



# OPERtunities

## ***The benefits of membership***

### **Ohio PERS offers opportunities to supplement your retirement income**

*As a benefit of Ohio PERS membership, we offer several ways for you to save money now in order to supplement your Ohio PERS pension at retirement. Saving a little extra today will go a long way toward helping you realize your plans for an enjoyable retirement. Below is a description of voluntary savings programs offered to Ohio PERS members under all three retirement plans.*

### **The Ohio PERS Additional Annuity Program**

The Ohio PERS Additional Annuity Program offers members and re-employed retirees an excellent way to supplement their retirement income. Members in the Traditional Pension Plan and re-employed retirees contributing to a money purchase annuity may deposit additional after-tax money into an additional annuity account, which will earn interest at a rate set annually by the Ohio PERS Retirement

Board. These deposits, together with any interest, can be the basis for additional monthly income at retirement or may be refunded in a lump sum.

Participants can make cash or check deposits of at least \$100 to their additional annuity accounts as frequently as once a month. Funds deposited at any point in the current

**Attention:** Currently, additional annuity funds deposited at any point in the calendar year will not begin earning interest until January 1 of the following year (see *Ohio PERS seeks enhancements . . . on page 2 for proposed changes to this policy*).

calendar year begin earning interest January 1 of the following year. For this reason, we suggest that our members make deposits in December. Once your deposits begin accruing interest, that interest is compounded daily and your account will be updated annually. Deposits are limited by federal tax law to 100 percent of your annual income from all public employers contributing to Ohio PERS, or to \$42,000, whichever is less.

See ***The benefits of membership***, page 2



— **The benefits of membership** (continued)

Other qualified retirement accounts may be rolled over to your additional annuity account anytime prior to retirement. For example, retirement savings held in a traditional IRA, SEP, SIMPLE, 401(k), Keogh, or 401(a) retirement plan may be rolled over at any time **with no maximum deposit limits**. 403(b) or 457(b) accounts also may be rolled-in upon termination of employment. These funds will retain their tax-deferred status as long as they remain on deposit in your Ohio PERS additional annuity account.

Rolling another retirement account into your additional annuity account can be beneficial. By doing this, you can choose a lifetime monthly benefit option that will receive an annual 3 percent cost-of-living increase. You can also select a plan of payment that provides a continuing

benefit for the life of a beneficiary after your death. **Please keep in mind that you must do this prior to your official retirement date.** These features are unique among supplemental retirement savings programs. Other annuity programs may offer monthly benefits payable until the account is depleted, but not for a lifetime. If another supplemental account does offer a lifetime monthly benefit, there are often additional fees involved that you will not incur with an Ohio PERS additional annuity account.

**Additional contributions for Ohio PERS Member-Directed and Combined Plan participants**

If you participate in the Ohio PERS Member-Directed or Combined Plan, you can make additional, after-tax contributions to your

individual defined contribution account. Cash or check deposits of at least \$100 can be made as often as once a month. These contributions will be invested in the Ohio PERS investment options you selected for your individual defined contribution account. Deposits are limited by federal tax law to 100 percent of your annual income from all public employers contributing to Ohio PERS, or to \$42,000, whichever is less.

Other qualified retirement accounts can be rolled over to your individual account. Retirement savings held in a traditional IRA, SEP, SIMPLE, 401(k), Keogh, or 401(a) retirement plan may be rolled over at any time **with no maximum deposit limits**. 403(b) or 457(b) accounts also may be rolled-in subject to certain limits.

These funds will retain their tax-deferred status as long as they remain on deposit in your individual defined contribution account.

**At retirement, all or part of your defined contribution account can be annuitized with the same annual cost-of-living increase that applies to Ohio PERS additional annuity accounts.**

**For more information, visit [www.opers.org](http://www.opers.org) and access the *Saving for Retirement* leaflet which can be found by clicking on “Member Forms and Publications.”**

**Ohio PERS seeks enhancements to the Additional Annuity Program**

Ohio PERS is seeking enhancements to the current Additional Annuity Program. The changes listed below require changes to Ohio law and the legislation is currently in process.

- Ohio PERS will be able to accept after-tax additional annuity deposits by payroll deduction.
- The Ohio PERS Retirement Board will no longer set an annual fixed interest rate.
- Rather than accruing annual interest, funds will be invested and begin accruing interest on the first day following deposit.
- Funds will be invested in the Ohio PERS Stable Value Fund where they will be subject to gains and losses daily, as opposed to accruing annual interest.

**What you need to know about the Ohio PERS Additional Annuity Program:**

**Accumulating additional annuity dollars:** All funds on deposit prior to Jan. 1, 2005 will earn 4 percent interest. This rate of return is currently subject to change once a year depending on economic conditions. (See *Ohio PERS seeks enhancements to the Additional Annuity Program* this page).

**Withdrawing additional annuity deposits prior to retirement:** If you choose to take your money prior to retirement or terminate public employment you must withdraw your account as a one-time lump-sum payment. You'll pay taxes on both the earnings and any tax-deferred deposits. If you withdraw your money prior to age 59-1/2 the Internal Revenue Service may impose a 10 percent penalty on your earnings and tax-deferred deposits.

