



FIRST QUARTER  
2008

# Plan Update

## in this issue

Plan News

Riding Out a Volatile Market

The Power to Move Markets

Retiree Corner

Test Your Knowledge of  
Stock Market Indexes

4 Ways to Make the Most  
of Your Tax Refund

**New look, expanded content!** Inside you'll find timely articles from SmartMoney and CitiStreet to help you save for retirement.

## A single investment solution:

### LifePath Portfolios

Simplify your investment strategy by investing in one of the 10 LifePath® Portfolios available through Oregon Savings Growth Plan (OSGP). All you need to do is determine when you plan to retire or start withdrawing money from your account and pick the Portfolio closest to that year. For example, if you plan to retire in 2029, you'd choose LifePath 2030.

To change your current investments or direct future contributions to a LifePath Portfolio, go to <http://osgp.csplans.com> or call (800) 365-8494. ●

## When less is more:

### Consolidate your retirement savings

It's not uncommon to change jobs during your career. If you have worked for different employers and left your retirement assets in your former employers' retirement plans, you now have separate retirement accounts, each of which may assess regular fees. Why not simplify your life — and save on fees — by consolidating your retirement accounts, including your traditional IRAs, into your OSGP account?

#### The advantages of consolidating are:

- Simplified recordkeeping; you receive only one statement.
- You can see your asset allocation and total accumulation at a glance. This helps you better manage your investment strategy and fine tune your investment mix.

#### OSGP offers:

- A broad range of professionally-managed investment options diversified over multiple asset classes.
- LifePath® Target Retirement Date funds.
- A strong record of controlling expenses; a lower fee means more money into your account.
- A long history of helping people save for retirement.
- Multiple ways to receive your retirement income, such as lump sum, partial lump sum, systematic withdrawals, and minimum distributions.

### Learn and serve

Oregon state law requires a deferred compensation advisory committee to provide information and advice to the Public Employees Retirement System Board. Seven members are selected by the Board and reflect a cross-section of participant groups.

The main role of the advisory committee is to provide for participant representation, a forum for feedback, and an opportunity for interaction. This committee typically meets four times a year.

As of July 1, 2008, there will be a vacant position on the committee. This position is open to any participant employed by an Oregon state agency and we invite employees interested in this position to email a letter of interest, along with a brief résumé, to Gay Lynn Bath.

#### Email:

gaylynn.bath@state.or.us

#### Mail to her attention at:

800 Summer St. NE  
Salem, OR 97301

**Applications will be accepted  
until May 30.**

The next Advisory Committee meeting is May 14 in Tigard at PERS Headquarters.

advisory corner

### To transfer money into the Plan...

Call 503-378-3730 for a Transfer/Rollover-In Form or download one online at [www.oregon.gov/pers/osgp](http://www.oregon.gov/pers/osgp). If you have any questions, please call Justin Naegle at 503-378-3471.

800.365.8494  
<http://osgp.csplans.com>

# Riding Out a Volatile Market

A downturn in the stock market may make it difficult to stay focused on the future. When the market is on a roller coaster, many people suffer from “statement shock” in response to daily market changes.

It's natural to want to take measures to protect your portfolio, but that's when the best strategy is probably to sit tight. When you consider investing for the long term typically means for a period of 10 or more years, then a sharp decline in prices (a market correction) becomes less significant. So, the best way to weather a volatile market is to ride it out.

If you compare stocks to other investments, you'll see that, historically, stocks perform much better in the long run\*. Whatever the future holds, the following strategies make sense:

## Know your risk tolerance:

- Evaluate your comfort level with the rise and fall of the market and invest accordingly.
- Make sure your investments are diversified.
- When the market declines, don't obsess about your losses.

## Review your portfolio:

- Review how your portfolio value has grown and changed over time — look at the last two to 10 years — it helps put market downturns into perspective.

## Think before you make changes:

- Don't respond emotionally to a volatile market.
- Take your time when making investment decisions — don't make moves based on what the market did yesterday or last week.

