



The City of Houston Deferred Compensation Program



PEBSCO™
division of
Nationwide Retirement Solutions
a Nationwide Financial company

Volume 8, Number 4

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4th Quarter 1999

Enhancements to Houston Deferred Compensation Program -

The City of Houston Deferred Compensation Committee is pleased to announce some enhancements to your PEBSCO-administered deferred compensation program that took effect December 1, 1999. The following is an overview of the enhancements and/or changes that took place:

•**Lower Fee.** Effective December 1st, the charges to your account were reduced from an asset fee of 0.50% to either 0.05% or 0.30% based on which fund(s) you are invested. The underlying fund management fees will remain the same. The list at the end of this article indicates what the fee is, based on the fund option.

•**Variable Annuity to Mutual Funds.** The

funding options available to you prior to December 1st will continue, however, the funds in the variable annuity prior to December 1st were moved outside of a variable annuity environment to straight mutual funds. This will result in shares being reflected on your statements for those mutual funds instead of a share equivalent. The only funds remaining in the group variable annuity are those in the LifeDesign series. No changes were made to your current fixed fund option, the Nationwide Fixed Annuity.

•**New Toll-Free Customer Service number.** As of December 1st, the new toll-free customer service number for PEBSCO is 1-800-750-3427. The TTD number for the hearing impaired is 1-800-995-4457. We will also now offer new extended customer service hours of from 7:00 a.m.

to 7:00 p.m. Central Time. You should have already received a new City of Houston Deferred CompTalk brochure. The PIN number that you have already established will need to be re-established using this new toll-free line.

•**New Statement Format.** Beginning with your 4th quarter statement, you will receive your account balance information in a new format. This new statement format will provide the following benefits:

- Disclose any fees that are being deducted from your account
- Report the number of mutual fund shares in your account
- Provide a graph depicting your allocation of assets among five major asset classes

[Enhancements, cont. on back page](#)

Shares 101-

How to Read, Calculate and Understand your Investment Returns

Lately, there have been quite a few enhancements to the Houston plan. One of the recent enhancements is the change in reporting from Unit Values/Share Equivalency to Shares. Where possible, PEBSCO has taken the Mutual Funds from the Variable Annuity in which you are invested and has begun trading directly with the mutual fund houses themselves. What this means to you is that we will now be reporting "Shares" on your statements and you will now be buying shares from the fund company.

Daily business newspapers, such as Investors Daily and the Wall Street Journal, are an easily accessible resource you can use to check the closing prices of the shares in which you are invested.

Newspapers will list the **share price** (simply put, the closing price of the share you are investigating) in fraction form, such as "8 5/8". Since most of us are used to discussing finances in terms of dollars and not fractions, try to think in terms of decimals instead of fractions. If the clos-

[Shares cont. on back page](#)

How to read Your New Statement Format

Your quarterly statement has a new and improved look! The revised format provides a graphic illustration of your account balance by asset class, is letter-sized to fit your personal filing system, and your account information is provided in a format designed for ease of reading. We've included this guide to help familiarize you with the new format. If you have any questions about your new statement, please call the Customer Service Center at 1-800-750-3427.

Your name and address are printed here.

John Doe
123 Main Street
Apartment 11-A
Houston, TX 77007

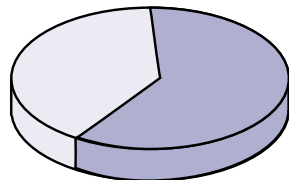
The **Account Summary** shows the total of all activity that has occurred in your account during the quarter. Amounts in this section will reconcile to the information shown on the reverse side of the statement.

Account Summary

Balance on 9/30/1998	\$ 19,737.57
Deposits	\$ 1,740.00
Dividends	\$ 1,266.96
Gain/Loss & Interest	-\$ 1,620.87
Charges	-\$ 11.34
Withdrawals	\$ 0.00
Balance on 12/31/1998	\$ 21,112.32

Asset Allocation Information

Your account is currently allocated among the asset classes specified on the right. Percentages and totals may not be exact due to rounding.



The **Message** section will provide you with important updates about the Deferred Compensation Plan.

Message: Please review your asset class and fund allocations to determine whether they match your long-term investment objectives.

Customer Service

Please be sure to verify and/or update your beneficiary information. Call the Service Center at 1-800-750-3427 for information and assistance.

Account Information includes your account number, which is your Social Security number, and your current payroll deferral amount.

PEBSCO
1550 Old Henderson Rd.
Columbus, OH 43220

Quarterly Statement
Period: September 30 - December 31, 1998

Account Information
Account Number: 555-55-5555-
Pretax Contribution: \$288.00

Current Net Growth illustrates the increase (or decrease) in your account value due to earnings and market gains or losses compared to the amounts you have contributed or withdrawn.

Current Net Growth

Total Value of Your Account	\$21,112.32
Total Benefits Received to Date	+\$0.00
Total Deferrals to Date	-\$18,425.00
Your Net Gain/Loss to Date	\$2,687.32

Asset Allocation Information graphically illustrates your account balance by asset class of funds. Currently your options are divided into four different asset classes. Please refer to the Quarterly Performance results sheet, which is included with your statement, to see how the mutual funds are categorized.