**Annuitizing deposits at retirement:** If you choose to take your money at retirement you can take your additional annuity account balance as a one-time, lump-sum payment or as an annuity (monthly payments) for your lifetime and, if you wish, for the lifetime of a beneficiary under one of Ohio PERS' five monthly payment plans. Receiving a Partial Lump Sum Option Payment (PLOS) is also an option. You must begin taking a distribution of your account by age 70-1/2. If both you and your designated beneficiary die before the entire additional annuity account is paid out, remaining funds will go to your estate.

**Purchasing service credit with additional annuity dollars:** You can use funds accumulated in your additional annuity account to purchase eligible service credit.

## The Ohio Public Employees Deferred Compensation Plan

The Ohio Public Employees Deferred Compensation Plan (OPEDC) is a supplemental retirement savings program for Ohio's state and local government employees. This program is administered separately by the OPEDC Board. When you invest in this program, your money is withheld from

your paycheck and invested before it is taxed. Therefore, your annual taxable income is reduced because you are not taxed on the contributions or the earnings until they are paid to you.

You can choose to invest your contributions in one or more of 25 different investment options. You can also roll funds into your account from another pre-

taxed program such as an IRA, 401(k), 403(b) or another pension plan.

Upon retirement or termination of service, you can leave your funds invested or select from a variety of benefit payment options including a lump sum or a rollover to another eligible plan.

Note: If you plan to roll funds from your deferred

compensation program account into an Ohio PERS additional annuity account, please keep in mind that this must be done prior to retirement.

**Certain restrictions and administrative fees apply, visit the deferred compensation website at, [www.ohio457.org](http://www.ohio457.org), or call 1-877-644-6457 for full details.**

## Monthly payments under the Ohio PERS additional annuity program

We have provided the following chart and examples to help illustrate how an Ohio PERS additional annuity account can increase monthly benefits for Traditional Pension Plan participants. As you will see, putting some money away while you are working can help you enjoy a comfortable retirement. The numbers on the chart represent what a monthly payment will be per \$1,000 in an additional annuity account at the time of retirement. Remember, annuity payments will increase by 3 percent annually.

**1** — An Ohio PERS member, **age 62**, who retires under the **Plan B payment option** with an additional annuity account balance of **\$50,000.00** will receive a monthly payment of **\$354** ( $7.08 \times 50 = 354$ ) in addition to a monthly pension benefit for life.

**2** — An Ohio PERS member, **age 64**, who retires under the **Plan A**

**payment option** with an additional annuity account balance of **\$50,000.00** will receive a monthly payment of **\$327.50** ( $6.55 \times 50 = 327.5$ ) in addition to a monthly pension benefit. At the time of the member's death, a beneficiary will begin receiving a payment of **\$163.50** ( $3.27 \times 50 = 163.5$ ) per month for life.

**3** — An Ohio PERS member, **age 64**, who retires under the **Plan E payment option** (and chooses a guaranteed period of 10 years) with an additional annuity account balance of **\$50,000.00** will receive a monthly payment of **\$351.00** ( $7.02 \times 50 = 351$ ) in addition to a monthly pension benefit for the duration of the 10-year period. At the time of the member's death, a beneficiary will begin receiving a monthly payment of **\$351.00** per month for the duration of the 10 year period.

Monthly payments per \$1,000 in additional annuity account						
Plan of Payment	Age at retirement					
	60	61	62	63	64	65
<b>Plan A - 50% spouse benefit continues after your death</b>						
member	6.11	6.21	6.32	6.43	6.55	6.67
beneficiary	3.06	3.10	3.16	3.21	3.27	3.34
<b>Plan B - Benefit stops at your death</b>						
member	6.78	6.92	7.08	7.24	7.42	7.61
<b>Plan C - Choose % for beneficiary benefit after your death (25% shown)</b>						
member	6.43	6.54	6.68	6.81	6.96	7.11
beneficiary	1.61	1.64	1.67	1.70	1.74	1.77
<b>Plan C Choose % for beneficiary benefit after your death (75% shown)</b>						
member	5.83	5.90	6.00	6.08	6.18	6.29
beneficiary	4.37	4.43	4.50	4.56	4.64	4.72
<b>Plan D - Equal beneficiary benefit continues after your death</b>						
member	5.57	5.63	5.70	5.78	5.86	5.94
beneficiary	5.57	5.63	5.70	5.78	5.86	5.94
<b>Plan E - Benefit for a guaranteed period (10 years shown)</b>						
member	6.55	6.66	6.78	6.89	7.02	7.14
beneficiary	6.55	6.66	6.78	6.89	7.02	7.14

**The chart above and the preceding examples are based on the following assumptions:**

- Assumes all funds were invested after Jan. 31, 2002. A slightly higher factor will be used to calculate monthly payments on funds invested before this date.
- Assumes that the member and beneficiary are the same age at the time of the member's retirement. The monthly payment that a member and beneficiary receive will fluctuate based on their ages at the time of the member's retirement.

