

# PLAN UPDATE



## WHO BENEFITS FROM RECENT TAX LAW CHANGES?

The Special Edition of the Plan Update published in November described sweeping changes in tax laws affecting deferred compensation plans.

Do these changes affect you? Yes, if you are a member of any of the groups below:

- Current employees of the state and participating local governments can defer up to \$11,000 annually in 2002.
- Low- and middle-income savers have the possibility of a tax credit when filing taxes next year for deferrals made in 2002. This credit is described in more detail in the "Savers Tax Credit" article to the right.
- Employees who are age 50 or older who are deferring the maximum regular deferral can contribute up to an additional \$1,000 annually to their account in 2002.
- Employees who are within four years of retirement and have prior years of unused deferral may "catch up" some or all of these deferrals to a maximum total deferral in 2002 of \$22,000.
- Employees or retirees who have tax deferred savings from previous employers and IRAs can better manage these retirement assets and take advantage of low fees by rolling them into the Oregon Savings Growth Plan. Even PERS pension accounts can now be rolled at retirement into the OSGP.
- Retirees and those making pre-retirement decisions have the same flexible payment choices with OSGP that are available with an IRA.

If you belong to any of the groups above and would like additional information, please call the Information Line at 800-365-8494.

## OSGP FAST FACTS\*

- 18,788 Participants
- \$567 Million total plan assets
- \$304 Average monthly deferral
- 4,002 Internet accounts
- 60% of participants are diversified with assets in three or more options

\*As of February 28, 2002

## SAVERS TAX CREDIT

Are you making the most of your tax saving opportunities? You may be eligible for a federal tax credit of up to \$1,000 for contributions made to the OSGP depending on your adjusted gross income (AGI). Eligible participants may receive a non-refundable tax credit of up to 50 percent toward an annual contribution of \$2,000 in deferrals in addition to tax deferral benefits for contributions made to the Plan. This provision will be in effect through 2006. The chart below summarizes the tax credit available.

Filing Status	Joint	Head of Household	Single	Eligible Credit
AGI	Less than \$30,000	Less than \$22,500	Less than \$15,000	50%
	\$30,000 - \$32,500	\$22,500 - \$24,375	\$15,000 - \$16,250	20%
	\$32,500 - \$50,000	\$24,375 - \$37,500	\$16,250 - \$25,000	10%
	\$50,000 and up	\$37,500 and up	\$25,000 and up	0%

A specific example below shows a joint filer earning \$29,000 who contributes about 3 percent or \$75 monthly to the OSGP.

	Contributing	Non-Contributing
<b>Gross Income</b>	\$29,000.00	\$29,000.00
Employee contribution	900.00	0.00
AGI (Form 1040, Line 33)	\$28,100.00	\$29,000.00
<b>Tax Credit (50% of contribution)</b>	- \$450.00	\$0.00
Net cost of investment in plan	\$450.00	\$0.00

The example shown above shows the possible tax credit. When combined with the tax deferral realized each month, this means that your \$900 deferral actually costs less than \$450!

This illustration has been simplified; AGI may vary based on other credits and/or deductions. To receive this credit for tax year 2002 you must request when you file your tax return.

## LOCAL GOVERNMENT PARTICIPATION

Over 80 local public agencies have adopted the OSGP since 1999 including 3 counties, 25 cities, 32 school districts, and 22 special districts! The OSGP continues to offer participants low-cost, high quality investments that may be tailored to meet your changing personal needs. For a complete list of participating local governments visit the PERS/OSGP Internet site at [www.pers.state.or.us](http://www.pers.state.or.us).



### CONTACT OSGP AT:

Information Line  
800-365-8494

Online Internet Site  
<http://osgp.csplans.com>

PERS/OSGP Internet Site  
[www.pers.state.or.us](http://www.pers.state.or.us)

## MANAGING YOUR ACCOUNT

Periodically, you should review your retirement account's performance and compatibility with your current needs. Sometimes this may require rebalancing your asset allocation to reflect your age, risk tolerance and/or retirement date.

