



oregon
SAVINGS GROWTH PLAN

SECOND QUARTER
2011

plan update

In this issue

Plan news

What's your investing style?

Retiree corner

If you need to retire sooner than you thought

What do you know about rebalancing?

OSGP focus groups

If you are interested in participating in a focus group about offering financial advice to OSGP participants, please contact Gay Lynn Bath at gaylynn.bath@state.or.us on or before July 22. You will be asked to sit in on a Webinar, watch a demonstration of the advice product, and complete a short survey. ●

No-fee counseling service for weighing choices

Transition Counseling is a no-fee service offered by OSGP to help participants who face a decision about their retirement savings.

Introduced June 1, Transition Counseling is available to you whether you are joining or leaving your current employer, getting ready to retire, or already retired, regardless of the size of your account balance. This unbiased service is intended to help you keep your retirement savings on track.

Transition Counselors can help you compare your options, including:

- Keeping your money in OSGP
- Rolling money from a prior employer or an Individual Retirement Account (IRA) into your OSGP account to consolidate your savings
- Rolling over your OSGP balance to an IRA
- Taking a cash distribution which will be taxed as current income when distributed
- Payout options at retirement, including the IRS age 70½ Required Minimum Distributions (RMDs)

Transition Counselors can answer your questions and help you understand which choices may be right for your personal situation. They are available Monday-Friday, 8 a.m.-8 p.m. (Eastern Time), excluding New York Stock Exchange holidays.

For more information or to receive assistance, call the Plan Information Line at **(800) 365-8494** and ask to speak with a Transition Counselor. ●

Neither ING nor its affiliated companies or representatives offer legal or tax advice. You should seek the advice of a tax attorney or tax adviser prior to making a tax-related insurance or investment decision. Transition Counselors and Investment Advisor Representatives are Registered Representatives of ING Financial Partners.

Self-Directed Brokerage Account added to investment lineup

In August, OSGP will offer participants another option for investing for retirement: the Self-Directed Brokerage Account (SDBA) through Charles Schwab.

This brokerage account is for participants who are able to handle their own investments and want the freedom to choose among thousands of mutual funds available through Schwab.

Before investing in mutual funds through Schwab, you should carefully consider information contained in the prospectus, including investment objectives, risks, trading policies, charges, and expenses. Please read the prospectus carefully before investing.

For more information, please review the fact sheet enclosed with your statement, visit the Plan website at <http://osgp.ingplans.com>, or call the Plan Information Line at **(800) 365-8494**. ●

Changes to fund options

OSGP is making changes to some underlying funds in two of the fund options. The Callan Small-Cap Equity Fund will be added to the Small/Mid-Size Option. Oregon State Treasury believes that adding an actively-managed small-cap strategy will improve the overall risk/return characteristics and provide a more diversified actively-managed option for participants. DFA Emerging Markets Core Equity Fund (DFCEX) will be added to the International Equity Option to give the option more exposure to emerging markets. Before investing, please review all fund information which is available on the Plan website or by calling the Plan Information Line. ●

The Roth 457 bill passed

The Oregon Legislature passed HB 2113, which included a provision to add a Roth 457 to the Oregon Savings Growth Plan. At press time, the bill had not yet been signed by Governor Kitzhaber. Check the website at <http://osgp.ingplans.com> for updates. OSGP hopes to offer the Roth to participants in 2012. ●

advisory corner

Upcoming Advisory Committee Meeting

August 10, 2011 • 9:30 a.m.

PERS Headquarters • 11410 SW 68th Parkway • Tigard

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

What's your investing style?

In a recent survey, government employees were asked to describe their investing style by choosing one of three broad categories:

- **Conservative:** Want to "protect" savings and avoid any possible losses
- **Moderate:** Willing to accept a moderate level of risk to possibly have moderate investment growth
- **Aggressive:** Willing to accept a high level of risk to possibly achieve high asset growth



Which best describes your retirement investment philosophy?

Conservative 50%

Moderate 44%

6% Aggressive

Results are from *Public Employees in Focus* published by the ING Retirement Research Institute in September 2010.

The majority reported they are risk averse, with only six percent saying they are aggressive retirement investors.

Given the timing of the survey, these answers are not surprising. Memories of the market's record low in March 2009 were still fresh when the survey was conducted.

In the three years following the 2008-2009 global financial crisis, investment options that invested in stocks rose in value. If your investing style was aggressive or moderate, most likely you participated in the gains. If you pulled out of the market in an attempt to avoid losses, you missed out on the recovery.