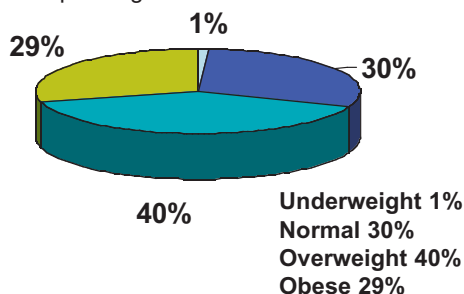
**For detailed information on the Ohio PERS plans of payment, visit [www.opers.org](http://www.opers.org) or see page 7 of your 2004 Personal Statement of Benefits.**

## Survey assesses the overall health of Ohio PERS active members and retirees

Ohio PERS recently conducted a health and wellness survey of our active members and retirees. The survey was designed to assess the overall health of our membership so that we can design benefit options and programs that will support our members and retirees as they work to reach their health-related goals. The survey gathered feedback regarding where our membership receives their health information, their physical activity, weight management, nutrition, smoking, and incentive program preferences. The survey had an excellent response rate with nearly one fourth of active members and close to one half of all retirees surveyed responding.

Of some concern are survey results that indicate over two-thirds of the Ohio PERS member and retiree

### Overall body mass index (BMI) of responding retirees and members



populations are currently either overweight or obese. It is a known fact that obesity increases the risk of heart disease, high blood pressure, high cholesterol and diabetes, but also contributes to arthritis, low

back pain, asthma, certain cancers and depression, among others. Additionally, obesity may be a factor in Alzheimer's Disease. Obesity is costly for both individuals and health care providers. The World Health

Organization estimates that someone who is obese adds approximately \$732 per year to his or her medical bills. Active members more often responded that they are very interested in losing weight, while retirees are less interested in losing weight. Because maintaining a healthy weight is vital to overall

good health for people of all ages, this may be an area where Ohio PERS can develop wellness programs for our membership.

Regular exercise has also been proven to contribute to good health and we are pleased that most of our active members and retirees exercise regularly. The survey also shows that a quarter of Ohio PERS active members and a third of retirees

acknowledge not exercising regularly. This is also a

great opportunity for us to use education and possibly an incentive program to help our membership achieve the best health possible. Eighty-eight percent of active members and 90 percent of

retirees responded that they do not currently smoke. This is encouraging because general statistics suggest that 25 percent of the population smokes. Of those who do smoke, approximately half of those members and retirees indicated that they are very interested in stopping. Although smoking appears to be a problem for a relatively small percentage of our population, we are exploring additional smoking cessation programs. Smoking is the most preventable cause of death and disability among the US population and smokers average 18 percent higher medical claims than non-smokers.

Overall, both members and retirees indicate that if Ohio PERS were to begin offering incentives to encourage healthy choices, the incentives would encourage them to work toward lifestyle

### Did you know?

**A recent Medco survey asked retirees to rate their overall satisfaction with the current prescription drug coverage plan offered by Ohio PERS.**

*The overall satisfaction with the prescription drug program was strong with 98 percent of retirees indicating that they are satisfied with this benefit. This rating is significant because our retirees have faced a 50 percent increase in co-payments and the implementation of a formulary co-pay design in the last two years. This indicates that our retirees recognize the continuing good value provided by the Ohio PERS health care plan in a challenging time.*

improvements such as attaining a healthy weight, becoming more physically active, and not smoking. Financial incentive programs were the most popular survey response towards encouraging a healthier lifestyle. This response tells us that our members and retirees are interested in enjoying a long, healthy retirement. As a result, Ohio PERS plans to create programs that will encourage and support our membership in making healthy lifestyle decisions.

# *The Comprehensive Annual Financial Report 2004*

## Summary



*For the Years Ended December 31, 2004 & 2003*

Because it's important for all members to fully understand the status of their pension system, we are pleased to present this summary of OPERS' 2004 Comprehensive Annual Financial Report. We believe this report reflects our adherence to the OPERS Retirement Board's directives—specifically, that OPERS management maintains the highest standards of prudent stewardship of OPERS' assets and delivers dedicated service to our members and our retirees. This purpose continues to be our central focus, as demonstrated by the accomplishments and initiatives of 2004.

### **2004 Year in Review: Accomplishments and Initiatives**

#### **Health Care Preservation Plan**

Perhaps the most important and far-reaching initiative of 2004 was the Retirement Board's approval of the Health Care Preservation Plan (HCPP) in September. Health care benefits are neither guaranteed nor mandated by statute (except for Medicare Part-B reimbursement and Medicare Part-A equivalent coverage for non-Medicare eligible retirees and their spouses and dependents). However, the Retirement Board and staff recognize the importance of post-retirement health care coverage for members and benefit recipients. With the important step of approving the HCPP, the Retirement Board decisively moved to help ensure that health care benefits can be provided, to the extent that funds are available, well into the future.