## Stick to your plan:

- Stay in the market. Chances are you'll do better over the long term than those who make sudden moves.



## You Can't Predict the Future

Market corrections are nearly impossible to forecast and you can't do much to avoid them. History may repeat itself, but last week's market return is no sure-fire predictor of what will happen next. It's not wise to invest or decide not to because you expect some particular behavior from the market in the near future. When you try, you're as likely to miss out on gains as to avoid losses. In fact, investors who expect a correction and get out of the market have a harder time deciding when to get back in, and they often miss out on six months or more of positive investment results.

What's important is investing for the long term. If you keep your portfolio mix fairly constant, avoid selling, and continue to invest, you can be prepared for a correction — and stand ready for the next upturn. ●

## did you know?

Many investors who got out of the market after September 11, 2001 and stayed out too long missed out on the next market recovery. By year-end 2001, a little more than three months after the decline, the Dow had already recovered 21%.<sup>\*\*</sup>



\* Historical results are not a guarantee of future performance.

\*\* Wikipedia, 2008

# The Power to Move Markets

## Understanding Economic Indicators

An economic indicator is any statistic that "indicates" how the economy is performing today and how it may be trending for the future. Economic indicators have the power to move financial markets and directly affect interest rates. The more you know about them, the more confident you can become as an investor.

Here's a list of some of the more prominent economic indicators:

**Consumer Confidence Index (CCI):**

used by the Federal Reserve when setting interest rates.

**Consumer Price Index (CPI):**

important indicator of inflation.

**Gross Domestic Product (GDP):**

indicates the pace at which an economy is growing.

**Employment Situation Summary:**

monitors the rate of unemployment.

**Housing Starts:**

tracks the number of new single-family homes built during a given month.

**Retail Sales Index:**

tracks merchandise sold by companies ranging from Wal-Mart to the neighborhood grocery.

The indicators discussed above only scratch the surface of the type of economic data that is published regularly. For more information, go to the Resource Center on the top menu bar of your plan Web site and select "Featured Content". ●



**If you're at that stage in your career where you're beginning to consider retirement or you are retired, you're probably beginning to weigh your options.**

As a participant in your Plan, you can choose to keep your account balances with the Plan and continue to take advantage of all the features and benefits that being a member of a large group plan offers. You may continue to access your account either online or by phone with your PIN. It's particularly important when considering retirement to make sure that you've adjusted your allocations appropriately for your retirement years. So before "taking it all with you," you might just want to consider all you'd be leaving behind.

**Call your Plan Information Line today to speak with a Plan Representative who can help make sure you are on track to reach your goals as you approach retirement.**

## Test Your Knowledge of Stock Market Indexes

Market indexes can help you track your portfolio's performance. What do they really mean?

- 1 The Dow Jones Industrial Average...**
  - A. Tracks 30 of the market's largest companies, such as IBM and Wal-Mart.
  - B. Always follows the same companies.
  - C. Averages the results of several leading stock and bond market indexes.
- 2 The Standard & Poor's 500 Index...**
  - A. Tracks 500 stocks owned by Standard & Poor's.
  - B. Tracks 500 large company stocks, including many industry leaders.
  - C. Was founded in 1970 as an alternative to the outdated Dow Jones Industrial Index.
- 3 The NASDAQ Composite Index is...**
  - A. Dominated by technology stocks.
  - B. An alternative to the Russell 2000 Index, which tracks the performance of 2,000 small company stocks.
  - C. A common proxy for the stock market as a whole.

### answers

- 1. A.** The Dow Jones Industrial Average (often called the Dow), created in 1896, tracks the share prices of 30 leading domestic companies. The makeup of the index has changed greatly over the years, as yesterday's industry leaders have given way to modern giants like Wal-Mart. If you own a blue chip fund, you may want to follow the Dow's performance.
- 2. B.** The S&P 500 Index tracks the share prices of 500 large companies. It was created in 1957. While the Dow focuses on 30 well-established ("blue chip") companies, the S&P 500 tracks a wider range of firms and is a more comprehensive gauge of the stock market's performance of large companies.
- 3. A.** The NASDAQ composite index mirrors the performance of the National Association of Securities Dealers Automated Quotations system. This electronic stock exchange was created in 1971 and includes shares of more than 3,000 growth-oriented companies, most of them technology firms. Because of its concentration in technology stocks, the NASDAQ tends to be more volatile than the Dow or the S&P 500.