Be true to your own style

While it's interesting to know how other government employees invest, you don't want to run with the pack.

Instead, you want to understand your own ability to handle risk based on your personal circumstances, including your age, income, the amount of time left for investing before you expect to retire, confidence in investing, and attitude toward short-term market volatility.

Risk is part of investing. But did you know there are different types of risk, not just the risk of an investment losing value? For example, maintaining a portfolio of only the most conservative investments could expose you to the risk of running out of retirement assets too soon.

You can be better prepared to manage risk by maintaining an investment mix in your Plan account using diversification and asset allocation. Diversification involves spreading your dollars among a variety of investments. Asset allocation is deciding how to diversify by dividing your money among different asset classes, such as stocks, bonds, or cash equivalents.

Of course, using diversification or asset allocation as part of your investment strategy does not assure or guarantee better performance and may not protect against loss in declining markets. Past performance does not guarantee future results.

To develop and pursue your retirement investing strategy, be sure to determine what type of investor you are. Go to the Plan website or call the Plan Information Line to learn more about the tools, education, and services available to help you understand and stick to your investing style. ●

Make your retirement savings count

After you retire, your financial needs may change. Given longer life expectancies and inflation, you'll need to make sure you don't end up outliving your retirement savings.

As a result, you may need to fine-tune your investment strategy. Keep in mind:

Don't neglect growth.

Many retirees believe retirement is a time to shift their money into conservative money market funds or certificates of deposit (CDs). While these vehicles may involve little risk to principal, the return they offer may not keep up with the rate of inflation.* Since stock returns have historically outpaced inflation by a wider margin than the returns of other securities, consider including some investment options that invest in stocks throughout retirement.**

Balance income and risk.

Along with some investment options that invest in stocks, investing in fixed-income investment options could help provide a consistent stream of income during

your retirement years. The amount of risk you take on should be determined in part by your income needs. For example, if you expect to receive income from other sources during retirement, you may be able to focus your investment strategy on investment options that offer lower income potential but may also be less risky. However, if you need to generate more income, you may have to take on more risk.

A number of variables, including your risk tolerance and need for income and growth, should help guide your retirement investment decisions. You may want to consult a qualified financial professional to reassess your portfolio in light of your changing needs. ●

* Investment in a money market fund is neither insured nor guaranteed by the U.S. government, and there can be no guarantee that the fund will maintain a stable \$1 share price. The fund's yield will vary. Certificates of Deposit (CDs) offer a guaranteed rate of return, guarantee repayment of principal, and are generally insured by the Federal Deposit Insurance Corp. (FDIC), but do not necessarily protect against the rising cost of living.

** Source: Standard & Poor's. For the 75-year period ended December 31, 2006. Past performance does not guarantee future results.

If you need to retire sooner than you thought

Forty-five percent of retirees reported they retired sooner than they had planned, according to the 2011 survey by the Employee Benefit Research Institute (EBRI).¹

Those surveyed cited several reasons why:

- Health problems or disability: **63 percent**
- Employer downsizing or closure: **23 percent**
- Providing care for other family members: **18 percent**

Although these facts present a stark picture, there are things you can do now to prepare yourself for the unexpected. As a start, consider these steps:

First, invest as much as you can while you are still working. If you are participating in a voluntary 457(b) plan, you are allowed to contribute a maximum of \$16,500 in 2011. If you are age 50 or older, you are eligible to make an additional catch-up contribution of \$5,500.

Second, invest smart: maintain a portfolio with a mix of options that invest in stocks, bonds, and cash equivalents appropriate for your time horizon and keep an eye on your investment costs.

Third, be sure to maintain an emergency fund of liquid savings that you can tap into for unexpected expenses such as a car or home repair.



Fourth, determine when you will start collecting Social Security if you or your spouse are eligible (in some states, government employees do not pay into Social Security and therefore do not receive benefits at retirement). While most people qualify for Social Security benefits at age 62, waiting until you reach full retirement age entitles you to a larger benefit — a retirement credit of as much as eight percent annually, depending on the year of your birth and how long you wait. Log on to www.ssa.gov to review the estimated benefits you can expect at different ages before making a decision. ●

¹ Source: 2011 Retirement Confidence Survey, Employee Benefit Research Institute, a private, nonprofit research institute based in Washington, D.C., that focuses on health, savings, retirement, and economic security issues. Percentages do not add up to 100 percent. Survey results available at www.ebri.org.

What do you know about rebalancing?

