

PLAN UPDATE



GROWTH AND VALUE – HOW INVESTMENT APPROACH MATTERS

Investment style – the approach or strategy to investment management – can vary, not only by manager, but also by fund objective. By understanding these variations each OSGP participant can take diversification to a higher level and may even help maximize returns while minimizing risk.

Classic Styling

Two common investment styles are growth-oriented and value-oriented. Growth investors believe in buying stocks with superior earnings growth which they expect to continue. Value investors look for stocks that appear to be undervalued relative to their earnings, sales, or assets. Investment managers use these and other approaches to achieve their funds' objectives.

Growth

As its name implies, growth is an investment style based on potential. Growth stocks are considered to have the potential to expand in operations and/or earnings. Growth fund managers tend to look for fast-growing companies frequently found in new and rapidly expanding industries.

Stocks of growth companies are apt to be relatively expensive, and earnings are generally reinvested in the company instead of distributed as dividends to shareholders. In fact, instead of paying out a dividend, growth companies will often buy back their own stock on the open market as a way to increase shareholder value.

Given their high prices and low dividends, growth company stocks may experience more volatility than less expensive company stocks. If the stock market declines, a growth fund's return will often decline more than the overall market. On the upside, if the market rallies, growth funds typically rally more than the overall market. In addition, growth stocks are particularly sensitive to rising interest rates, which can reduce their earnings growth.

Growth managers are often willing to take more risk and pay a relatively higher price for the stocks they buy to build a portfolio of companies who appear to be on their way to maintaining above-average earnings or have potential for share price increases.

Value

Value stocks are shares in companies that are under appreciated for any number of reasons. The companies may be in an industry that is out of favor, experiencing management turmoil, restructuring their business operations, encountering slower-than-expected sales, or suffering from other perceived failings.

As a result, their stocks may be relatively less costly than the stocks of growth companies. In addition to these relatively low share prices, value stocks often pay above-average dividends since boosting dividends is a way for a company whose stock has fallen to attract investors.

Most value fund managers favor companies experiencing downturn and companies in cyclical industries, such as steel or auto manufacturing, that are tied to economic factors. Value fund managers try to buy these stocks when they are at or near their lowest prices; consequently, they offer the potential for gains in a rebound.

How does a value manager define a low price? A stock may be priced low relative to the overall market, the industry it is in, a specific financial variable such as earnings, or its historical price. If a company's stock is priced lower due to one or more of these factors, it may be a value stock worth owning. Essentially, value managers are looking for high quality at bargain-basement prices on stocks that are undervalued but, nevertheless, sound investments.

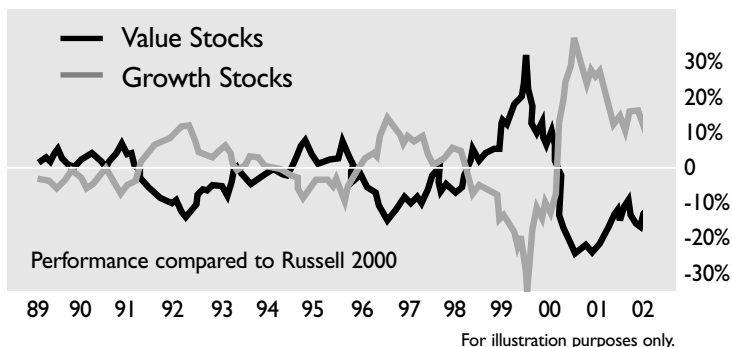
The greatest challenge for value managers lies in timing. Once these managers identify the undervalued stocks of companies who have solved their problems, they must make their move before others in the investment community recognize the turnaround and bid the stock prices higher.

Mirror Opposites

As an individual investor, which strategy is best for you – growth or value? There's no easy answer. Both strategies have potential for risk and reward. It helps to look closely at the performance pattern of each approach since growth stocks and value stocks do not move together.

(continued on reverse side)

As the graph below illustrates, growth stocks, representing rapidly expanding companies, typically do well when the economy is strong. Value stocks, which are less likely than growth stocks to be affected by economic influences, typically do well when the economy is weak and interest rates are falling.



Personal Style with OSGP

These investment approaches traditionally take turns at the top of the performance ladder. So, if you're careful to diversify among them, some portion of your investment portfolio will be working for you in almost every kind of market.

The OSGP investment lineup is structured to help you diversify among growth and value styles. The wise investor will not limit him or herself to one investment approach. OSGP funds employing these different investment approaches include the:

- Balanced Fund Option
- Large Company Value Stock Option
- Stock Index Option
- Large Company Growth Stock Option
- Small/Mid-Size Company Stock Option

For more information on OSGP fund options, including composition of holdings, objectives, primary investments, risk measurements, performance benchmarks, and strategies, please visit <http://osgp.csplans.com>.

RETIRED AND REHIRED?

If you are retired and working in a temporary position for your previous employer, you may still be eligible to defer earnings with this employer into OSGP. Visit the forms section of the Internet site at <http://osgp.csplans.com> or call 503-378-3730 to sign up.

OSGP AND MILITARY SERVICE

If you are called to active duty for military service and miss contributions while in service, you are eligible to "make up" contributions for a limited time after you return. To learn more about your rights, call 503-378-3730.

OPEN INVITATION

You are welcome to attend our open Deferred Compensation Advisory Committee meeting November 13, 2003, at the PERS Headquarters in Tigard.

The meeting begins at 9:30 a.m.

PLANNING AHEAD FOR 2004

Beginning January 1 you will be able to save more in your OSGP tax-deferred account. The regular annual deferral maximum increases to \$13,000 in 2004. Year 2004 deferral maximum is 100 percent of your income not to exceed \$1,083.33 monthly. If you are currently deferring by percentage, your actual dollar amount is now limited to \$1,000. If you make no change in this percentage, it is possible that your actual deferral amount may increase automatically in January.

To increase your tax-deferred savings visit the easy-to-use Web site at <http://osgp.csplans.com> or call 800-365-8494 and select option 2 in the main menu. State employees who complete a deferral change transaction between November 1 and November 30 at 1 p.m. will affect December pay to be paid in January. Employees who are paid at the end of the month or paid more than once monthly must call in December to affect January pay.

New Dollar Deferral Limits

Tax Year	Regular Deferral Limit	Extra Amount for Age 50 and Over	Total Elective Deferral Amount*	Maximum 3-Year Retirement Catch-Up
2003	\$12,000	\$2,000	\$14,000	\$24,000
2004	\$13,000	\$3,000	\$16,000	\$26,000

*Participants cannot use over age 50 contribution and 3-year Catch-Up at the same time.

ADVISORY CORNER

Oregon state law provides for an advisory committee to the deferred compensation program that gives information and advice to the PERS Board. The Advisory Committee may have seven members appointed by the Board to reflect a cross section of plan participants. Two of the committee members must be employed participants of one of our 106 participating local governments.

The newest member of the Deferred Compensation Advisory Committee representing local governments is Frank Goulard, currently with Portland Community College. Frank has been a full-time faculty member there since 1981 and currently heads the mathematics department. He has held a securities license for nearly 20 years and has a wealth of hands-on deferred compensation experience and expertise. When PCC adopted OSGP for its employees, Frank was one of the first to enroll.

Editorial Contributions

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This newsletter is not intended to provide legal, tax, or investment advice. For such advice, participants should contact legal, tax, or investment advisers.