

Plan Update

In this issue

Plan News

No Guts, No Glory

The Financial Dynamic Duo:
Asset Allocation and
Diversification

Retiree Corner

Recession Lesson

How to Enjoy Your Family
Vacation on a Budget

Choosing Beneficiaries: What You Should Know

The money in your OSGP account belongs to you. But no one can predict the future. So it's important that you name a beneficiary: the person or persons who will receive your account assets after your death.

If you have no beneficiary on file, your account would be distributed to the executor, personal representative, or administrator of your estate.

If you are not sure who you named as your beneficiary, complete a new *Beneficiary Designation* form, which will override the one currently on file. If you want a copy of your current form, you must request a copy in writing from OSGP at 800 Summer Street NE, Ste 200, Salem, OR 97301.

Please remember to review and update your *Beneficiary Designation* form after a major life event such as marriage, divorce, or the birth of a child or grandchild. This form can be found at http://oregon.gov/PERS/OSGP/osgp_forms.shtml. ●

New Advisory Committee Member

Jon DuFrene, a longtime state employee currently working for the State Controller's Division at the Department of Administration in Salem, recently became the newest member of the Advisory Committee. Jon is a strong proponent of OSGP and educating participants on the Plan's benefits. We look forward to working with Jon.

The next Advisory Committee meeting is August 13 at 9:30 a.m in the Archives Building in Salem.

OSGP 457(b) Catch-Up Provisions

Are you age 50 or older? Are you getting close to retiring with unreduced benefits? Do you want to defer your vacation and/or final paycheck?

If you're looking ahead to retirement, you may be thinking about what you have saved so far and how much more you'll need to live comfortably in retirement. Fortunately, there are provisions to help you reach your retirement goal and allow you to defer more than the regular annual contribution limit, which is \$15,500 in 2008.

Age 50-Plus Catch-Up Provision

If you are at least age 50 or turn age 50 in calendar year 2008, you are eligible to contribute an additional \$5,000 over the regular annual contribution limit, for a total of \$20,500.

3-Year Catch-Up Provision

If you are within the last three years of employment prior to reaching normal retirement age under your retirement system, and you did not contribute the maximum amount permitted by the IRS in any given year, you are eligible to participate in the 3-year catch-up. This provision allows you to make up or "catch-up" for years you may not have contributed the maximum amount or were employed but not enrolled in OSGP.

The catch-up limit is the lesser of:

- 1) twice the regular annual contribution limit (\$31,000 for 2008), or
- 2) the regular annual contribution limit for the year plus underutilized amounts from prior taxable years.

Changes to OSGP Investment Options

- Delaware U.S. Growth Fund (DEUIX) replaced Legg Mason Aggressive Growth Fund in the Large Cap Growth Option.
- The International Stock Option is now comprised of five funds with the addition of the BGI EAFE Index Fund. The Fund's target allocation is 40%, reducing the target allocation of the existing four funds to 15% each.

In determining underutilized amounts from prior years, only those years you were eligible to participate in the 457 Plan of the employer can be considered.

The 3-year catch-up can only be elected during the three years (consecutive) prior to, but not including, your proposed retirement date based on "normal retirement age." Normal retirement age is no later than the date you reach age 70½, and no earlier than the earliest age you can retire with unreduced benefits from PERS.

You cannot participate in the 50-Plus Catch-Up during the years in which you participate in the 3-Year Catch-Up.

Vacation, Compensation, and Back Pay

Participants may elect to defer compensation, including accumulated vacation, compensation and back pay, up to the annual contribution limits. This provision is primarily used by participants who are retiring or terminating in order to maximize their deferrals prior to their last day of employment.

If you are interested or have questions about any of these provisions, call 503-378-3730. ●

Your opinion matters!

Please take a moment to complete a short survey on Roth 457 plans at <http://oregon.gov/pers/osgp>.

No Guts, No Glory

An Olympic pole vaulter uses strength and momentum with every attempt at soaring over the highest crossbar. Retirement savings plan participants also have to be willing to assume some risk in seeking attractive returns over the long term. They know they can't have the reward without taking some risk.

Of course, most of us aren't cut out to be gold medalists. And you probably don't want the high anxiety that comes with aiming for the highest possible investment return. However, you have to be prepared to take some risk when you invest in your retirement plan if you want your money to grow enough to vault over inflation's bar.

