State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

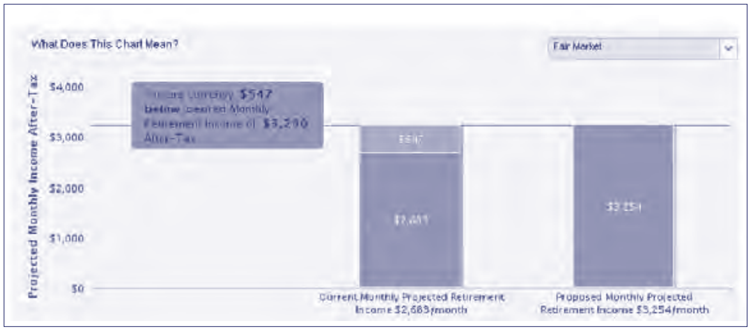
SPRING 2013

A retirement planning newsletter brought to you by Great-West Retirement Services® and Alaska Division of Retirement and Benefits

In This Issue

Experience the Power of the Retirement Income Control Panel

Screenshots Are For Illustrative Purposes Only.



Have you experienced the Retirement Income Control Panel yet? It's a powerful tool offered exclusively on your Plan's Website and brought to you by Advised Assets Group, LLC, a registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company, to help you quickly and easily see if you're on track toward your retirement goals.[1]

It all starts by providing you with a projection of how your lump-sum account balance will translate into a monthly income amount once you're no longer working in retirement. By clicking on the tool, you can tailor the results by:

- Your annual salary;
- Your retirement age; and
- The percentage of income you want to replace.

It also lets you choose other income sources beyond the assets in your Plan so that your projected monthly amount is customized to you. Should you have any gaps with your income goals, you'll be provided with recommendations on how to close those gaps.

What will your retirement income projection be? Find out today by logging on to **www.akdrb.com** to check out the Retirement Income Control Panel. Retirement readiness may be just a couple mouse clicks away.

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1 The Retirement Income Control Panel is provided as an educational tool for the participant's private use to assist in analyzing the various impacts of his or her savings and investment decisions. It is not intended to provide financial planning or investment advice. All information provided by the Retirement Income Control Panel is hypothetical and for illustrative purposes only. The accuracy of these results or their applicability to the participant's individual circumstances cannot be and is not guaranteed. The Retirement Income Control Panel is brought to you by Advised Assets Group, LLC (AAG), a registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company, under a licensing agreement with your retirement plan service provider.

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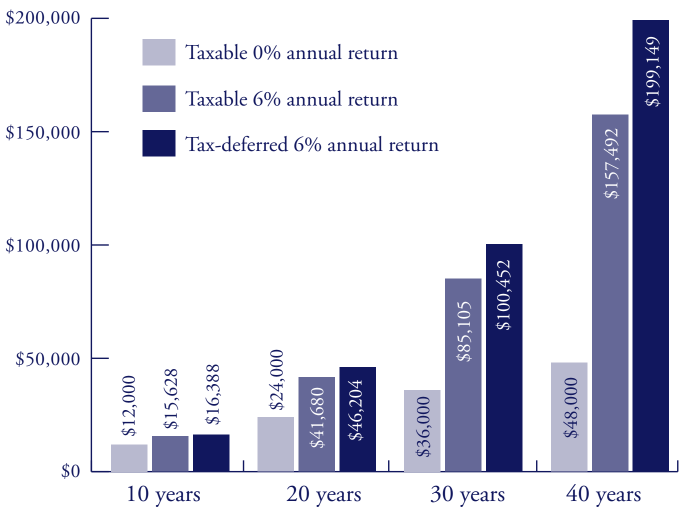
PERS and TRS Defined Contribution Retirement Plan



The Tax-Deferred Advantage

Your State of Alaska Defined Contribution Plans let you delay paying taxes on your earnings. Saving in your tax-deferred Plan may help you amass a larger nest egg than if you saved in taxable accounts. That's because you pay taxes on all earnings in taxable accounts for the year the earnings are realized, lessening the value of your savings. Earnings in tax-deferred accounts, on the other hand, are not taxed immediately and can grow until you withdraw funds in retirement. The tax-deferred savings can compound, especially over many years, as the dollars saved by not paying taxes immediately can generate their own earnings—providing an even larger advantage over taxable savings.

The chart below shows how monthly contributions over time in a tax-deferred retirement plan compare to monthly contributions and any potential earnings compounded in a currently taxable investment (such as a bank savings account).



FOR ILLUSTRATIVE PURPOSES ONLY. This assumes a $100 monthly contribution, a hypothetical 6% annual rate of return (compounded monthly), a 15% federal income tax bracket, and reinvestment of earnings with no withdrawals. The illustration does not account for state (if applicable), Medicare, Social Security or other taxes. Rates of return may vary. Distributions from a tax-deferred retirement plan are taxable as ordinary income. Assumes that the taxable account does not hold any investment for more than 12 months. Taxable investments held longer than 12 months may qualify for lower capital gains and/or qualified dividend tax rates, which may make the return on the taxable investments more favorable, thereby reducing the difference in performance between the accounts shown. The 10% early withdrawal penalty does not apply to 457 plan 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. These hypothetical illustrations are not intended to represent the actual performance of any particular security or investment plan, nor do they project or predict future investment results.

