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IMPORTANT FACTS ABOUT YOUR PROGRAM ACCOUNT LOAN

People take out loans from their South Carolina Deferred Compensation Program (Program) account for different reasons, and everyone’s situation is different. No matter what the reason for your loan, it is still your responsibility to monitor that loan and the payments being made to pay it back. Below are some frequently asked questions to help you manage the loan in your Program account.

WHO IS RESPONSIBLE FOR VERIFYING THAT MY LOAN PAYMENTS ARE BEING MADE?

You are ultimately responsible for ensuring your loan payments are being made. If your employer accommodates payroll deduction for loan payments, your employer is required to make a good faith attempt at setting up your loan payments and sending them to Great-West Retirement Services® (Great-West) for processing in a timely manner. You must make sure that your loan payments are being deducted from your check and applied to your loan by the due date. If you are paying with a paper check, it is once again your responsibility to monitor whether the payment is received and processed by Great-West by the due date. You can do this by logging into your account through the website at www.southcarolinadcp.com or by calling KeyTalk at (877) 457-6263.¹



SHOULD I CHECK MY LOAN BALANCE REGULARLY?

Even if you have checked to make sure your loan payments have started, it’s important to regularly review your loan balance to ensure payments are being allocated to your account. You can do this by logging into your account through the website at

www.southcarolinadcp.com or by calling KeyTalk at (877) 457-6263.¹

WHAT IF MY PAYMENTS DON’T START ON TIME?

Notify Great-West immediately. At that time, you can also verify your loan payment amount and get details about how to send in a check for the missed payment. Even if your payment was not deducted from your paycheck, you are still responsible for making

the payment that was missed.

Remember, you should always make sure you know your payment amounts and due dates.

WHAT IF I’M BEHIND ON PAYMENTS OR AT RISK OF DEFAULTING ON MY LOAN?

Great-West will send you a letter after quarter end (mid-January, April, July and October) advising you of your delinquent amount. You must send the exact

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ANNUAL RATES OF RETURN FOR THE FIRST QUARTER 2012

SOUTH CAROLINA STABLE VALUE FUND	3.70%
84-MONTH CERTIFICATE FUND	2.25%

IMPORTANT FACTS ABOUT YOUR PROGRAM ACCOUNT LOAN *(continued)*

amount as stated by the due date provided in the letter in order to avoid default.

WHAT HAPPENS IF I DEFAULT?

If you default, it is treated as a taxable event. If your employer is remitting loan payments on your behalf through payroll deduction, they should continue until the loan is paid in full.

ARE DEFAULTS REVERSIBLE?

No, a default cannot be reversed.

CAN I TAKE ANOTHER LOAN AFTER DEFAULT?

Yes, you can take another loan but only after 36 months have passed from the defaulted loan's original maturity date and only if you work for an employer that is set up for payroll deduction.

WHAT HAPPENS TO MY LOAN WHEN I SEPARATE FROM SERVICE?

If you separate from service, please contact Great-West and ask that they convert your loan to "check repayment." They will send you a coupon booklet so you can continue payments. You also have the option to convert your loan to a taxable distribution. If you do nothing, your loan will eventually default and a 1099 will be issued for the outstanding balance.

WHAT HAPPENS IF I TAKE A LEAVE OF ABSENCE FROM MY PARTICIPATING EMPLOYER?

If you take a leave of absence or go on military leave, you can suspend your loan payments for up to 12 months. You must complete a "Loan Payment Change Request" and also notify Great-West when you return.

Upon your return you can choose to have your loan reamortized to make up for the missed payments or you can send in the missed payments in a lump sum. You cannot extend your original loan term. If you do nothing, your loan will eventually go into default.

WHAT HAPPENS IF I CHANGE EMPLOYERS WITHIN THE SCDGP?

Contact Great-West at (877) 457-6263 to notify them of your change. Your loan information will then be transferred to your new employer. If your new employer does not offer payroll deduction, you will need to have your loan converted to check repayment and make payments on your own to avoid default.

TAKE THE LONG VIEW

The markets and the economy move in cycles. Is a recovery in sight?

In today's turbulent economy, it's important to understand the different phases of what is known as the business cycle. Doing so will help you stay calm during difficult periods.

