

OHIO DEFERRED COMPENSATION 457 FOCUS



1-877-644-6457

www.Ohio457.org

Fourth Quarter 2010

Staying Focused

I recently read some words of wisdom that apply to everyone, regardless of age:

“The single most effective way for individuals to ensure that they have sufficient income for retirement is to accumulate more wealth; the amount of their savings before retirement defines their options in retirement.”

Take a moment to think about that simple statement.... Most people want to keep their options open, right? In retirement, those options would include the peace of mind knowing you have savings to cover everyday needs or health care expenses. They might also include the ability to travel, buy a new car, or afford to remain in your home.

However, too many people wait too long to begin saving enough for retirement. When it comes to saving for retirement, the power of compounding interest is a powerful tool that can work in your favor. Putting off savings works against you. Most of you who are reading this column are already saving for retirement, but are you saving enough?

It's so easy to think about what you would like to spend money on today. Set aside some time to think about your options for retirement; then create a plan to keep those options open. If you need help getting started, give us a call.

Keith Overly
Executive Director

New Year's Resolution: Pay Yourself

The New Year is a good time to think about recommitting to your savings plan. Saving for retirement is important, but it can be especially difficult in the current economy. We understand this as many workers are paying off debt or covering basic living expenses, instead of saving for retirement.

If you have stopped or lowered your deferrals into the Program, consider recommitting to your future. Think of it as paying yourself.

Review your spending habits and learn where to cut your expenses. Reflect on the differences between needs and wants.

Food for thought — pack your lunch. Is something eating into your savings goals? These days, finding money to pack away for the future isn't easy. But planning ahead is something you can't afford *not* to do. Pack your lunch and put the money you save toward your retirement. If you save just \$20 per pay period (26 pay periods per year), that adds up to \$520 per year.

If possible, increase what you contribute to your retirement account. Increasing your contribution a little every year can make a big impact over time. If you received a promotion or pay increase, why not save a portion of that increase for your retirement? Also consider automatically increasing your contributions every year by joining the SMarT Plan.



Your plan is just that—*yours*. You decide how much to contribute, what to invest in, and how to use your money when you retire. Make it a goal to think about increasing what you contribute this year. Call the Service Center or visit the website and go to the “Planning Tools” section. Use the calculators to find out how much you should be contributing today to meet your personal retirement goals. Investing involves risk, including loss of principal.

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:

March:

March 17 – Cincinnati – Sharonville Library Branch

March 18 – Canton – Perry Sippo Library Branch

March 29 – Cleveland – Brecksville Library Branch

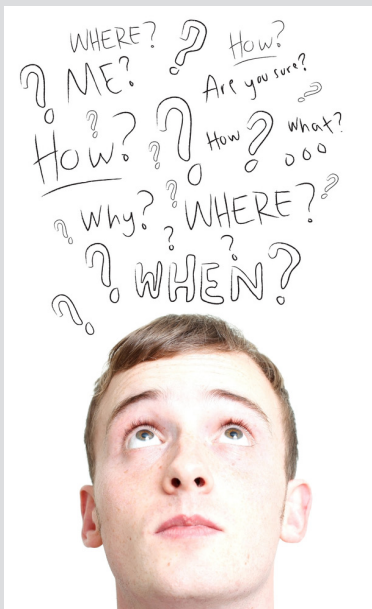
April:

April 20 – Toledo – Waterville Library Branch

April 27 – Dayton – Kettering Moraine Branch

Call 1-877-644-6457, press 3, and an Account Executive will assist you with making your appointment.

Information presented by the RPS is for educational purposes only and is not intended as investment advice.



What Does “457” Mean to You?



Have you ever wondered what the numbers “457” mean? Or, do you already know?

Many people don’t know that the numbers “457” come from the section of the Internal Revenue Service (IRS) code that established 457 retirement plans. According to IRS.gov:

“Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years. Ineligible plans may trigger different tax treatment under IRC 457(f).”

Ohio DC is an eligible 457(b) plan. Because you are in a 457(b) plan, you are allowed to defer your compensation on a before-tax basis through regular payroll deductions. That means money placed in your account grows on a tax-free basis until you withdraw it.

Use www.PlanandRetire.org to PLAN



Prepare, Learn, Act, Now. Start by using the planning tools available at www.PlanandRetire.org and find out if you are saving enough. The Ohio Retirement & Savings Awareness Initiative (ORSAI) website provides tools, calculators, and resources to help you manage your finances. Check it out at www.PlanandRetire.org.

