



## Ohio Deferred Compensation

### INTRODUCTION

In 1977, Ohio Deferred Compensation began to offer Ohio's state and local government employees a supplemental retirement program administered in accordance with Internal Revenue Code Section 457.

The Program's oversight body is a 13 member board as prescribed by Ohio Revised Code Chapter 148. The Board is comprised of a member of the Ohio House of Representatives and a member of the Ohio Senate, and the 11 members of the Public Employees Retirement System Board.

The Program contracts with Nationwide Retirement Solutions to provide enrollment, education, and customer service, though all investment options offered through the Program are professionally managed by external managers. The investment options are selected and monitored by the Board and their independent investment consultant.

The combined expertise and oversight of these resources provides an assurance that due diligence is being performed, and the Program is operated with Ohio public employees' best interests in mind.

Ohio Deferred Compensation is recognized around the country as one of the largest and most-respected 457 plans. A 30-year history of superior service, plan features, and investment options has helped the Program grow to more than 194,000\* participant accounts from 1,700\* Ohio employers. Program assets are approximately \$6.1 billion\*. As a result of the Program size, plan expenses are among the lowest in the country. \*Program numbers as of April 2009.

#### **What is a 457 deferred compensation plan?**

A governmental 457(b) deferred compensation plan is a retirement savings plan that allows eligible employees to supplement any existing retirement/pension benefits by saving and investing pre-tax dollars through voluntary salary deferral.

Contributions and any earnings are tax-deferred (both federal and state income taxes) until money is withdrawn. Withdrawals are taxed at ordinary income levels. Please keep in mind that you will not have withdrawal access to your retirement savings in the Program until you have

terminated employment.

### **Why should I participate in the Program?**

As a supplement to other retirement benefits or savings that you may have, this voluntary program allows you to save and invest extra money tax-deferred for retirement. If you are interested in saving and investing additional money for retirement, and/or reducing the amount of current federal and state income taxes you pay each year, Ohio Deferred Compensation may be an excellent tool to help make your future more secure.

### **Is there any reason why I should not participate in the Program?**

Participating may not be advantageous if you are experiencing financial difficulties, have excessive debt, or do not have an adequate emergency fund (typically three to six months of income in an easy-to-access account).

### **How are the Program's assets protected from bankruptcy?**

All assets are held in trust by the board on behalf of your employer for the exclusive benefit of Program participants and their beneficiaries. This means that Program assets are not subject to the claims of your employer's creditors in the event of your employer's bankruptcy.

### **Does participation in the Program affect my pension or reduce my pension/retirement benefits?**

No. This is a supplementary plan which does not replace or reduce your pension retirement benefits.

### **Who is eligible to enroll?**

Any public employee who is eligible to participate in one of the state's statutory retirement systems (including the City of Cincinnati retirement system) is eligible to enroll.

### **How do I enroll?**

- By phone, toll-free at 877-644-6457.
- Through the internet at [www.Ohio457.org](http://www.Ohio457.org).
- At the worksite. If you attend a workshop, please bring a recent paycheck stub with you and an Account Executive can assist you.
- At our Service Center. An Account Executive can assist you at our Columbus, Ohio, Service Center.

### **What is the minimum and maximum contribution amount?**

The minimum contribution amount is \$15 per pay for participants who get paid bi-weekly or twice a month, and \$30 per pay if you get paid once a month. In 2009, you can contribute up to \$16,500, or 100% of your includible income per year, whichever is less. There are also two different opportunities to "catch-up" and contribute more.

- Age 50 plus catch-up allows participants to contribute an additional \$5,500 in 2009.
- Normal catch-up allows participants to contribute more in the three years prior to normal

retirement age. You may contribute up to double the normal limit (\$33,000 in 2009). This limit is subject to the amounts you were allowed to contribute in previous years, but did not. An Account Executive can calculate and explain your annual deferral limits.

*The 50 plus catch-up and the normal catch-up cannot be used at the same time.*

**What are my investment option choices?**

You can choose from among a diverse array of investment options. Please see an Investment Performance Report for current investment choices. The Investment Performance Report can be found on the Program web site under Fund Information.

**How do I keep track of my account?**

You can view your account on the web site at [www.Ohio457.org](http://www.Ohio457.org), or get any information regarding your account by calling an Account Executive at 877-644-6457. Ohio Deferred Compensation will also mail you a quarterly account statement showing your account balance and activity. Any account with a balance over \$5,000 will receive an annual statement.

