

Plan Update

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Stimulus plan frees up cash

Under the government's economic stimulus plan, the Internal Revenue Service (IRS) issued new tax tables April 1, 2009 that reduced the amount of income taxes taken out of wages.

With extra cash available every payday, consider deferring some or all of it into your OSGP account. Even a little more could make a difference.

The more you defer into OSGP, the less of your income is subject to current federal and state income taxes. That way, you put off tax payments until you begin Plan withdrawals or distributions.

The tax benefits of your OSGP contributions may be an important consideration this year. There is a new tax credit under the stimulus plan but some workers will not be eligible if their gross incomes exceed the limit. With less withheld from your paycheck, you could potentially owe additional taxes next April. However, if you increase your OSGP deferrals, you could reduce current taxes and keep more of your money working toward your retirement objectives.

The stimulus plan also affects some retirees. In May, OSGP sent letters about the new withholding tables to retirees who receive their Plan distributions in installments. Read **What's in the economic stimulus plan for retirees** on page 3. ●

advisory corner

Three join Committee

Keith Baldwin is the stewardship forester at the Oregon Department of Forestry. With over 24 years of Forestry service, he has an appreciation for the changes in OSGP investments and services over the years. He hopes to help OSGP continue to provide a competitive investment service to participants.

Robert Swank is associate director for Lane Council of Governments (LCOG) in Eugene. A 35-year LCOG veteran, he is a real proponent of OSGP. He is interested in contributing the participants' perspective to OSGP administration.

John Lattimer is the chief administrative officer for Marion County. He previously served as Oregon's legislative fiscal officer and worked for over 19 years for three other state legislatures. John has a strong interest in OSGP's investments and services.

Plan Sponsor of the Year finalist

OSGP was one of three finalists in the public sector category for Plan Sponsor of the Year chosen by PLANSPONSOR magazine.



Photo: Keene Studio

The Plan Sponsor of the Year award is given to plans for their consistent, thoughtful commitment to workers and their retirement security. Along with other award candidates, OSGP was cited for achieving results in unique and measurable ways.

"This is quite an honor for OSGP," said Gay Lynn Bath, OSGP manager. She credits the OSGP team for making it one of the finest programs in the country. "They go above and beyond expectations to offer great customer service to OSGP participants."

PLANSPONSOR is the industry's leading resource for news about pensions and benefits. The magazine published a full-page article about OSGP with a photograph of the OSGP staff in the March 2009 issue. — Reporting by Nancy Hill ●

Front: Gay Lynn Bath. Left to right on stairs: Doug Pederson, Jack Schafroth, Justin Naegle, Kathy Gannon, and Carol Thornbrue. Right: Sandy Newman and Denise Helms.

Upcoming Advisory Committee Meetings

August 12, 2009, 9:30 a.m.

Archives Building
800 Summer Street NE, Suite 200
Salem

November 18, 2009, 9:30 a.m.

PERS Headquarters
11410 SW 68th Parkway
Tigard



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Plan Information Line: (800) 365-8494
Plan Web site: <http://osgp.ingplans.com>

Your best defense: investing during a recession

Today's markets can test an investor's patience. Three steps can help you stay confident while investing for your retirement.

1 Don't miss the potential rebound.

Historically, stocks have recovered from short-term declines. Despite 2008's 37% decrease, Standard & Poor's 500 Index¹ posted a 10% annualized gain during the last 25 years through December 31, 2008.²

In fact, short-term declines aren't the biggest risks to investors — rather, it's inflation. If your investments grow at a rate that is less than the rate of inflation, you can lose purchasing power. For your portfolio to potentially grow, your returns must exceed the inflation rate. Stocks' returns have outpaced inflation by an average 6.2% a year since 1945.² So try to think of any short-term decline as an opportunity to buy investments at low prices.

2 Maximize your savings.

Uncertainty in a recession may lead some individuals to cut back on saving and investing and wait for good times to return. However, this reaction ignores the reality that it takes years of steady saving and careful investing to accumulate assets to generate enough after-tax, after-inflation income for a long, comfortable retirement.

Continue to save and invest for the long term. If you can afford to, consider increasing the amount you set aside each year or whenever you get a raise.

3 Choose the right mix.

Diversifying your investments can help you create a portfolio that may be better able to withstand market fluctuations, although it does not assure a profit or protect against loss in declining markets.

The way you invest depends on your age, objectives, and comfort with investment risk. For instance, people close to retirement often seek a lower-risk mix of investments but still hold a smaller allocation of stock investments for potential growth to help their savings last for decades. ●

¹ The S&P 500 Index tracks the stocks of 500 widely held U.S. corporations, representing more than 70% of the value of the U.S. stock market. Investors cannot directly purchase or invest in an index.

² Ibbotson Associates, a Morningstar company. Data as of February 2009.

Out from under

Are you swamped with credit card debt? There is no investment strategy anywhere that pays off as well — and with less risk — as eliminating high-interest debt.

Reducing high-interest credit card balances as quickly as possible is one of the wisest things you can do under any market condition. What you save on monthly credit card payments frees up money for other uses, such as adding to your retirement plan accounts.

Prioritize your payments

Write down the balance you owe, the interest rate you pay, and your credit limit on each credit card. Then create a repayment schedule. Concentrate on paying off the card that charges the highest rate first. Focus, too, on getting your outstanding balance on each card well below the credit limit to lessen your vulnerability to over-the-limit fees. Note: Never miss a payment. If you do, your interest rate may be raised on that card and others after credit card companies review your credit history.

