

CHOOSING YOUR RETIREMENT PROGRAM

RETIREMENT PROGRAM CHOICES

Employees of Ohio public colleges and universities do not participate in the federal Social Security system other than contributions to Medicare. Your employer offers two retirement programs from which you can choose: the **Ohio Public Employees Retirement System (OPERS)** and the **Alternative Retirement Plan (ARP)**. The two programs differ in how your retirement benefits are determined. It is important that you understand how each program works so you can pick the one that best fits your retirement objectives.

This brochure outlines the differences effective August 1, 2005 between the programs and addresses issues that will likely affect most people. You should carefully consider your own situation before making your program election. You may also seek advice from a retirement planning professional who is familiar with the program options, from OPERS representatives, or from representatives of one or more ARP vendors.

In addition to a monthly retirement income, you may want to consider your need for disability, survivor, and retiree health care benefits. Information about how these benefits relate to your retirement program options is also included in this brochure.

During the election period (defined below) until your election is processed, your retirement funds are deposited with the Ohio Public Employees Retirement System. If you enroll in the ARP, your employee contributions and eligible employer contributions beginning with your ARP eligibility date will automatically be transferred to your selected ARP vendor. Your ARP election cancels your service credit and benefits in OPERS for your election period.

Your election between the ARP and OPERS retirement programs cannot be changed while you are continuously employed at your current Ohio public college or university. Your retirement program election cannot be changed if you leave employment with your current employer and are re-employed by the same employer within 365 days of your termination date.

ELECTION PERIOD

Within 120 days of your eligible appointment date you must complete a Retirement Program Election form to make your enrollment choice between the ARP and OPERS retirement programs.

Your election between the ARP and OPERS is **final and irrevocable** when you return your election form to your employer's human resources or employee benefits office or when your 120-day election period ends, whichever occurs first.

Beginning with your eligibility date, you are enrolled in the OPERS retirement program. If you do not make a retirement program election within this 120-day election period, you will remain a participant in the OPERS program.

If you elect OPERS within your 120-day election period, you have an additional time period to select between the OPERS Traditional Pension, Member-Directed, and Combined Plan options. (**Note:** You have a total of 180 days from your eligible appointment date to select among the three OPERS options.)

CHOOSING THE RIGHT PROGRAM CAN MAKE ALL THE DIFFERENCE

You have a choice between two retirement programs: the Alternative Retirement Plan (ARP) and the Ohio Public Employees Retirement System (OPERS). Review the plan descriptions outlined below and the comparison chart later in this brochure to help you determine which program best meets your needs.

DEFINING THE PLANS

Your retirement plan options differ in several ways. The basic difference is in how benefits are determined.

- **THE ALTERNATIVE RETIREMENT PLAN AND THE OPERS MEMBER-DIRECTED PLAN ARE BOTH DEFINED CONTRIBUTION PLANS.**

In a defined contribution plan your benefit is determined by the amount of your account balance at retirement and the payment option you choose. In this type of plan you and your employer contribute a defined percentage of your pay to your personal account.

You decide how to allocate the contributions among a variety of investment choices. Your choices determine the amount of investment risk that you bear and the amount of investment gains or losses that your account will receive.

You can design your own investment strategy to suit your needs and circumstances. Your account balance is determined by the contributions made to the plan by you and your employer and the investment earnings or losses your account experiences.

- **THE OPERS TRADITIONAL PENSION PLAN IS A DEFINED BENEFIT PLAN.**

In this defined benefit plan your benefit is determined by a mathematical formula that uses your age, years of service credit, and final average salary (the average of your three highest years of earnings on which contributions were made) at the time of your retirement. You and your employer contribute to the retirement plan. Your contributions are deposited in your personal account. Your employer's contributions are deposited in a general fund for all plan participants.

You do not make any investment allocation decisions for this plan. You do not bear any investment risk.

- **THE OPERS COMBINED PLAN COMBINES ELEMENTS OF THE OPERS TRADITIONAL PENSION PLAN AND THE OPERS MEMBER-DIRECTED PLAN.**

In this plan your benefit is partially determined by a mathematical formula that uses your years of service credit and final average salary, as in the Traditional Pension Plan, and partially determined by your investment of employee contributions in your personal account, as in the Member-Directed Plan.

