

# PLAN UPDATE



## MARKET CLIMATE

The overall stock market has been a roller coaster ride lately. With technology stocks skyrocketing only to plummet to earth, it has been a harsh reality check. With several companies warning of lower than expected first quarter profits, the ride is going to get bumpier.

Take heart in knowing that you are investing for the long haul and that historically stocks have outperformed cash and bonds in the ten- to twenty-year time span required to recover from a stock market correction.

However, if you're retired, your money should be in well-diversified investments that have appreciation with preservation of capital. Your objective is to preserve and maintain a positive rate of return after inflation and taxes to accommodate your retirement lifestyle. At the same time, experts suggest if your return is not outpacing inflation (approximately 3.1% annually), assets will not appreciate fast enough to sustain you through retirement and you may need to be less conservative with your investments. To assure your personal goals are on track, consult your financial, legal, or tax advisor.

## ASSET ALLOCATION SNAPSHOT

At some point you're going to want to take an inventory of your portfolio based on your age, goals, retirement time horizon, and risk tolerance level. The following sample portfolios represent different levels of risk:

|                    | <b>Conservative</b>                                       | <b>Moderate</b>   | <b>Aggressive</b>                             |
|--------------------|---|---|---|
|                    | Minimal risk with potential for regular investment income | Limited risk through a combination of high-, medium- and low-risk investments | Higher level of risk, higher potential return |
| <b>Asset Class</b> |   |   |   |
| • Stocks           | 0% - 40%  | 40% - 60%   | 60% - 100%                                    |
| • Bonds            | 40% - 90%   | 20% - 30%   | 20% - 30%                                     |
| • Cash             | 40% - 90%   | 10% - 30%   | 0% - 10%                                      |

- If you plan to or are withdrawing money you may want to invest in a more stable investment with less risk.
- If you have several years until you need to begin withdrawal you can afford to invest in slightly riskier investments with higher returns.
- If you have ten or more years until withdrawal you can invest more aggressively, putting more of your money into stocks.

The OSGP offers nine investment options tailored to meet your individual investment style. To review your asset allocation mix, please visit our web page at [osgp.ssga.com](http://osgp.ssga.com) or contact the toll-free Information Line at 800-365-8494.

## TURBO CHARGING YOUR RETIREMENT NEST EGG

Please remember that it's your responsibility to make sure that you do not make annual plan contributions in excess of the tax code limit.

The normal \$457 limit is 25% of your compensation (after salary reductions other than deferred compensation plan contribution itself) or \$8,500 per year, whichever is less. If you are a local government participant with multiple 457 providers and/or 403(b) providers, your total combined contributions may not exceed \$8,500. Under the new annual deferral limit, participants in the Oregon Savings Growth Plan can contribute up to \$708 per month to their account, provided this amount does not exceed 25% of gross monthly income.

If you are currently contributing the maximum amount, you may want to consider investing outside of your employer's retirement plan.

## ONE PERCENT CAN MEAN A LOT

If you've already made the commitment to a long-term investment strategy, you know about the benefits of steady contributions to your account. The magic of compounding — earning interest on your interest — can make your account grow faster and faster every year.

You may not realize the enormous difference you can make to your bottom line over long periods with just small increases in your monthly contribution amount or your investment return.

*(continued on reverse side)*



### CONTACT OSGP AT:

**Information Line**  
1-800-365-8494

**Online Internet Site**  
<http://osgp.ssga.com>

**PERS/OSGP Internet Site**  
<http://www.pers.state.or.us>

(One Percent, continued from page 1)

We're talking about just a few dollars a month or a one-point increase in returns. When it comes to long-term investing, 1% can be a big number. Let's look at an example:

*Clayton's annual salary is \$40,000. He saves 6% of his pay, or \$200 a month, and invests in a stock option in the OSGP plan. At an average annual return of 10% Clayton would end up with \$265,367 at the end of 25 years.*

*If Clayton increased his monthly contribution by just 1% to 7% of his pay, or an additional \$33 a month, he would end up with \$309,152 after the same period of time. That's a difference of \$43,785 for only \$33 a month. All Clayton has to do is go out to dinner one less time each month, put the money he saves into his retirement plan, and he ends up more than \$43,000 richer at retirement. And he's getting a tax break all those years as well.*

It's amazing what you can do with 1%!

## ADVISORY CORNER

Oregon State law provides for an advisory committee to the deferred compensation program that gives information and advice to the Board of the Public Employees Retirement System. The advisory committee may have seven members selected by the Board to reflect a cross section of participant groups. The key role of the advisory committee can best be described as participant representation. It provides a forum for feedback and an opportunity for interaction.

Three new members were recently appointed **Roman Martushev, Barry Kast, and Carol LaBrado**. They join the current members Peter Byeman, George Van Hoomissen, and Jim Loewen. We will provide biographical information about each committee member in future issues of this newsletter.

There remains a single vacancy on the advisory committee. To maintain the balance of employment groups as required in administrative regulations, this position is open to a non-management employee of the state. We invite employees interested in filling this vacancy to send a letter of interest along with a brief résumé to our Salem office at **800 Summer Street NE, Suite 200, Salem Oregon 97301**. Applications will be accepted until June 15. We look forward to hearing from you.

You are cordially invited to attend our open meetings in 2001:

| Date        | Location | Time      |
|-------------|----------|-----------|
| May 16      | Tigard   | 9:30 a.m. |
| August 15   | Salem    | 9:30 a.m. |
| November 14 | Tigard   | 9:30 a.m. |

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

## OSGP NEW FUND MANAGER AND ALLOCATION CHANGES

The Oregon Investment Council (OIC), as part of its annual program review, approved closure of the Aetna Value Opportunity Fund, replacing it with the Fidelity VIP Equity-Income Fund effective December 29, 2000. The OIC believes the **Fidelity VIP Equity-Income Fund** is a good fit with the Value Stock Option's other investments and is consistent with the Oregon Savings Growth Plan objectives.

Additionally, changes in the allocation of the underlying funds within the **Intermediate Term Fixed Option, Value Stock Option**, and the **Stock Index Option** were made to enhance overall performance expectations, reduce risk, and strengthen each respective investment option's objectives.

### Intermediate Term Fixed Option Composition

#### **Allocation Changes**

- 30% to 19% Aetna Income Shares VP
- 19% to 41% Harbor Bond Fund
- 51% to 40% MAS Fixed Income

#### Value Stock Option

#### **Allocation Changes**

- 27% to 29% Davis NY Venture Fund
- 24% to 16% Fidelity VIP Equity Income\*
- 49% to 55% Vanguard Index Value

\* Fund replaced the Aetna Value Opportunity Fund

#### Stock Index Option

#### **Allocation Changes**

- 33% to 39% Aetna Index Large Cap VP
- 50% to 54% SEI-S&P 500 Index
- 17% to 7% Vanguard Index 500

These changes do not affect participants in the program, as the underlying funds are reviewed and selected by the OIC.

If you wish additional information on any of the OSGP funds, call our Information Line at 1-800-365-8494 or visit <http://www.pers.state.or.us> under the table of contents "Information about OSGP" to review the Investment Option Fund Managers.

### **Editorial Contributions**

Deatrice Johnson, CitiStreet  
Jon Springer, OSGP

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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.*