

PLAN UPDATE



A Joint Letter from the State Treasurer Randall Edwards and PERS Director Jim Voytko

Dear Participant,

Something good just got better!

We are pleased to announce that on November 1, 2001, for the first time in its 20-year history, the Oregon Savings Growth Plan will select mutual fund investments directly rather than through insurance company contracts. This change is possible because these contracts expire October 31, 2001.

What does this mean for you? **Lower fees.** By dealing directly with the mutual fund companies, we can negotiate for the lowest fees possible and pass the savings on to you. We estimate that fees in the overall plan will be reduced by nearly $\frac{1}{2}$ of one percent. That means that the total fees to plan participants will drop nearly in half, leaving more money in your accounts growing for your retirement.

There is another benefit to you in this change. Until now, the Oregon State Treasury and Oregon Investment Council could use only a very limited number of investment funds through the insurance company contracts. Investment fund choices are now nearly unlimited, enabling us to improve the balance of investments within each option.

We recently completed an extensive review of the options available with this new range of investment possibilities. We undertook this review to identify a mix of funds for each option that, in the long run, should decrease the number of times we see each option performance below its benchmark and increase the number of times we see each option performance above its benchmark.

We hope you are pleased with the joint efforts of PERS and Treasury as we continue to improve the Oregon Savings Growth Plan. It is our pleasure to bring you one of the most innovative and rapidly growing plans in the country.

We thank you for your participation in the plan and applaud your initiative in planning for your retirement.

Working together in financial leadership,

Randall Edwards
Oregon State Treasurer

Jim Voytko
PERS Executive Director

HOW MUCH IS ONE-HALF OF ONE PERCENT?

If you contribute \$300 per month for 30 years and earn an annual rate of return of 8 percent, a reduction in fees of **one-half of one percent** will result in about **\$40,000** more in your account when you retire! View the results of this fee reduction at www.pers.state.or.us. Select "Oregon Savings Growth Plan Information," then select "OSGP Fee Structure."

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001 (EGTRRA)

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) signed by President Bush June 7, 2001, is the most sweeping tax change since 1986. Effective January 1, 2002, the EGTRRA will impact the way you can save and prepare for retirement with the Oregon Savings Growth Plan. A Special Edition of the Plan Update will arrive mid-November to explain the provisions that may affect your participation in the plan and help you take advantage of new savings opportunities that will exist for you after the first of the year. Be looking for it in the mail.

REGIONAL WORKSHOPS

Workshops are scheduled throughout the year in all regions of the state designed to help prospective and current plan participants understand and make the most of their plan benefits. With the changes in the underlying investments and pending implementation of changes in federal tax laws, this is a great time to attend one of these free seminars. To learn more about these workshops, simply visit our PERS/OSGP Internet site at www.pers.state.or.us or call 888-320-7377 or 503-598-7377 to register.

(continued on reverse side)

OSGP UNDERLYING INVESTMENT MANAGERS AND FUND CHANGES

The letter in this issue of the Plan Update from Treasurer Randall Edwards and PERS Executive Director Jim Voytko highlights the biggest change in the investment structure of the OSGP in nearly five years. Along with the changes in the underlying investments come adjustments to investment option titles and replacement of two option benchmarks. The refinement of option titles is to more accurately describe the nature of investments within each option, and the new benchmarks are more closely related to the objectives of the options. These objectives remain unchanged.

The table below identifies the existing nine investment options. Changes, which are effective November 1, 2001, are identified in bold type.

As with previous changes in the underlying investments authorized by the OIC, **you need take no action.**

Benchmark	Investment Option and Underlying Investments
91 Day T-Bill	Short-Term Fixed Income SSgA GSTIF
No appropriate benchmark	Stable Value Option PRIMCO Capital Management
Lehman Bond Aggregate	Intermediate-Term Fixed Income BGI US Debt Index Fidelity Broad Market Duration Wellington Capital Core Bond Plus
Each of the seven options tracks its own benchmark	Balanced Fund Option 5% Short-Term Fixed Option 35% Intermediate-Term Fixed Option 10% Large Company Value Stock Option 20% Stock Index Option 10% Large Company Growth Stock Option 10% International Stock Option 10% Small/Mid Size Company Stock Option
Russell 1000 Value	Large Company Value Stock BGI R1000 Value Index Dodge & Cox Stock MFS Value Van Kampen Comstock
Russell 3000 Value	Stock Index BGI Russell 3000 Index
Russell 1000 Growth	Large Company Growth Stock BGI R1000 Growth Index American Funds Amcap Fidelity Blue Chip Growth Smith Barney Aggressive Growth
MSCI EAFE (Europe, Asia, and Far East)	International Stock BGI MSCI EAFE Index Artisan International GMO Foreign III Oakmark International I
Russell 2500	Small/Mid Size Company Stock BGI R2000 Index Fidelity Low-Priced Stock Fund Liberty Acorn T. Rowe Price Midcap Growth

If you wish additional information on any of the OSGP investment options, call our Information Line at 1-800-365-8494 or visit our web page www.pers.state.or.us under the table of contents "Information about OSGP" to review the Investment Option Fund Managers.

WEBSITE CHANGE NOTIFICATION

The website address to access your personal account information has been changed. If you are among the 2,500 OSGP participants who have already established their accounts, you have been automatically linked to this new address. Remember to change to this new address if you have it bookmarked, as the old address will not be active after December 31. The new website address is <http://osgp.csplans.com>. The old address will remain active during this transition. If you have yet to activate your account, you may log on to the new address today.

ADVISORY CORNER

Mark your calendar to attend our next open meeting in 2001:

Date	Location	Time
November 14	Tigard	9:30 a.m.

For more information, please call 503-378-3730.

Editorial Contributions

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The foregoing newsletter is not intended to provide legal, tax or investment advice. For such advice, participants should contact their legal, tax or investment advisor.