You can accomplish this rebalancing by changing two different allocations either separately or together. You may want to move money already in your account from one investment option to another, you may wish to change how future deferrals are invested, or you may change both. These transactions can be accomplished online at [osgp.csplans.com](http://osgp.csplans.com) or by calling the Information Line at 800-365-8494.

If you want to move money already in your account and are accessing your account through the Internet, select "Make a Transaction," then select "Fund Transfer." If you are using the Information Line, press 3 to "transfer accumulated account balances." Follow the prompts to complete your transfer. This option allows you to move only an existing balance.

If you want to change how future deferrals are invested, on the Internet select "Make a Transaction," then select "Change Investment Elections." At the Information Line press 2 to "change current investment elections." Follow the prompts to change how future contributions are invested.

If you wish to change both current and future allocations, you must complete both transactions. Upon completion of a transaction a confirmation number will be generated and a confirmation statement will be mailed to the address on record.

### Editorial Contributions

Deatrice Johnson, CitiStreet  
Jon Springer, OSGP  
David Amick, PERS  
Marsha Bacon, PERS

*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.*

## HOW DOES OSGP MEASURE UP?

For education employees who are able to contribute to either the OSGP 457 plan or a 403(b) plan we have provided the comparison chart below for your decision making.

	OSGP 457	403(b)
<b>Pre-tax Employee Deferrals</b>	Yes	Yes
<b>Account Transfers</b> Prior plans including 401(a), 401(k), 403(b) plans, IRAs Other 457 service provider	Yes, from prior qualified plan or IRA Yes	Yes, from prior qualified plan or IRA Yes, but assets may assume a tax penalty
<b>2002 Regular Contribution Limit (Employee and Employer Combined)</b>	\$11,000 annually	\$11,000 annually
<b>2002 Catch-Ups Total Deferral Limit</b> Age 50 and older Catch-Up 3-Year Catch-Up 15-Year Catch-Up	\$12,000 \$22,000 No	\$12,000 No \$14,000
<b>Distributable Events</b> Unforeseeable emergency Loans Severance from employment Age 70½ required distribution De Minimis <sup>1</sup>	Yes, upon employer approval No Yes Yes Yes	Yes, upon employer approval Yes Yes Yes No
<b>Payment Options</b> Lump sum Partial lump sum Installment Period Certain Annuity	Yes Yes Yes Yes Yes	Yes Yes Yes Yes Yes
<b>Tax Penalty for Withdrawals</b>	No	Yes, depending on age, circumstances, and type of distribution
<b>Expenses and Fees</b>	No "loads" on funds, no investment option transfer fees, no annual account maintenance fees, no surrender fees	Possible "loads" on funds, investment transfer fees, annual account maintenance fees, and surrender fees up to 6 percent

<sup>1</sup> De Minimis means a participant who has not contributed to their OSGP account for at least two years and who is still employed may withdraw their account balance if it is less than \$5,000. Withdrawals are subject to applicable taxes.

## THE OSGP IS LOOKING FOR A FEW GOOD PEOPLE

Interested in a richer involvement with your deferred compensation plan? An opportunity for service is available in July when a vacancy is expected on the Deferred Compensation Advisory Committee. To reflect a cross section of participant groups represented on the Advisory Committee this position will be filled by a non-management employee of the state. The committee provides participant representation, a forum for feedback, and an opportunity for interaction. We invite employees interested in filling this vacancy to send a letter of interest with a brief resume to our Salem office at 800 Summer Street NE, Suite 200, Salem, OR 97301. Applications will be accepted until May 31. We look forward to hearing from you.

## ADVISORY CORNER

You are cordially invited to attend our **May 15** open meeting in Tigard. The meeting begins at 9:30 a.m. For more information call **(503) 378-3730**.