By moving to establish the HCPP, the Retirement Board has provided a viable mechanism for addressing these challenges. The scope of variables included within HCPP builds on the Choices Plan adopted by the Retirement Board in 2001. The changes provided by HCPP include altering the health care benefits plan design (increasing deductible, coinsurance and cost sharing), eligibility (requiring longer length of service to qualify), wellness and prevention programs and strategic and visionary initiatives such as health care industry reform and legislative action. Most importantly, the HCPP is flexible, providing for an annual review that will enable OPERS to take advantage of marketplace changes by increasing or decreasing the rate at which these changes are implemented. The HCPP provides for incremental increases for both the employer and employee contribution rates—up to the maximum allowed by law—beginning in January 2006. It is significant to note that these increases are the first contribution rate increases in more than 27 years.

As an organization, adopting the HCPP in 2004 signaled a renewed, increased dedication to improving member health as

a means to reduce future costs. Several new initiatives designed to reward and support members for becoming better, more informed, health care consumers started in 2005 as a result of this work. OPERS is well on its way to establishing a rolling 20-year solvency as a result of the important action taken in 2004. The HCPP's goal is for OPERS to have reserves set aside to fund 20 years of future health care expenditures.

#### **Customer Service Initiatives**

Many initiatives completed in 2004 will enable OPERS to continue to exceed customer service standards, even though the number of members and retirees is expected to grow rapidly over the next 40 years, peaking at more than 360,000 benefit recipients in 2043. These initiatives, combined with a continued focus on operational efficiency, which will be achieved through increased use of information technology, will allow the System to service the increased number of members and retirees without increasing the staff correspondingly.

#### **Member Benefits System**

In February 2005, OPERS retirees gained access to the Internet-based Member Benefit System (MBS), which enables retirees to access personal account information whenever they choose. MBS provides maximum convenience because it allows both members and retirees to view their personal account information via the OPERS Web site, 24 hours a day/7 days a week. Routine requests are handled quickly because the MBS allows retirees to print income verification letters and request specific forms. MBS also gives retirees an online message center—enabling them to ask specific questions about retirement accounts in a secure format. Currently, almost 110,000 members and retirees have registered to use MBS.

#### **Mandatory Direct Deposit**

Continuing to seek ways to reduce costs and better serve retirees, the OPERS Retirement Board voted in 2004 to make the use of direct deposit mandatory for all those receiving a benefit from OPERS. All benefit recipients were to begin using direct deposit as of January 1, 2005, thus eliminating the use of paper checks for OPERS retirement benefit payments. Cost savings were estimated to be more than \$600,000 each year. A cost benefit is only one of the advantages of this program. By switching to direct deposit, benefit recipients will no longer bear the risk of theft, non-delivery, or loss of checks.

#### **Impact of Legislation**

Traditionally, OPERS has had strong and effective working relationships with federal, state and local lawmakers—the

activities of 2004 continued to build on that tradition. The ongoing goal of OPERS advocacy efforts is to ensure that any proposed statute and/or changes to current laws are in the best interest of our members and employers.

In 2004, at the state level, there were two pension bills enacted that will provide additional flexibility for members when choosing retirement options or designating beneficiaries. Also in 2004, legislation was approved that changed the governance policies under which OPERS operates. Changes included an expanded Retirement Board with the addition of three new members with investment expertise.

### Investments

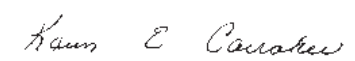
The System's investments are governed by Section 145.11 of the Ohio Revised Code (ORC). For the year ended December 31, 2004, total return on investments was 12.50%, the second consecutive year of strong investment returns after the three-year down markets of 2000-2002. OPERS ended the year with net assets of approximately \$65.2 billion, an increase of \$6.1 billion over the 2003 year-end net assets of \$59.1 billion. The annualized rate of return for the total plan (Defined Benefit and Defined Contribution plans combined) over the past three years was 7.98%, and 3.59% over the past five years.

### Funding

During the last year, pension systems have been featured prominently in the national news, not always positively. We think it's important for every OPERS member and retiree to fully understand the System's funded status. OPERS' funding objective is to meet long-term benefit obligations and, to the extent possible, fund health care benefits. As of December 31, 2003, the date of the latest actuarial valuation, OPERS' funded ratio for pension was 85%. This means that for each dollar's worth of future pension liability, OPERS has accumulated \$0.85 to meet that obligation. The latest actuarial report indicates that if future activity proceeds according to assumptions, OPERS will accumulate sufficient assets to pay all pension liabilities for active members and retirees within 29 years. This analysis is well within recommended guidelines.

Respectfully,

  
LAURIE FIORI HACKING  
Executive Director

  
KAREN E. CARRAHER, CPA  
Director—Finance

## 2004 Financial Highlights

- The OPERS investment portfolio reported a total return of 12.50% for the year 2004.
- Plan net assets increased by \$6.15 billion, or 10.4%, during 2004, primarily due to investment returns.
- The year 2004 closed two consecutive years of investment returns in excess of the actuarial assumed return of 8%. Returns in excess of the actuarial assumption create an environment in which OPERS actuarial accrued liabilities can be paid down at an accelerated rate. OPERS' actuarial accrued liabilities exceeded its actuarial value of assets, creating an unfunded actuarial liability of \$8.03 billion as of December 31, 2003, the date of the latest actuarial valuation.
- Revenues (additions to plan net assets) for the year 2004 were \$9.84 billion which includes member and employer contributions of \$2.65 billion and net gains from investment activities and other miscellaneous income totaling \$7.19 billion.
- Expenses (deductions to plan net assets) increased from \$3.41 billion during 2003 to \$3.69 billion in 2004, or about 8.3%. The increase relates to increases in pension benefits and health care payments. In fact, health care benefits alone accounted for more than \$55.6 million, or 20.3%, of the \$273.3 million in 2004 benefit increases. Refunds of member contributions (including interest and some matching employer funds if applicable) increased by \$16.6 million, or 8.6% from 2003 to 2004.

