

OHIO DEFERRED COMPENSATION 457 FOCUS



1-877-644-6457

www.Ohio457.org

Third Quarter 2010

Report from the Executive Director

Everyone's retirement needs are different. However, if you ask most financial planners, you will be told that your retirement income should be at least equal to 75-80% of your working income. What percentage is right for you will depend on many things. Two important things to consider are that people are living longer and health care costs tend to increase with age.

Our review of Ohio's defined benefit retirement plans shows that a typical retiree initially receives about 52% of working income from the primary retirement plan. Therefore, a combined approach that includes both a defined benefit retirement plan (pension) and supplemental savings in your Ohio Deferred Compensation account can be critical to successfully meeting the challenge of having adequate retirement income.

Start planning now and set your goal for your retirement income. If you are concerned that you might not reach your goal, take advantage of our SMarT plan to make retirement saving easy.

Need help? Whether you need help deciding how to invest or how to reach your retirement income goals, we are just a call away.

Keith Overly

Take a Life-Long Path through Retirement

As a participant in Ohio Deferred Compensation, you know of the many opportunities it can provide. But did you know those opportunities can continue through retirement? Unlike some benefits of employment that are no longer available after your public service, you can continue to participate in the Program as long as you have assets in your account. One way to do that might be to invest in a LifePath Portfolio—a *target date* fund that provides a diversified exposure to stocks, bonds, and/or cash for participants who have a date in mind to begin taking withdrawals.

Even after a LifePath Portfolio reaches the year in its name and its assets are moved to the LifePath Retirement Portfolio, it continues working for you. That's because its investment mix is designed to provide income and moderate long-term growth of capital for individuals who will be withdrawing money over a retirement that might last 20–30 years.

Before you decide to invest, you should know the principal value of the LifePath Portfolios is not guaranteed, including at the target date. When investing in any fund—including target date funds—there is market risk involved, including possible loss of principal. LifePath Portfolios are not mutual funds. While the funds' managers use asset allocation to diversify market risk, asset allocation and diversification do not assure a profit nor protect against loss in a declining market.

Consider a life-long path through retirement. Find out more about LifePath Portfolios and what risks are involved by consulting with an Account Executive at 1-877-644-6457. Account Executives offer information that is for educational purposes only and is not intended as investment advice.

The Program's LifePath Portfolios are managed by BlackRock, Inc., formerly known as Barclays Global Investors, Inc. **Fund profiles may 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.**



Get Your Questions Answered

Meet with a Retirement Planning Specialist



A Retirement Planning Specialist (RPS) will be available to meet with you in the following cities on these selected dates to discuss your account: **Cincinnati (10/8), Cleveland (10/20 and 12/1), Sandusky (11/4), Akron (11/16), and Toledo (12/8).**

Call 1-877-644-6457, press 3, and an Account Executive will assist you with making your appointment. A complete RPS schedule is available online at www.Ohio457.org.

Try Our Interactive E-Workshops!

Get ready to participate. Our instructors will lead you through a series of exercises designed to help you learn about investing for *your* future.

Go to www.Ohio457.org. Then click "Participant Services" and "Investment Education." Choose from these four interactive e-Workshops:

- Investment Option Basics
- How to Use Asset Allocation
- How to Manage Your Investment Risk
- Are You Saving Enough? How to Close Your Retirement Gap

Fees and Expenses Count

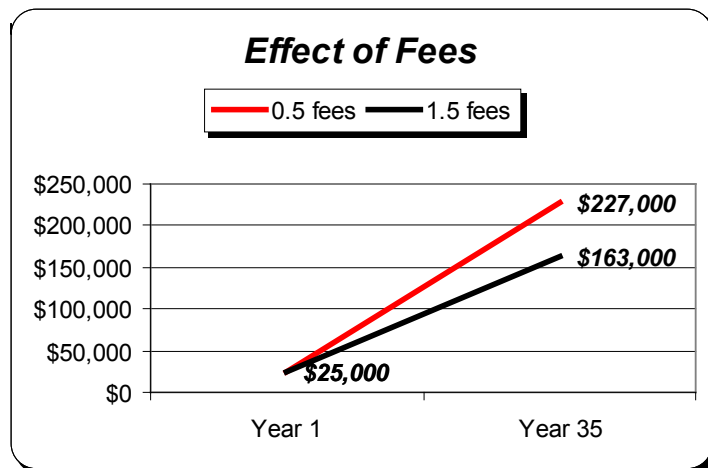
New evidence from Morningstar Inc. indicates the impact of fees on performance: Lower-fee funds outperform high-fee funds. "If there is anything in the whole world of mutual funds that you can take to the bank, it's that expense ratios help you make a better decision," wrote Russel Kinnel, director of Morningstar fund research, in the report. "In every single time period and data point tested (for the report), low-cost funds beat high-cost funds."

