



# OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

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**Ohio 457 Focus**

1-877-644-6457 • [www.Ohio457.org](http://www.Ohio457.org)

Fourth Quarter 2009

## Report from the Executive Director

During 2009, positive investment opportunities increased overall participant assets by 18.8% through December 15.

Look for your Annual Statement in the mail in mid-February to review your personal experience. Your personal statement provides you with your total deferrals and gains/losses since you enrolled; your personal investment performance over 1, 3, 5, and 10 years; your asset allocations compared to model portfolios; projections of your potential values and benefits; a list of your beneficiaries; and other tips and information to assist you in planning for retirement.

Please take a few minutes to review your Annual Statement and to consider whether there are actions you should take, such as increasing your deferrals, rebalancing your account, or updating beneficiaries.

If you do not like to spend much time on retirement planning, make it easy by signing up for the SMarT plan and investing in a LifePath portfolio. Go to our website for more information, or if you need assistance, help is just a phone call away at 1-877-644-6457.

**Keith Overly**

## Are You On Target?



Target date funds have gained popularity over the last few years. The Program's target date funds are called LifePath Portfolios. Each LifePath Portfolio is a collection of diversified investments that are regularly rebalanced to become more conservative as you near the target year in which you plan to start withdrawals.

You really can "put all your eggs in one basket" if you choose one LifePath Portfolio. These portfolios are already well-diversified, so you don't need to further diversify if you have one LifePath Portfolio.

If you are currently invested in LifePath, or are considering one, here are a few tips:

- Rather than trying to mix and manage a collection of different funds, you only need to select one LifePath Portfolio to have a well-diversified investment mix for a particular target year.
- Participants typically choose the fund with the year closest to the year they will start withdrawals.
- While LifePath Portfolios are intended to simplify investing, you still need to educate yourself about the portfolios you are invested in.

Remember, we are only a phone call away to answer your questions and to help you "stay on target" when selecting a LifePath Portfolio.

The Program's LifePath Portfolios are managed by BlackRock, Inc., formerly known as Barclays Global Investors, Inc. **Fund profiles can be obtained by calling 1-877-644-6457. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund profile contains this and other important information. Read the fund profile carefully before investing.**

## Meet with a Retirement Planning Specialist

If you are interested in meeting with a Retirement Planning Specialist at one of the locations listed below, please call 1-877-644-6457, press 3, and an Account Executive will assist you with making the appointment.

### March Meetings:

March 16, 2010—Youngstown-Columbiana Library  
March 23, 2010—Cleveland-Strongsville Library

### April Meetings:

April 21, 2010—Akron-Tallmadge Library  
April 22, 2010—Toledo-Main Library

The above dates and locations may be subject to change due to availability and participation. Information presented by the Retirement Planning Specialist is for educational purposes only and is not intended as investment advice.

We look forward to meeting with you soon!



## Stay Connected

**Receive the latest Program information**

It's as simple as adding or updating your email address. Log in at [www.Ohio457.org](http://www.Ohio457.org).

## 2009 Board Election Results

On October 5, 2009, the Ohio Secretary of State certified the Ohio Deferred Compensation and Ohio Public Employees Retirement System Board election results. Three current Board of Trustee members were re-elected: John Maurer, Cinthia Sledz, and Helen Youngblood. They will serve a four-year term that expires December 2013.



John Maurer



Cinthia Sledz



Helen Youngblood



## OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

## What Is “Ohio Deferred Compensation”?

Ohio Deferred Compensation is a supplemental retirement plan that offers all of Ohio's public employees the opportunity to save tax-deferred assets to meet their long-term financial goals.

Deferred compensation has been the Program's only business since 1976. The Program is unique in that it is a public, non-profit organization created by Ohio legislation and administered by a 13-member Board of Trustees. The Board holds bi-monthly meetings and consists of elected members, appointed investment professionals, Ohio's Director of Administrative Services, a member of the Ohio House of Representatives, and a member of the Ohio Senate.

The Board staff performs many of the administrative and recordkeeping functions in-house. The Board contracts with Nationwide Retirement Solutions to help you with enrollment and provide you with investment education and other services, including our website, a toll-free phone number, and Account Executives in the Columbus office and in your local area.