## OPERS' Net Assets — For the years ended December 31, 2004, 2003, 2002

(\$ in millions)

	2004	2003	2002	Amount Increase/ (Decrease) from 2003 to 2004	Percent Increase/ (Decrease) from 2003 to 2004
Current and other Assets	\$ 769	\$ 716	\$ 827	\$ 53	7.4%
Cash & Investments at Fair Value	73,568	63,823	49,906	9,745	15.3%
Capital Assets	121	127	118	(6)	(4.7%)
Total Assets	74,458	64,666	50,851	9,792	15.1%
Total Liabilities	9,210	5,568	2,865	3,642	65.4%
<b>Net Assets</b>	<b>\$ 65,248</b>	<b>\$59,098</b>	<b>\$ 47,986</b>	<b>\$ 6,150</b>	<b>10.4%</b>

## Revenues—Additions to Fiduciary Net Assets — For the years ended December 31, 2004, 2003, 2002

	2004	2003	2002	Amount Increase/ (Decrease) from 2003 to 2004	Percent Increase/ (Decrease) from 2003 to 2004
Employers' Contributions	\$1,606,120,209	\$ 1,626,778,671	\$ 1,683,021,503	\$ (20,658,462)	(1.3%)
Members' Contributions	1,041,342,350	1,023,394,823	1,094,343,553	17,947,527	1.8%
Net Investment Income	7,192,406,571	11,868,086,475	(5,684,965,700)	(4,675,679,904)	(39.4%)
Miscellaneous Income	(107,798)	411,093	623,421	(518,891)	(126.2%)
<b>Total</b>	<b>\$9,839,761,332</b>	<b>\$14,518,671,062</b>	<b>\$ (2,906,977,223)</b>	<b>\$(4,678,909,730)</b>	<b>(32.2%)</b>

## Expenses—Deductions in Fiduciary Net Assets — For the years ended December 31, 2004, 2003, 2002

	2004	2003	2002	Amount Increase/ (Decrease) from 2003 to 2004	Percent Increase/ (Decrease) from 2003 to 2004
Benefits	\$3,417,516,226	\$ 3,144,246,755	\$2,836,137,068	\$273,269,471	8.7%
Refunds	209,777,972	193,209,598	187,051,815	16,568,374	8.6%
Administrative Expenses	61,691,260	69,836,790	56,267,175	(8,145,530)	(11.7%)
<b>Total</b>	<b>\$3,688,985,458</b>	<b>\$ 3,407,293,143</b>	<b>\$3,079,456,058</b>	<b>\$281,692,315</b>	<b>8.3%</b>

## Investment Highlights

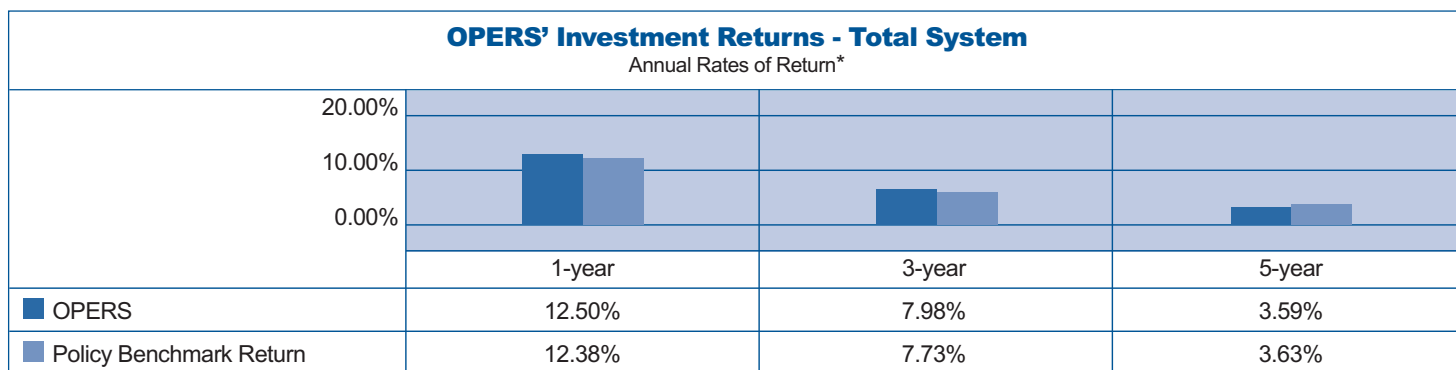
OPERS' investment return for 2004 was 12.50%, a favorable outcome during a year when market averages largely drifted until the final quarter. OPERS' return in 2004 exceeded our policy portfolio by 0.12%. OPERS' investment return in 2003 was 24.39%. Combining the two years, OPERS' cumulative investment return for the 24 month period is more than 41%—

this pension system's largest two-year gain in almost two decades.