WHAT IS THE BUSINESS CYCLE?

The nation's economic activity is measured from its peak through its trough, or lowest point, then back again. Declining activity is called a contraction. A prolonged contraction is called a recession — something most Americans have become familiar with in recent years. Increasing activity is called an expansion. This revolving period of decline followed by eventual recovery is known as the business cycle.

THE MARKET'S ROLE

Generally, the stock market anticipates movements in the economy. That means stocks tend to fall before — and usually continue to struggle during — a recession's early stages. Before a recession ends, however, the anticipation of a recovery often prompts stocks to rebound. That said, predicting just when the market's recovery will occur is virtually impossible.

KEEP YOUR HEAD

The worst course an investor can take is to alter his or her investment strategy in reaction to market events. Emotion tends to lead investors to buy at high prices when times are good and sell at low prices when pessimism prevails — a lose-lose scenario.

STAY INVESTED

When you continue to invest in stock funds through good times and bad — as you may do automatically in your Program account — you buy more shares when their prices are low. And that will position you well to reap the benefits of a market recovery.



SIX STEPS FOR THE NEW YEAR

New Year's resolutions are made with the future in mind, so why not make one that focuses on saving for a comfortable retirement? The steps you take now can help determine how successful you'll likely be at meeting your savings goals. Try the following action steps.

STEP 1

Determine how much money you'll need in retirement. Generally, most financial planning experts recommend anticipating replacing 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living – sometimes more depending on your health care needs.² You can use some of the online tools available at www.southcarolinadcp.com¹ to help you determine this amount.

STEP 2

Assess where you are now in terms of how much you've already saved. Using an online calculator, like the retirement calculator at www.aarp.org/work/retirement-planning/retirement_calculator/, can help.³ If you're on track to reach your retirement savings goals, your New Year's resolution should be to monitor your progress periodically to determine if any adjustments are needed. If you're behind where you planned to be, you should consider taking the third action step.

STEP 3

Consider closing your savings gap using one or both of these options:

- » Pursue an investment strategy that includes stock funds. These higher risk investments tend to offer potentially higher returns – although past performance is not a guarantee of future results. They also tend to have steeper ups and downs, so you'll need to figure in your appetite for risk and your time frame for riding out market declines.



The further you are from retirement – say 10 years or more – the longer you have for weathering the market's ups and downs, and the more you should consider a greater allocation to stock funds. Dialing down your stock holdings may be a good idea when you're closer to retirement or retired. But consider not abandoning

stocks entirely; you may need some stock exposure to help provide long-term growth.

- » Increase the amount you're saving. The more money you invest, the greater your opportunity to potentially grow your savings.

STEP 4

Keep up with contribution limits. For the 401(k) and 457 plans, the maximum contribution for 2012 is \$17,000, except for people age 50 and older, who can contribute up to \$22,500.⁴

Visit the website at www.southcarolinadcp.com or call KeyTalk at (877) 457-6263 to increase your contribution.¹ Did you borrow from your Program account or reduce your contributions in the past year? Try to get back on track as soon as you can.

STEP 5

Stay informed. Read information provided by the Program to learn about any changes in investment offerings – particularly new options that may help you refine your asset allocation. Also, explore any new features and services. The Program offers an asset rebalancing feature.⁵ Ask your local education counselor about anything you don't understand.

STEP 6

Review your beneficiary elections. In most cases, it's your plan beneficiary form and not your will that determines who inherits your retirement account savings. Does the form on file listing your primary and secondary beneficiaries reflect your current intentions, which may have changed due to marriage, divorce, childbirth or adoption, or the death of a beneficiary? Rules for beneficiaries sometimes change, too. It is a good idea to consult with an estate-planning advisor periodically.

THE RIGHT MIX

Asset allocation and diversification are two of the most important investing strategies. Here are the differences between the two strategies:

ASSET ALLOCATION⁶ is the process of designating percentages of your contributions to the basic asset classes (stocks, bonds, and cash equivalents) based on your financial goals, time horizon, and tolerance for risk. You can choose your asset allocation on your own or you can select funds that are designed to invest in different asset classes. For instance, you may allocate 80 percent of your investment dollars to stock funds and 20 percent to bond funds. Alternatively, you could invest in

a target date fund that essentially manages your asset allocation for you over the course of your career. A target date fund resets its asset mix according to your anticipated retirement date; the closer you are to retirement, the smaller its allocation to stocks. The date of a target date fund represents an approximate year when an investor would expect to start withdrawing their money or when an investor expects to retire. The principal value of the target date fund is not guaranteed at any time, including that of the target date.

