The South Carolina Deferred Compensation Program

THIRD QUARTER 2011 news

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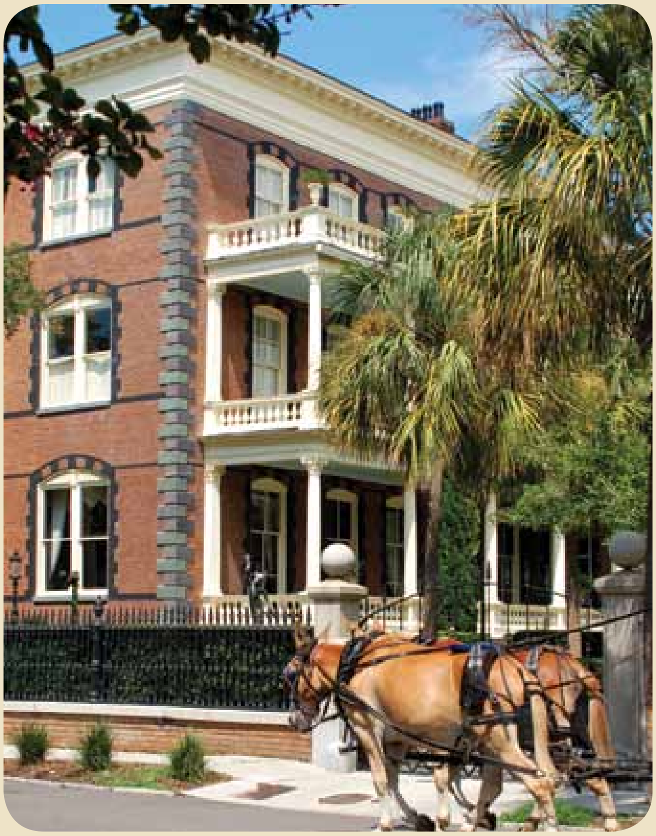
SIZE MATTERS WHEN IT COMES TO FEES

The South Carolina Deferred Compensation Program (Program or SCDCP) has a number of key advantages over retail, individual-style plans like Individual Retirement Accounts (IRAs). One is its size: The SCDCP is a large group program with more than 100,000 participants and assets in excess of $2.9 billion as of June 30, 2011. During the second quarter of 2011, contributions to the Program totaled more than $45 million. As a large group program, the SCDCP has the ability to negotiate with its various service providers to bring you quality investment products and services at a competitive cost.

SCDCP ADMINISTRATIVE FEES

The annual administrative fee to participate in the Program is 0.11 percent of your account balance. This fee covers the day-to-day operations of the Program, including expenses for such basic administrative services as Program recordkeeping, accounting, legal and trustee services—services that are necessary for administering the Program as a whole. The SCDCP also offers a host of additional services covered by the administrative fee, such as access to Reality Investing® Advisory Services (Advisory Services) (see "Some Welcomed Advice" on page 2), the telephone voice response system KeyTalk®, customer service representatives, local education counselors, educational seminars, retirement planning software, 24/7 account information, daily valuation, and the ability to make online transactions.[1]



INVESTMENT MANAGEMENT FEES

The size of the Program also helps the SCDCP to negotiate special pricing for the investment options available in the Program. To help reduce the impact of investment-related fees on participant accounts, revenue sharing and/or fee reimbursement arrangements have been negotiated for many of the investments, which means that investment managers return a portion of the overall investment fees. In the case of the Program, the returned fees, by the decision of the South Carolina Deferred Compensation Commission, are allocated to those participants who are invested in the specific funds with such agreements.

COMPLETE YOUR OWN COMPARISON

When it comes to investing, fees can weigh heavily on the decision of how and where to invest. We encourage you to compare the current Program fees versus those of other retail plans, such as IRAs, by completing the Fee Comparison worksheet located on the front page of the Program website at **www.southcarolinadcp.com.** You might be surprised by how much you can save by continuing to participate in the Program!

MAKE YOUR SAVINGS LAST

PLANNING FOR RETIREMENT

How much money will you need to live on when you retire? Do you think your expenses will change in the years to come? Take the steps below to help you set realistic goals.

ASSESS YOUR EXPENSES

Most financial advisers say you'll need about 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.[2] Reason: Inflation gradually increases your cost of living while eroding the purchasing power of your money, especially if you have a lot of it parked in cash investments. What's more, you may face high medical costs. You may be eligible for Medicare at age 65, but the federal insurance program may not cover all your expenses.

DO THE MATH

Examine your current budget and estimate how it might change. Then add up all your anticipated sources of retirement income, including Social Security benefits and a pension, if you have one. The difference between your annual income and expenses is the amount you'll need to withdraw from savings.