The Board contracts with Ennis Knupp & Associates to provide the Program with expert and independent assistance with choosing and monitoring investment options.

We believe that this unique structure, along with the combination of dedicated staff and retirement professionals, will continue to inspire your trust in us. To find out more, go to [www.Ohio457.org](http://www.Ohio457.org) and click “About Us.”

# Tax Talk...



## Important Tax Information

If you took a withdrawal or rollover from your account during 2009, you will be receiving a Form-1099R from the Program. These forms are scheduled to be printed and mailed around January 27, 2010. Please call the Service Center if you have not received your Form-1099R by February 10.

If you plan to take a withdrawal or rollover from your account in 2010, you should be aware of the possible tax consequences. A **Special Tax Notice Regarding Plan Withdrawals** is posted in the "News Bulletins" section of our website at [www.Ohio457.org](http://www.Ohio457.org) to help explain your options. If you do not have Internet access or want to discuss this tax information, please call our Service Center.

## 2010 Deferral Limits

The IRS sets limits on the amount of wages that you can defer each year. These limits are tied to inflation statistics, which are recalculated each fall for the following calendar year. **The annual deferral limits for 2010 will remain the same as the 2009 limits.** Effective January 1, 2010, deferral limits will continue as follows:

	<u>2009</u>	<u>2010</u>
Regular deferral limit	\$16,500	\$16,500
Age 50-plus deferral limit	\$22,000	\$22,000
Catch-up deferral limit	\$33,000	\$33,000

If you're not deferring your maximum amount and would like to, login to your account at [www.Ohio457.org](http://www.Ohio457.org) or call the Service Center at 1-877-644-6457.

## Required Minimum Distribution for 2010

Normally, the only withdrawal requirement from a deferred compensation plan is a Required Minimum Distribution (RMD). This means that beginning at a certain age, usually 70½, you are required to begin taking an annual minimum withdrawal. A 2008 federal law waived the 2009 RMD requirements, but RMDs will be necessary again in 2010.

The Program will notify participants of their 2010 RMD amounts during the year, and if participants do not withdraw this amount on their own, the Program will automatically pay RMDs in December 2010.

## Holiday Schedule

January and February are typically the busiest months for calls to our Service Center. We appreciate your patience during these busy times. If you wish to check your account balance, change your deferral amount, or adjust your investment allocation, you can avoid waiting on hold by using our website or automated telephone system.

The Service Center and exchange processing will be affected by the following New York Stock Exchange holiday schedule. Exchanges received on the holiday closings will be processed as of the market close of the next business day.

<u>Holiday</u>	<u>Service Center Closed</u>	<u>Exchanges Processed</u>
Martin Luther King, Jr. Day	1/18/2010	1/19/2010
Presidents' Day	2/15/2010	2/16/2010
Good Friday	4/2/2010	4/5/2010

## The Impact of Index Funds—Remember "SAS"

What do you think has the most impact on your account—the amount you save, asset allocation, or the funds you select? Everyone talks about "today's hottest investment," but if you remember "SAS" (save-allocate-select), you might fare better in the long run.

Most investment professionals recognize that the amount you **save** has the greatest impact, how you **allocate** is next in impact, and the fund or funds you **select** has the least impact. Therefore, using a low cost index fund that mirrors its market sector might make sense.

The Investment Performance Report on page 5 shows all of the Program's investment options, their returns, and expense ratios (fees). We offer four index funds in diverse categories. These index funds are managed by Vanguard and have low expense ratios. Lower costs mean more of your funds stay in your account for retirement benefits.

# Program Champions

## Ohio Deferred

Compensation continues to recognize and appreciate participants who make a special effort to spread the word about the importance of supplemental retirement savings.

This quarter's featured recognition goes to our dynamic duo from the Human Resources Department of Cleveland Metroparks, David Duane and Christina Seabold.



**Christina Seabold and David Duane**  
Human Resources Department  
Cleveland Metroparks

Duane always invites an Ohio Deferred Compensation Account Executive to give a presentation during quarterly, new-employee orientations. In these meetings, Duane makes a personal statement to employees about his experience with the Ohio Deferred Compensation Program and stresses the importance of saving money for retirement early in their careers. Duane sets the stage for employees to develop positive saving and investing habits in the first few months on the job.

