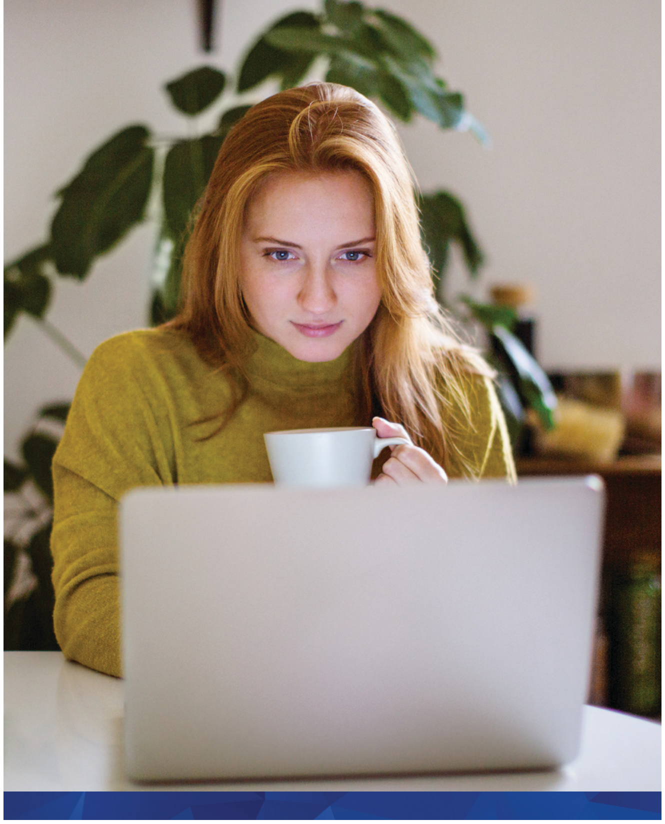
The Ohio County Employees Retirement Plan (OCERP) Investing Guide

Investing wisely

Few things are more important in life than saving for your financial future. OCERP makes it easier by offering you a simple, convenient, and consistent way to help save for retirement.

With OCERP, you have a powerful tool that helps build a stronger financial future. To make the most of the Plan, one of the first steps should be understanding the basics of investing, which can help you become a better investor, lead to smarter choices and help you save for the retirement you imagine.

From understanding mutual funds to identifying your investor type, this guide covers the basic principles of investing so you can make confident decisions and move your financial future forward.



Understanding mutual funds and institutional separate accounts (ISAs)

Mutual funds are investment vehicles that allow many investors to pool their money to mutually purchase underlying investments like stocks, bonds, money market funds and other securities. Each investor buys shares in the mutual fund, and the fund invests in assets that meet the fund's overall investment objective. The combined holdings of a mutual fund are known as its portfolio.

- **Stocks** – A stock is a share in the ownership of a company. If you own a stock, you're entitled to a portion of the company's assets and profits. A stock fund is a type of investment fund that invests primarily in stocks.
- **Bonds** – Governments and corporations issue bonds to raise money. When you buy a bond, you're lending money to that entity, which agrees to repay you the face value of the loan, along with periodic interest payments. Bond funds are pooled investment vehicles that invest primarily in bonds.
- **Cash alternatives** – Cash alternatives are investment securities that can be converted to cash quickly and easily. Along with stocks and bonds, cash alternatives are a primary asset class when investing. Some examples include government Treasury bills, bank certificates of deposit, and stable value funds typically available in an employer-sponsored retirement plan.

Similarly, an Institutional Separate Account (ISA) is a portfolio of assets managed by a professional investment firm, which is only available through an institution such as a large retirement plan.

Comparing mutual funds and institutional separate accounts

	Mutual Fund	Institutional Separate Account (ISA)
Are the investments professionally managed?	Yes	Yes
Can anyone invest in this option?	Yes – Mutual funds sell shares to the public	No – An ISA is only available to qualified investors, such as those in large retirement plans
What do the fund fees look like with this type of investment option?	Vary by share class	Fees may be lower than comparable mutual funds
Are these options regulated by a governmental or other agency?	Yes – By the Securities and Exchange Commission	Yes – By State insurance commissions and the Department of Labor
Is there a ticker symbol available?	Yes	No
Is the performance information for this option available to the public?	Yes	No – Information may be available through your retirement plan provider

An important aspect of investing in mutual funds and ISAs is understanding asset allocation.

Allocating assets

Asset allocation is a method of investing where you spread your money across the three main asset classes — stocks, bonds, and cash alternatives. The goal is to balance the risk and reward in your investment portfolio according to your ability to tolerate risk and your time horizon (i.e., the amount of time you have to invest).

