



Plan Update

Take Advantage of the Saver's Tax Credit.

One of the biggest benefits of contributing to the Oregon Savings Growth Plan (OSGP) is tax savings. Your pre-tax contributions reduce your taxable income dollar-for-dollar. And, you might be eligible for even more tax savings through a special tax credit.

A tax credit reduces the amount of tax you owe and is taken when you file your annual federal income tax return. Under current law, if you qualify, you can claim a Saver's Tax Credit each year. The actual amount of your credit is based on your tax-filing status and your adjusted gross income (AGI). The credit is between 10%-50% of the individual's eligible contribution of up to \$2,000, which means it cannot be more than \$1,000 (see table below).

| TAX CREDIT RATE | MARRIED AND FILES A JOINT RETURN | FILES AS HEAD OF HOUSEHOLD | OTHER CATEGORY OF FILERS |
|-----------------|----------------------------------|----------------------------|--------------------------|
| 50% | Up to \$30,000 | Up to \$22,500 | Up to \$15,000 |
| 20% | \$30,001-\$32,500 | \$22,501-\$24,375 | \$15,001-\$16,250 |
| 10% | \$32,501-\$50,000 | \$24,376-\$37,500 | \$16,251-\$25,000 |

Example

Jane, whose tax-filing status is "single," has an AGI of \$15,000 for tax year 2005. Jane contributed \$1,400 to her Plan account. Therefore, Jane is eligible for a non-refundable tax credit of \$700 ($\$1,400 \times .50$). Had Jane's AGI exceeded \$25,000, she would not have been eligible for the credit.

For more information on this tax credit, visit the Internal Revenue Service's Web site at www.irs.gov, click on *Individuals, Publication 17*, and look for "Other Credits" on the "Contents" page to read about the "retirement savings contributions credit." You should also consult a tax or financial advisor about tax credits.

Benefits of Paying Yourself First

You can easily make a commitment to pay yourself first. Just like having direct deposit for your paycheck, you can pay yourself first (before you even pay taxes on the money) by automatically investing in your OSGP account. Paying yourself first means that you first put away the money you want to save for your retirement. It's like putting saving at the top of your spending list.

• KEEP MORE OF YOUR MONEY

With pre-tax contributions, every dollar you contribute to the Plan lowers your federal taxable income dollar-for-dollar. Reducing your taxable income means writing a smaller check to the IRS. You will owe taxes on your pre-tax contributions and earnings when you withdraw the money, but you will most likely do that when you retire and will probably be in a lower tax bracket than you are in today.

• EARN MORE ON YOUR MONEY

Compounding means that you earn interest on your interest. This makes a huge difference over time, even when interest rates are low. Rather than you doing all the work saving money, the money you earn (interest and dividends) is working for you by being reinvested automatically.

• BUY MORE WITH YOUR MONEY

Having your savings automatically deducted from your paycheck helps you establish a steady and consistent investing strategy, called dollar-cost averaging. This means that you are buying investments every pay period with the same amount of money—your regular Plan contribution. Since investment fund share prices go up and down, dollar-cost averaging ensures that your money purchases more shares when prices are low and fewer when prices are high, which, over time, can actually lower your average cost per share.

(continued on reverse side)

As a long-term, disciplined saver, you may enjoy seeing your retirement nest egg turn into a tidy little sum over time.

Making a Statement

Even more important than reading your quarterly account statement is understanding what it means. Your statement shows the detailed activity in your Plan account for the time period listed. Included on your statement is: 1) your personal profile and how to access account information; 2) the total value of your account; 3) charts and graphs showing your account balance history and your investment mix; 4) your contribution amount; 5) performance of the investments in your personal portfolio; and 6) messages from OSGP.

For help understanding all sections of your statement, log on to the OSGP website at osgp.csplans.com and choose **My Statement**. At the bottom of the page you can click on “How to Read Your Statement [PDF File],” which is a brochure that explains each part of your statement in detail.

Should I Defer a Percentage of Pay or a Dollar Amount?

Most participants in OSGP have the option of choosing between deferring a set dollar amount or a percentage of pay. The percentage of pay is a good way to ensure that salary increases or overtime will be considered, which means your deferral will be increased accordingly. Also, if you are contributing the maximum dollar amount, by using a percent of pay, OSGP will automatically increase your dollar amount to the new allowable limit each year. If you have chosen to contribute a dollar amount, you will be responsible for changing it at the end of each year to ensure you are maximizing your deferral.

OSGP Workshops

The Oregon Savings Growth Plan presentations are always free. PERS recommends that participants attend as many educational sessions as early as possible in their careers.

Wealth Builder describes OSGP, explains how it works, and tells you why it is a valuable tool to use to accumulate dollars for retirement. The seminar discusses benefits of tax-deferred investing, OSGP investment options, and enrollment information.

Planning and Investing helps participants calculate long-term savings goals, review the nine investment options, and create personal investment strategies.

The Retirement Seminar is for participants within five years of retirement or who have severed employment. It includes the catch-up provision, pay-out options, IRS requirements and the impact of new tax laws upon retirees, time frames, and forms completion.

You can find a list of these workshops on the OSGP website at <http://www.oregon.gov/PERS/OSGP>. Simply click the link under “OSGP Workshop Schedule.” If you do not have Internet access and would like to enroll in any of the workshops, call 503-378-3730.

PERS educational representatives are available to make presentations at agency/staff meetings. Call 503-378-3730 ext. 223 to schedule a presentation at the employer worksite.

Advisory Corner

The advisory committee schedule for 2006 is as follows:

| | | |
|------------|-----------|---------------------------|
| February 8 | 9:30 a.m. | Archives Building, Salem |
| May 10 | 9:30 a.m. | PERS Headquarters, Tigard |
| August 9 | 9:30 a.m. | Archives Building, Salem |
| November 8 | 9:30 a.m. | PERS Headquarters, Tigard |

QUARTERLY CALENDAR

Customer Service Representatives are available weekdays, 7 a.m. to 5 p.m., Pacific Time, except on New York Stock Exchange holidays.

The New York Stock Exchange will be closed on **Monday, February 20, 2006**; and **Friday, April 14, 2006**.

Transactions made on these days will be processed the following business day.

EDITORIAL CONTRIBUTIONS

Gay Lynn Bath, OSGP

Paul Cleary, PERS

David Crosley, PERS

Laurie Kessinger, CitiStreet

This newsletter is not intended to provide legal, tax, or investment advice. For such advice, participants should contact legal, tax, or investment advisers.

SKU#OSGP3Q05