With the Combined Plan you and your employer contribute to the retirement plan. Your employer's contributions fund the defined benefit portion and its benefits. Your employee contributions are deposited in a personal account for you to allocate among a variety of investment choices. Your choices will determine the value of your account at retirement and the defined contribution benefit you will receive.

CHARACTERISTICS OF THE ARP AND THE OPERS MEMBER- DIRECTED PLAN

With a defined contribution plan like the ARP or the OPERS Member-Directed Plan, you make the retirement investment decisions. You can customize your investments according to your tolerance for risk and your retirement time horizon. Your investment choices in the ARP are determined by the vendor that you select from a group of ARP vendors available at your college or university. Your investment choices in the OPERS Member-Directed Plan are determined by OPERS. A defined contribution plan may be a better choice for you than a defined benefit plan if you are willing to assume the investment risk and the possible rewards associated with long-term investing. Defined contribution plans like the ARP and the OPERS Member-Directed Plan:

- offer you the opportunity to accumulate a larger total retirement benefit than do defined benefit plans, assuming long-term favorable investment performance.
- typically result in a greater benefit than defined benefit plans for younger employees with many years until retirement or for employees who terminate employment after a few years of service.
- allow your future retirement benefits to be subject to continued investment gains or losses after the termination of your employment until you begin receiving your benefits.

With the Alternative Retirement Plan your employer's entire contribution is currently allocated to your personal account. With the OPERS Member-Directed Account a portion of your employer's contribution (equal to 8.5% of your pay in 2005 and 9.0% of your pay in 2006) is allocated to your personal account and a portion (equal to 4.81% of your pay in 2005 and 4.54% of your pay in 2006) is allocated to a Retiree Medical Account.

CHARACTERISTICS OF THE OPERS TRADITIONAL PENSION PLAN

The OPERS Traditional Pension Plan provides you with a retirement benefit determined by a mathematical formula. Daily financial market fluctuations do not affect your benefits. A defined benefit plan may be a better choice for you than a defined contribution plan if you want to avoid the "ups and downs" of the financial markets and want a known benefit at retirement. The OPERS Traditional Pension Plan:

- provides a more predictable retirement benefit than does a defined contribution plan.
- offers periodic cost-of-living adjustments to ease the negative impact that even modest inflation has on the future purchasing power of retirement benefits.
- currently provides additional benefits such as disability, survivor, and, to the extent that funds are available, retiree health care benefits.

CHARACTERISTICS OF THE OPERS COMBINED PLAN

The OPERS Combined Plan provides a retirement benefit which is partially determined by a mathematical formula and partially determined by your employee contributions and the investment gains or losses on your defined contribution account. The OPERS Combined Plan may be a better choice for you than either a defined contribution plan or a defined benefit plan if you want to participate in the potential rewards in your defined contribution account which are associated with long-term investing while being protected by the disability and survivor benefits of the Combined Plan. The OPERS Combined Plan:

- provides a predictable benefit from the defined benefit portion of the plan and the potential for a greater total retirement benefit from your investments in the defined contribution portion of the plan.
- offers periodic cost-of-living adjustments under the defined benefit portion of the plan.
- currently provides additional benefits such as disability, survivor, and, to the extent that funds are available, retiree health care benefits.

COMPARISON OF ALTERNATIVE RETIREMENT PLAN AND OHIO PUBLIC EMPLOYEE RETIREMENT SYSTEM OPTIONS

To help you determine whether you prefer participating in the ARP or OPERS, review the differences between the two programs outlined in this chart.