To balance out new employee retirement savings information with ongoing investment education to existing employees, Seabold is instrumental in setting up individual meetings with an Ohio Deferred Compensation Account Executive at sites throughout the Cleveland Metroparks. Seabold always sends memos and flyers announcing these visits to Metroparks sites. She also reorganizes the work schedule so that every employee has the opportunity to meet with the Account Executive to learn more about the Program.

More recently, Duane and Seabold invited Ohio Deferred Compensation to their year-end employee meetings because they felt it would give the employees yet another opportunity to learn about investing, review their account information, or enroll in the Program. Ohio Deferred Compensation extends its sincere gratitude to these two individuals and the Cleveland Metroparks management staff who go out of their way to make retirement savings a priority for employees, resulting in participation rates at Metroparks that nearly double the national average.



Our new downtown location is:  
**257 East Town Street, Suite 457**  
**Columbus, OH 43215-4626**

“Walk-in” visiting hours are from 8:00 a.m.–4:30 p.m. Our business hours for telephone assistance remain 8:00 a.m.–5:30 p.m. Limited visitor parking is available in addition to metered on-street parking.

Our toll-free phone number, 1-877-644-6457, remains the same, but our new fax number is 614-222-9457. Visit our website for a more detailed map and directions.



## Test Your Knowledge...

### *Ohio Deferred Compensation Quiz*

#### True or False?

1. LifePath investments are guaranteed not to lose principal.
2. Contribution limits for retirement savings accounts are increased by the Internal Revenue Service each year.
3. Your Ohio Deferred Compensation account might help you plan for college tuition.

#### Answers:



1. **FALSE.** LifePath portfolios are target date funds that invest in both equities (stocks) and bonds that may fluctuate in value each business day. LifePath is a diversified investment that includes a variety of asset classes, but does not guarantee principal.
2. **FALSE.** The contribution limits are typically based on inflation and will remain unchanged for the 2010 calendar year.
3. **TRUE.** While in-service withdrawals are not allowed for tuition, increasing your contributions may help when applying for financial aid because your Adjusted Gross Income is reduced as your paycheck deferral amount increases.









# Ohio Deferred Compensation

## Investment Performance Report — As of December 31, 2009

The results shown represent past performance and should not be considered a representation of future performance or experience. Past performance cannot guarantee future results. Current investment results may be lower or higher than quoted in this report. The principal value and investment return of an investment will fluctuate so that an investor's units/shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month-end may be obtained by visiting [www.Ohio457.org](http://www.Ohio457.org). Although data is gathered from investment providers, the Program cannot guarantee completeness and accuracy. Please see other important disclosures at the end of this report. **Consider the investment objectives, risks, charges, and expenses carefully before investing by consulting your prospectuses, which contain this and other information. Prospectuses are available by calling 1-877-644-6457 or visiting [www.Ohio457.org](http://www.Ohio457.org). Read the prospectus carefully before investing.**

VRU Fund #	Ticker Symbol	4th Quarter	Average Annual Returns				Expense Ratio <sup>(1)</sup>		
			1 Year	3 Year	5 Year	10 Year			
<b>Ohio DC Options</b>									
 <b>LifePath Portfolios</b>		<u>Inception Date</u>							
120	LifePath Retirement <sup>(2)</sup>	8/1/2005	n/a <sup>(3)</sup>	2.11%	16.38%	2.20%	4.04% <sup>(4)</sup>	n/a	0.25%
121	LifePath 2015 <sup>(2)</sup>	7/5/2006	n/a <sup>(3)</sup>	2.68%	19.86%	0.17%	2.87% <sup>(4)</sup>	n/a	0.25%
122	LifePath 2020 <sup>(2)</sup>	8/1/2005	n/a <sup>(3)</sup>	3.11%	22.32%	-0.88%	3.04% <sup>(4)</sup>	n/a	0.25%
123	LifePath 2025 <sup>(2)</sup>	7/5/2006	n/a <sup>(3)</sup>	3.54%	24.70%	-1.75%	1.54% <sup>(4)</sup>	n/a	0.25%
124	LifePath 2030 <sup>(2)</sup>	8/1/2005	n/a <sup>(3)</sup>	3.76%	26.57%	-2.61%	2.36% <sup>(4)</sup>	n/a	0.25%
125	LifePath 2035 <sup>(2)</sup>	7/5/2006	n/a <sup>(3)</sup>	4.22%	28.62%	-3.32%	0.43% <sup>(4)</sup>	n/a	0.25%
126	LifePath 2040 <sup>(2)</sup>	8/1/2005	n/a <sup>(3)</sup>	4.44%	30.21%	-4.08%	1.70% <sup>(4)</sup>	n/a	0.25%
127	LifePath 2045 <sup>(2)</sup>	7/5/2006	n/a <sup>(3)</sup>	4.66%	31.61%	-4.74%	-0.65% <sup>(4)</sup>	n/a	0.25%
128	LifePath 2050 <sup>(2)</sup>	9/30/2007	n/a <sup>(3)</sup>	4.82%	33.53%	-10.01% <sup>(4)</sup>	n/a	n/a	0.25%
 <b>Stable Value</b>		<b>(Annualized Return)</b>		<b>4<sup>th</sup> Quarter 2009 — 4.00%</b>		<b>1<sup>st</sup> Quarter 2010 — 3.65%</b>			
101	Stable Value Option	n/a <sup>(3)</sup>	0.99%	4.10%	4.65%	4.71%	5.24%	0.35%	

