stock Index Fund
OPERS Small Cap Index Fund OPERS Large Cap Index Fund OPERS Stock Index Fund
OPERS Bond Index Fund
OPERS Stable Value Fund

Active vs. passive management

Actively-managed funds and passively-managed (or index) funds are included in the OPERS lineup because both types have advantages for participants. Here are some basic concepts to help you understand these funds.

Passively managed/index funds attempt to invest in exactly the same securities and in the same proportions as the holdings of the index, aiming to deliver the same return as the index it represents. It's holdings mirror the holdings in the index it follows, so it closely tracks the index. Management fees, transaction costs and other expenses are kept to a minimum since there is no active management.

Actively managed funds are run by a fund manager who uses market analysis, experience and judgment to select the fund's securities, make changes in response to market trends and seek out new investment opportunities. These funds aim to outperform the market as measured by a certain index and they offer the potential for higher returns as compared to index funds. There is additional risk associated with actively managed funds, which could cause them to underperform index funds. They also have higher fees and operating expenses compared to an index fund.

Select your investment options *(continued)*

OPERS Stable Value Fund

This option invests in a variety of investment contracts including, but not limited to, traditional guaranteed investment contracts backed by a single issuer, money market instruments, buy-and-hold synthetic contracts of single fixed-income securities protected by an investment contract, and actively managed synthetic contracts of portfolios of fixed-income securities protected by an investment contract.

Asset Class: Stable Value

Matching Benchmark/Index: Merrill Lynch 3-month T-bill Index

Benefits: A high degree of security, designed to protect your original investment or principal.

Appeal: Investors looking for a conservative component in their overall investment strategy.

Risks: Does not offer the income potential of bonds or the growth potential of stocks, so it may not keep pace with inflation over time.

OPERS Bond Index Fund

This investment option invests in a variety of fixed income securities including, but not limited to, U.S. Treasury Bonds, corporate bonds, asset backed securities, and mortgage backed securities. To a limited amount, the option may be invested in foreign-currency denominated securities, issues rated below BBB or Baa3, non-rated securities, convertible bonds, and preferred stocks.

Asset Class: Fixed Income

Matching Benchmark/Index: Barclays Aggregate

Benefits: Generally offers greater income potential than stable value investments and not as much risk as stock investments.

Appeal: Investors looking for a conservative component in their overall investment strategy.

Risks: Does not offer the growth potential of stocks and is riskier than stable value investments.

Select your investment options *(continued)*

OPERS Stock Index Fund

This investment option invests in nearly all the publicly traded stocks in the U.S., including large cap, mid cap, and small cap stocks. The option uses passive management and will generally hold all the stocks in the Russell 3000® Index. The Russell 3000® Index is redefined semi-annually and the option will experience higher portfolio turnover during those periods.

Asset Class: U.S. Stock Index

Matching Benchmark/Index: Russell 3000® Index

Benefits: Highly diversified index stock fund that mirrors the Russell 3000® Index. This is a very low-cost method of investing in stocks.

Appeal: Investors looking for a moderate component in their overall investment strategy.

Risk: Mirrors the Russell 3000® Index and experiences fluctuations in performance.

OPERS Large Cap Index Fund

This investment option invests primarily in the common stocks of larger U.S. companies, which typically have high name recognition. The companies are often diversified across different business segments and are frequently leaders in each of those segments. The option may have limited investments in smaller companies and companies which have their headquarters outside the U.S.

Asset Class: U.S. Large Company Stock

Matching Benchmark/Index: Russell 1000® Index

Benefits: Index fund consisting of the 1000 largest companies of the Russell 3000® Index.

Appeal: Investors looking for a moderate component in their overall investment strategy.

Risk: Diversification limited to larger established companies.

OPERS Small Cap Index Fund

This investment option invests primarily in the common stocks of smaller U.S. companies that typically do not have high name recognition. The companies are seldom diversified across different business segments and frequently target niche markets. The option may have limited investments in larger companies and companies which have their headquarters outside the U.S.

Asset Class: U.S. Small Company Stock

Matching Benchmark/Index: Russell 2000® Index

Benefits: Allows investors to diversify stock holdings in high growth companies.

Appeal: Investors looking for an aggressive component in their overall investment strategy.

Risks: Stocks of small companies have more risk than stocks of large companies.

Guide To Choosing Your Investment Options

Select your investment options *(continued)*

OPERS Non-U.S. Stock Index Fund

This investment option invests primarily in the common stocks of larger non-U.S. companies, which may have high name recognition, especially in the country where the company is headquartered. The companies are often diversified across different business segments and are frequently leaders in each of those segments. The option may have limited investments in smaller companies and companies which have their headquarters in the U.S.

Asset Class: Non-U.S. Stock

Matching Benchmark/Index: MSCI All Country World Index

Benefits: Allows global diversification.

Appeal: Investors looking for an aggressive component in their overall investment strategy.