FEATURE	ALTERNATIVE RETIREMENT PROGRAM	OPERS MEMBER-DIRECTED PLAN
Plan Type	<p>Defined Contribution Plan</p> <ul style="list-style-type: none"> Your benefit is determined by your account balance and the payment option(s) you choose when you apply to receive benefits. Your account balance consists of contributions made by you and your employer and your account's investment gains or losses. 	<p>Defined Contribution Plan</p> <ul style="list-style-type: none"> Your benefit is determined by your account balance and the payment option(s) you choose when you apply to receive benefits. Your account balance consists of contributions made by you and your employer and your account's investment gains or losses.
Employee Contributions	<ul style="list-style-type: none"> You contribute 8.5%* (9.0% in 2006) of your gross pay (subject to federal limits) on a pretax basis. <p><i>*Your contribution is scheduled to change in 2007 and 2008.</i></p>	<ul style="list-style-type: none"> You contribute 8.5%* (9.0% in 2006) of your gross pay (subject to federal limits) on a pretax basis. <p><i>*Your contribution is scheduled to change in 2007 and 2008.</i></p>
Employer Contributions	<ul style="list-style-type: none"> Employer contributions are listed on the enclosed highlights sheet. Currently the entire employer contribution is deposited in your personal ARP account. 	<ul style="list-style-type: none"> Employer contributions are listed on the enclosed highlights sheet. A portion (equal to 4.81% of your pay in 2005 and 4.54% of your pay in 2006) is deposited in your OPERS Retiree Medical Account.
Vesting <i>(Your right to receive a benefit)</i>	<ul style="list-style-type: none"> Your contributions are immediately vested. Vesting of employer contributions is shown on the plan highlights sheet. 	<ul style="list-style-type: none"> Your contributions are immediately vested. Vesting of employer contributions is shown on the plan highlights sheet.
How Your Benefit Grows	<ul style="list-style-type: none"> Your benefit grows with contributions made by you and your employer and any investment returns your account receives. 	<ul style="list-style-type: none"> Your benefit grows with contributions made by you and your employer and any investment returns your account receives.

OPERS TRADITIONAL PENSION PLAN	OPERS COMBINED PLAN
<p>Defined Benefit Plan</p> <ul style="list-style-type: none"> Your benefit is determined by a formula using your age, years of service credit, and your Final Average Salary (your average earnings in your three highest years of contributing to OPERS). The current formula provides a single-life annuity benefit at age 65 or with 30 years of service credit determined as follows: $\frac{2.2\% \times \text{Years of Service Credit} \times \text{Final Average Salary}}{= \text{Benefit}}$ <p>for the first 30 years of service credit. A 2.5% factor is used for years in excess of 30.</p> <p>There are actuarial reductions in your benefit if you receive it before age 65 with less than 30 years of service credit.</p>	<p>Combination of Elements of Defined Benefit and Defined Contribution Plans</p> <ul style="list-style-type: none"> Your benefit is determined in two parts (a defined benefit portion and a defined contribution portion). Your benefit in the defined benefit portion is determined by a formula which uses your age, years of service credit, and your Final Average Salary (your average earnings in your three highest years of contributing to OPERS). The current formula provides a single-life annuity benefit at age 65 or with 30 years of service credit determined as follows: $\frac{1.0\% \times \text{Years of Service Credit} \times \text{Final Average Salary}}{= \text{Benefit}}$ <ul style="list-style-type: none"> Your defined contribution benefit is determined by your account balance (your contributions and your account's investment gains or losses) and the payment option you choose when you apply to receive it.
<ul style="list-style-type: none"> You contribute 8.5%* (9.0% in 2006) of your gross pay (subject to federal limits) on a pretax basis. <p><i>*Your contribution is scheduled to change in 2007 and 2008.</i></p>	<ul style="list-style-type: none"> You contribute 8.5%* (9.0% in 2006) of your gross pay (subject to federal limits) on a pretax basis. <p><i>*Your contribution is scheduled to change in 2007 and 2008.</i></p>
<ul style="list-style-type: none"> Employer contributions are listed on the enclosed highlights sheet. The entire employer contribution is made to OPERS to fund your OPERS benefits. 	<ul style="list-style-type: none"> Employer contributions are listed on the enclosed highlights sheet. The entire employer contribution is made to OPERS to fund your OPERS benefits.
<ul style="list-style-type: none"> Your contributions are immediately vested. Vesting of employer contributions is shown on the plan highlights sheet. 	<ul style="list-style-type: none"> Your contributions are immediately vested. Vesting of employer contributions is shown on the plan highlights sheet.
<ul style="list-style-type: none"> Your benefit grows with adding years of service credit (either earned or purchased) and with increases in your salary. 	<ul style="list-style-type: none"> Your defined contribution portion grows with your employee contributions and investment returns on your account. Your defined benefit portion grows with adding years of service credit and with increases in your salary.