The Plan website offers a convenient option called automatic rebalancing for the investment options in your Plan account.

So what is rebalancing? It's not the same as "reallocating," which is making an outright change in how the money in your account is distributed among different asset classes in your portfolio. Take this quiz to find out how much you know about rebalancing.

1. Rebalancing means:

- a. Investing equally in stocks and bonds
- b. Picking investments likely to perform well next year
- c. Adjusting your portfolio to maintain a specific investment mix

2. Rebalancing can help reduce risk by:

- a. Allowing you to invest set amounts of money at fixed intervals
- b. Spreading your investments across the asset classes
- c. Preventing overexposure to a single asset class

3. Investment professionals consider it a good idea to rebalance your retirement account:

- a. Every quarter
- b. Every year
- c. Whenever the stock market falls

Answers:

1. **c.** Rebalancing means adjusting your portfolio to achieve the asset mix that's appropriate for your time horizon, investment objectives, life circumstances, and risk tolerance. Generally, rebalancing involves selling assets in one or more of the investment options in your Plan account and using the proceeds to buy shares of other investment options. The idea is to get back to the target percentages you set originally based on how you feel about risk and the time remaining before you retire.
2. **c.** Rebalancing can help reduce risk by preventing overexposure to a single asset class. After a long bull market, for example, an unbalanced portfolio may be top-heavy in options that invest in stocks and therefore more vulnerable to the inevitable downturn. Rebalancing does not assure or guarantee a profit and can't prevent loss in declining markets. However, it may help you maintain the investment strategy appropriate for you over the long haul.
3. **b.** It's a good idea to rebalance your Plan account once a year because market conditions may have pushed your portfolio out of alignment with your asset allocation strategy. But any life event that substantially affects your income, expenses, or financial goals may be a good reason to change your investment mix, too. You should also reconsider your portfolio allocation if your risk tolerance or investment objectives have changed. If you have invested in a target date fund, the rebalancing decisions are handled for you by the fund manager. ●



OSGP website:
<http://osgp.ingplans.com>

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(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 advisers.

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quarterly calendar

The New York Stock Exchange is closed:

- Monday, September 5, 2011

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

Schwab Personal Choice Retirement Account® (PCRA)

Fact Sheet

What is Schwab PCRA?

Schwab Personal Choice Retirement Account® (PCRA) is a self-directed brokerage account (SDBA) designed to complement your Oregon Savings Growth Plan (OSGP) core investments and give you access to thousands of additional investment choices.

Who should choose to invest through PCRA?

Schwab PCRA is for *knowledgeable* investors who understand the risks associated with many of the investment choices available through an SDBA and who are committed to staying invested for the long-term. Schwab PCRA is designed for individuals who seek more flexibility, increased diversification and a greater role in managing their retirement savings.

How does PCRA differ from a typical brokerage account?

One important difference is that your Schwab PCRA can only be used to invest in mutual funds offered at Schwab, based on the provisions of your plan. Additionally, Schwab PCRA is different because it is funded only through transfers from your retirement plan core investments. If you have any other accounts with Schwab, such as an Individual Retirement Account (IRA), you cannot transfer assets between such accounts and Schwab PCRA. All restrictions imposed on your retirement plan apply to the money transferred to Schwab PCRA.

What investments are available through PCRA?

Through Schwab PCRA, you may access more than 6,000 mutual funds from over 400 well-known fund families. Over 3,000 mutual funds are available with no-loads and no-transaction fees¹, including over 1,100 load-waived funds typically available only to institutional clients. Investments also include exchange-traded funds² (ETFs).

Ineligible investments include: Currencies, short sales, private placements, commodities, precious metals, real estate, futures, margin accounts, collectibles, and options (other than covered calls and protective puts, if permitted by your employer and approved by Schwab).

Note: Investors should carefully consider information contained in the prospectus, including investment objectives, risks, trading policies, charges and expenses. You can request a prospectus by calling Schwab's dedicated PCRA Call Center at 1-888-393-PCRA (7272). You may also request a prospectus online at www.schwab.com/prospectus. Please read the prospectus carefully before investing.

How do I open my PCRA?

1. Go to <http://osgp.ingplans.com> to log into your account. Once you are logged in, select "Schwab Self-Directed Brokerage" to open a Schwab PCRA.
2. Input the Retirement Plan ID and Password provided by your Retirement Plan Service Provider, along with your Social Security Number.
3. Follow the steps to complete the online Schwab PCRA Application.
4. Once you click "Submit," you will receive your account number instantly on the screen.
5. Click the Login button on Schwab.com, then click the link for "New User" to set up your Schwab PCRA for web access.
6. Your Schwab PCRA is now ready to be funded, and you can begin researching investment opportunities.
7. You will receive a Schwab PCRA Welcome Kit in a few days.

