



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM
1-877-644-6457 • www.Ohio457.org

Memorandum of Understanding

The purpose of this memorandum is to provide you with key highlights, restrictions, and costs of participating in Ohio Deferred Compensation (Ohio DC). However, it does not cover all details of the Plan. You should refer to the Plan Document for specific details. Please read each statement carefully.

General Plan Provisions

- Plan assets are not my personal property. I understand that as an Ohio DC participant, my account balance is held by Ohio DC in trust on behalf of my employer for the exclusive benefit of me or my beneficiaries.
- Quarterly statements showing the value of my account are provided after the end of the statement period. A comprehensive annual statement is also provided.
- I may change my beneficiary by completing the form provided by Ohio DC.
- I may change the amount I defer at any time. **According to IRS rules, such changes will be effective no sooner than the first pay date occurring 31 or more days after the date that I execute such change.** Ohio DC may require minimum deferral amounts per pay period and minimum allocations to any investment option.
- I may change my investment options (as they apply to future deferred amounts) at any time.
- If I request exchanges four times in any 45-day period, I will lose electronic trading privileges and will be restricted to one mail-in exchange every five days for the following 12-month period. Some investment option providers charge redemption fees to investors who engage in excessive trading.
- I may cancel my participation, before my forms are processed, by calling the Service Center within seven days from the date that I signed the Participation Agreement.

Withdrawals

I understand that the IRS imposes rules that limit the times when I can make changes or receive withdrawals from a deferred compensation account. I may withdraw funds from Ohio DC only on:

1. Severance from employment (including termination or death) or,
2. An Unforeseeable Emergency (as defined by Section 457 of the Internal Revenue Code as outlined below and approved by Ohio DC) or,
3. A Small Balance Distribution. This is a one-time election to receive distribution of my account balance under \$5,000.00, provided I have had no deferrals for the past two years.

All withdrawals are taxable as ordinary income and subject to income tax in the year received. My withdrawals may begin after my severance from employment and Ohio DC's receipt of my employer's verification of severance, final deferral, and Withdrawal Election form. To begin or change my payments, my Withdrawal Election form must be received by the 15th day of the month prior to the month of my payment date.

Withdrawals must commence no later than December of the calendar year I reach age 70½ or December of the year of my severance from employment, whichever happens later. Withdrawals must satisfy certain minimum requirements upon reaching age 70½. **Failure to meet these requirements can result in the payment of excise taxes and penalties.**

I realize that my participation in Ohio DC is for long-term retirement savings and I should maintain separate, available emergency funds to cover day-to-day, unanticipated, financial shortages. However, I may be eligible for a withdrawal in the event of a "severe financial hardship" which results from an Unforeseeable Emergency.

An Unforeseeable Emergency is defined as a severe financial hardship resulting from a sudden and unexpected illness or accident incurred by you or a dependent, loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control. The hardship cannot be relieved by reimbursement or compensation (by insurance or otherwise), liquidation of your assets (to the extent the liquidation would not itself cause a severe financial hardship), or cessation of deferrals. The events resulting in the financial hardship must have occurred within the last 24 months. An Unforeseeable Emergency does not include college tuition or the purchase of a home. The decision by the Ohio DC Board as to whether an Unforeseeable Emergency exists is based on the Board's interpretation of the Internal Revenue Code Regulations and shall be final and conclusive. (Definition subject to change by the IRS.)

Transfers

Your account balances in other pre-tax 457, 403(b), 401(k), or 401(a) retirement plans or traditional IRAs may be eligible to be rolled over to Ohio DC.

The funds in my account may be eligible for rollover to a traditional IRA or to an eligible retirement plan upon severance from employment. I expressly assume the responsibility for tax consequences relating to any withdrawal, and I agree that neither the Plan nor the Plan Administrator shall be responsible for those tax consequences.

While still employed, I may be eligible to transfer any portion of my account to another eligible 457 deferred compensation plan offered by my employer upon proper written request.

Investment Disclosure

Below are brief descriptions of the types of investment options currently offered by Ohio Deferred Compensation (Ohio DC). With each option, there are no front-end sales charges and no withdrawal charges. You should carefully read all investment information and prospectuses before you decide where to direct your investment.

Stable Value Option:

1. The primary objective of the fund is stability of principal.
2. The annualized interest that will be credited on the invested balance during the _____ quarter of this year is _____%. The annualized crediting rate is subject to change quarterly.

Other Investment Options:

The return on my Ohio DC account values under the investment option(s) is dependent on the investment results of the individual investments I select. These results could be either positive or negative, and my account balance may be worth more or less than my contributions at any given time.

Currently, Ohio DC collects no sales or load charges, commissions, or sales expenses. However, each investment has underlying expenses or management fees that will reduce the investment results and my Ohio DC account balance. You can find information on these expenses in the investment profiles or the respective prospectus at our website at www.Ohio457.org and in the Ohio DC Investment Performance Report. Some of the underlying expenses may be paid to Ohio DC in the form of revenue sharing arrangements to reimburse Ohio DC for administrative and record keeping expense.

Maximum Plan Deferrals

1. My maximum annual deferral amount is the lesser of \$ 17,500⁽¹⁾ or 100% of adjusted annual salary after excluding amounts paid for employer pick-up.
2. Beginning on January 1 of the year I reach age 50, I may defer an additional \$5,500 for a total annual deferral of \$23,000⁽²⁾. This additional deferral may continue until retirement or until I choose the Catch-up Provision. I may not defer this additional amount if I am utilizing the Catch-up Provision.
3. In the three calendar years before I reach normal retirement age, the Catch-up Provision may allow me to defer up to \$35,000⁽³⁾ annually as long as I have underutilized deferrals from prior years of service to support this deferral.

The maximum amounts described here must be reduced by any amounts I defer to other 457 plans sponsored by any of my employers. The maximum amounts may change in future years as determined by the IRS based on inflation rates.

⁽¹⁾ Annual Deferral Limits
2013 – \$17,500

⁽²⁾ 50 Plus Limits
2013 – \$23,000

⁽³⁾ Catch-up Limits
2013 – \$35,000