COMPARISON OF ARP AND OPERS (continued)

FEATURE	ALTERNATIVE RETIREMENT PROGRAM	OPERS MEMBER-DIRECTED PLAN
<p>Investment Management and Options</p>	<ul style="list-style-type: none"> You choose an ARP vendor through which you invest and allocate the contributions among a variety of investment options. You assume the cost of any management fees associated with your investments. 	<ul style="list-style-type: none"> You allocate the contributions through a variety of investment options offered by OPERS. You assume the cost of any management fees associated with your investments.
<p>Tax-Deferred Benefits</p>	<ul style="list-style-type: none"> Your contributions are made on a pretax basis. Federal and state income taxes are deferred until benefits are paid. Benefits are exempt from Ohio local or municipal taxes except school district income taxes. Any investment return your account earns is also tax deferred. Withdrawals before age 59½ may be subject to a federal excise tax penalty. 	<ul style="list-style-type: none"> Your contributions are made on a pretax basis. Federal and state income taxes are deferred until benefits are paid. Benefits are exempt from Ohio local or municipal taxes except school district income taxes. Any investment return your account earns is also tax deferred. Withdrawals before age 59½ may be subject to a federal excise tax penalty.
<p>Access to Funds at Termination/ Retirement</p>	<p>You can choose from a number of options:</p> <ul style="list-style-type: none"> Leave your account balance with your ARP vendor. Receive your vested balance in one or more of the following ways: <ul style="list-style-type: none"> - Partial or full cash withdrawal - Fixed period payments over a period of years - Systematic withdrawals - Single-life monthly annuity or joint-life monthly annuity with survivor protection. Roll over your vested balance into another qualified account or Individual Retirement Account. 	<p>You can choose from a number of options:</p> <ul style="list-style-type: none"> Leave your account balance** on deposit for future benefits. Receive your account balance** in one or more of the following ways: <ul style="list-style-type: none"> - Partial or full cash withdrawal - Fixed period payments over a period of years - Systematic withdrawals - Single-life monthly annuity or joint-life monthly annuity with survivor protection. Roll over your account balance** into another qualified account or Individual Retirement Account. <p><i>**Includes a portion of employer contributions based on your years of OPERS participation (20% after 1 year increasing to 100% after 5 years of participation).</i></p>

OPERS TRADITIONAL PENSION PLAN	OPERS COMBINED PLAN
<ul style="list-style-type: none"> • OPERS manages all assets to fund your benefit. • You pay no administrative fees. 	<ul style="list-style-type: none"> • In the defined contribution portion you allocate your contributions through a variety of investment options offered by OPERS. You assume any management fees. • In the defined benefit portion OPERS manages all assets to fund your benefit. You pay no administrative fees.
<ul style="list-style-type: none"> • Your contributions are made on a pretax basis. Federal and state income taxes are deferred until benefits are paid. • Benefits are exempt from Ohio local or municipal taxes except school district income taxes. • Any interest earnings on your personal account are tax deferred until withdrawn. • Withdrawals before age 59½ may be subject to a federal excise tax penalty. 	<ul style="list-style-type: none"> • Your contributions are made on a pretax basis. Federal and state income taxes are deferred until benefits are paid. • Benefits are exempt from Ohio local or municipal taxes except school district income taxes. • Any investment or interest earnings on your account are tax deferred until withdrawn. • Withdrawals before age 59½ may be subject to a federal excise tax penalty.
<p>You can choose from a number of options:</p> <ul style="list-style-type: none"> • Leave your account balance on deposit for future benefits. • Receive a lump-sum refund of your contributions, any eligible interest, and any eligible employer contributions (with 5 years of service credit, you receive an amount equal to 33% of your employee contributions and interest; with at least 10 years of service credit, you receive an amount equal to 67% of your employee contributions and interest). • Receive a single-life monthly annuity benefit or a joint-life monthly annuity benefit with survivor protection. • Roll over your account balance into another qualified account or Individual Retirement Account. 	<p>You can choose from a number of options:</p> <ul style="list-style-type: none"> • Leave your account balance on deposit for future benefits. • Receive a lump-sum refund of your account balance, including any investment return, and any eligible employer contributions (with 5 years of service credit, you receive an amount equal to 33% of your employee contributions; with at least 10 years of service credit, you receive an amount equal to 67% of your employee contributions). • Receive from the defined benefit portion of your plan a single-life monthly annuity benefit or a joint-life monthly annuity benefit with survivor protection. • Receive your defined contribution account balance in one or more of the following ways: <ul style="list-style-type: none"> - Partial or full cash withdrawal - Fixed period payments over a period of years - Systematic withdrawals - Single-life monthly annuity or joint-life monthly annuity with survivor protection. • Roll over your account balance into another qualified account or Individual Retirement Account.

