

# Special Update



A Savings Plan that Covers all Coordinates

## NEW TRADING POLICY EFFECTIVE MAY 1, 2007

OSGP was created to give participants a deferred compensation investment vehicle to save for retirement. As such, the investment options and mutual funds available to participants through the Plan are not designed for daily trading or short-term gains. They are long-term retirement investment options and funds, designed to fit the needs of a diverse group of participants.

Market timing, often called short-term trading, involves frequent trades and transfers of large amounts of money between investment options, with the intent to acquire short-term gains. Market timing by even just a few OSGP participants can have a negative impact on everyone in the form of lower returns and increased transaction costs. This type of investor activity can even result in some mutual fund companies prohibiting OSGP from investing in certain mutual funds.

The Oregon PERS Board, which oversees administration of OSGP, has adopted a new trading policy to ensure that all participants and the Plan are protected from the adverse effects of market timing. The ability to choose your investments and make trades is an important feature of OSGP. That flexibility continues with the added safeguard of the new trading policy. The new policy discourages market timing and excessive trading.

*Effective May 1, 2007, the following trading restrictions will be in effect:*

- (a) A participant may not make a trade that exceeds \$100,000.
- (b) A purchase that is attributable to a trade may not be redeemed from the investment option in which the purchase was made for 90 days following the date of the trade.
- (c) No trade may move monies directly from the Stable Value Option to the Short-Term Fixed Income Option or the Intermediate Bond Option.

*Please note: Contributions, rollovers, and automatic account rebalancing are not subject to the restrictions.*

The reverse side of this flyer has some questions and answers about the new trading policy. If you have further questions, please call OSGP at (503) 378-3730 or the Information Line at (800) 365-8494. Oregon Administrative Rule 459-050-0037, Trading Restrictions, can be viewed by using the OAR link at the bottom of the OSGP home page at: <http://www.oregon.gov/PERS/OSGP/index.shtml>.

# Questions & Answers

**Q. *What is market timing?***

A. Market timing, often called short-term trading, is an activity that involves frequent trades and transfers of large amounts of money between investment options, with the intent to acquire short-term gains.

**Q. *How does market timing impact my returns?***

A. Marketing timing, even by a few individuals, diminishes the returns for all participants. Excessive trading requires more cash on hand to honor the frequent trades and transfers. Because the cash is used to cover potential transfers instead of being invested, returns can be lowered for other participants.

**Q. *Are there other effects of market timing?***

A. Frequent trading also can trigger the establishment of redemption fees and restrictions by mutual funds within OSGP. This type of trading activity can even result in some mutual fund companies prohibiting OSGP from investing in certain mutual funds.

**Q. *What is a “trade” in OSGP?***

A. “Trade” means a purchase or redemption in an investment option for the purpose of moving monies between investment options.

**Q. *Under the new policy, what is considered frequent trading?***

A. Trades in and out of an investment option in less than 90 days are considered frequent. The new policy requires that a purchase that is attributable to a trade must remain in the investment option in which the purchase was made for a period of 90 days following the date of the trade.

**Q. *Is there a limit to how much money a participant may trade in a single trade?***

A. Under the new trading policy, a participant may not make a trade exceeding \$100,000.

**Q. *How does the new trading policy impact the Stable Value Option?***

A. There have been no changes to the trading restrictions in the Stable Value Option. There have always been restrictions in the Stable Value Option and they will continue. You may not move monies directly from the Stable Value Option to the Short-Term Fixed Income Option or the Intermediate Bond Option.

**Q. *What about contributions I make from my paycheck into the Plan?***

A. Your current payroll contributions are not subject to the restrictions at the time of initial deposit. Your contributions will continue to go into the fund(s) you designated.

**Q. *How will this policy affect my asset allocation?***

A. Trading restrictions also apply when rebalancing asset allocations unless you use the automatic account rebalancing feature. If you manually transfer your funds, those funds will have to remain in the new option for 90 days. Also, you would not be able to transfer more than \$100,000 from any option in a single trade.

If you use the automatic account rebalancing feature, the system will reallocate your funds for you and will not be affected by the new policy.

**Q. *What happens if the market drops and I want to move my money?***

A. In the event of extraordinary market conditions, the Deferred Compensation Manager may temporarily suspend any or all of these trading restrictions.

**Q. *Are there circumstances where additional trading restrictions would be required?***

A. The Deferred Compensation Manager may establish additional temporary trading restrictions if necessary to comply with trading restrictions imposed by a participating mutual fund or the Securities and Exchange Commission.

Any action taken by the Deferred Compensation Manager to temporarily suspend or establish additional trading restrictions must then be presented for action by the PERS Board at its next scheduled meeting. In addition, the PERS Board may establish other restrictions or sanctions as authorized by ORS 243.401 to 243.507.

**Q. *How will the new trading restrictions be implemented?***

A. The system that administers participant-initiated trades has been reprogrammed to block trades that violate the new trading restrictions.