How do I transfer money into my PCRA?

Once your Schwab PCRA is established, you fund your Schwab PCRA by transferring money from your other retirement plan core investments in a three-step process:

1. Determine which of your core investments you want to transfer money from.
2. Decide on the amount to transfer.
3. Go to the Plan website at <http://osgp.ingplans.com> and follow the steps to initiate a transfer.

How do I place trades and manage my PCRA balance?

- Log into www.schwab.com to manage your Schwab PCRA and place trade orders.
- Call 1-888-393-PCRA (7272) to access Schwab's dedicated PCRA Call Center, TeleBroker® touch tone service, or Schwab by Phone™ voice recognition service. Schwab PCRA Registered Representatives are available Monday through Friday, 9:00 a.m. to 7:30 p.m. (ET). Outside of these hours, Schwab Investor Service Center representatives are available 24 hours a day, seven days a week.

What does it cost?

- Transaction fees and commissions are outlined in the *Charles Schwab Pricing Guide for Retirement Plan Accounts* provide in your Schwab PCRA Welcome Kit.
- Please note that there is no charge from Schwab to open a PCRA. However, you are subject to the Plan administrative fee of 0.18 basis points.

What information is available to help me learn about and select investments?

- Powerful proprietary research tools on Schwab.com, such as the *Schwab Mutual Fund OneSource Select List*®, as well as mutual fund commentary and insight.
- Access to mutual fund screener tools to help you choose your investments.
- Knowledgeable Schwab PCRA Call Center representatives who can help with investing information.
- Online or in-person investing workshops led by Schwab investment professionals covering timely topics.
- Find information about Schwab PCRA at www.schwab.com/pcra.
- Once logged into your PCRA on Schwab.com, view the "PCRA Educational Webcast," as well as other helpful information contained in the "PCRA Resources" section.
- Over 300 Schwab branch offices nationwide to help with your other investing needs.

How do I invest the money in my PCRA?

Money transferred from your core funds into your Schwab PCRA will be automatically allocated to the sweep money market fund in your Schwab PCRA within approximately two business days. Use these assets to purchase other investments in your Schwab PCRA.

Note: An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Can I make direct payroll contributions to my PCRA?

No. Direct contributions into your Schwab PCRA are not allowed.

How do I transfer money from my PCRA back to the other core investments in my retirement plan?

Visit Schwab.com or call the PCRA Call Center to liquidate securities, if required, to make cash available for transfer. As soon as settled cash is available in the sweep money market fund in your Schwab PCRA, you may transfer the assets back to your retirement plan core investments. Call the Plan Information Line at 800-365-8494 or go to <http://osgp.ingplans.com> and follow the steps to initiate a transfer.

Who provides my PCRA statements?

Schwab will send you a PCRA statement each month. You can access your PCRA statement, see your balance, and view all transactions you have made in two years by logging into your PCRA on Schwab.com. You can enroll in Schwab's Paperless Service and electronically receive your trade confirms and other regulatory materials via email.

Is there a minimum transfer required?

No. However, you must have at least a \$20,000 balance in your OSGP account before you can transfer money into the PCRA. Only 50% of your OSGP account balance can be invested in your Schwab PCRA. Transfers of more than 50% of your current OSGP account balance into the PCRA will be rejected.

¹ Charles Schwab & Co., Inc. (Member SIPC) receives remuneration from fund companies for recordkeeping and shareholder services, and other administrative services for shares purchased through Schwab's Mutual Fund OneSource® program. Schwab may also receive remuneration from transaction fee fund companies for certain administrative services. Data as of August 31, 2010.

Trades in no-load funds available through Schwab's Mutual Fund OneSource service (including Schwab Funds®), as well as certain other funds, are available without transaction fees when placed through Schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses.

Schwab's short-term redemption fee will be charged on redemption of funds (except certain Schwab Funds) bought through Schwab's Mutual Fund OneSource program (and certain other funds) with no transaction fee and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds, which may charge a separate redemption fee, and funds that accommodate short-term trading.

² Exchange-traded funds (ETFs) are subject to risks similar to those of stocks.

Schwab Personal Choice Retirement Account® (PCRA) is offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer which also provides other brokerage and custody services to its customers.