In fact, the biggest risk for a long-term investor may be to take no risk at all. That's because if an investment is unlikely to lose value it's also unlikely to gain value, and may not be able to keep you ahead of inflation.

So, how do you aim for inflation-beating growth in your retirement plan without taking on more risk than you can tolerate? The key is to consider investing in a diversified selection of assets. Different kinds of stock funds, bond funds, balanced funds, money-market and stable value funds are subject to different kinds of risk. Therefore, they tend to behave differently under the same economic conditions.



This way, there's a better chance that at least one or two of your retirement plan investments will be doing well, even if the others aren't. Also, the consistent returns of some can offset the losses of another.

Balancing different kinds of risk may still sound kind of risky to you. But remember: you may not be able to avoid risk completely in your retirement savings plan and still expect to achieve your goal of securing your financial future. ●

did you know?

Inflation is a continuing rise in prices while the value of money goes down.



The Financial Dynamic Duo — Asset Allocation and Diversification

A time-tested strategy for managing risk

When you think of dynamic duos you may think of Batman and Robin, Abbott and Costello, or Laverne and Shirley. But do you ever think about asset allocation and diversification? This duo just might be the most important one for you to get to know as you plan for a successful retirement.

Asset allocation is the process of choosing in which of the asset classes to invest (stocks, bonds, and cash) and how much to invest in each.

Diversification is when you spread your savings across various types of investments (stocks, bonds and cash) and in different types of investments within those asset classes large-cap, small/mid-cap, international, and domestic funds).

By spreading out your investments, you avoid the pitfall of having all of your investments react to market changes the same way. The idea is to combine different investment types to create a portfolio that helps to lower your risk and increase your chances of success over

the long term. The investments you select should reflect your long-term goals, your ability to tolerate risk, and your time horizon.

When it comes to investing for retirement, risk and reward go hand-in-hand. What many people have learned is that if their time horizon is longer, they are more comfortable taking on more risk and investing more aggressively since they have time to wait out the inevitable fluctuations of the markets. But, if you're nearing retirement and have a shorter time horizon, just the opposite might be true. Determining your asset allocation mix and diversifying your investments are important steps to take toward reaching your financial goals. ●



Recession Lesson

Q What is a recession?

A The government relies on a private group — the National Bureau of Economic Research (NBER) — to make the official call on when recessions start and when they end. NBER defines a recession as a significant decline in activity spread across the economy, lasting more than a few months and marked by widespread contractions in many sectors of the economy. What NBER looks for are steep declines in both factory production and jobs, in consumer income, and in sales by wholesalers and retailers. If there are sharp declines in all those indicators, the economy is most likely in a recession.¹ With substantial declines visible in all those indicators, NBER determined that the economy fell into the first recession in 10 years in March 2001.² The recession ended in November 2001.

Q How long does a recession typically last?

A There's no such thing as a typical recession. There have been 32 recessions since economists first started tracking them in 1854. The worst lasted 65 months, from 1873-79. The recession of 1980-81 lasted just six months. The Great Depression involved two recessions — one from August 1929 to March 1933, and another from May 1937 to June 1938. The average recession since 1854 has lasted 16.7 months — and since World War II, the average has been 10.4 months.³

Q What are the signs that a recession is over?

A If NBER concludes that sharp declines in factory production and jobs signal the start of a recession, it figures that gains in factory production and jobs indicate that the recession has ended.

Since NBER also watches consumer incomes and spending with wholesalers and retailers, it also figures that gains in both are further evidence that the recession is over. But the easiest way to look over the economic horizon is to follow the leading economic indicators: A private economic group called The Conference Board reports on 10 economic indicators that typically react before the overall economy does.³ If the indicators gain for three straight months, it's a good sign the recession is ending. One leading indicator is stock prices, as measured by the Standard & Poor's 500 Stock Index. Once the stock market stages a strong and sustained rally that lasts more than a few weeks, it's likely the recession is about to end. ●

Finding Happiness in Retirement

Recent surveys show that many baby boomers plan to work after retirement.

The majority plan to work part-time — some in new careers and others as volunteers. What's key is staying active and involved. The benefits can be significant. Researchers have found that people who work at least a few hours a week during their retirement years live healthier and longer than those who don't.