Changes to the Ohio DC Board

On October 4, 2010, the Ohio Secretary of State certified the Ohio Public Employees Retirement System (OPERS) Board election results. OPERS Board members also serve on the Ohio DC Board. The State employees group was the only constituent group to receive ballots to elect a representative because other representative elections for the OPERS Board were uncontested. State employees elected a new Board member, Matthew Schulz, who began his four-year term on January 1, 2011. Mr. Schulz is a licensed professional engineer and current project manager for the Ohio Department of Transportation. Three current, uncontested Board of Trustee members were also certified: Kimberly Russell, Sharon Downs, and Ken Thomas. They will also serve a four-year term that expires December 2014.



On November 19, Governor-elect Kasich appointed Bob Blair as Director of the Ohio Department of Administrative Services. Mr. Blair has served 18 years in the public sector.

We congratulate all new and returning members to the OPERS Board and to the Ohio DC Board.

We wish to thank Board members Hugh Quill and Eddie Parks for their dedicated service over the past 3 years. Mr. Quill was appointed by Governor Strickland in 2007 as the Director of the Department of Administrative Services. Mr. Parks has represented approximately 55,400 State employees since early 2008.

Look for Your Annual Statement in Mid-February

We're putting the finishing touches on the Annual Statements that will be mailed in early February. While we will continue to provide quarterly Program statements with detailed account activity and the *Focus* newsletter, your Annual Statement gives you basic investment information and an update on *your* progress toward meeting *your* retirement income goal. Here's what you'll find in your personalized Annual Statement:

Your Account Summary for 2010 shows your personal investment results by option over the past year. Asset classes and allocation percentages are provided for each option to help you understand your investment mix. "Annual" and "Since Inception" totals are provided to show your long-term investment results.

Your Allocation Comparison contains a chart of your investment allocation by asset class and compares it to some sample investment allocations. It can be used as a guide along with our existing educational tools to help identify what type of investor you are and to select an appropriate allocation for you.

Your Potential Values and Benefits illustrates how potential account growth or your withdrawal choice can impact your monthly retirement benefit.

Your Beneficiaries lists your most current beneficiary designations that we have on file.

We hope that you find your Annual Statement helpful and informative. Look for it in your mailbox in the next few weeks. Review it and consider whether there are actions you should take, such as increasing your deferrals, rebalancing your account, or updating beneficiaries.

As You Prepare Your 2010 Taxes . . .

If you took a withdrawal or made a rollover from your Ohio DC account during 2010, you will be receiving a Form-1099R. We plan to print and mail these forms to participants around January 27, 2011. Please call the Service Center (1-877-644-6457) if you do not receive your Form-1099R by February 10.

If you plan to take a withdrawal or make a rollover from your account in 2011, you should be aware of the possible tax consequences. A **Special Tax Notice Regarding Plan Withdrawals** is posted in the "News" section of the website at www.Ohio457.org to help explain your options. If you don't have Internet access, or if you want to discuss this tax information, please call the Service Center.



Do You Know Your Limits?

2011 Deferral Limits

Some participants defer the maximum amount allowable into their Ohio DC account. The IRS sets limits on the amount of wages that you can defer annually. These limits are tied to inflation statistics, which are recalculated each year.



The annual deferral limits for 2011 will remain the same as the 2010 limits. Effective January 1, 2011, deferral limits will continue as follows:

| | |
|-----------------|-----------------------------------|
| \$16,500 | Regular deferral limit |
| \$22,000 | Age 50-plus deferral limit |
| \$33,000 | Catch-up deferral limit |







