Plan Comparison

Choosing a Tax-Deferred Retirement Plan

Are you looking for a way to save more for retirement?

Although your pension may provide a significant source of income during retirement, it may not be enough to meet all of your income needs.

As an educational employee, you are eligible to participate in two additional types of investment plans: the Oregon Savings Growth Plan (OSGP), a 457 deferred compensation plan and a 403(b)/TSA program.

It can be difficult to know which type of investment plan may be the best choice for you. Both plans allow you to save for retirement by making voluntary pre-tax contributions through automatic payroll deductions. And in both types of plans, the earnings in your account accumulate tax-deferred until you begin withdrawing money. In fact, you can participate in both plans at the same time. See reverse side for a side-by-side comparison of the OSGP 457 Plan and a 403(b) Plan.

$ Tax-deferred investing is a powerful retirement savings tool.

Taxes are not owed on tax-deferred savings until the money is withdrawn. This allows money that would ordinarily be subject to taxes to instead be reinvested and continue to grow. Therefore, earnings accumulate more quickly in a tax-deferred account than in a taxable account.

(Money is considered as income and subject to applicable taxes at the time it is withdrawn.)

Investment Options

OSGP 457 Plan

OSGP offers target date funds along with eight other investment options that range from conservative to aggressive risk levels. The Oregon Investment Council and PERS provide investment and administrative oversight, including the selection and monitoring of the investment options. Most are a blend of several professionally managed mutual funds. You may choose one of the target date options and let a team of investment managers gradually shift the investment mix throughout each stage of your life, or invest in any of the eight other investment options and tailor your portfolio suited to your particular circumstances and retirement goals.

403(b) Plans

A wide range of investment options are available through 403(b) plans, including annuities and mutual funds. The sponsor of a 403(b) plan typically does not screen or evaluate companies based on their investment records, credit ratings, or any other basis. It is the participant's responsibility to research and understand the provisions of the investments selected and to monitor them on an ongoing basis.

Taking Withdrawals

OSGP 457 Plan

OSGP provides a number of flexible options for withdrawing money when you leave your employer. You can leave the money in the Plan and choose from among various cash distribution options, or you can roll the money over to another eligible retirement plan or an IRA. Since there is no minimum age requirement to begin taking distributions, you have these flexible payment options immediately available when you leave your employer. Whether you roll your money over to another plan or IRA or you leave it in the OSGP, its tax-deferred status will be preserved and your savings can continue growing tax-deferred until withdrawn.

Unlike 403(b) plans, a distribution from the 457 OSGP Plan is never subject to a 10 percent early withdrawal penalty fee.

403(b) Plans

Generally, if you withdraw money from a 403(b) plan prior to age 59½ (or retirement at age 55), you will be assessed a 10 percent early withdrawal penalty. In addition, there may be other penalties and fees.

If you're looking for a plan that provides the best direction for your investment dollar, consider the Oregon Savings Growth Plan.

OSGP 457 Plan & 403(b) Plan Compared

It's clear that although there are many similarities, there are also significant differences between the OSGP 457 Plan and a typical 403(b) plan. You may find the following comparison chart helpful in your decision-making.

	OSGP 457 Plan	Typical 403(b) Plan
Employee Deferrals		
Pre-tax	Yes	Yes
Account Transfers		
Prior plans including 401(a), 401(k), 403(b), IRAs	Yes, from prior qualified plan or IRA (pre-tax amounts only).	Yes, from prior qualified plan or IRA (pre-tax amounts only).
Other 457 service providers	Yes	Yes, but assets may assume a tax penalty.
Contribution Limits	*Year* / *Limit* Current $16,500 Limit may be adjusted for inflation.	*Year* / *Limit* Current $16,500 Limit may be adjusted for inflation.
Current Catch-Up Deferral Limits		
Age 50 and older catch-up	$22,000	$22,000
3-year catch-up	$33,000	N/A
15-year catch-up	N/A	$15,000 (maximum of $3,000 per year)
Distributable Events		
Unforeseeable emergency	Yes, upon employer approval.	Yes, upon employer approval.
Loans	Yes, upon employer approval.	Yes, upon employer approval.
Severance from employment	Yes	Yes
Age 70½ required distribution	Yes	Yes
De Minimis[1]	Yes	Yes
Payment Options		
Lump sum	Yes	Yes
Partial lump sum	Yes	Yes
Installment	Yes	Yes
Period certain	Yes	Yes
Tax Penalty for Withdrawals	No	Yes, depending on age, circumstances, and type of distribution.
Expenses and Fees	• No "loads" on funds. • No investment option transfer fees. • No annual account maintenance fees. • No 12b-1 sales management fees.	• Possible "loads" on funds. • Possible investment option transfer fees. • Possible annual account maintenance fees. • Possible 12b-1 sales management fees. • Possible surrender fees of up to 6%.

The information incorporates plan features effective 2011.

1 De Minimis means a participant who has not contributed to his/her OSGP account for at least two years and who is still employed, may withdraw the account balance if it is less than $5,000. Withdrawals are subject to applicable taxes.

OREGON SAVINGS GROWTH PLAN

800 Summer Street N.E., Suite 200, Salem, OR 97301 / 800.365.8494 / osgp.ingplans.com