OPERS ended the year with investments of \$64.6 billion, an increase of more than \$6 billion from 2003, representing a record high for the System.

## Investment Summary

	2004		2003	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Long Term Investments:				
Government and Agencies	3,211,023,827	4.37%	3,370,439,779	5.28%
Corporate Bonds	6,020,277,729	8.18	4,451,504,914	6.98
Mortgage and Mortgage Backed	5,247,742,249	7.13	4,476,817,033	7.01
<b>Total Global Bonds</b>	<b>14,479,043,805</b>	<b>19.68</b>	<b>12,298,761,726</b>	<b>19.27</b>
Common Stock (Equities)	31,120,287,726	42.30	27,738,137,217	43.46
Real Estate	3,496,273,744	4.75	3,498,816,611	5.48
Private Equities	338,148,365	0.53	310,549,287	0.49
International Securities	14,855,222,270	20.19	12,504,839,226	19.59
<b>Total Equities and Securities</b>	<b>49,859,932,105</b>	<b>67.77</b>	<b>44,052,342,341</b>	<b>69.02</b>
<b>Total Long-Term Investments</b>	<b>64,338,975,910</b>	<b>87.45</b>	<b>56,351,104,067</b>	<b>88.29</b>
Cash and Short-term Investments:				
Cash	42,758,103	0.06	18,713,217	0.03
Commercial Paper	399,736,719	0.54		0.00
U.S. Treasury Obligations	275,131,372	0.38	503,939	0.00
Short-term Investment Funds (STIF)	367,144,032	0.50	2,241,345,998	3.51
<b>Total Cash and Short-term Investments</b>	<b>1,084,770,226</b>	<b>1.48</b>	<b>2,260,563,154</b>	<b>3.54</b>
<b>Collateral on Loaned Securities</b>	<b>8,144,602,235</b>	<b>11.07</b>	<b>5,211,705,742</b>	<b>8.17</b>
<b>Total Investments</b>	<b>\$73,568,348,371</b>	<b>100.00%</b>	<b>\$63,823,372,963</b>	<b>100.00%</b>



\*Returns presented above are reported net of fees. Total System actual and benchmark returns in the above chart use a market value weighted calculation.

### Investment Returns

OPERS' total investment portfolio is comprised of both defined benefit (DB) and defined contribution (DC) assets. The DB assets originate from member and employer contributions to the Traditional Plan and employer contributions to the Combined Plan. The management of these assets is the responsibility of OPERS' investment staff under the direction of the Retirement Board. Defined contribution assets originate from employee contributions to the Combined Plan and both member and employer contributions to the Member-Directed Plan. The investment of DC assets is self-directed by the members of the Combined and Member-Directed Plans, but is limited to investment vehicles approved by the Retirement Board.

This chart shown above relates to the entire combined portfolio and includes both DB and DC assets.

### Planting Seeds

The favorable performance that OPERS experienced over the last two years is a result of the many actions that were taken since 2000 to reposition the investment program. Just as the current returns are a reflection of past effort, the investment staff, working with the Retirement Board has begun to explore new ways to improve future returns while maintaining or lowering overall investment risk—all the while maintaining our fiduciary commitment to members and retirees.

The information in this summary is condensed from the 2004 *Comprehensive Annual Financial Report*. The complete annual report is available via the OPERS Web site at [www.opers.org](http://www.opers.org) or by calling 1-800-222-7377. Interested members and retirees are encouraged to review the annual report in its entirety.

## The OPERS Retirement Board

**Ronald C. Alexander, Chair**  
Representative for State Employees

**Sharon M. Downs, Vice Chair**  
Representative for Retirees

**Ken Thomas**  
Representative for Municipal Employees

**Charlie Adkins**  
Representative for Non-teaching  
College/University Employees

**James R. Tilling**  
Representative for Retirees

**Cynthia Sledz**  
Representative for Miscellaneous  
Employees

**Barbara J. Thomas**  
Representative for County Employees

**Scott Johnson**  
Director, Dept. of Administrative Services

**Robert C. Smith**  
Governor Appointed Investment Expert

**Zuheir Sofia**  
General Assembly Appointed  
Investment Expert

**Warren W. Tyler**  
Treasurer Appointed Investment Expert

**Laurie Fiori Hacking**  
Executive Director



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## Legislative Update

### House Bill 272

On May 19, at the request of Ohio PERS, Rep. Michelle Glass Schneider (R-Cincinnati) introduced legislation that would make a number of changes to the Ohio PERS retirement plans. House Bill 272 contains measures designed to further strengthen Ohio PERS' funding status and to provide additional savings opportunities for members. These changes include: requiring employers to submit employer contributions on a monthly basis; enhancements to the Additional Annuity Program; changes to the Ohio PERS health care program to make Ohio PERS a secondary payer when a retiree is re-employed; establishment of a voluntary medical savings account for participating members, and an increase in the minimum earnable salary necessary to earn full-time service credit. More information on the status of this important legislation can be found on the Ohio PERS website at [www.opers.org](http://www.opers.org).