While the Morningstar report covers thousands of mutual funds, Ohio DC offers a select group of investment options. We use an expert investment consulting firm that considers fees as part of a comprehensive evaluation process in selecting and monitoring investment options.

This same conclusion regarding fees was reached in a Department of Labor article on the effect of fees on a retirement account. While the article talks about fees in a 401(k) plan, the lessons apply equally well to Ohio Deferred Compensation and other 457(b) plans. The article presents the following example, which demonstrates how fees and expenses can impact your account.

"Assume that you are an employee with 35 years until retirement and a current (retirement) account balance of \$25,000. If returns on investments in your account over the next 35 years average 7 percent, and fees and expenses reduce your average returns by 0.5 percent, your account balance will grow to \$227,000 at retirement, even if there are no further contributions to your account. If fees and expenses are 1.5 percent, however, your account balance will grow to only \$163,000. The 1 percent difference in fees and expenses would reduce your account balance at retirement by 28 percent."

Go to www.dol.gov/ebsa/publications/401k_employee.html and read the entire article. As always, we encourage you to ask about and understand all fees associated with all of your investments.



This hypothetical example is not intended to predict or project investment results of any specific investment. This calculation illustrates the principle of time and compounding. It assumes neither taxes on contributions or earnings, nor any account withdrawals, which would reduce the results shown.

Neither Nationwide or any of its affiliates are related to, or affiliated with, Morningstar.

Investing involves market risk, including possible loss of principal.

It's Time to Take the Next Step

National Save for Retirement Week, October 17-23

Most of us don't think about walking. We just . . . walk. Investing for retirement is pretty much the same. Early on, you have to think about it. But, pretty soon you're off and running. Even today, every once in awhile, we have to make sure we're on the right track.

When you joined Ohio DC, you took your first step in the right direction toward retirement. Now it's time to take another one: Get an account review to see where you stand. An annual account review gives you the chance to find answers to the tough questions you may be facing:

- How can I avoid overreacting or under-reacting to current market conditions?
- Am I investing enough for retirement?
- Am I at risk of being financially unprepared for retirement?
- Considering Social Security, Medicare, and inflation of medical costs, how much income will I need in retirement?
- What can I do to improve my chances of being financially secure in retirement?

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"Take the Next Step" by attending a National Save for Retirement Week event in a city near you:

Columbus: October 19

When: October 19, 11:00 a.m. to 1:00 p.m.

Where: Rhodes Government Office Tower, 1st floor lobby and lobby hearing room, 30 E. Broad St., Columbus 43215

Presenters:

Ohio Deferred Compensation
Topic – Investing in Your Future
11:00 a.m. – 11:30 a.m.

Consumer Credit Counseling
Topic – Avoiding financial scams and fraud
11:45 a.m. – 12:15 p.m.

Columbus Saves
Topic – General savings, budgeting, personal finance
12:30 p.m. – 1:00 p.m.

Cincinnati: October 21

When: October 21, 11:00 a.m. to 1:00 p.m.

Where: Job & Family Services Building (also known as Alms & Doepke Building), Room number 6SE 401/601, 222 E. Central Parkway, Cincinnati 45202

Presenters:

Ohio Deferred Compensation
Topic – Investing in Your Future
11:00 a.m. – 11:30 a.m.

Consumer Credit Counseling
Topic – Budgeting, credit reports
11:45 a.m. – 12:15 p.m.

Consumer Credit Counseling
Topic – Family financial concerns, financial scams, credit during retirement years
12:30 p.m. – 1:00 p.m.

Pre-register: For this event only, to enter the secure building you must pre-register by phoning 1-877-644-6457 or emailing Ohio457@Nationwide.com.

Cleveland: October 21

When: October 21, 11:00 a.m. to 1:00 p.m.

Where: Cleveland City Hall Rotunda and lower level conference room #6, 601 Lakeside Ave., Cleveland 44114

Presenters:

Ohio Deferred Compensation
Topic – Investing in Your Future
11:00 a.m. – 11:30 a.m.

Consumer Credit Counseling
Topic – Budgeting, avoiding financial scams and fraud
11:45 a.m. – 12:15 p.m.

Cleveland Saves
Topic – General savings, budgeting, personal finance
12:30 p.m. – 1:00 p.m.



The Ohio Retirement & Savings Awareness Initiative

Your **PLAN** and Retire Resource

Ohio Deferred Compensation, along with Ohio's five retirement systems, the Attorney General, the Treasurer of State, and CollegeAdvantage, can provide you with reliable financial resources.

The Ohio Retirement & Savings Awareness Initiative (ORSAI) continues to provide you with tools, calculators, and resources to help you manage your personal finances. Look for the logo at the Ohio DC website,

www.Ohio457.org or go directly to **www.PlanandRetire.org** to **PLAN** for your retirement.