COMPARISON OF ARP AND OPERS (continued)

FEATURE	ALTERNATIVE RETIREMENT PROGRAM	OPERS MEMBER-DIRECTED PLAN
<p>Cost-of-Living Adjustments</p>	<p>You receive no automatic annual cost-of-living increase. ARP vendors may offer an annuity benefit with payment options that enable you to keep pace with inflation.</p>	<p>You receive no automatic cost-of-living increase. However, if you receive a lifetime monthly income through OPERS, you may receive a cost-of-living adjustment.</p>
<p>Retirement Age To Begin Receiving Monthly Retirement Income Benefits</p>	<p>You may begin receiving monthly plan benefits at any age after termination of contributing employment.</p>	<p>You may begin receiving monthly plan benefits at age 55.</p>
<p>Preretirement Survivor Benefits <i>(Check with your employer for employer-provided or voluntary life insurance benefits.)</i></p>	<p>At your death your beneficiary receives your vested account balance. Your beneficiary has the same options as you have when choosing how and when to receive benefits.</p>	<p>At your death your beneficiary receives the vested portion of your account balance and access to the vested balance in your Retiree Medical Account. No monthly survivor benefits are payable by OPERS.</p>
<p>Disability Benefits <i>(Check with your employer for employer-provided or voluntary disability insurance benefits.)</i></p>	<ul style="list-style-type: none"> • You are not eligible for separate disability benefits through the ARP. • You can receive your vested account balance after termination of your employment. 	<ul style="list-style-type: none"> • You are not eligible for separate disability benefits from OPERS. • You can receive your vested account balance after termination of your employment.
<p>Retiree Medical Benefits</p>	<ul style="list-style-type: none"> • Retiree medical benefits are not provided by the ARP. • You may be eligible for Medicare benefits if you or your spouse has made the required minimum Medicare contributions. 	<ul style="list-style-type: none"> • You will have access to your OPERS Retiree Medical Account to pay for qualified health care expenses. • You may be eligible for Medicare benefits if you or your spouse has made the required minimum Medicare contributions.

OPERS TRADITIONAL PENSION PLAN	OPERS COMBINED PLAN
<p>You receive an annual cost-of-living increase equal to 3% of your original retirement benefit.</p>	<p>You receive no automatic cost-of-living increase under the defined contribution portion; you may receive a cost-of-living adjustment if you receive an OPERS lifetime monthly income. For your defined benefit portion you receive an annual cost-of-living increase equal to 3% of your original retirement benefit.</p>
<p>You may begin receiving monthly plan benefits:</p> <ul style="list-style-type: none"> • At age 60 with 5 years of total service credit. • At age 55 with 25 years of total service credit. • At any age with 30 years of total service credit. <p>Your benefit is actuarially reduced if you begin receiving it before age 65 with less than 30 years of service credit.</p>	<p>You may begin receiving monthly plan benefits:</p> <ul style="list-style-type: none"> • At age 60 with 5 years of total service credit. • At age 55 with 25 years of total service credit. • At any age with 30 years of total service credit. <p>Your benefit is actuarially reduced if you begin receiving it before age 65 with less than 30 years of service credit.</p>
<p>At your death your beneficiary:</p> <ul style="list-style-type: none"> • Receives a lump-sum refund of your account balance or a monthly income based on OPERS guidelines (if you have at least 18 months of total service credit). • Receives a lump-sum refund of your account balance (if you have less than 18 months of total service credit). 	<p>At your death your beneficiary:</p> <ul style="list-style-type: none"> • Receives a lump-sum refund of your account balance or a monthly income based on OPERS guidelines (if you have at least 18 months of total service credit). • Receives a lump-sum refund of your account balance (if you have less than 18 months of total service credit).
<ul style="list-style-type: none"> • You are eligible to apply for OPERS disability benefits with a minimum of 5 years of total service credit. • Your OPERS disability benefits are determined by your age, years of service credit, and Final Average Salary. 	<ul style="list-style-type: none"> • You are eligible to apply for OPERS disability benefits with a minimum of 5 years of total service credit. • Your OPERS disability benefits are determined by your age, years of service credit, and Final Average Salary.
<ul style="list-style-type: none"> • You may be eligible for OPERS retiree medical benefits*** (the minimum required years of earned service credit is currently 10 years of service credit). • You may be eligible for Medicare benefits if you or your spouse has made the required minimum Medicare contributions. <p>***Retiree medical benefits are not statutorily mandated and are not guaranteed by OPERS.</p>	<ul style="list-style-type: none"> • You may be eligible for OPERS retiree medical benefits*** (the minimum required years of earned service credit is currently 10 years of service credit). • You may be eligible for Medicare benefits if you or your spouse has made the required minimum Medicare contributions. <p>***Retiree medical benefits are not statutorily mandated and are not guaranteed by OPERS.</p>