DIVERSIFICATION⁶ is a way of saying don't put all your eggs in one basket. You can diversify by investing in different asset classes and in different types of

investments within those asset classes. For example, a diversified portfolio may consist of both stock and bond funds, with the stock portion invested in large-cap and mid-cap funds and the bond portion consisting of both corporate and government bond funds.

HOW DO ASSET ALLOCATION AND DIVERSIFICATION AFFECT RISK?

Neither investing strategy eliminates risk. But by putting your money in an assortment of investments that, historically, are unlikely to all move in the same direction in terms of value and performance, you may be able to protect your portfolio from a single, devastating loss in one investment category.

INFLATION-FIGHTING STRATEGIES

HOW THREE GENERATIONS OF INVESTORS MIGHT COPE WITH INFLATION

Over the years of building your nest egg and while you're tapping it during retirement, inflation—even when low—will likely be eroding your investment returns. Consider the following three hypothetical investors and the investment mix each has selected to combat inflation.

Ann At age 26, Ann is just starting to save for retirement. She knows she must invest so her savings can stay ahead of future inflation. Her retirement savings are allocated **100 percent in stock funds**. Compared with other asset classes, stocks have best outpaced inflation over time.*

Brian At age 42, Brian expects to retire in 25 years. He wants to shield some investments from stock market volatility, so **20 percent of his nest egg is in bond funds**. But **80 percent is invested in stock funds** because he potentially still has enough time to ride out the market's ups and downs.

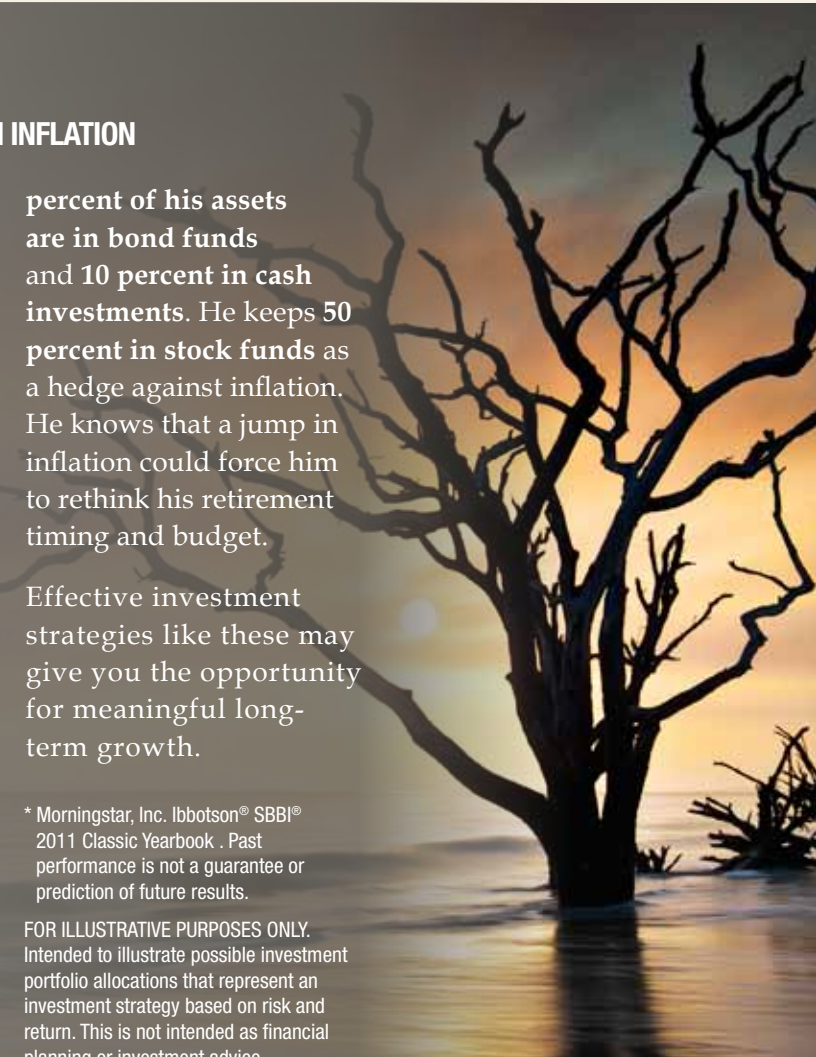
Curtis At age 60, Curtis plans to retire in five years. He worries about inflation eroding his savings—now and throughout his retirement—which could last 20 years or longer. With only a short time until he retires, he allocates more conservatively: **40**