FOLLOW THE 4 PERCENT RULE

Today's 65-year-olds have a 30 percent chance of living past age 92.[3] To make your savings last, financial planners generally suggest that you withdraw no more than 4 percent of your savings during the first year of retirement, and then adjust for inflation each year thereafter. At that rate, your portfolio could last 25 to 30 years—not bad, considering today's long life spans.

CHECK YOURSELF!

Have you reviewed your account information lately? It is important for you to review your account regularly to confirm that the information reflected is accurate. This includes checking your contribution amount, beneficiary designation and personal information. Log in to your account at **www.southcarolinadcp.com** to update your information today.[1]

Forgot your Personal Identification Number[4] (PIN)? Call KeyTalk at (877) 457-6263 to request a new PIN.

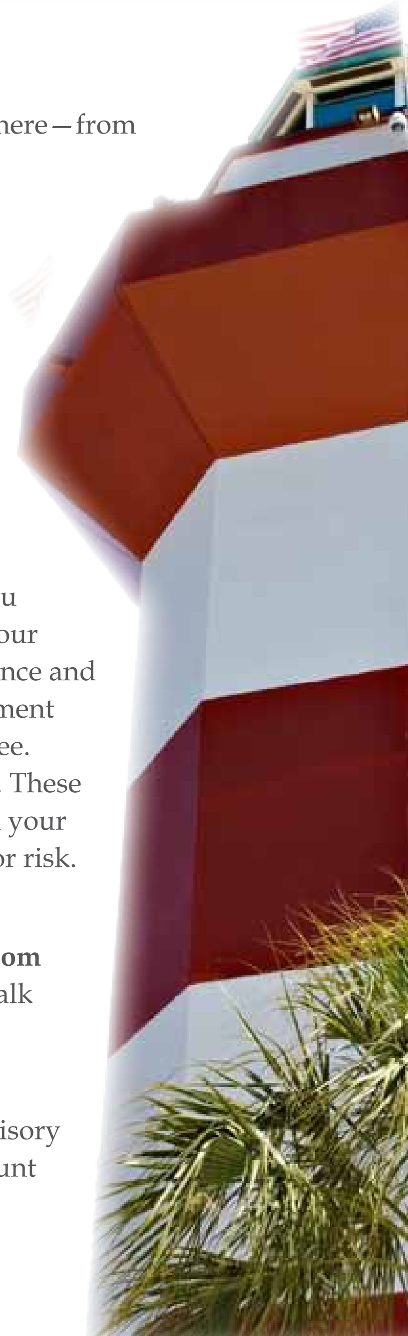
SOME WELCOMED ADVICE

Unsolicited advice seems to be lurking everywhere—from the door-to-door salesman to a family member throwing in his or her two cents. It can be stressful and unwarranted.

However, there is also the type of advice you may truly want, like the advice you can obtain through Advisory Services. With Advisory Services, you can choose from three levels of service to help you on your retirement journey. You can have Advised Assets Group, LLC (AAG), an investment advisory services firm, manage your retirement account for you through the Managed Account service. Or if you prefer to manage your retirement account on your own, you can use the Online Investment Guidance and Online Investment Advice tools. Online Investment Guidance and Online Investment Advice are free. There is a fee for the Managed Account service. These services provide a retirement strategy based on your investment goals, time horizon and tolerance for risk.

For more detailed information, please visit the Program's website at **www.southcarolinadcp.com** (click on the Reality Investing tab) or call KeyTalk at (877) 457-6263 to speak to an AAG adviser representative.[1]

There is no guarantee that participation in Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.



MINIMIZING RISK

It's natural to feel emotional when your investments gain or lose value. Market fluctuations can either reinforce your confidence or cause you to wonder if you've made the right choices.

TAKE CONTROL

The truth is, every asset class—whether stocks, bonds or cash—carries some form of risk, and you will never be able to eliminate it entirely. But there are ways you can manage it. For example, you can balance the different kinds of risk you face by spreading the money in your Program account across various asset classes. The percentage you allocate to each should depend on two factors: time (the number of years before you need your money) and your risk tolerance (the amount of risk you're comfortable with).

HOW RISK CAN AFFECT YOUR INVESTMENTS

MARKET RISK AND STOCKS. Market risk is the risk that the value of your investments will fluctuate every time the market moves. Stocks have a high degree of market risk in the short term: Sudden declines can lead to quick losses. Longer term, however, the risk of losses with stocks, and, therefore, stock funds, tends to decline. The stock market has posted positive returns during every rolling 20-year period from 1926 to 2010.[5]

INTEREST RATE RISK AND BONDS. Compared with stocks, bonds have relatively low market risk and potentially provide stable returns. However, bonds carry significant interest rate risk: Interest rate risk is the risk that when rates rise, newly issued bonds offer higher interest payments than existing bonds, which causes prices to fall on older, lower paying bonds, typically hurting returns.