Here are some resources that may help you find your niche:

- **My Next Phase (www.mynextphase.com):** This retirement counseling firm provides a personality test as well as coaching, seminars and Web-based programs to help retirees find their passions.
- **SeniorCorps.org:** The Corps taps the skills, talents and experience of those over age 55 and connects them with the people and organizations that need them most. Ninety-four percent of Corps volunteers report that their service has improved their knowledge, health, or social connectedness.
- **Seniors4Hire.org:** A job-search site that offers job seekers age 50 and older access to jobs from businesses that actively recruit and hire older workers and retirees.
- **RetirementJobs.com:** A job-search site that brings together mature workers with companies who seek them. You can also post your resume online for companies to find you.
- **RetiredBrains.com:** A job-listing and resume-posting site for older workers and retirees looking for jobs and volunteer opportunities.

NOTE: If you're thinking about re-employment, be sure to ask your employer if there are any policies or restrictions to your retirement benefits if you continue working.

Recession or not — Maintain contribution consistency

Stopping your additional contributions because times may be tough right now could end up being costly in the long run. Every day out of the market is a missed opportunity that could impact your chances of reaching your retirement goals. By staying disciplined you have a better chance of balancing investments made during periods of rising prices with those made when prices are lower. If history does repeat itself, the markets will bounce back. In fact, this might be the time to increase your contributions to accumulate more shares during a time when prices are lower.



¹ *Recession Dating Procedure*, NBER, October 21, 2003

² *U.S. Business Cycle Expansions and Contractions*, NBER, November, 2003

³ *The Conference Board press release*, October 20, 2003



How to Enjoy Your Family Vacation on a Budget

**The ideal family vacation meets at least three criteria:
It's fun, it's memorable — and it's affordable.**

A well-conceived vacation budget can put you on the road to achieving all these goals. "Every trip has unexpected costs," says Dorothy Jordan, editor of *Family Travel Times*, a magazine that helps parents identify destinations and travel bargains suitable for families. "A little planning can help you keep those expenses under control." Your budget needn't be a very strict one. Instead, it should reflect a realistic compilation of your family's vacation wishes and the best way to balance those wishes with other financial priorities.



Begin before the beginning

A good vacation budget begins with a family meeting. Have the meeting well before you set out on your trip, and include all family members who are old enough to express an opinion. Let everyone talk about the type of activities he or she would enjoy, and take those wishes into account when you make your vacation plans. The next step is to list the types of expenses you're likely to encounter, including airfare, car rental, gas, hotels, food, and recreation. Do some research to find out the likely costs of each item, starting with the most expensive ones. Guidebooks to a particular area may help you to estimate some expenses related to sightseeing and recreation.

Dig into the details

Be as precise as you can in your expense categories so that you will end up with more accurate estimates. Break food costs down into breakfast, lunch, dinner, and snacks. Some pursuits might require you to invest in special clothing or equipment, which might range from swimsuits to a camping stove. Don't forget to include costs you may incur on the home front: anything from hiring a pet sitter to paying someone to cut the grass while you're away.

Swap out, save more

Carefully consider how much you are willing to spend and look for ways to stay within those limits. For example, you might be able to save significant sums if you fly during off-peak times. You can trim a few days off your trip to save on lodging and food or perhaps go camping for a few nights. Also shop around at different hotels in your destination city to find less costly rooms.

Stick to your guns (but still have fun)

You may be tempted to let your financial guard down when you're tired or the kids are cranky. Stick to your spending itinerary. "If your children are old enough, you can give them a fixed amount for souvenirs," suggests Jordan. "That puts a clear limit on how much the kids should spend on keepsakes." Jot down each day's expenses and take note if you exceed your budget in one or more categories. Then take action: If restaurants are killing your budget, look for opportunities to have picnic lunches. Whether you are planning a luxurious vacation or a modest one, your vacation budget is an essential planning tool that can help you avoid spending more than you can afford. The result will be the relaxing and rewarding vacation you've earned. ●



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

OSGP Information Line:
800.365.8494

PERS/OSGP Web site:
www.oregon.gov/PERS/OSGP

Editorial contributions:
Gay Lynn Bath, OSGP
Paul Cleary, PERS
David Crosley, PERS
Marcy Loomis, CitiStreet

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quarterly calendar

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

- Monday, September 1, 2008

Transactions made on this day will be processed the following business day.