percent of his assets are in bond funds and 10 percent in cash investments. He keeps **50 percent in stock funds** as a hedge against inflation. He knows that a jump in inflation could force him to rethink his retirement timing and budget.

Effective investment strategies like these may give you the opportunity for meaningful long-term growth.

* Morningstar, Inc. Ibbotson® SBBi® 2011 Classic Yearbook . Past performance is not a guarantee or prediction of future results.

FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice.





PROGRAM ENHANCEMENTS

NEW YEAR, NEW WEBSITE LOOK

In the first quarter of 2012, the Program's website, www.southcarolinadcp.com¹, will transition to a newly redesigned layout which has been updated with you in mind. The website content will be reorganized to make it easier for you to find the information you need. It will also be easier for you to review your account and complete transactions. Other enhancements include:

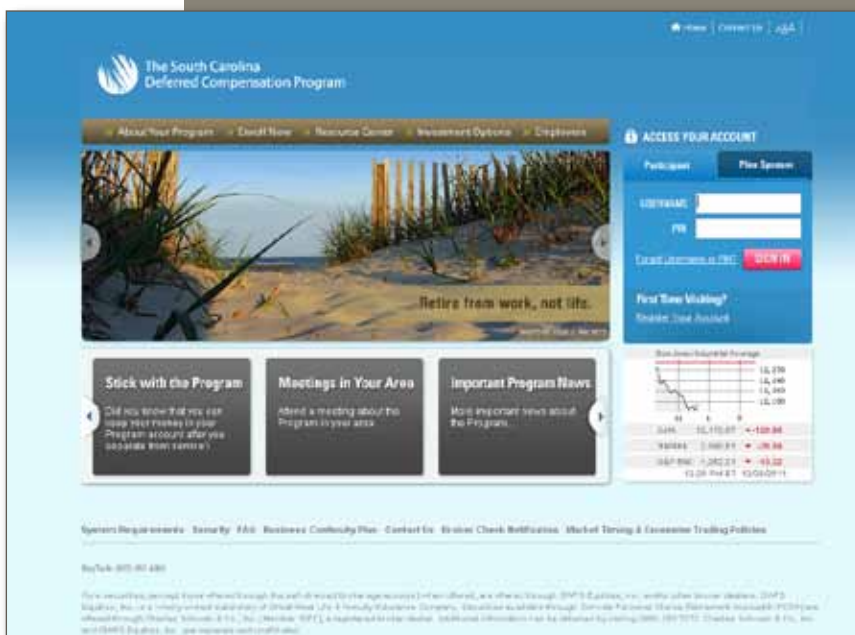
- » **At-a-Glance** – Each time you log in, you will find the At-a-Glance icon located at the top of the screen showing your current account balance, your rate of return and last contribution amount.
- » **New Calculators** – Take advantage of a library of useful calculators so you can make well-informed decisions on everything from budgeting to saving for college.
- » **My Action Plan** – This area offers recommendations for actions you can take to keep your Program accounts in line with your personal circumstances (such as your age and savings rate).
- » **Suggested Links** – Each page you visit features suggested links for next steps to consider based on the content of the page you selected.

Visit the Program's website in the coming months to see announcements about the newly redesigned site and to be one of the first to preview it!