Market conditions that lead to one asset class performing well can often cause other asset classes to have average or poor returns, so allocating money across asset classes enables you to manage the risk of owning any single investment. Two key components of asset allocation are diversification and rebalancing.

- **Diversification** – While asset allocation refers to the percentage of stocks, bonds, and cash alternatives in your portfolio, diversification is the spreading of your assets not just across asset classes but also within allocation buckets to reduce your risk even further. Simply put, diversification is not putting all your eggs in one basket.
- **Rebalancing** – Another investing concept that goes hand in hand with asset allocation is rebalancing. Over time, your portfolio may become too conservative or aggressive due to market conditions, your investment needs or your time horizon. Rebalancing adjusts your asset allocation to align with your changing investment strategy.

Just as asset allocation can help manage risk in your investment portfolio, understanding market capitalization can help you appreciate the level of risk that comes with investing in a specific stock.

Making sense of market capitalization

Market capitalization — or market cap — is the market value of a company. It's measured by multiplying the company's current stock price by the total number of outstanding shares. For example, if a company's stock price is $100 and it has issued 10 million shares, its market cap is $1 billion.

Market cap is important because it allows investors to size up a company based on how valuable the public perceives it to be. Investing across market caps enables investors to create a balanced portfolio that's set up for potential long-term growth.

Here are the three main market-cap categories:

- **Large cap ($10 billion or more).** These firms are established household names that are leaders in their industries and represent a significant percentage of the U.S. equity market. They are usually positioned to manage the ups and downs of their industry's cycles and are often used as core portfolio investments. Examples of large-cap stocks include Apple, Amazon and Microsoft.
- **Mid cap ($2 billion to $10 billion).** Mid-cap stocks are represented by large — but not enormous — companies. They're considered to offer more growth potential than large-cap stocks (but less than small-cap stocks) and less risk than small-cap stocks (but more than large caps). Examples of mid-cap stocks are U.S. Steel Corp., Alcoa Corp., and Avis Budget Group Inc.
- **Small cap ($250 million to $2 billion).** Small-cap stocks are often considered to offer more growth potential than large-cap stocks and mid-cap stocks, but with more risk, especially in the short term. Examples of small-cap stocks include The Bancorp, Inc., Rocket Pharmaceuticals and CarParts.com.

The companies listed are just examples of a type of investment and not investment advice.

Now that you have a basic understanding of investment principles, it's time to move on to a critical aspect of investing — portfolio management.

Managing your portfolio

As an investor, you have two main investment strategies for potentially generating a return on your investment account — passive management and active management.

Here's how they work:

- **Passive management** – This nonactive approach to managing a fund typically attempts to mirror the holdings of a specific index — like the Standard & Poor's 500 — to produce similar results. These funds are often referred to as index funds because they try to match, not beat, the performance of an index. With passive management, there aren't any human managers making decisions about buying and selling, so they generally have lower fees.
- **Active management** – This involves the active trading of securities to take advantage of market opportunities as they occur. Active fund managers rely on research, market forecasts, and their own judgment and experience in selecting securities to buy and sell. They seek to outperform an index over time and are run by human portfolio managers who are supported by teams of analysts who conduct extensive research to help identify investment opportunities.

Another important aspect of investing is understanding the risks and rewards that come with international investments.

Investing internationally

International investing involves investing in the securities of companies located, or with revenues derived from, outside of the investor's home country. Two of the main reasons why people like investments with international exposure are:

- **Diversification** – International investing may help investors spread their investment risk among foreign companies and markets, in addition to those in their home countries.
- **Growth** – International investing takes advantage of the potential for growth in some foreign economies, particularly in emerging markets.

However, owning foreign assets can expose investors to unique risks. Among the potential downsides to international investing are:

- **Limited access to information.** Companies outside the U.S. aren't required to provide the same level of information to investors as their U.S. counterparts, and the information may not be available in English.
- **Increased costs.** Investing internationally can be more costly than investing in U.S. firms.
- **Geopolitical events.** It can be hard for investors to understand and track the social, economic and political factors influencing foreign markets.

Despite these potential drawbacks, foreign stocks provide diversification as well as growth opportunities, and are considered by many investors to be a key component of an efficient portfolio.

Next, we'll discuss a highly personal component of investing: Selecting your investments.