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THE TAKE-OUT TOLL

In hard times, it's tempting to borrow from your Program account. But taking a loan is not for everyone, and you should think through the fees and potential costs associated with taking a loan.

With the Program, you'll pay a one-time origination fee, as well as quarterly fees for the loan. But that's not all; there may be other, less obvious costs to consider.

The amount you borrow from your account would no longer be available to potentially earn an investment return. The same would apply to any potential compound interest earnings. If the money is not invested, it can't grow. Although the Program allows contributions to continue while repaying a loan, you will need to determine if you can financially afford to make both loan payments and contributions from your regular paychecks.

Finally, there's the repayment risk: You must repay a loan from the Program in regular installments over five years. But if you leave your job, you'll have to convert your loan to a coupon or check repayment or pay off the balance of the loan in full. If you don't, it's treated as a taxable distribution and may be subject to a 10 percent early withdrawal penalty.[7]

DID YOU KNOW YOU CAN STAY IN THE PROGRAM AFTER YOU SEPARATE FROM SERVICE?

Just because you are leaving your current employer doesn't mean you have to transfer all of your money from the Program. Contact your local education counselor to discuss your options.

MINIMIZING RISK *(continued)*

The longer a bond's maturity, the more susceptible it is to interest rate risk. A longer time period increases the chance that interest rates will rise before the bond matures, leaving the owner locked in to lower payments than he or she could get from newer bonds. Holding short-term bonds or funds that own bonds that will mature within a couple of years will help to mitigate the effect of interest rate risk.

INFLATION RISK AND CASH. Cash investments, such as money market funds, rarely lose value, but over long periods they carry high inflation risk: the chance that your investments won't earn enough to keep pace with the gradual rise in the cost of goods and services. Unless you're retired or about to retire, holding large amounts of cash investments may not be in your best interests.

An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.

IT'S ABOUT TIME

Consider the number of years before you'll need your money. If your retirement date is more than a decade away, you may feel comfortable with a more aggressive mix: one that is weighted toward stock funds. Historically, stock funds' strong growth potential has helped to protect against inflation risk.[6]

However, if you plan to retire within 10 years or less, you may want to invest more conservatively, with a greater portion of your accounts in bond funds and cash investments. Once you find the balance you're comfortable with, you'll be more confident that you can reach your financial goals.

ANNUAL RATES OF RETURN FOR THE FOURTH QUARTER 2011

SOUTH CAROLINA STABLE VALUE FUND	4.10%
84-MONTH CERTIFICATE FUND	2.00%

FINDING EXTRA DOLLARS

SAVING FOR RETIREMENT: THERE'S NO TIME LIKE THE PRESENT

Even if you've just joined the workforce, it's not too early to begin thinking about how you'll finance your exit from the workplace. The sooner you begin to save for retirement, the better your chances of achieving the retirement income you want—and the Program gives you a lot of options and tools that can make the process easier. But if you're finding it hard to start setting aside hard-earned cash for a better retirement, here are a few suggestions.[8]

PERK UP YOUR RETIREMENT SAVINGS

You work hard, and you deserve a treat now and then. But if your mocha-no-fat-soy-triple-with-extra foam has gone from occasional luxury to daily fix, you might want to consider the potential impact on your retirement savings. Rather than a daily investment in a brand-name caffeine buzz, consider a trip to the office coffee pot and redirect the money you save to your retirement account.

EATING OUT CAN EAT AWAY AT YOUR NEST EGG

It's a law of nature: You've got to eat. But you don't always have to eat out. By trimming back on the frequency of your restaurant visits—and by doing something as simple as bringing your lunch to work—you can free up extra dollars each pay period that you can put toward your retirement.

GIVE YOURSELF SOME CREDIT BY USING CREDIT WISELY

Big balances, minimum payments, late fees, high interest rates—if you're not careful, that item you buy with a credit card could eventually cost you a lot more than what you see on the price tag. By limiting your credit card use, buying only what you can afford, and avoiding late fees and costly cash advances, you can invest the savings in your retirement account—where you can earn interest for yourself, not your credit card company.

MY ATM, MY FRIEND

Here's a tried-and-true way to stick to a budget: Use cash. If you withdraw just enough cash to cover your weekly or monthly budget and avoid paying with plastic, you can keep a close eye on where your money goes and limit your spending to what you can pay for with the cash you have.