**How do I change my deferral or make investment option changes?**

You can make these changes on the web site or call an Account Executive.

**ROLLOVERS/TRANSFERS**

**May I roll my account over from my former employer's plan?**

Yes. Your balances from pre-tax 457, 403(b), 401(k), or 401(a) plans or traditional IRAs may be rolled over to Ohio Deferred Compensation.

**May I roll my account over if I leave employment with my current employer?**

Yes. You may roll your account balance over to a 457, 403(b), 401(k), or 401(a) plan if your new employer accepts this type of rollover. You may also roll your account balance over to a traditional IRA.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% tax penalty if withdrawn before age 59 ½. Neither Nationwide nor any of its representatives give legal or tax advice. Please contact your legal or tax advisor for such advice.

**May I purchase service credit for my pension plan?**

You may purchase service credit for prior years of service or additional permissive years within your current pension plan by transferring some or all of the 457 account balance on a pre-tax basis. Contact your retirement system to see if you qualify.

**VESTING**

**When am I vested in the Program?**

Vesting refers to the percentage of your account you are entitled to receive upon distribution from the Program. Your contributions to the Program are always 100% vested (including transfers from previous employers), plus or minus any earnings or losses they generate.

## **LOANS**

### **May I take a loan from my account?**

Ohio Deferred Compensation does not offer a loan provision.

## **WITHDRAWALS**

### **When can I withdraw from my account?**

You may withdraw funds only when you:

- Retire
- Terminate employment (as defined by Internal Revenue Code provisions)
- Suffer an unforeseeable emergency (as defined by IRS code)
- If your account balance is less than \$5,000 and you have not contributed to your account for two years (referred to as a Small Balance Distribution)

All withdrawals are subject to ordinary income tax

### **What are my withdrawal options?**

If you are eligible to withdraw, you may:

- Leave the value of your account in the Program until you reach age 70 ½. At 70 ½, you will be required to withdraw a minimum distribution each year.
- Receive:

- Full lump sum payment

- Partial lump sum payment

- Periodic payments made monthly, quarterly, semi-annually, or annually based on a dollar amount, fixed time period, or fixed percentage. You can stop and start these payments at any time.

- Transfer or rollover to another 457 plan or rollover to a 403(b), 401(k), or 401(a) plan if allowed by your new employer, or rollover to a traditional IRA.

### **What happens to my money when I die?**

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary must contact the Service Center to transfer the account. Trusts can also be named as a beneficiary. If no individual(s) or trust is named, the account will be transferred in the name of your estate.

## **TAXES**

### **How does my participation in the Program affect my taxes?**

Because your deferrals are taken out of your paycheck before taxes are calculated, you pay less in current income taxes. You do not report any earnings from your account on your current income taxes either. Your account is tax-deferred until you withdraw money after separation from employment. Withdrawals from this Program are taxable as ordinary income during the years in which they are paid to you or to your beneficiary(ies).

### **What fees do I pay to participate in the Program?**

When it comes to investments, fees matter. Ohio Deferred Compensation has a history of low fees. Since 1988, Program fees charged to participants have been lowered 10 times!

Participants pay investment fund fees, called expense ratios, to the portfolio managers for their costs. Recordkeeping fees can also be added to the expense ratios for separate accounts and commingled funds. No recordkeeping fees are added to mutual funds. These fees are deducted from the investment performance of every option and are listed on the quarterly Investment Performance Report. All returns are shown net of all fees. Participant accounts can also be charged an administrative fee of \$2.00 per quarter. This fee has been waived since the 4th quarter 2006 for all participants.

The Program does not pay commissions or use investments which charge front or backend loads, and there are no surrender fees.

## **HOW DO I GET MORE INFORMATION?**

Visit the web site at [www.Ohio457.org](http://www.Ohio457.org) or call the Service Center at 877-644-6457. The web site has information regarding the Program, investment options, financial education information, as well as tools and services to help you manage your account.

You can also stop by our Service Center. For directions, please [click here](#).

Walk-in office hours: 8:00am to 4:30pm Eastern time

Field Account Executives also provide group meetings and seminars at employer worksites around the state and will be available to answer your Program-related questions.

Retirement Planning Specialists are available to answer your retirement planning questions including:

- Determine your retirement income needs
- Evaluate your current financial picture
- Evaluate combining all your assets into one program
- Choose the distribution option that's right for you

Please call 1-877-644-6457 to set up an appointment.

Information provided by retirement specialists is for educational purposes only and is not intended as investment advice.

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