



Perspectives

SUMMER 2008

Watching the Indexes

Comparing your funds to their benchmarks

To get a sense of how a fund is performing, you can compare it to an index—a group of stocks chosen to represent a particular segment of the market. Here are several to consider.

The *Dow Jones Industrial Average* (often called the Dow) tracks the share prices of 30 leading domestic companies. If you own a large-cap stock fund (“large cap” meaning any company with a market value of more than \$1 billion), you may want to follow the Dow’s performance.

The *S&P 500® Index* tracks the share prices of 500 large companies. Although the Dow also focuses on large U.S. companies, the S&P 500 tracks a wider range of firms and can be a more comprehensive gauge of the stock market’s overall performance.

The *Nasdaq Composite Index*, made up of more than 4,000 stocks traded on the Nasdaq Stock Exchange, is considered a barometer of the technology sector—about two-thirds of its constituents are technology companies.

The *Wilshire 5000 Index* tracks the performance of more than 7,000 of the most active stocks in the U.S. market. It provides a broad measure of overall U.S. stock performance and could be a good comparison for any domestic stock fund, as it includes the securities of the S&P 500, the Dow and the Nasdaq.

The *Russell 2000 Index* measures the performance of 2,000 small-cap U.S. companies. It is considered a small-cap stock benchmark.

The *Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index* follows the values of foreign stocks in developed markets. It tracks approximately 1,000 companies in Europe, Australia, Asia and the Far East. It serves as a benchmark for international funds.

The *Lehman Brothers Aggregate Bond Index* includes more than 6,000 government and corporate bonds; it is considered a benchmark for bond performance.

As you’re measuring your funds against their indexes, try to remember your long-term investing goals, too. Markets move up and down all the time, so try not to be shaken by short-term swings.

Administrative Fee Update

The 457 Deferred Compensation Committee reviews the administrative fee annually. For Fiscal Year 2007 and Fiscal Year 2008 no administrative fee was charged to participants. The Committee does not anticipate implementing an administrative fee for Fiscal Year 2009; however the final decision will be made at the July 24, 2008 meeting. You will be notified in the 3rd quarter newsletter, in October, if an administrative fee is implemented for Fiscal Year 2009, which would be effective July 1, 2008.

457 Deferred Compensation Committee Meetings

The State of Colorado Deferred Compensation Committee meetings are open to the public. Typically, the meetings are held on the fourth Thursday of each month in the afternoon. If you wish to attend a meeting and/or address the Committee, please call the Deferred Compensation Coordinator at (303) 866-4066 to verify the meeting date, time and location.

The upcoming Committee meeting schedule, agenda and previous meeting minutes can be accessed on the Web site at www.colorado457.com or by calling the Great-West Retirement Services Service Center at **(800) 838-0457, option 2.**¹

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.
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Retiree News

The New Retirement Reality

Creating an income stream in your golden years

The dynamics of retirement income are changing. The traditional “three-legged stool” model of retirement income (Social Security, employer-provided retirement plans and personal savings) is evolving to include a fourth “leg”—non-traditional retirement choices. Outside the first three income sources, non-traditional retirement choices can include part-time employment, a new business or a second career. Take a closer look at this new model and the ways it may work for you.

1. Social Security

Monthly benefits vary depending on your pre-retirement income. For example, someone earning \$20,000 can expect Social Security to replace about 43% of his or her income, while someone earning \$80,000 can expect about 25% of his or her income to be replaced.³ However, some experts anticipate that this program could significantly change by the year 2030.

2. Employer-provided retirement plans

These include traditional pension plans—in which employees are provided with guaranteed benefits based on salary and years of service—and defined contribution plans, where employees take greater responsibility for their financial future by making voluntary contributions to the plan. Defined contribution plans include 457(b), 401(k) and 403(b) plans. By participating in one of these savings plans, you may be able to establish a reliable, ongoing stream of retirement income. Consider contributing the maximum to your plan (\$15,500 in 2008, or \$20,500 if you are age 50 or older) and diversifying your investments so that they’re appropriate for your age and risk tolerance.⁴

3. Personal savings

These important sources of retirement income can include personal savings accounts, IRAs and annuities.

4. Non-traditional retirement choices

From part-time employment or a second career to starting a new business, you have a number of non-traditional retirement sources from which to choose.

This four-pronged approach to retirement income, along with careful planning, may help you to achieve a rewarding retirement.

State of Colorado Deferred Compensation Plan Service Center Temporary Closure—August 25-28, 2008

Due to the Democratic National Convention, August 25-28, 2008, the State of Colorado Deferred Compensation Plan Service Center: 1775 Sherman, Suite 2820, Denver CO 80203, will not be open for on-site appointments. During this time, State of Colorado 457 Plan Account Executives will still be available via phone at (800) 838-0457, option 2.⁵

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

³ Source: www.ssa.gov, December 2007

⁴ Diversification does not ensure a profit and does not protect against loss in declining markets. Catch-up contributions for those aged 50 or older are not available to 457(b) plan participants.

⁵ 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.

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