### Ohio PERS Continues Efforts Against Mandatory Coverage

The ongoing debate over Social Security reform has caused Ohio PERS and other non-Social Security public pension systems to become concerned that mandatory Social Security coverage will become part of the reform package. While the mandatory coverage issue has been quiet for a number of years, the recent debate over President Bush's proposal to allow workers to invest a portion of their Social Security contributions into personal accounts has brought the mandatory coverage issue back into play.

One of the challenges facing the President's proposal is that it deprives Social Security of some of the revenue necessary to continue to fund traditional benefits. The President has made it clear that the administration does not intend to

change the benefit levels for current retirees and those workers near retirement. However, any proposal that allows current workers to divert a portion of the existing payroll tax into personal accounts will make the short-term solvency of the Social Security program worse unless the proposal includes provisions to defray the transition costs associated with the private accounts.

In past discussions of Social Security reform and personal accounts, mandatory coverage of public employees has been mentioned as a way to help pay for the transition costs associated with personal accounts because it would bring new revenues into the System. The problem is that this approach would either result in higher costs to Ohio PERS members and employers, or result in a reduction of benefits if overall contribution rates are kept the same. Since health care coverage is not a vested benefit like pension benefits, the first reductions would most likely be made in the Ohio PERS health care program.

Because mandatory coverage would severely disrupt the ability of Ohio PERS and other non-Social Security public pension systems to provide quality pension benefits to its members, we must continue to monitor this issue closely. The Ohio Congressional delegation has opposed mandatory Social Security coverage in the past and recently sent letters to their House and Senate colleagues stating their opposition to mandatory coverage as part of Social Security reform. Ohio PERS actively participates in the Coalition to Preserve Retirement Security, which is a national coalition of non-Social Security covered pension systems and other like-minded groups whose primary purpose is to advocate against mandatory coverage. More information can be found on this issue at the coalition's website at [www.retirementsecurity.org](http://www.retirementsecurity.org).

### Ohio PERS chief investment officer loses battle with cancer

Ohio PERS regrets to announce that Neil V. Toth, Ohio PERS chief investment officer, died on March 29, 2005 after a long battle with cancer. He was 43.

Neil joined Ohio PERS in 1990, holding a number of professional investment positions before becoming chief investment officer in 1999. Under Neil's leadership, Ohio PERS' investment returns improved to rank in the top quartile among other large public plans. Neil's incredible hard work and tireless dedication to the success of the Ohio PERS investment program were unsurpassed. Neil earned the deep respect and admiration of his staff, his colleagues, and the Ohio PERS Retirement Board through

his leadership skills, intellect, unwavering integrity and constant pursuit of excellence.

Jennifer C. Hom, senior investment officer for global bonds, has been named acting chief investment officer while Ohio PERS conducts a nationwide search for Toth's successor.



## Ohio PERS members will elect two Board representatives this fall

In September, county and miscellaneous employees will have the opportunity to elect candidates for representation on the Ohio PERS Retirement Board. Any active Ohio PERS member, with the exception of those receiving a disability benefit, is eligible for election to represent the employee group in which they belong. Ohio PERS retirees will also be electing one representative this year.

Nominating petition packets are now available through your employer or for pick-up at the Ohio PERS office at 277 East Town Street, Columbus, Ohio. You can also request a packet by calling 1-800-222-7377. They can also be downloaded from [www.opers.org](http://www.opers.org). These packets contain official nominating petitions and all other necessary forms to be completed by the candidate.

**Completed petitions and forms are due at the Ohio PERS office no later than 4:30 p.m., Monday, Aug. 1; petitions postmarked on this date, but received later, are invalid.**

Ballots will be mailed to your home and voting will take place during September. Members will have a choice between returning a paper ballot or voting via telephone. **All votes must be received by Friday, Sept. 30.** The election count is scheduled for Monday, Oct. 3. The final results will be certified by the Secretary of State's office.

The percentage of voter participation in Ohio PERS Retirement Board elections is traditionally very low despite the fact that the Board is solely responsible for the administration and management of Ohio PERS. **Don't miss this opportunity to voice your opinion on the management of your Retirement System. Take the time to vote this September!**

## Number of members using online account access (MBS) continues to grow

Fueled by the success of our Member Benefits System (MBS) and in preparation for adding more features to this online tool, Ohio PERS has set a goal to have 180,000 registered MBS users by the end of 2005. Many new MBS users have registered during the first half of 2005, but we need more members to sign up in order to meet our goal.

**If you haven't registered yet, do it today and start accessing your personal Ohio PERS account information anytime, anywhere you have Internet access.** MBS allows you to view your account value and service credit record, view a printable statement of your account, access customized benefit calculators, and update your address and beneficiary information.