Deciding how to invest

When it's time to make your investment decisions, it's important to keep a few things in mind. First, what is your savings goal? Is it a long-term goal, like saving for retirement? Or is it a shorter-term goal, like buying a home or a car? The amount of time you have to save will determine the types of investments you choose. Also, your tolerance for risk will determine how boldly or safely you invest. Generally, people fall into one of three investor categories:

- **Aggressive** – These investors have the wherewithal and willingness to lose some or all their investment in exchange for potentially greater returns.
- **Moderate** – These investors are interested in preserving their principal but are comfortable with accepting a small degree of risk and volatility in exchange for modest potential growth.
- **Conservative** – This type of investor is comfortable with accepting lower returns in exchange for potentially lower risks. Maintaining their original investment is key to conservative investors.

Determining your tolerance for risk is possibly the most essential step you can take when investing. When gauging your risk tolerance, consider asking yourself how comfortable you are with:

- Fluctuations in your portfolio.
- Staying invested through market declines.
- The effects of inflation on your portfolio.

When you invest, you make choices about what to do with your financial assets — choices that come with various levels of risk.

Recognizing investment risk

There are no guarantees in investing. There is always the risk investors could lose all or some of the money they invested. Among the risks investors face are:

- **Inflation risk** – The risk of a loss in your purchasing power because the value of your investments does not keep up with inflation.
- **Market risk** – The possibility that the value of an investment will fall because of a general decline in the financial markets.
- **Interest rate risk** – The potential for a bond's or bond fund's market value to decrease because of rising interest rates. When interest rates (and bond yields) increase, bond prices usually decrease, and vice versa.
- **Credit risk** – The risk that a bond issuer will default and be unable to repay the principal or interest to the investor as promised.

While recognizing investment risk is key to successful investing, there is another aspect that's equally important: Knowing where you are as an investor.

Identifying your investor type

What type of investor are you? Do you prefer a simplified, do-it-for-me approach to investing? Or do you prefer a hands-on, do-it-yourself approach?

If you like your investing managed for you, target date funds might be the right choice. Also known as lifecycle funds, target date funds work like this:

- You choose a target date fund that corresponds to the year you think you'll retire and your risk tolerance. For example, if you think you'll be retiring in 2040, you may want to consider selecting a 2040 target date fund.
- The fund provides a balanced mix of stocks and bonds, and automatically rebalances to more conservative investments as the fund gets closer to its target date. The mix changes over time to become less focused on growth and more focused on income.
- The date in the name of the target date fund is the assumed date of retirement. The asset allocation becomes more conservative as the fund nears the target retirement date; however, the principal value of the fund is never guaranteed.

If you prefer to be in the driver's seat, you can create your own investment portfolio using a mix of investments — including stocks, bonds, and other securities — and manage it yourself. You can choose from a wide variety of funds and asset classes available in the Plan to build a diverse investment mix.

Taking time to understand your options

It's important to take some time to review the funds in the Program to learn more about each fund's investment objective and level of risk. As you discover more details about your fund options, you'll be able to make a more informed decision about which funds may be right for you.

For more information about the various investment options, please visit **ocerp457.com** and click on the *Investments* tab. Each investment option has a fund fact sheet that provides details such as the objective of the fund, its performance, fees, underlying investments, and more.

OCERP also offers a self-directed mutual fund option, which gives you access to over 15,000 mutual funds from over 400 different mutual fund families. The self-directed mutual fund option is available through a brokerage account and is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments.

Putting the Program to work for you

Now that you know more about investing, you can use that knowledge to make the most of the Plan.

The Plan offers a wide range of investment options, and choosing your investment mix might be the most important step you take when preparing for a secure retirement. Whether you would like some help making your investment choices or prefer to choose your own Program investments, there's a variety of investment options to help meet your needs.

Getting personalized support

From dedicated on-site education and planning support to a customized website and toll-free telephone number, OCERP provides the tools you need to make the most of your account.

