Perspectives

SPRING 2009

Update Legislation; SB09-066

SB09-066 has passed through Committee hearings in both the Senate and House and was signed by Governor Ritter on March 31, 2009. As a result of this legislation, the administration of the State of Colorado 457 Deferred Compensation Plan will move from the Department of Personnel and Administration (DPA) to the Public Employees Retirement Association (PERA) effective July 1, 2009. This means that PERA will manage the contract with Great-West Retirement Services® (Great-West), the current recordkeeper, for FY10 (July 1, 2009, through June 30, 2010). All contact information for the Plan will remain the same including the toll-free number, (800) 838-0457, and the Web site at **www.colorado457.com.** You will continue to access and manage your account as you do now. All funds, including the stable value fund and self-directed brokerage option, will continue to be available through the 457 Plan.

For those participants who also have a 401(a) Match Plan account within the 457 Plan, those accounts will be mapped (transferred) to the PERA 401(k) Plan effective July 1, 2009. The PERA 401(k) Plan, managed by ING, does not offer a stable value fund or a self-directed brokerage option (SDBO). The stable value fund will be transferred to the most similar fund offered in the 401(k) Plan. Those who utilize the SDBO will receive a separate communication regarding liquidation of assets to the core options prior to the transition. All 401(a) Match Plan participants will receive a separate communication regarding blackout dates and the transition of the assets.

If you have any questions regarding this legislative change, please contact Suzanne Kubec, DC Plan Administrator, at (303) 866-3954 or suzanne.kubec@state.co.us. As this is the last quarterly bulletin from the Department, we would like to thank you for your continued support of the 457 Plan and the 457 Committee since the Plan's inception in 1981. Please continue to utilize this tax-deferred savings vehicle as a supplement to your retirement from the State of Colorado.

Questions about your 457 Plan? Contact a representative in your area today.

457 Plan Account Representative	Area	Phone Number
Chris Bowen	Southern Colorado and Southeastern Colorado	(719) 622-0196
Robin Lawrentz	Southern Colorado and South Central Colorado	(719) 237-1543
Kevin Navarro	Denver South Metro Area, Denver Metro, Northeastern Plains and the Western Slope	(303) 830-3525
Joyce Reuter	Denver Metro, Denver North and West Metro Area, Northern Colorado, CU and UCH	(970) 420-4691

Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

1 Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

Have Questions? Need Information?

Visit the Web site at **www.colorado457.com** or call KeyTalk® at **(800) 838-0457, option 2**.[1]

Visit the Deferred Compensation Plan Service Center: 1775 Sherman Street, Suite 2820, Denver, CO 80203

Hours: 8:00 a.m.–5:00 p.m. MT, Monday through Friday

Ramp Up Your Savings

Stay Focused on Retirement

A recession marks an opportunity to review your saving and spending priorities. Are you as diligent a saver as you think?

Since the late 1980s, Americans' ability to save has steadily withered. The national savings rate, as a percentage of disposable income, registered around 1% in 2008, not much better than the 0.6% rate in 2007. By comparison, during the last two deep recessions in 1973-74 and 1981-82, the savings rate averaged 10.5% and 11.05%, respectively.[2] It's time to get better at saving.

Rethink your spending

If you haven't done so recently, look for cutbacks that may allow you to save more for retirement. For example, you might shop around for less expensive car or homeowner's insurance or raise the deductible on your existing policies. Consider putting off big-ticket upgrades, like a new television set, and check for recurring expenses for things you may not be using, like certain online club memberships or a gym membership.

For additional information:

Please visit the 457 Plan Web site at **www.colorado457.com** to view the minutes from 2008 regarding the discussions of the options and decisions made by the Committee and DPA.

Questions and comments can be sent to Suzanne Kubec, Plan Administrator, at suzanne.kubec@state.co.us.

Save that windfall

Workers this year are bracing themselves for smaller raises and bonuses, if any are in the offing at all. If you're lucky enough to get one, try to save it rather than spend it. Likewise, any kind of financial windfall, such as an inheritance, can cover some recurring expenses or get rid of lingering credit-card debt—allowing you to increase the percentage of your salary that you contribute to your retirement savings plan.

Ideally, you should save the maximum amount possible. For 2009, you can contribute up to $16,500 in the State of Colorado 457 Plan. Workers age 50 and older can add $5,500 in catch-up contributions. Or, under the Standard Catch-Up provision, you may be able to contribute up to twice the maximum contribution limit for the three consecutive years prior to normal retirement age.[3]

It's worth making the effort today to help you get closer to where you'll want to be in retirement.

2 U.S. Department of Commerce, Bureau of Economic Analysis. 2008 figure will be updated.
3 Standard Catch-Up and Age 50+ Catch-Up provisions cannot be used in the same year.

Making a Difference

The impact of saving an extra 1%

The market crisis of 2008 may have left you feeling helpless as you watched your retirement savings shrink. But even in a market decline, there's one way you can take control of your nest egg: by increasing annual contributions to your State of Colorado 457 Plan. Of course, one big advantage is that you're using pre-tax dollars. But the real power lies in the cumulative effect of those added savings.

Annual Deferral Rate	Contribution Monthly Amount	After 15 Years	After 30 Years
3%	$75	$23,465	$88,205
4%	$100	$31,286	$117,607
6%	$150	$46,930	$176,410

In fact, bumping up your annual contributions by just 1% has a dramatic effect long-term, as illustrated by the table above.* For an investor making a salary of $30,000, the difference between 3% and 4% in contributions could mean $29,402 added to your account over 30 years. A 6% deferral could mean $88,205 more. Even if you only have 15 years before retirement, an extra 1% could mean an additional $7,821 when you retire, while an extra 3% could yield $23,465 more—not a bad bonus for a little extra saving.

*FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes contributions are made at the beginning of each month, a 7% rate of return and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted. Assumes contributions are made at the beginning of each month.