The **Activity for the Period** column totals all activity in your account for each investment option and includes all deposits, exchanges, withdrawals and fees, plus any dividend income that has been declared during the quarter.

Summary by Investment (dollars) shows the dollar value of your account by investment option, and by asset class category, at the beginning and end of the quarter.

Activity for the Period itemizes all activity, by both dollar value and number of shares for all transactions, that occurred in your account for the quarter. This detail is itemized by date and by investment option. The transactions include deposits, which are your payroll deferrals, exchanges or transfers among investment options, dividend earnings that have been credited to your account, and plan charges that have been deducted from your account each month. Activity may also include withdrawals made from your account.

Contribution Election

Employee Pretax Account

Example Fund A	50%
Example Fund B	50%
Total	100%

Summary by Investment (dollars)

Asset Class Portfolio	Balance as of 9-30-1998	Activity for the Period	Gain/Loss & Interest	Balance as of 12-31-1998	Percent of Total
Large Cap Stocks					
Total	\$10,835.55	\$1,649.89	-\$460.16	\$12,025.28	100%
International Stocks					
Total	\$8,902.02	\$1,345.73	-1,160.71	\$9,087.04	43%
Account Total	\$19,737.57	\$2,995.62	-\$1,620.87	\$21,112.32	100%

Summary by Investment (shares)

Asset Class Portfolio	Share Balance as of 9-30-1998	Share Price 9-30-1998	Activity for this Period	Share Balance as of 12-31-1998	Share Price 12-31-98
Large Cap Stocks					
Total	353.179	\$30.68	55.149	408.328	\$29.45
International Stocks					
Total	581.071	\$15.32	96.055	677.126	\$13.42

Activity for the Period

Trade Date	Transaction Type	Transaction Amount	Share Price	Number of Shares	Amount This Period
Deposits					
10-10-1998	Employee Pretax Account	\$144.00	\$15.31	9.405	
10-24-1998	Employee Pretax Account	\$144.00	\$14.52	9.917	
11-07-1998	Employee Pretax Account	\$144.00	\$13.98	10.300	
11-21-1998	Employee Pretax Account	\$144.00	\$14.37	10.020	
12-05-1998	Employee Pretax Account	\$144.00	\$14.37	10.020	
12-19-1998	Employee Pretax Account	\$144.00	\$13.92	10.344	
12-30-1998	Employee Pretax Account	\$6.00	\$13.47	.445	
<i>Total Deposits EuroPacific Growth Fund</i>				<i>60.451</i>	<i>\$870.00</i>
10-10-1998	Employee Pretax Account	\$144.00	\$31.00	4.645	
10-24-1998	Employee Pretax Account	\$144.00	\$30.91	4.658	
11-07-1998	Employee Pretax Account	\$144.00	\$30.54	4.715	
11-21-1998	Employee Pretax Account	\$144.00	\$31.17	4.619	
12-05-1998	Employee Pretax Account	\$144.00	\$31.65	4.549	
12-19-1998	Employee Pretax Account	\$144.00	\$28.99	4.967	
12-30-1998	Employee Pretax Account	\$6.00	\$29.36	.204	
<i>Total Deposits Vanguard Windsor II Fund</i>				<i>28.357</i>	<i>\$870.00</i>
Total Deposits					\$1,740.00
Dividends					
12-29-1998	Employee Pretax Account	\$480.64	\$13.37	35.949	
<i>Total Dividends EuroPacific Growth Fund</i>				<i>35.949</i>	<i>\$480.64</i>
12-29-1998	Employee Pretax Account	\$786.32	\$29.12	27.002	
<i>Total Dividends Vanguard Windsor II Fund</i>				<i>27.002</i>	<i>\$786.32</i>
Total Dividends					\$1,266.96
Charges					
10-31-1998	Asset Fee	-\$1.60	\$14.14	-.113	
11-30-1998	Asset Fee	-\$1.64	\$14.10	-.116	
12-27-1998	Asset Fee	-\$1.67	\$13.93	-.119	
<i>Total Charges EuroPacific Growth Fund</i>				<i>-.348</i>	<i>-\$4.91</i>
10-31-1998	Asset Fee	-\$2.07	\$30.40	-.068	
11-30-1998	Asset Fee	-\$2.16	\$31.04	-.069	
12-27-1998	Asset Fee	-\$2.20	\$28.42	-.076	
<i>Total Charges Vanguard Windsor II Fund</i>				<i>-.213</i>	<i>-\$6.43</i>
Total Charges					-\$11.34
Total Account Activity for the Period					\$2,995.62

The **Gain/Loss & Interest** column reflects the following: for mutual funds, the difference between the share price on the first day of the quarter and the closing share price on the last day of the quarter (or since purchase during the quarter); for fixed options, the total interest credited to your account during the quarter.

Contribution Elections shows your deferral allocation, as of the last day of the quarter, as the percentage of your payroll deferral that is directed to each investment option.