### Mutual Funds

 <b>International Stock Funds</b>									
532	Templeton Foreign	TEMTX	0.58%	49.73%	-1.82%	4.66%	4.61%	1.14%	
209	Vanguard International Growth <sup>(5)(6)</sup>	VWILX	4.27%	41.88%	-3.10%	5.75%	2.47%	0.35%	
310	Vanguard Total International Stock <u>Index</u> <sup>(5)</sup>	VGTSX	3.17%	36.74%	-4.06%	5.27%	2.29%	0.34%	
 <b>Small-Cap Stock Funds</b>									
402	FPA Capital <sup>(5)</sup>	FPPTX	5.75%	53.78%	-0.04%	4.18%	9.44%	0.93%	
403	Hartford Small Company	HIASX	5.52%	29.29%	-4.27%	3.96%	0.91%	0.71%	
210	Vanguard Small-Cap <u>Index</u>	VSCIX	4.11%	36.40%	-4.01%	1.96%	4.52%	0.09%	
 <b>Mid-Cap Stock Funds</b>									
208	Vanguard Capital Opportunity <sup>(5)(6)</sup>	VHCAX	8.79%	49.03%	0.20%	4.96%	5.89%	0.43%	
 <b>Large-Cap Stock Funds</b>									
202	Dodge & Cox Stock	DODGX	4.48%	31.26%	-9.35%	-0.69%	5.65%	0.52%	
306	Fidelity Contrafund	FCNTX	7.36%	29.24%	-0.92%	4.75%	3.17%	0.95%	
307	Fidelity Growth Company	FDGRX	7.29%	41.14%	0.01%	4.46%	-0.85%	0.97%	
291	Janus Twenty	JAVLX	5.08%	43.26%	4.16%	6.79%	-2.41%	0.86%	
565	Vanguard Institutional <u>Index</u>	VINIX	6.06%	26.63%	-5.57%	0.45%	-0.91%	0.05%	
 <b>Balanced Funds</b>									
201	Dodge & Cox Balanced	DODBX	3.82%	28.37%	-4.63%	1.03%	6.20%	0.53%	
 <b>Bond Funds</b>									
207	PIMCO Total Return	PTRAX	0.93%	13.56%	8.91%	6.58%	7.39%	0.89%	
215	Vanguard Total Bond Market <u>Index</u>	VBPIX	0.11%	6.09%	6.11%	5.04%	6.19%	0.08%	

<sup>(1)</sup> Investment returns for the Ohio DC Options and Mutual Funds have been reduced for gross Expense Ratios. These average Expense Ratios may vary from time to time. The Expense Ratios for the Ohio DC Options are established by the Program and include a 0.10% Program administrative expense.

<sup>(2)</sup> Returns shown for the periods prior to 12/18/2007 are those of the respective LifePath Index F series, net of historical Program administrative expenses.

<sup>(3)</sup> LifePath portfolios and Stable Value Option (SVO) are not publicly traded mutual funds and do not have a ticker symbol or prospectus. These options are available only through Ohio Deferred Compensation. The value of the securities held by the SVO will fluctuate. The SVO focuses on principal preservation and a stable rate of return.