COMPARISON OF ARP AND OPERS (continued)

FEATURE	ALTERNATIVE RETIREMENT PROGRAM	OPERS MEMBER-DIRECTED PLAN
Purchasing Service Credit/ Combining Credit with Other Systems	<ul style="list-style-type: none"> You are not eligible to purchase service credit in the ARP. You cannot combine service credit earned with other Ohio public retirement systems. 	<ul style="list-style-type: none"> You are not eligible to purchase service credit in the Member-Directed Plan. You cannot combine service credit earned with other Ohio public retirement systems.
Impact on Social Security Benefits	<ul style="list-style-type: none"> If you are eligible for a Social Security retirement benefit, the benefit may be reduced due to your receiving an ARP benefit. 	<ul style="list-style-type: none"> If you are eligible for a Social Security retirement benefit, the benefit may be reduced due to your receiving an OPERS benefit.
Contributions to Other Pretax Retirement Savings Programs	<ul style="list-style-type: none"> You can contribute to any approved tax-deferred annuity [Section 403(b)] or deferred compensation [Section 457(b)] plan available through your employer. 	<ul style="list-style-type: none"> You can contribute to any approved tax-deferred annuity [Section 403(b)] or deferred compensation [Section 457(b)] plan available through your employer.

Note: Features described here are those currently available under the Alternative Retirement Plan and the Ohio Public Employees Retirement System. The programs and the plan features are subject to change to meet the requirements of federal and Ohio law and changes mandated by the OPERS Board of Trustees. When there are differences between the wording of the Retirement Choices kit and the plan documents for the Alternative Retirement Plan and the Ohio Public Employees Retirement System, the wording of the plan documents prevails.

OPERS TRADITIONAL PENSION PLAN	OPERS COMBINED PLAN
<ul style="list-style-type: none"> You can purchase service credit for eligible federal service, out-of-state public service, and military service. You can combine eligible service credit earned with the State Teachers Retirement System and with the School Employees Retirement System. 	<ul style="list-style-type: none"> You can purchase service credit for eligible federal service, out-of-state public service, and military service. You cannot combine service credit earned with other Ohio public retirement systems.
<ul style="list-style-type: none"> If you are eligible for a Social Security retirement benefit, the benefit may be reduced due to your receiving an OPERS benefit. 	<ul style="list-style-type: none"> If you are eligible for a Social Security retirement benefit, the benefit may be reduced due to your receiving an OPERS benefit.
<ul style="list-style-type: none"> You can contribute to any approved tax-deferred annuity [Section 403(b)] or deferred compensation [Section 457(b)] plan available through your employer. 	<ul style="list-style-type: none"> You can contribute to any approved tax-deferred annuity [Section 403(b)] or deferred compensation [Section 457(b)] plan available through your employer.

Note: Features described here are those currently available under the Alternative Retirement Plan and the Ohio Public Employees Retirement System. The programs and the plan features are subject to change to meet the requirements of federal and Ohio law and changes mandated by the OPERS Board of Trustees. When there are differences between the wording of the Retirement Choices kit and the plan documents for the Alternative Retirement Plan and the Ohio Public Employees Retirement System, the wording of the plan documents prevails.

SELECTING A DEFINED CONTRIBUTION PLAN PROVIDER

If you elect to participate in the Alternative Retirement Plan, the OPERS Member-Directed Plan, or the OPERS Combined Plan, you must decide how to invest all or a portion of your retirement funds.