You'll find resources, such as a direct link to **www.MyMoney.gov**, an online point of access to 21 Federal agencies, departments, and bureaus. You can use these links to plan for a variety of life events that have financial implications, such as the birth of a child, saving for college, home ownership, and retirement. You'll also find the following resources at this site:

- **Interactive Tools and Resources:** These tools provide information on how to make better personal financial decisions.
- **Featured Topics:** Find helpful information, such as new credit card rules, your consumer rights, "Making Home Affordable," and how to avoid scams.



Lower Fees Now in Templeton Foreign Fund

On July 16, Ohio Deferred Compensation converted participants who were invested in the Templeton Foreign fund from A share class (ticker TEMFX) to Advisor share class (ticker TFFAX). This action lowered fees for participants invested in the Templeton Foreign fund. Lower fees means that more money stays in your account working for your retirement!

The underlying investments are *the same* in both share classes; only the fees are different. The conversion lowered the annual expense ratio from 1.19% to 0.94%. So, lower fees means that more money stays in your account.

Leave Cash Out

You might have a "golden opportunity" to invest more into your Ohio DC account! **So get in gear...**

Many employees are allowed to cash-out unused sick or vacation time at year-end. Also, employees who retire will get their unused sick or vacation time paid to them at the end of their employment.

If either of these situations applies to you, it might be your "golden opportunity" to invest your leave into your Ohio DC account.

It's easy! To defer your **year-end leave** cash-out, just ask your payroll officer for the dollar amount of leave you have available for cash-out and the date the cash-out will be paid. Ohio DC must receive your request at least 30 days before your pay date, so please call us at least 30 days in advance. Many participants must complete this request in early November in order to take advantage of an early December cash-out.

If your leave cash-out is due to your **termination** (ending employment or retiring), the IRS requires the deferred cash-out to be made within 75 days of your termination date or within the same calendar year in which you terminate, whichever is longer. The request to defer your termination cash-out must also be completed one month prior to that pay date.

If you would like to defer all or part of your leave cash-out, call the Service Center at **1-877-644-6457**. *Investing involves market risk including possible loss of principal.* Information from Account Executives is for educational purposes only and is not intended as investment advice.



Ohio Deferred Compensation

Investment Performance Report — As of September 30, 2010

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. 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. Read the prospectus carefully before investing.**

VRU Fund #	Ticker Symbol	3rd Quarter	YTD	Average Annual Returns				Expense Ratio ⁽¹⁾		
				1 Year	3 Year	5 Year	10 Year			
Ohio DC Options										
LifePath Portfolios Inception Date										
120	LifePath Retirement ⁽²⁾	8/1/2005	n/a ⁽³⁾	6.71%	7.40%	9.67%	2.48%	4.93%	4.90% ⁽⁴⁾	0.25%
121	LifePath 2015 ⁽²⁾	7/5/2006	n/a ⁽³⁾	7.94%	7.09%	9.96%	0.03%	4.03% ⁽⁴⁾	4.03% ⁽⁴⁾	0.25%
122	LifePath 2020 ⁽²⁾	8/1/2005	n/a ⁽³⁾	8.92%	6.86%	10.18%	-1.20%	3.89%	3.95% ⁽⁴⁾	0.25%
123	LifePath 2025 ⁽²⁾	7/5/2006	n/a ⁽³⁾	10.05%	6.70%	10.48%	-2.25%	2.86% ⁽⁴⁾	2.86% ⁽⁴⁾	0.25%
124	LifePath 2030 ⁽²⁾	8/1/2005	n/a ⁽³⁾	10.87%	6.53%	10.53%	-3.27%	3.17%	3.30% ⁽⁴⁾	0.25%
125	LifePath 2035 ⁽²⁾	7/5/2006	n/a ⁽³⁾	11.69%	6.32%	10.80%	-4.15%	1.83% ⁽⁴⁾	1.83% ⁽⁴⁾	0.25%
126	LifePath 2040 ⁽²⁾	8/1/2005	n/a ⁽³⁾	12.55%	6.22%	10.93%	-5.00%	2.52%	2.66% ⁽⁴⁾	0.25%
127	LifePath 2045 ⁽²⁾	7/5/2006	n/a ⁽³⁾	13.02%	5.85%	10.79%	-5.82%	0.85% ⁽⁴⁾	0.85% ⁽⁴⁾	0.25%
128	LifePath 2050 ⁽²⁾	9/30/2007	n/a ⁽³⁾	13.83%	5.88%	10.99%	-5.80% ⁽⁴⁾	-5.80% ⁽⁴⁾	-5.80% ⁽⁴⁾	0.25%
Stable Value										
			(Annualized Return)	3 rd Quarter 2010 — 3.55%			4 th Quarter 2010 — 3.55%			
101	Stable Value Option		n/a ⁽³⁾	0.88%	2.64%	3.66%	4.27%	4.53%	5.03%	0.35%