Look for a lower rate

Consider transferring your balances to a lower-rate card. You can do side-by-side comparisons of other cards on www.cardratings.com, www.bankrate.com, and www.creditcards.com. Be sure to check the transfer fees. If you find a low advertised rate, note how long the low rate lasts and make sure you qualify. Sometimes, it will depend on your credit rating.

Turn over a new leaf

Limit use of credit cards while paying off your debt. If you can, consider making all purchases with cash. Experts say no one needs more than two or three credit cards. But keep your oldest card: this can help your credit score by showing how long you've had credit. When you're debt-free, save for the long term by increasing the amount you contribute to your retirement plan accounts. ●

Go green and keep more green

Going green to help the environment makes life better for you and future generations. And cutting expenses can produce extra cash that could go toward your retirement savings.

Here are some simple things you can do to save money and the environment.

- Set your thermostat a few degrees higher to save on cooling costs this summer.
- Replace older incandescent bulbs with compact fluorescent light bulbs (CFLs).
- Unplug appliances and shut off lights when you're not using them.
- Wash clothes in cold water and hang laundry to dry outside to lower energy costs.
- Take shorter showers to reduce water use and lower your water and heating bills.
- Choose native plants that can tolerate drought for your garden.
- Use cell phones and computers as long as possible, then recycle or donate electronics responsibly to help reduce hazardous waste.



- Walk or ride a bike to save on gas and parking costs while doing errands.
- Tune-up your car and change the oil regularly to increase gas mileage.
- Carry a reusable water bottle instead of paying for bottled water that generates container waste.
- Borrow from libraries or friends instead of buying books and movies.
- If your bank or retirement plans offer electronic account statements, sign up for online delivery instead of mailed paper copies. ●



What's in the economic stimulus plan for retirees

The government's economic stimulus plan includes changes that aim to put more money in people's pockets to spend and help revive the nation's economy.

Retirement income. If you're a recipient of Social Security, Supplemental Security Income (SSI), Railroad Retirement, or Veterans Administration benefits, you collected a one-time payment of \$250 in May or June. Retired government employees not eligible for Social Security benefits will get a \$250 credit when they file their 2009 tax returns.

Withholding rules. The Internal Revenue Service (IRS) issued new tax tables that lowered the tax withholding rates for retirees and employees starting April 1.

If you get income on a regular basis from your retirement accounts or annuity, you are now seeing a little extra with each payment because less income tax has been withheld.

Of course, if no taxes are withheld, you won't see any difference in your payments. The change does not apply to lump sum payments.

No retiree tax credit. The stimulus plan included a new tax credit on earned income such as wages reported on Form W-2. This credit helps employees offset the impact of lower withholding on their 2009 and 2010 tax bills. However, retirees who receive retirement income reported on Form 1099-R are not eligible for this credit.

Impact on tax return. Getting more with each retirement plan or annuity check throughout the year might affect your tax situation next April. If you typically receive a refund, this could lower the amount of the refund. Or if you normally pay taxes, you could owe more, depending on your circumstances.

If you want to avoid any tax surprises, you may want to review your situation. Ideally, you want your withholding to cover your tax liability. For a quick analysis, you can use the new withholding calculator for retirees at www.irs.gov.

You don't have to do anything. However, if you wish, you may adjust the amount of taxes withheld from your retirement income. Ask the provider that sends your scheduled payments how to file a new Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Since tax issues can be complex, consult your tax or financial adviser before changing your withholding. ●

Test your knowledge of investing in a bear market

Should I keep saving for retirement even though I have experienced losses?

Yes. One of the best ways to replenish your retirement assets is to boost your savings efforts. Continuing to save — and increasing your contributions to your retirement accounts — provides a number of important benefits that can help keep you on track for retirement. By purchasing stocks when prices are lower during a bear market, you are potentially positioning yourself for strong gains when the market recovers.

Should I pull my money out of stocks and invest more conservatively until the market recovers?

Probably not, if you are still comfortable with your long-term asset allocation and personal risk assessment. It is your personal decision. However, if you pull out of the market, you're likely to miss the beginning of its eventual recovery. Historically, stocks have produced some of their strongest returns as they rebounded from their low points. Missing the rebound would reduce your long-term returns.

Research by Dalbar, Inc., found that investors' tendency to jump out of the market after declines caused their returns to lag the market dramatically. Dalbar discovered that the average investor earned an annualized return of only 4.48% during the 20 years between 1988 and 2007, compared with an 11.81% return for the S&P 500.¹ The lower return came as a result of moving in and out of stocks at the wrong times, missing the best days of the recoveries.

What does history tell us about market downturns and recoveries?

Stocks historically begin recovering before a recession ends.² To avoid missing the eventual rebound, you may want to be patient. Consider the stock market's five worst individual years between 1926 and 2007: 1930, 1931, 1937, 1974, and 2002. The S&P 500's average cumulative loss for those years was 30.4%. By contrast, the index scored an average cumulative return of 72.8% for the five-year periods that followed each of the down years.³

¹ Dalbar, Inc., *Quantitative Analysis of Investor Behavior* 2008.

² "Does Sector Rotation Signal Recession?" *Standard & Poor's*, November 26, 2007.

³ Ibbotson Associates, a division of Morningstar, Inc. *Stock market returns represented by the performance of the S&P 500.*



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

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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 advisers.

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quarterly calendar

The New York Stock Exchange is closed:

- **Monday, September 7, 2009**

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