NEW TARGET DATE FUND TO BE ADDED

In 2012, the South Carolina Deferred Compensation Program will add the SSgA Target Retirement 2050 Fund. The fund is generally designed for employees born in 1981 or later. Target date funds become more conservative in their asset allocations as you move closer to retirement. Whether you are planning to retire today, 2020, 2050, or any time in between, there is a target date fund that may match your plans. Let the target date fund do the investment work for you. The date of a target date fund represents an approximate date when an investor would expect to start withdrawing their money or when an investor expects to retire. The principal value of the target date funds is not guaranteed at any time, including that of the target date.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from www.southcarolinadcp.com under Investment Options or by requesting one from your Program education counselor. Read them carefully before investing.



CONTRIBUTION LIMITS INCREASE IN 2012

The IRS recently announced that the annual contribution limits for 2012 will increase by \$500. The Program 2012 contribution limits for each plan will be \$17,000 or 100 percent of your includible compensation (as defined by the Program and the Internal Revenue Code), whichever is less. This equals a total of \$34,000 if you contribute to both the 401(k) and 457 plans.

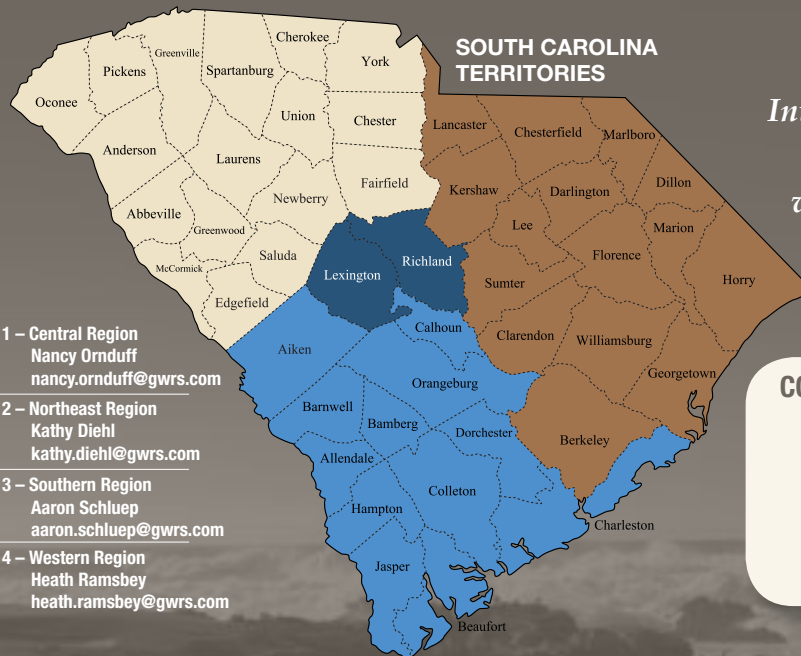
The Age 50+ Catch-Up contribution, which is available for both the 401(k) and 457 plans, remains at \$5,500 for each plan in 2012. This would equal a maximum possible contribution of \$22,500 to either plan if you are age 50 or older during the 2012 calendar year.

The Special 457 Catch-Up contribution amount will also increase in 2012, which means you can contribute up to a maximum of \$34,000 to the 457 plan if you are within three years of normal retirement age. The additional amount you may be able to contribute under the Special 457 Catch-Up contribution will depend on the amount that you were able to contribute in previous years but did not.

Note: If you are eligible for both the Age 50+ Catch-Up and Special 457 Catch-Up, you may not take advantage of both in the same year.

CONTRIBUTE A LITTLE MORE IN 2012

Now is the perfect time to consider increasing your annual contributions. Even a small increase can make a big difference in the long run. Simply log into your Program account to verify and/or change your contribution amount today!



CONTACT A LOCAL EDUCATION COUNSELOR IN YOUR AREA!

*Interested in attending a group meeting?
Visit the Program's website at
www.southcarolinadcp.com¹ 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 Source: <https://www.socialsecurity.gov/planners/morecalculators.htm>, 2011

³ Great-West Retirement Services® is not responsible for, nor does it endorse the content contained in the additional websites provided. This website is for general education and information only and are provided as a benefit to the users of the sites. AARP is not affiliated with Great-West Life & Annuity Insurance Company or its subsidiaries or affiliates.

⁴ Source: irs.gov, "IRS Announces Pension Plan Limitations for 2012," October 20, 2011

⁵ Asset allocation and/or rebalancing does not ensure a profit and does not protect against loss in declining markets.

⁶ Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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

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