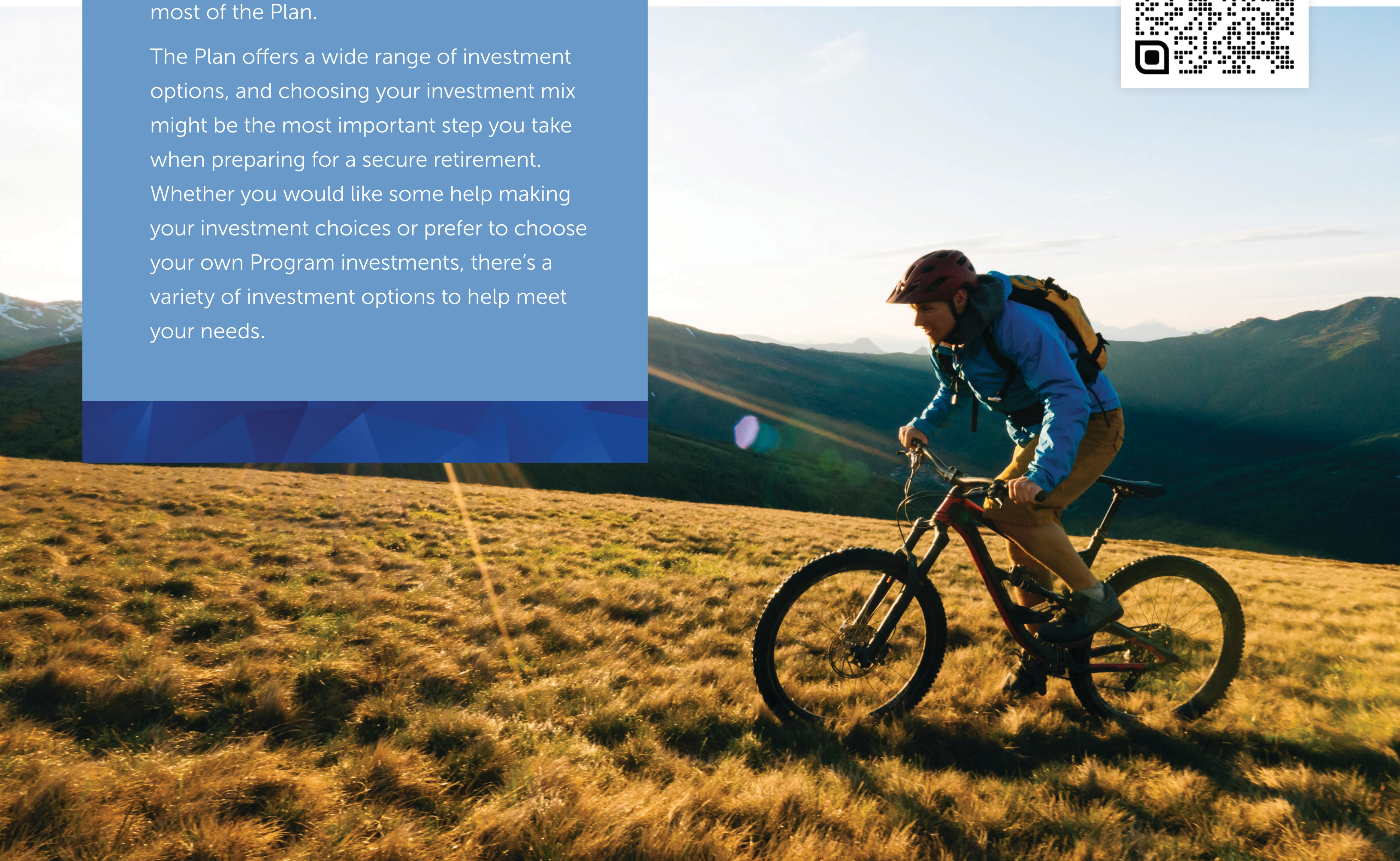
Visit **ocerp457.com** today to get started, or call **800-284-0444** for assistance. Customer Care Center representatives are available weekdays from 8:00 a.m. to 9:00 p.m. Eastern Time.

If you're already enrolled in OCERP, be sure to review your account to make sure you're taking full advantage of the many benefits it offers.

The Program provides on-site Retirement Plan Advisors located throughout Ohio, offering all employees access to their valuable services.

Retirement Plan Advisors are available to meet with you at any point to develop a comprehensive retirement planning strategy. You can schedule a virtual one-on-one appointment with a Retirement Plan Advisor by going to **ocerp457.com** and clicking on the *Personal Assistance* tab.

You can also scan the QR code to schedule an appointment.



Accessing the Program on the go

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Investing involves risk, including possible loss of principal.

Rebalancing asset allocation and diversification does not ensure a profit or protect against loss.

Asset allocation and balanced investment options and models are subject to the risks of their underlying funds.

Retirement products and services are provided by Empower Annuity Insurance Company, Hartford, CT, or its affiliates.

Cash-alternative funds are not federally guaranteed and are subject to interest rate, inflation, and credit risks.

Bond prices generally fall when interest rates rise (and vice versa) and are subject to risks, including changes in credit quality, market valuations, inflation, liquidity, and default. High-yield bonds have a greater risk of default.

Securities of small and mid-size companies may be more volatile than those of larger, more established companies.

Foreign securities involve risks, such as currency fluctuations, economic changes, and political developments. These risks may be heightened in emerging markets, which may also experience liquidity risk.

The S&P 500 Index is a registered trademark of Standard & Poor's Financial Services LLC. It is an unmanaged index considered indicative of the domestic large-cap equity market and is used as a proxy for the stock market in general.