Before you select a retirement plan, it is important to evaluate the plan's overall philosophy and investment options. Each retirement plan offers a variety of investment choices with which you can build a financial portfolio. You should contact each retirement plan vendor that you are interested in for information which may include a prospectus. Some of the key issues you may wish to consider are found below.

Stability and Experience

You will want to entrust your retirement funds to an organization with the stability, experience, and strength to live up to its promises. You can evaluate each organization by reading through its plan materials and annual reports.

Retirement Fund Objectives

You will want to review each individual investment option or fund that a retirement plan provider offers. You can examine the provider's descriptive materials including any prospectus. You may wish to consider:

- The types of investments in the fund's portfolio.
- The fund's statement of objectives, including the types of investments the fund will make and the risks that it will take to achieve its goals.
- The fund's performance over the past one-, five-, and ten-year periods (compare periods by accounting for expenses and fees that impact performance).

Range of Investments

Diversifying, or spreading your portfolio over a range of investments, is one of the best strategies for reducing risk. Your investment options may include:

- Equities
- Fixed-income investments
- Guaranteed investments
- Real estate investments

Spreading your investments over these options can give you the mix of safety and growth that you believe is right for you.

Expenses and Fees

All financial vendors have expense charges that enable the vendor to operate and provide various services. These fees may include:

- Asset-based charges
- Sales fees
- Transfer fees
- Withdrawal fees
- Administration fees to cover advertising and marketing costs
- Maintenance fees

These fees may be deducted from your original investment or from your account monthly, quarterly, or annually. Expenses have a direct effect on your accumulation—the higher the expenses, the higher the fund's return has to be to make up for these additional expenses. You may want to compare each vendor's expenses before you make your selection.

Retirement Income Options

Since retirement may be a long time away, it is difficult to know what type of payment method will appeal to you when you retire. You may want to look for a vendor that provides a variety of payment options so that when you retire, you will be able to choose a payment method that best meets your needs. Some issues to consider when choosing your payment method are:

- Your life expectancy (how long you will need to draw income).
- Whether you wish to provide for dependents during your retirement and/or after your death.
- Other assets you will have to draw on in retirement in addition to your retirement plan.
- Whether to draw only a minimum payment when you first retire to preserve the rest of your accumulation for later years or for your estate.

Service Commitment

Average Americans now spend a quarter or more of their lifetimes in retirement. You will want to consider the commitment of your vendor to assist you during your working years and after you retire. The following are services you may want your vendor to provide:

- Local or toll-free customer service telephone center
- Personal counseling
- Information and assistance on planning for retirement
- Educational workshops and seminars
- Newsletters
- Quarterly and annual statements
- A Web site that is easy to access and navigate.

COMPLETING THE ENROLLMENT PROCESS

Enrolling in the Alternative Retirement Plan

If you elect to participate in the ARP, you must complete and submit the Retirement Program Election form to your human resources or employee benefits office within your 120-day election period. You must also select an ARP vendor to manage your retirement account and must indicate this vendor on the election form.

To complete the enrollment process, you must contact the ARP vendor that you choose to be your account manager and complete all required forms to open an account.

Enrolling in the Ohio Public Employees Retirement System

If you elect to participate in OPERS, you must complete and submit the Retirement Program Election form to your human resources or employee benefits office within your 120-day election period. If you have not already done so, you must complete an OPERS Personal History Record. These forms are available from your employer's human resources or employee benefits office.

To complete the enrollment process as a new OPERS member, you must select between the OPERS Traditional Pension, Member-Directed and Combined Plan options during the first 180 days from your eligible appointment date. To receive an OPERS enrollment kit including the OPERS Retirement Plan Selection form, contact OPERS at 866 673-7748.

If you do not elect a retirement plan within your 120-day election period, you will remain an OPERS member by default.

CHANGING YOUR RETIREMENT PLAN ELECTION

Options for Changes

Whether you elect to participate in either the ARP or OPERS, you cannot change your election while you are continuously employed at your current Ohio public college or university. Similarly, you cannot change your retirement program election if you leave employment with your current employer and are re-employed by the same employer within 365 days of your original termination date.

However, other features of the ARP and OPERS do allow you some flexibility.