PAY YOURSELF BEFORE YOU PAY "THE MAN"

The Program helps you follow one of the most important savings principles: Pay yourself first. The money you contribute to your account comes out of your gross pay each period. That means you can pay yourself before you pay anyone else—even the tax man (or, to be more politically correct, the tax "person").

TAKE CHARGE OF YOUR FINANCIAL FUTURE

By shopping around to get a better deal on such basic things as car insurance or your mortgage rate, you may be able to uncover additional money that can be redirected into the Program each month.

Here are a few ideas—along with the potential payoff for your financial future. But remember, to receive the potential payoff from your retirement account you have to actually redirect the monthly savings into the Program.

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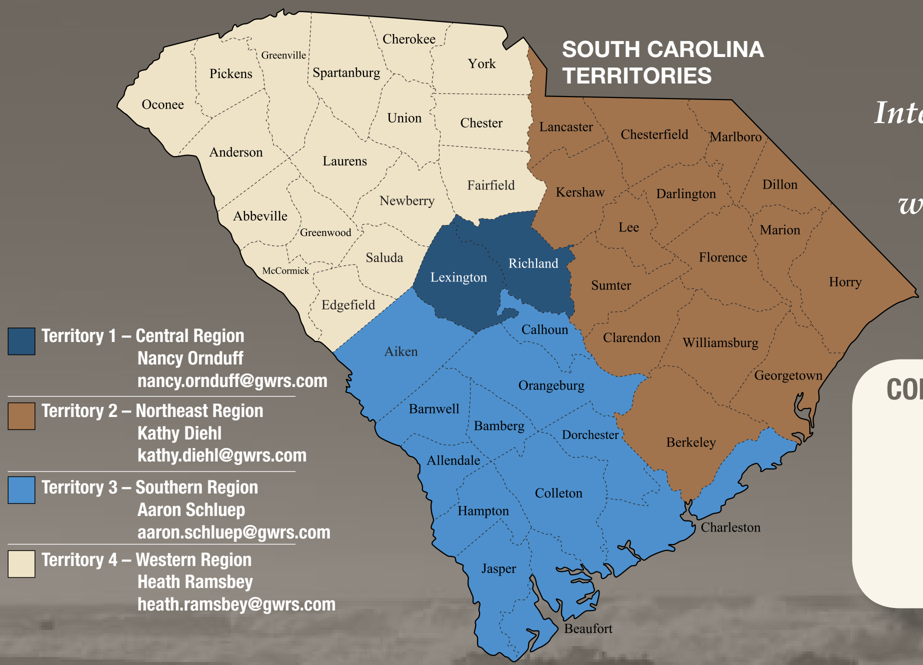
FINDING EXTRA DOLLARS *(continued)*

Event	Monthly amount saved and invested in the Program	Potential balance if invested for 25 years with a 4% annual rate of return
Shop around for a better cell phone plan	$15	$7,712
Shop for lower credit card interest rate*	$30	$15,424
Lower your car insurance premium*	$50	$25,706
Refinance your mortgage*	$150	$77,119

* Only if appropriate in your specific financial situation. Please carefully consider all terms and conditions of a new arrangement and consult with your own tax and financial adviser.

FOR ILLUSTRATIVE PURPOSES ONLY. This illustration is hypothetical. Actual monthly savings amounts may vary depending on individual circumstances. This illustration is not intended to reflect the actual performance of any investment or investment strategy. Actual investments will move up and down over time. This illustration assumes a 4 percent annual rate of return, compounded monthly, reinvestment of earnings, and no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees that may be associated with your Program. The tax-deferred accumulations shown above would be reduced if these fees had been deducted. Source: Great-West Retirement Services®, 2011.



CONTACT A LOCAL EDUCATION COUNSELOR IN YOUR AREA!

Interested in attending a group meeting?

*Visit the Program website at **www.southcarolinadcp.com**[1] to find a group meeting in your area.*

CONTACT THE GREAT-WEST LOCAL OFFICE AT:

200 Arbor Lake Dr., Suite 115
Columbia, SC 29223
Phone: (877) 457-6263
Office Hours: 8:00 a.m. to 4:30 p.m.
Monday through Friday

1 Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or KeyTalk received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.
2 "Top 10 Ways to Prepare for Retirement," 2011, dol.gov/ebsa/Publications/10_ways_to_prepare.html.
3 U.S. Department of Health and Human Services, National Center for Health Statistics, August 19, 2009.
4 The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.
5 Morningstar, Inc., Ibbotson® SBBI® 2011 Classic Yearbook.
6 Past performance is not a guarantee or prediction of future results.
7 The 10 percent early withdrawal penalty does not apply to 457 plan withdrawals.
8 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.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.