Risks: There is an additional risk associated with non-U.S. stocks, such as currency fluctuation and political instability.

Visit www.opers.org for the most up-to-date performance numbers and additional information about the OPERS Investment Options.

Note to Investors:

Morningstar Investment Profiles are available online. OPERS has partnered with Morningstar® Inc, a leading provider of independent investment research, to deliver quarterly Investment Profiles for each of the OPERS Investment Options. Investment Profiles present important facts about an investment on a single page, in a format that is familiar to many investors. We encourage investors to review the Morningstar Investment Profiles as well as other detailed information at www.opers.org.

Ready to take action?

After reviewing this information, please indicate your selection(s) on the *Retirement Plan Selection Form* and return it to OPERS in the enclosed postage-paid envelope.

Frequently asked questions

How does the OPERS investment program work?

Like other large pension systems, OPERS is a disciplined, long-term investor with a well-diversified, balanced portfolio. The OPERS Board has developed an investment policy that requires diversification of assets aimed at earning a competitive rate of return within acceptable levels of risk. OPERS investment professionals monitor the portfolio's performance and manage the portfolio to ensure the actual asset allocation closely aligns with the investment policy.

OPERS offers investment options to its Member-Directed and Combined Plan members that reflect the same disciplined, long-term investment approach the OPERS investment professionals use in managing the investments for the Traditional Pension Plan and the defined benefit component of the Combined Plan. While OPERS cannot guarantee a rate of return on any investment, the same investment policy that requires diversification of assets to earn a competitive rate of return is reflected in the investment options offered to Member-Directed and Combined Plan members.

Are there investment fees for the Member-Directed and Combined Plans?

Yes. The fees are automatically withdrawn from each of the OPERS options before investment in your individual OPERS investment account. Visit www.opers.org for information about fees.

Are there operating costs for the Member-Directed and Combined Plans?

If you choose the Member-Directed or Combined Plan you will be participating in a program focused on maintaining very low operating costs. OPERS does not have sales people who earn commissions based on the retirement plan you choose and the amount you invest in the plan. Not having the burden of these costs helps keep our expense ratios well below industry averages.

Investment experts agree that expense ratios - the expenses the investment manager charges to manage a fund expressed as a percentage of assets - are an important factor in the overall return a fund passes along to its shareholders. Let's take a moment and see how expense ratios can really impact you and your retirement account.

For example, let's say you select the Member-Directed or Combined Plan and choose to direct your contributions to an OPERS Investment Option with an annual expense ratio of just 0.21 percent, or \$2.10 for every \$1,000 invested. At the same time, your co-worker Bob chooses to invest in a typical global balanced fund with an expense ratio of 1.55 percent, or \$15.50 for every \$1,000 invested. Assuming you both have \$25,000 in your accounts and you both keep it invested for 30 years, earning just 8 percent a year, you'll have \$236,191 while Bob will have only \$158,191 in his account. The impact of the higher expense ratio that Bob experienced cost him \$78,000.

As you can see, one of the advantages of contributing to OPERS is that you may have more of your money working for you over time, building a bigger nest egg for your retirement.

Guide To Choosing Your Investment Options

Frequently asked questions *(continued)*

How can I track the value of my investment options in the Member-Directed and Combined Plans?

You will receive quarterly account statements that detail all activity in your individual OPERS investment account for that quarter. You also may use the OPERS website, www.opers.org, or the OPERS Help Line, 1-866-OPERS-4-U (1-866-673-7748), to access account information or make changes to your account.

Are there any restrictions on moving money between investment options in the Member-Directed and Combined Plans?

Currently, there are no restrictions. You may change your investment options as often as you like. In addition, you also may change the contribution allocation (percent of contribution deposited in each fund) as often as you like.

Is there an automatic way to rebalance my individual investment account?

Rebalancing your portfolio periodically can help keep your asset allocation (mix of stocks, bonds and cash) in line with your risk tolerance and investor profile. Left unbalanced, the percentage of stocks in your portfolio could grow (or shrink) to be too large (or too small) of a percentage of your overall portfolio.

The OPERS Target Date Funds are automatically rebalanced. If you build your own portfolio, OPERS offers a tool that will automatically rebalance your account at the end of each quarter to help you maintain your ideal asset allocation. Find out more at www.opers.org by clicking on Member-Directed Plan.

Are there resources to help me manage my OPERS individual investment account?

There are a number of resources available to help you manage your account. The OPERS website, www.opers.org, has information about the OPERS Investment Options, including the latest returns for each of the funds, and the OPERS retirement plans. There also is an FAQ section with answers to commonly asked questions.

OPERS Board of Trustees

The 11-member OPERS Board of Trustees is responsible for the administration and management of OPERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and miscellaneous employees, and retirees); the Director of the Department of Administrative Services for the State of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate.

For a current listing of OPERS Board members, please visit www.opers.org.

It is your responsibility to be certain that OPERS has your current address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to your OPERS account.

This guide is written in plain language for use by members of the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.



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