# 4 Ways to Make the Most of Your Tax Refund

Seven out of 10 tax filers will receive a refund this year, and, according to the Internal Revenue Service, the average refund last year was more than \$2,000. Used wisely, that kind of cash can make a big difference in your financial future. If you are among those due a check from Uncle Sam, consider these four suggestions on how to make the most of your money.

## Your 2008 Tax Rebate

Eligible taxpayers who have filed their 2007 Federal tax return will begin receiving a special tax rebate in early May. This includes 117 million middle- and low-income taxpayers, some 20 million retirees living on Social Security, and about 250,000 U.S. veterans receiving disability benefits. To receive a rebate you must file a 2007 return. For detailed information about rebate amounts, go to [www.irs.gov](http://www.irs.gov).



## 1 Pay it down

"Paying down high-interest debt is the best way for most people to spend their tax refunds," says David Little, a chartered financial analyst, or CFA, in Fullerton, Calif. "It's a guaranteed high-return investment." For example, say you have a \$5,000 balance on a card charging 13% per year. Pay just the monthly minimum and you won't eliminate that debt for about 12 years, after paying more than \$2,500 in interest. Sinking \$2,000 into the debt will slash more than two years and a total of \$1,000 off your payments.

## 2 Pay up

If you don't have credit card debt, you may want to make an extra mortgage payment. You'll decrease the amount of interest you'll pay over the life of your loan. Say you have a \$200,000, 30-year mortgage that requires a monthly payment of \$1,200. One extra payment per year will save you \$50,000 in total interest over the life of the loan — and you'll own the home outright five years sooner. Tap the mortgage calculator at [www.bankrate.com](http://www.bankrate.com) to figure out how much money an extra mortgage payment will save you.

## 3 Do it for the children

Consider opening a 529 College Savings Plan to get a head start on your children's future college costs. Invest the money now, and when you pay for college-related expenses, withdrawals are entirely tax-free. Each state has its own plan, and you may invest through any of them. Your own state's 529 may offer state-tax benefits, but costs, investment options, and other features vary widely, so it pays to do some research first at Web sites such as [www.savingforcollege.com](http://www.savingforcollege.com).

## 4 Be selfish

Lastly, getting a big refund means you gave the government an interest-free loan for the past year. Consider decreasing the tax withheld from your paycheck and shifting that money into your retirement plan. Saving an extra \$2,000 every year would boost your nest egg by nearly a quarter-million dollars in 30 years, assuming your investments averaged an 8% annual return. Tax refunds can feel like found money, but the fact is you've worked hard to earn that cash. Make sure it works equally hard for you.

## You owe, now what?

While most taxpayers receive refunds, others aren't so lucky. Here's what you can do if you're socked with a tax bill you can't pay by mid-April:

**File IRS Form 9465.** This form, available at [www.irs.gov](http://www.irs.gov), allows you to pay your tax debt in monthly installments. You can name a payment size that works for you, as long as it puts you on track to have the debt paid off in five years or less. You'll be charged a \$43 fee, as well as a variable interest rate of three percentage points higher than the federal short-term rate.

**Take out a loan.** A home equity loan or line of credit usually is the least expensive way for consumers to borrow money. It can provide the cash you need to pay Uncle Sam — and the interest on the loan may be tax-deductible.



OSGP Web site:  
<http://osgp.csplans.com>

OSGP Information Line:  
800.365.8494

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

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## quarterly calendar

The New York Stock Exchange is closed on the following days:

- Monday, May 26, 2008
- Friday, July 4, 2008

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