<sup>(4)</sup> Average annual return since inception date.

<sup>(5)</sup> This fund may be subject to a redemption fee. Please consult the Program website or fund prospectus for additional information.

<sup>(6)</sup> Returns include performance of a different share class achieved prior to the inception of the Admiral or Institutional share classes. Returns were not recalculated to reflect the fees of the Admiral share class.

## Contact Us

**Ohio Deferred Compensation Program** is a supplemental retirement benefit plan regulated by Section 457 of the Internal Revenue Code. Total participant accounts are 195,000, with over \$6.6 billion in assets.

If you have questions regarding the Program, write or call an Account Executive at:

**Ohio Deferred Compensation**  
257 East Town Street, Suite 457  
Columbus, OH 43215-4626

**Hours:** Monday - Friday  
8:00 a.m. - 5:30 p.m.

**Automated Telephone System:**  
24 hours a day, 7 days a week

**1-877-644-6457 • www.Ohio457.org**

## Ohio Deferred Compensation Board

**Sharon M. Downs, Chair**  
*Retired Group*

**Kimberly A. Russell, Vice Chair**  
*State College and University Employees*

**Charlie R. Adkins**  
*Investment Expert*

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*Retired Group*

**Eddie L. Parks**  
*State Employees*

**Hugh Quill**  
*Director, Ohio Department of Administrative Services*

**Cynthia Sledz**  
*Miscellaneous Employees*

**Ken Thomas**  
*Municipal Employees*

**James R. Tilling**  
*Investment Expert*

**Jason H. Wilson**  
*Senate*

**Lennie Wyatt**  
*Investment Expert*

**Helen Youngblood**  
*County Employees*

**Keith Overly**  
*Executive Director*

## Withdrawal Election

Participants who have severed from employment are able to **start, stop, change, and restart payments from the Program anytime**. At age 70½, participants must meet the minimum distribution requirements of the Internal Revenue Code.

Payments may begin after the Program has received the employer's verification of severance, final deferral, and completed Withdrawal Election form. All requests to start payments must be made on signed Program forms. If the forms are returned by the 15th day of the month, payments will **start on the 20th day of the following month**.

## Payment Options

There are flexible payment options from which to choose:

- Annual percent, dollar amount, or time period
- Partial lump sum
- Full lump sum

Payments can be made annually, semi-annually, quarterly, or monthly. Participants may delay withdrawals until the year they turn age 70½. Funds that remain in the Program will stay invested as the participant chooses and will continue to be subject to market risk.

The Program permits rollovers of any portion of an eligible distribution. However, before making a rollover decision, a participant should carefully compare the investment options available, associated fees, expenses, and accessibility.

## Investment Performance Report Notes

**Investment Performance:** Investment returns on the Investment Performance Report do not reflect the deduction of historical asset fees or the current administrative fee. The Board may suspend the administrative fee at its discretion. All reported mutual fund returns assume reinvestment of capital gains and dividends and reflect the fund's expense ratio. The Ohio DC Options are not mutual funds or registered investment companies.

**Stable Value Option:** Annualized returns are net of investment management, custody, principal protection, and plan administration fees. A fund profile can be obtained for the Stable Value Option by calling 1-877-644-6457 or visiting [www.Ohio457.org](http://www.Ohio457.org).

**LifePath Portfolios:** Portfolios are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, these portfolios experience risks and expenses ratios, including applicable fees and expenses, of the underlying funds. The use of asset allocation and/or diversification does not guarantee profits.

**International Funds:** Funds that invest internationally involve risks not associated with investing solely in the U.S., such as currency fluctuation, political risk, differences in accounting, and the limited availability of information.

**Small Company Funds:** Funds investing in stocks of small or emerging companies may have less liquidity than those investing in larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

**Bond Funds:** Bond funds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds owned by the fund.

### Historical Asset Fee

Time Period	Mutual Funds/ Stable Value
4/1/99 - 12/31/99	.05%

### Administrative Fee

Time Period	Quarterly Amount
1/1/00 - 9/30/06	\$2.00

The quarterly \$2.00 administrative fee has been suspended 10/1/06 - Present.