Mutual Funds

International Stock Funds										
532	Templeton Foreign	TFFAX	15.58%	0.78%	1.43%	-5.73%	3.33%	5.90%	0.94%	
209	Vanguard International Growth ⁽⁵⁾⁽⁶⁾	VWILX	19.86%	7.97%	12.58%	-5.57%	5.36%	4.06%	0.34%	
310	Vanguard Total International Stock <u>Index</u> ⁽⁵⁾	VGTSX	17.90%	3.75%	7.04%	-7.82%	3.89%	4.01%	0.32%	
Small-Cap Stock Funds										
402	FPA Capital ⁽⁵⁾	FPPTX	10.83%	4.57%	10.59%	-0.50%	2.17%	9.31%	0.86%	
403	Hartford Small Company	HIASX	10.94%	7.10%	13.01%	-6.40%	2.67%	1.79%	0.75%	
210	Vanguard Small-Cap <u>Index</u>	VSCIX	12.16%	10.71%	15.26%	-2.79%	2.80%	5.13%	0.08%	
Mid-Cap Stock Funds										
208	Vanguard Capital Opportunity ⁽⁵⁾⁽⁶⁾	VHCAX	11.06%	-1.46%	7.21%	-5.24%	3.88%	2.90%	0.41%	
Large-Cap Stock Funds										
202	Dodge & Cox Stock	DODGX	10.85%	2.08%	6.66%	-10.24%	-1.47%	5.44%	0.52%	
306	Fidelity Contrafund	FCNTX	12.22%	6.83%	14.69%	-3.83%	3.76%	3.88%	1.02%	
307	Fidelity Growth Company	FDGRX	15.06%	7.97%	15.84%	-3.16%	4.65%	-1.22%	0.93%	
291	Janus Twenty	JAVLX	10.96%	-2.04%	2.93%	-4.16%	4.73%	-1.64%	0.94%	
565	Vanguard Institutional <u>Index</u>	VINIX	11.29%	3.88%	10.18%	-7.11%	0.67%	-0.41%	0.05%	
Balanced Funds										
201	Dodge & Cox Balanced	DODBX	8.48%	3.55%	7.51%	-4.97%	0.87%	6.02%	0.53%	
Bond Funds										
207	PIMCO Total Return	PTRAX	3.75%	9.64%	10.66%	10.58%	8.09%	7.66%	0.72%	
215	Vanguard Total Bond Market <u>Index</u>	VBTIX	2.46%	8.01%	8.12%	7.51%	6.29%	6.27%	0.07%	

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ Average annual return since inception date.

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

⁽⁶⁾ 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

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

Ohio Deferred Compensation Program is a supplemental retirement benefit plan regulated by Section 457 of the Internal Revenue Code. If you have questions regarding the Program, write, visit, or call an Account Executive at:

Ohio Deferred Compensation

257 East Town Street, Suite 457
Columbus, OH 43215-4626

Walk-in hours: 8:00 a.m. – 4:30 p.m. Monday – Friday

Phone hours: 8:00 a.m. – 5:30 p.m. Monday – Friday

Automated Telephone System: 24 hours, 7 days a week

1-877-644-6457

Ohio457@Nationwide.com

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www.Ohio457.org

Access the website 24 hours a day, 7 days a week:

- Check your account balance
- Exchange funds
- Access fund information, investment education, and retirement planning tools
- Change your deferral amount and/or allocation
- Update your personal information
- Print a Beneficiary Election Form

Holiday Schedule

The Service Center and exchange processing will be affected by the following New York Stock Exchange holiday schedule. When the Service Center is closed, you may still access your account by using the automated telephone system or the website. Exchanges received on holidays will be processed as of the market close of the next business day.

<u>Holiday</u>	<u>Date Closed</u>	<u>Exchanges Processed</u>
Thanksgiving Day	11/25/2010	11/26/2010
Friday after Thanksgiving	11/26/2010 (Open until 1:00 pm)	After 1:00 pm 11/29/2010
Christmas (observed)	12/24/2010	12/27/2010
Martin Luther King, Jr. Day	1/17/2011	1/18/2011

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Program information**
Add or update your email
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www.Ohio457.org



Investment Performance Report Notes

Investment Performance: Investment returns on the Investment Performance Report do not reflect the deduction of the historical 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.

Administrative Fee: An administrative fee of \$2.00 per quarter was charged 1/1/2000 to 9/30/2006. The quarterly \$2.00 administrative fee has been suspended since 10/1/2006 to present.

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.

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 expense 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 United States, 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.