Ohio Deferred Compensation

Investment Performance Report — As of December 31, 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 | 4th Quarter | 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⁾ | 3.13% | 10.76% | 3.14% | 5.33% | 5.29% ⁽⁴⁾ | 0.25% |
| 121 | LifePath 2015 ⁽²⁾ | 7/5/2006 | n/a ⁽³⁾ | 4.40% | 11.80% | 1.50% | 4.81% ⁽⁴⁾ | 4.81% ⁽⁴⁾ | 0.25% |
| 122 | LifePath 2020 ⁽²⁾ | 8/1/2005 | n/a ⁽³⁾ | 5.55% | 12.79% | 0.80% | 4.62% | 4.80% ⁽⁴⁾ | 0.25% |
| 123 | LifePath 2025 ⁽²⁾ | 7/5/2006 | n/a ⁽³⁾ | 6.32% | 13.44% | 0.15% | 4.10% ⁽⁴⁾ | 4.10% ⁽⁴⁾ | 0.25% |
| 124 | LifePath 2030 ⁽²⁾ | 8/1/2005 | n/a ⁽³⁾ | 7.24% | 14.24% | -0.45% | 4.17% | 4.48% ⁽⁴⁾ | 0.25% |
| 125 | LifePath 2035 ⁽²⁾ | 7/5/2006 | n/a ⁽³⁾ | 7.84% | 14.65% | -1.01% | 3.46% ⁽⁴⁾ | 3.46% ⁽⁴⁾ | 0.25% |
| 126 | LifePath 2040 ⁽²⁾ | 8/1/2005 | n/a ⁽³⁾ | 8.47% | 15.21% | -1.58% | 3.76% | 4.11% ⁽⁴⁾ | 0.25% |
| 127 | LifePath 2045 ⁽²⁾ | 7/5/2006 | n/a ⁽³⁾ | 9.23% | 15.62% | -2.12% | 2.79% ⁽⁴⁾ | 2.79% ⁽⁴⁾ | 0.25% |
| 128 | LifePath 2050 ⁽²⁾ | 9/30/2007 | n/a ⁽³⁾ | 9.73% | 16.19% | -2.15% | -2.61% ⁽⁴⁾ | -2.61% ⁽⁴⁾ | 0.25% |
|  | Stable Value | | (Annualized Return) | | 4 th Quarter 2010 — 3.55% | | | 1 st Quarter 2011 — 3.35% | |
| 101 | Stable Value Option | | n/a ⁽³⁾ | 0.88% | 3.55% | 4.15% | 4.47% | 4.95% | 0.35% |

Mutual Funds

| | | | | | | | | | |
|---|--|-------|--------|--------|--------|-------|--------|-------|--|
|  | International Stock Funds | | | | | | | | |
| 532 | Templeton Foreign | TFFAX | 8.03% | 8.87% | -4.06% | 4.52% | 6.12% | 0.94% | |
| 209 | Vanguard International Growth ⁽⁵⁾⁽⁶⁾ | VWILX | 7.25% | 15.80% | -3.22% | 5.86% | 4.91% | 0.34% | |
| 310 | Vanguard Total International Stock <u>Index</u> ⁽⁵⁾ | VGTSX | 7.11% | 11.12% | -5.29% | 4.44% | 5.14% | 0.32% | |
|  | Small-Cap Stock Funds | | | | | | | | |
| 402 | FPA Capital ⁽⁵⁾ | FPPTX | 18.80% | 24.23% | 7.60% | 5.52% | 12.19% | 0.86% | |
| 403 | Hartford Small Company | HIASX | 15.90% | 24.13% | -1.58% | 4.50% | 4.58% | 0.75% | |
| 210 | Vanguard Small-Cap <u>Index</u> | VSCIX | 15.57% | 27.95% | 3.77% | 5.56% | 7.41% | 0.08% | |
|  | Mid-Cap Stock Funds | | | | | | | | |
| 208 | Vanguard Capital Opportunity ⁽⁵⁾⁽⁶⁾ | VHCAX | 12.76% | 11.12% | 0.34% | 5.49% | 5.25% | 0.41% | |
|  | Large-Cap Stock Funds | | | | | | | | |
| 202 | Dodge & Cox Stock | DODGX | 11.18% | 13.49% | -5.48% | 0.05% | 5.39% | 0.52% | |
| 306 | Fidelity Contrafund | FCNTX | 9.45% | 16.93% | -1.71% | 4.87% | 5.54% | 1.02% | |
| 307 | Fidelity Growth Company | FDGRX | 11.64% | 20.54% | 0.18% | 5.72% | 1.68% | 0.93% | |
| 291 | Janus Twenty | JAVLX | 9.21% | 6.98% | -3.83% | 6.31% | 2.18% | 0.94% | |
| 565 | Vanguard Institutional <u>Index</u> | VINIX | 10.75% | 15.05% | -2.80% | 2.32% | 1.43% | 0.05% | |
|  | Balanced Funds | | | | | | | | |
| 201 | Dodge & Cox Balanced | DODBX | 8.37% | 12.23% | -1.45% | 2.08% | 5.93% | 0.53% | |
|  | Bond Funds | | | | | | | | |
| 207 | PIMCO Total Return | PTRAX | -0.98% | 8.57% | 8.83% | 7.79% | 7.07% | 0.72% | |
| 215 | Vanguard Total Bond Market <u>Index</u> | VBTIX | -1.32% | 6.58% | 5.95% | 5.86% | 5.71% | 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

Ohio Deferred Compensation Board

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Keith Overly
Executive Director

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> |
|------------------------------------|--------------------|----------------------------|
| Martin Luther King, Jr. Day | 1/17/2011 | 1/18/2011 |
| Presidents' Day | 2/21/2011 | 2/22/2011 |
| Good Friday | 4/22/2011 | 4/25/2011 |

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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.