Account Total (in blue) reflects the total of all asset classes and corresponds to the pie chart illustration on page one of your statement.

Summary by Investment (shares) reflects the value of your account as the number of shares owned in each of the mutual fund options at the beginning and end of the quarter. Fixed options will not be included here. Share Price reflects the net asset value of one share on the first and last day of the quarter. Share totals may vary due to rounding.

Enhancements, cont. from front page

Should you have any questions regarding these enhancements, please contact your local PEBSICO representative at (713) 864-6073 or the new toll-free customer service center at 1-800-750-3427.

FUND FEE CHART

The asset fee for the following funds is 0.05%:

1. The Aggressive Portfolio (LifeDesign Series)
2. The Moderately Aggressive Portfolio (LifeDesign Series)
3. The Moderate Portfolio (LifeDesign Series)
4. The Moderately Conservative Portfolio (LifeDesign Series)
5. The Conservative Portfolio (LifeDesign Series)
6. Strong Common Stock Fund
7. Templeton Foreign Fund
8. Templeton Global Smaller Companies Growth Fund
9. Davis New York Venture Fund
10. INVESCO Equity Income Fund, Inc.
11. American Century: Twentieth Century Growth
12. American Century: Twentieth Century Ultra
13. The Income Fund of America
14. Bond Fund of America

The asset fee for the following funds is 0.30%:

1. Fidelity Contrafund
2. Fidelity Magellan Fund
3. Fidelity Growth and Income Portfolio
4. Fidelity Asset Manager
5. AIM Constellation Fund (Institutional Class)
6. AIM Weingarten Fund
7. Dreyfus Cash Management
8. The Dreyfus Third Century Fund, Inc.
9. Federated GNMA Trust (Institutional Shares)
10. T.Rowe Price International Stock Fund
11. SEI Index S&P 500

Shares, cont. from front page

ing price published in the newspaper is $8 \frac{5}{8}$, in terms of dollars it means \$8.625. The fractions listed in the Share Price simply represent 'percents' of a whole dollar. Thus, if you were to see a closing price of "1/2", divide the 1 by 2 and you get the decimal .50, or, \$.50. If you saw "3/4", divide the 3 by 4 and get \$.75. If you saw a closing price of "5/16", you will come up with a closing price of \$.3125. A stock at $6 \frac{5}{16}$ would be written in dollar/decimal form as \$6.31.

Shares owned are the number of shares that you currently own. This figure will constantly go up and down depending on the performance of the share. The **Share Value** is the share price multiplied by the numbers of shares owned. Prior to the conversion to shares, you probably noticed that there was a column heading titled "Insert Column Heading: i.e. Share Equivalency" on your statement. This column represented a conversion of the units that you held in the variable annuity wrapper into the equivalent number of shares that would have been held had you been investing directly in a mutual fund.

Now, under the new product offering, you actually do hold the shares. The units that were held in the variable annuity wrapper are now converted to shares. You will now be able to look at your statement and determine the number of shares that you own and compare this to the Net Asset Value that is available in many publications, like the ones mentioned above.

There are still a few funds, like the LifeDesign Funds, that will remain inside the variable annuity wrapper. The reason that these funds will not be converted is due to the fact that they are not licensed to be sold as retail mutual funds and must be held within a variable annuity.

To see more about how shares are reflected on your statement, please see the article "How to Read Your Statement" in this issue. If you have any questions about this or any other topic regarding your retirement plan, always feel free to contact your plan representative.

IVR Brochure Update

Recently, you should have received a new City of Houston IVR brochure. Please note, three of the funds on the fund code list (back of brochure, left panel) need to be updated to reflect the fund codes listed below. They are:

Fidelity Magellan-3624, Fidelity Growth and Income-3474, Nationwide Fixed Account-9714

Interest Update

The Following annual effective interest yields apply to deposits into the **Nationwide® Fixed Annuity Option** (Governmental Plans Fixed Group Annuity Contract) underwritten by: Nationwide Life Insurance Company.

2000 Guarantee* 5.94%
Current Yield**

January- March 2000 5.40%

* To protect your contributions from dramatic fluctuations in current interest yields, the minimum guaranteed yield applies to all deposits (current year or previous) during 1999.

**Nationwide declares a current interest yield quarterly for the duration of that quarter.

Please call either of these resources if you have questions, need information or want to make a change in your deferred compensation account:

Your local PEBSICO Representative:
PEBSICO

602 Sawyer St., Suite 110
Houston, TX 77007
(713) 864-6073

8:00am - 5:00 pm (Central Time)
Monday through Thursday, and
8:00am - 4:00 pm on Friday

The PEBSICO Service Center (toll free):

1-800-750-3427. The TTD for the hearing impaired is:

1-800-995-4457

7:00 am - 7:00 pm (Central Time)
Monday through Friday

Securities offered through:

Nationwide Investment Services Corporation,
Member NASD

For more complete information about the options available to you through your deferred compensation program, including charges and expenses, please consult your informational brochure and underlying fund prospectus (es). These are available from your PEBSICO representative. Please read the prospectus carefully before investing or sending money.

www.nationaldeferred.com