### Enhanced "Help" feature

If you have ever had a technical question while using MBS, the answer may now be just a click away. Ohio PERS has recently updated and



expanded the online "Help" text for MBS users. You will find new, detailed information regarding browser preferences and other technical issues. If you review this new text and still have difficulty, please use the message center and our staff will be glad to help you receive the full benefits of being a registered MBS user.

### Register for MBS in three easy steps!

**Step 1** - Visit [www.opers.org](http://www.opers.org) and click on the MBS "Log-in" button located along the right side of the home page. This will take you to the MBS log-in page.

**Step 2** - Click on the "Register now" graphic located on the right side of the MBS log-in page.

**Step 3** - Clicking "Register now" at the log-in screen will take you to a screen where you will be asked to answer a short series of questions. Once you do this and click the "Submit" button, your registration will be processed and **you will receive your PIN in the mail within a few days.**

## Calendar of Ohio PERS educational seminars

Visit [www.opers.org](http://www.opers.org) or call 1-800-222-7377 to register for any Ohio PERS seminar

### Retirement

#### Awareness Program (RAP)

- a seminar for those members who are within five years of retirement and have at least five years of service credit. Topics discussed include Ohio PERS benefits, financial planning, deferred compensation, Social Security, estate planning, and more. A total cost of \$5 covers the one-and-one-half (1-1/2) day seminar, a non-member guest, lunch and reference materials.

#### Toledo

November 3 & 4

### Health care plan

**seminars** - a seminar for Traditional Pension Plan and Combined Plan members that explains changes to the Ohio PERS retiree health care plan set to begin in 2007. Each session starts at 1 p.m. and will last two hours. Space is limited.

#### Columbus

October 5 & December 7

#### Independence

November 2

#### Perrysburg

September 7

#### Youngstown

August 10

### Retirement Readiness-

a seminar for those members who are within 12 to 18 months of retirement. Your Ohio PERS benefits are discussed, along with the various documentation and paperwork needed for processing your pension benefits. This seminar lasts three to four hours and there is no charge.

#### Dayton

August 31

December 7

#### Independence

December 7

#### Perrysburg

August 24

#### Richfield

November 9

### Law enforcement - a

seminar for members of Ohio PERS' law enforcement (LE) division. Topics covered include Ohio PERS law enforcement benefits, Social Security, estate planning, and others. A total cost of \$5 will cover this one-day seminar, a non-member guest, lunch, and reference materials.

#### Kings Island

October 26

### Remote counseling sessions

- if you live outside the Columbus area and are ready to begin the retirement process, you can schedule a remote counseling session. During your session, you can discuss Ohio PERS benefits with a counselor, as well as review your personal account.

Counseling sessions are also available by phone. Call 1-800-222-7377 to make an appointment.

Remote counseling sessions are scheduled for the following dates and cities throughout Ohio.

#### Cuyahoga Falls

October 3 - 7

#### Elyria/Lorain

November 14 - 18

#### Hamilton

August 22 - 26

#### Portsmouth

October 31 - Nov. 2

#### Sharonville

September 12 - 16

#### Wickliffe

October 17 - 21

#### Youngstown

November 28 - Dec. 2

### How to select - a

seminar for new Ohio PERS members who are trying to select the Ohio PERS retirement plan that is best for them. The *How To Select Your Ohio PERS Retirement Plan* seminar provides details about the benefits and features of the three plans and a summary of basic investment education.

Additional seminars may be added periodically that are not listed on this schedule. Please visit [www.opers.org](http://www.opers.org) for a complete list of seminar dates and locations.

#### Akron

July 12

#### Athens

October 6

#### Batavia

October 19

#### Cincinnati

August 18

#### Columbus

July 13

August 3

August 24

#### Dayton

Sept. 15

#### Elyria

May 20

#### Findlay

Sept. 21

#### Hamilton

Sept. 27

#### Lancaster

October 26

#### Mansfield

August 8

#### Maple Heights

Sept. 7

#### Marion

October 26

#### Medina

Sept. 7

#### Newark

August 4

#### Toledo

October 5

#### Wooster

July 11

August 8

Sept. 12

October 10

#### Youngstown

Sept. 13

Sept. 15



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Retirement System  
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or [www.opers.org](http://www.opers.org)

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## 2005 Ohio PERS Retirement Board

The 11 member Ohio PERS Retirement Board is responsible for the administration and management of Ohio PERS. 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.

### *Elected Board Members*

**Ronald C. Alexander**  
**Chair**  
State Employees

**Sharon M. Downs**  
**Vice Chair**  
Retirees

**James R. Tilling**  
Retirees

**Cynthia Sledz**  
Miscellaneous Employees

**Barbara J. Thomas**  
County Employees

**Ken Thomas**  
Municipal Employees

**Charlie Adkins**  
State College and  
University Employees

### *Statutory Board Member*

**Scott Johnson**  
Director, Department of  
Administrative Services

### *Appointed Board Members*

**Robert C. Smith**  
Investment Expert  
Governor Appointee

**Warren W. Tyler**  
Investment Expert  
Treasurer of State Appointee

**Zuheir Sofia**  
Investment Expert  
General Assembly Appointee

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**Laurie Fiori Hacking**  
*Executive Director*

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*This newsletter 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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