Should you borrow from your OSGP account?

While planning for unexpected expenses can be difficult, before you decide to tap into your retirement savings, make sure you fully understand the possible consequences.

HERE ARE SOME THINGS YOU SHOULD CONSIDER BEFORE TAKING OUT A LOAN:

- *Loan payments will be deducted from your paycheck on an after-tax basis. These are loan payments, not contributions to the plan, and all distributions from the plan at retirement will be taxable.*
- *The interest rate paid on a Plan loan is often less than the rate the funds in the Plan would have otherwise earned.*
- *Because you now have a loan payment, you may be tempted to reduce the amount you are contributing to the plan, which will reduce your long-term retirement account balance.*
- *Loan defaults can be harmful to your financial health. Defaulting on a loan may result in the loan being reported to the IRS as a taxable distribution.*
- *Interest on the loan is not tax deductible, even if you borrow to purchase your primary home.*
- *You have no flexibility in changing the payment terms of your loan.*
- *Loans are funded first from your 457 contributions and secondly from any rollover monies you may have. If any portion of the loan was a rollover from a 401(k), 403(b), 401(a), or IRA, you may also be subject to a 10 percent penalty on those monies.*
- *If you change employers before your loan has been paid in full, you will not be able to continue payments through payroll deduction and the balance of your loan will become immediately due and payable.*

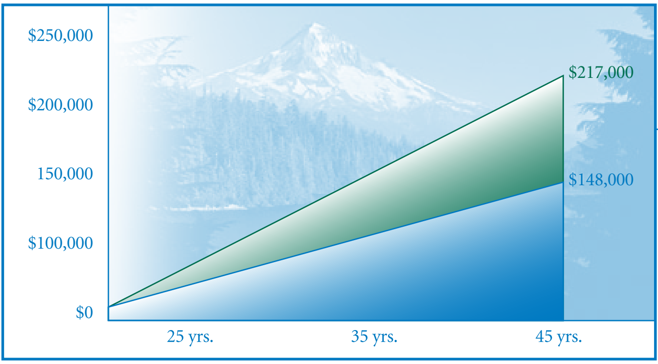
While having the ability to borrow from your OSGP account can give you peace of mind, you must remember that OSGP was established as a long-term savings vehicle to help you prepare for a secure financial future.

Consider alternate ways to cover your expenses. Tapping into your retirement savings today may undermine your financial security in the future.

It is probably not wise to take out an OSGP loan if:

- you are planning to leave your job within the next couple of years,
- there is a chance you will lose your job due to budget cuts,
- you are nearing retirement,
- you can obtain the funds from other sources,
- you cannot pay off the loan right away if you are laid off or change jobs,
- you need the loan to meet everyday living expenses, or;
- you plan to use the money to purchase a luxury item or pay for a vacation.

TAKING A LOAN DECREASES YOUR ACCOUNT BALANCE



The present value of your investment is equal to your starting principal. The future value of your investment is equal to what the balance of your account has grown to at some point in the future.

ELIGIBILITY REQUIREMENT

Any active state employee or employee of a participating local government whose employer has adopted the loan program and who has an accumulated a deferred compensation account balance of $2,050 or more may apply for a Plan loan.

LOAN LIMITS

The minimum loan available is $1,000 and the maximum amount you are permitted to borrow from your account is 50 percent of your account balance up to a maximum of $50,000.

TYPES OF LOANS

General Purpose – The money may be used for any reason. These loans must be repaid within five years.

Residential – The money must be used to purchase a primary residence. Certain documentation is required. You have up to 15 years to repay the loan.

LOAN FEES

A one-time loan application fee of $50 will be deducted from your account at the time your loan is processed.

INTEREST RATES

The interest rate for either a General Purpose or Residential Loan is equal to the prime rate, as printed in the ***Wall Street Journal*** on the last business day of the prior month, plus 1 percent. The Servicemembers' Civil Relief Act of 2003 (an update to the Soldiers' and Sailors' Relief Act of 1940) imposes a six percent maximum limit on the interest rate during a period of military service.

$10,000 with no loan taken

$10,000 with $5,000 loan taken and no contributions for 5 years

Assumptions: *The account balances of $10,000 (no loan taken) and $5,000 (loan taken) earn an average annual rate of return 8%. The $5,000 loan is repaid over five years with after-tax dollars at an interest rate of 5%. In this example, contributions to the Program account are suspended during the five-year period. This illustration is hypothetical and for demonstrative purposes only. It is not necessarily indicative of the performance of any investment. Please keep in mind that you may continue to make contributions while paying back your loan.*

LOAN REPAYMENT

The loan will be repaid through payroll deductions in equal installments over the duration of the loan. Loan repayments are paid back with after-tax dollars. You are not able to deduct the interest on the loan, and loan refinancing is not available. You may pay the loan back in full at any time, but you may not make extra payments during the duration of the loan.

If you take an authorized leave of absence, you may be able to suspend loan payments up to but not exceeding 12 months.

You may not apply for a new loan for 12 months after paying off a loan in full.

If you are called to military duty, loan repayment and the default process will be suspended. The loan repayment is extended for the period of time you are on military duty or to the maximum period allowed for the loan, whichever is greater.

If you are on authorized leave of absence or military leave, you may submit manual loan payments through a money order or certified bank check directly to CitiStreet at the following address:

Oregon Savings Growth Plan
c/o CitiStreet
P.O. Box 5166
Boston, MA 02206

If you retire or terminate employment, your payroll deductions will stop and your loan will be in default. You will have until the last day of the quarter following the quarter in which your loan became due to pay the loan in full. Otherwise the outstanding balance will be considered a distribution, and will be reported to the IRS as a taxable distribution. If any portion of the loan was a rollover from a 401(k) 403(b), 401(a), or IRA, you may also be subject to a 10 percent penalty on the balance.

If you are transferring from one state agency to another, you must immediately resume payments at the new agency; any missed payments plus interest, will have to paid before the end of the term of the loan.

Oregon
SAVINGS GROWTH PLAN

YOU MAY APPLY FOR A LOAN THREE WAYS.*

Option 1: Log onto the OSGP website at osgp.csplans.com, and click "Apply for a Loan." You will have the option of using the *"Loan Payment Estimator"* to model your loan.*

Option 2: Call the OSGP Information Line at 800-365-8494 and use the automated service to request a loan.*

Option3: Call the OSGP Information Line and press 0 to speak to a Customer Service (CSR). CSRs are available Monday through Friday, 7 a.m. to 5 p.m. Pacific Time.

* You will be required to provide your Personal Identification Number (PIN) to request a loan.

CitiStreet will process your loan application and mail a check to you within two to five business days.

For more information on OSGP's loan program, you can review OAR 459-050-0077 at www.oregon.gov/PERS/OSGP by linking to OAR at the bottom of the page.

Oregon Savings Growth Plan
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