

News and information for active members of the Ohio Public Employees Retirement System

Member-Directed Plan

OPERS plans important changes to the Member-Directed Plan investment options

The OPERS Board of Trustees has voted to change the OPERS investment option lineup to continue providing plan participants with a variety of high quality investment choices to help reach their retirement objectives.

The following modifications will take place during December 2010:

- The six core OPERS investment options will become primarily passively-managed (index) funds. The OPERS Stable Value Fund is the only option that will remain actively-managed. Passively-managed (index) funds provide plan participants with less active risk and lower fees.
- Some of the core OPERS investment options will be re-named to include the word "index," which reflects the change in how they will be managed.

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- To provide broader diversification, the asset allocations of certain OPERS Target Date Funds will include Treasury Inflation-Protected Securities (TIPS) and long duration bonds.

These changes will occur automatically and no action is required on your part. However, you are encouraged to review your account periodically to be certain that your portfolio's asset allocation continues to be appropriate for your age, the amount of time left before you expect to retire, and the level of risk you can tolerate.

In addition, the following changes to the fund line-up will also take place in December:

- The OPERS Target 2010 Fund will be phased out as part of the normal allocation rebalancing process. Assets will be automatically transitioned to the OPERS Target Payout Fund unless otherwise directed by the plan participant.
- As the OPERS Target 2010 Fund is removed, the new OPERS Target 2055 Fund will be added. The OPERS Target 2055 Fund may be appropriate for investors who have a long investment period (planning to retire between 2053 and 2057) and are comfortable with fluctuations in the value of the investment.



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changes to member-directed plan investment options *(continued from page 1)*

Ohio PERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 374,000 active members of the Ohio Public Employees Retirement System. An active member is anyone currently contributing toward an Ohio PERS retirement benefit. This publication allows us to communicate vital information concerning retirement benefits to our active members and also educate them on the services we provide.

CONTACT INFORMATION:

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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 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.

OPERS to introduce Self-Directed Brokerage Accounts

Because some plan participants prefer to actively manage their own investment options, OPERS will introduce the option of a self-directed brokerage account (SDBA) to the Member-Directed Plan. The SDBA will offer only mutual funds for purchase and will broaden the amount of active management available to interested plan participants.

The new SDBA option will feature the following parameters:

- Individual account minimum of \$5,000 is required before SDBA can be used
- Maximum of 50 percent of the member's core portfolio can be invested in SDBA

Introduction of the self-directed brokerage account option is scheduled for the first quarter of 2011. OPERS will provide plan participants with more detailed information about these changes in the coming months. Please see future issues of this newsletter, the OPERS website, www.opers.org, and "The Ohio PERSONal Investor" for further information and updates.

You can also register for My Benefits System (MBS) and get 24/7 secure access to your account. Take advantage of the MBS self-service features, and avoid long phone wait times, by managing your investments and reviewing your account online. Register today at www.opers.org.

Why Index Funds?

The asset allocations of all OPERS Target Date Funds have included actively-managed funds in the large cap, small cap, non-U.S. stock, and bond asset classes. These actively-managed funds will be replaced by passively-managed (index) funds in December.

Index funds offer a low-cost, efficient way to invest in these asset classes. They keep management fees, transaction costs, and other expenses to a minimum because there's no active management.

Index funds attempt to invest in exactly the same securities and in the same proportions as the holdings of the index. The best known index is the Dow Jones Industrial Average that follows 30 of the largest U.S. companies. An index is not managed and cannot be invested in directly.

Proposed pension plan changes support our goal of a secure retirement for all

A message from Chris DeRose, CEO

Last year, the OPERS Board of Trustees proposed a set of pension benefit plan design changes to the Traditional Pension Plan. The Board recommended raising the retirement eligibility age, altering the formula to calculate benefits, adjusting the Cost of Living Adjustment (COLA) to tie it to the consumer price index, and increasing the final average salary calculation from 3 to 5 years. This spring, the Board also voted to make these changes applicable to the Combined Plan, once enacted. The Board also determined the change to COLA would apply to the Member-Directed Plan.

These changes are part of a comprehensive funding plan designed to strengthen the pension system, adjust for the increased longevity of our retirees, and allow us to continue to provide access to retiree health care coverage for as long as possible. These and other modifications will help maintain our ability to provide pensions and health care without seeking contribution rate increases from employers or members in a challenging economic environment.

The proposed changes must be enacted by the Ohio General Assembly before they can be implemented. We have strongly advocated for the introduction of pension legislation and we look forward to its passage. We are hopeful that a pension bill can still be introduced following the November elections and passed prior to the end of 2010. We are concentrating our efforts toward that end. However, if legislation is not introduced and passed this year, we will begin 2011 with an aggressive campaign to have the pension changes enacted as early in the year as possible.

Our work to advocate changes to our benefit plan demonstrates our belief that everyone deserves a secure retirement. As the process of enacting pension changes moves forward and in light of recent media coverage of

Ohio public pensions, it is important to reiterate that the long-term sustainability of OPERS is not in question. For 75 years, we have provided retirement security to our members and demonstrated our responsibility to remain well-funded during turbulent times.



All public pension plans including OPERS have been the subject of media scrutiny in recent months. As the state deals with an expected budget deficit in the next biennium, we know that contribution rates and retirement benefits for public workers will remain a focal point in the news. While most of the media coverage has not been focused directly on OPERS, we continue to use our interaction with the media and the legislature to share the value we provide to our members and the state as well as details about our pension fund and the proposed plan design changes. We have also corrected the record any time the media incorrectly reported information about OPERS.

To keep you informed, our responses to recent media coverage and the most up-to-date information on the proposed pension design changes are posted on our web site, www.opers.org. The site features two narrated PowerPoint presentations addressing the proposed changes and the reasons why benefit changes are being recommended.

If you have comments or questions, please feel free to send them to: giveusyourthoughts@opers.org. Thank you for your continued support of OPERS.



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National Save for Retirement Week - Oct. 17 - 23, 2010

Are you prepared to meet your retirement goals? OPERS encourages you to take time during National Save for Retirement Week, Oct. 17-23, to evaluate your plans for income during retirement, and determine if your financial picture is in line with your retirement goals.

Your Voice, Your Choice - 2010 OPERS Board of Trustees Election

Four seats on the OPERS and Ohio Deferred Compensation Boards of Trustees were up for election this year. Those elected will serve four-year terms beginning in January 2011. A candidate nomination process took place earlier this year and as a result, three of the four

representative seats up for election to the OPERS Board of Trustees were uncontested. The election count was Monday, Oct. 4, and the final results have been certified by the Secretary of State's office and will be posted to the OPERS website, www.opers.org.

Ohio PERS 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 retired members); 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.

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