ARP Options

If you elect to participate in the ARP and select an ARP vendor, you can annually change to another approved ARP vendor by completing a change form in your employer's human resources or employee benefits office. This change will direct future contributions to your new vendor. You have the option to transfer all or a portion of your current ARP account balance to the new vendor. Contract penalties for early withdrawal may apply to this transfer of your ARP account balance.

OPERS Options

If you elect to participate in OPERS and choose either the Traditional Pension Plan, the Member-Directed Plan or the Combined Plan, you will have three opportunities after your election period to change your plan selection. You can change your OPERS plan choice (1) once prior to attaining 5 years of total service credit; (2) once after attaining 5 years, but not more than 10 years of total service credit; and (3) once after attaining 10 years of service credit.

FREQUENTLY ASKED QUESTIONS

1. How do tax laws affect contributions and benefits with each of your retirement plan choices?

Tax consequences are very similar under both the ARP and OPERS. Contributions are made on a pretax basis. This means that employee contributions are deducted from your pay before federal and state income taxes are calculated. Employer contributions are also made on a pretax basis. Any investment or interest earnings on your account are tax deferred. Because your retirement program contributions are not taxed when deposited to your account, you will be subject to federal (and potentially state) income tax when you receive retirement income or a lump-sum payment. Retirement benefits are exempt from Ohio local or municipal income taxes, except for school district income tax.

There are federal limits on compensation and contributions to retirement plans.

Under each of the plans, withdrawals before age 59½ on other than an annuity basis may be subject to a federal excise tax penalty.

2. If I become dissatisfied with the retirement program (ARP or OPERS) I have chosen, can I switch to the other program while I am employed with my current employer?

Your election to participate in either the ARP or OPERS is a one time irrevocable decision while you are employed with your current employer or if you are re-employed by the same employer within 365 days of the termination of your current employment.

If you elect to participate in the ARP and select an ARP vendor, you can annually change to another approved ARP vendor by completing a change form in your

employer's human resources or employee benefits office. This change will direct future contributions to your new vendor. You have the option to transfer all or a portion of your current ARP account balance to the new vendor. Contract penalties for early withdrawal may apply to this transfer of your ARP account balance.

If you elect to participate in OPERS and choose either the Traditional Pension Plan, the Member-Directed Plan or the Combined Plan, you will have three opportunities after your election period to change your plan selection. You can change your OPERS plan choice (1) once prior to attaining 5 years of total service credit; (2) once after attaining 5 years, but not more than 10 years of total service credit; and (3) once after attaining 10 years of service credit.

3. If I elect to participate in the ARP, can I enroll with more than one ARP vendor at the same time?

No. You can only enroll with one ARP vendor at a time.

4. Will I be eligible for retiree medical benefits regardless of which retirement program I elect?

There are no retiree medical benefits associated with your participation in the Alternative Retirement Plan.

If you elect OPERS and choose to participate in the Traditional Pension Plan or the Combined Plan, you may be eligible for retiree medical benefits if you meet OPERS requirements. (The minimum number of required years of earned service credit is currently 10 years of service credit.) *Retiree medical benefits are not statutorily mandated for the Traditional Pension Plan or the Combined Plan and are not guaranteed by OPERS.*

If you elect OPERS and choose to participate in the Member-Directed Plan, a portion (equal to 4.81% of your pay in 2005 and 4.54% of your pay in 2006) of your employer's contributions will be deposited into an OPERS Retiree Medical Account. You can use your balance in this account at retirement to pay qualified health care expenses.

5. How do the retirement plans discussed in this brochure differ from any voluntary retirement savings plans offered by my employer?

Your participation in either the Alternative Retirement Plan or the Ohio Public Employees Retirement System is mandatory under Ohio law. You can participate on a voluntary basis in any tax-deferred annuity plan(s) offered by your employer under Internal Revenue Code Section 403(b) or any deferred compensation plan(s) offered by your employer under Internal Revenue Code Section 457(b). For more information about voluntary retirement savings plans offered by your employer, you should contact your human resources or employee benefits office.

6. Will my choice of retirement plans affect my participation in any voluntary retirement savings plans offered by my employer?

No. Regardless of the retirement plan you elect, you can participate in any voluntary retirement savings plans offered by your employer. However, participation in the retirement plan may impact the amount you can contribute to a voluntary retirement savings plan. There are federal limits for how much you can contribute each year through a Section 403(b) or Section 457(b) plan. For further information, you should contact a retirement planning professional.