Occupational Death Benefit Under Your Plan

As a member of the Defined Contribution Retirement (DCR) Plan, you have certain benefits other than the financial contributions you and your employer make to the Plan. These benefits include coverage for an Occupational Death Benefit (ODB).

Who Is Eligible?

There are a few criteria that need to be met to be eligible for the ODB:

- Death must occur before the employee is eligible for normal retirement (i.e., eligible for Medicare coverage);
- The proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance of the employee's duties[2]; and
- The injury or hazard is not the result of willful negligence of the employee.

Monthly survivor benefits will be paid to the surviving spouse, or if there is no surviving spouse, benefits will be paid in equal parts to the employee's dependent children.

About the Monthly Survivor Benefit

The first monthly survivor benefit will be paid following the month in which the employee dies. The payment is 40% of the employee's monthly compensation at the time of death. For peace officers or firefighters, the payment is 50%. Note that survivors may not elect to receive the employee's contribution account balance while receiving this monthly benefit.

While the monthly survivor benefit is being paid, the employer will make contributions to the Occupational Death and Disability (ODD) Trust on behalf of the employee's surviving spouse or dependent children.

Continued on back

2 An employee death caused by an act of assault, assassination or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, shall be considered to have occurred in the performance of and within the scope of the employee's duties.

Around-the-World Investing

International funds can help diversify your portfolio

Technological advances have made worldwide investing opportunities as common in the United States today as German cars and Japanese TVs. And because other economies in the world may be performing differently from ours, international stock funds may provide diversification, especially if the U.S. stock market is lagging.[3,4]

It's important to remember that international markets comprise roughly two-thirds of all global investments. So when one market is down, another may be up, and depending on the specific investments in your portfolio, any investments that are performing well could potentially outweigh any negative impacts from investments that are performing poorly.

The trick to international investing, of course, is to balance the potential rewards against the risks.

Looking abroad

There are four basic categories of overseas investing: global, international, emerging market and country-specific. **Global funds** invest in equities throughout the world; **international funds** invest outside of the United States; **emerging market funds** invest in the stocks of underdeveloped countries[5]; and **country-specific funds** invest in the stocks of one country only.[6]

For example: A global fund might invest in the three major regions of the world—the United States, Europe and Asia. An international fund would likely focus mainly on Europe and Asia. An emerging market fund might invest in Latin America, Southeast Asia, Eastern Europe or some combination of these regions. A country-specific fund would invest in one country, Germany for example.

The benefits

Investing overseas allows you to better diversify because it exposes your portfolio to more investment opportunities than investing solely in U.S. companies.

Overseas markets—especially those with younger economies—offer potential growth opportunities that are not easily found in older, more developed economies such as ours. In addition, many fundamentally sound, well-managed growth companies outside the United States are relatively unknown to individual investors because fewer professional analysts follow and write reports about foreign companies than U.S. companies. However, an international portfolio manager is likely to have many more resources at his or her disposal to research international stocks—and may be in the position to make sound investment decisions on behalf of the fund.

The considerations

Investing abroad can be more complex than investing in the United States for a variety of reasons. For one, many foreign companies are subject to different rules of accounting and less government oversight than American companies. Economic developments and changes in currency rates can also work against you. For example, if you were invested in a fund focused on a foreign country that is experiencing lackluster economic growth, you might suffer losses if that economic trend were to continue. Similarly, when a foreign country's currency value falls relative to the dollar, an investment in that country could decline in value as well.

Investing in "emerging markets," or underdeveloped regions of the world, poses special risks, such as the threat of political upheaval, corruption and currency collapse. Many emerging markets are not as well-monitored as U.S. markets.

Stay informed

If you want to keep up on global news and trends, there are plenty of Websites on the Internet where you can monitor the major stock markets of the world and keep abreast of significant political news in foreign countries. You can also track international portfolios in *The Wall Street Journal* and in the financial section of your local newspaper.

When it comes to investing, it is a small world. Consider the risks and potential rewards of international investing and whether or not it may be right for you.

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3 Foreign investments involve special risks, including currency fluctuations and political developments.
4 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
5 Equity securities of companies located in emerging markets involve greater risks than investing in more established markets, including currency fluctuations, political developments and share illiquidity.
6 Specialty funds invest in a limited number of companies and are generally non-diversified. As a result, changes in market value of a single issuer could cause greater volatility than with a more diversified fund.



~~DEBT~~

Strike Out That Debt

Money that goes to pay off debt isn't going to help build up your retirement savings. Here are a few tips to help you get out—and stay out—of debt:

- Pay off credit cards with the highest interest rates first.
- Shop for a card with the lowest rate—and try to use that card.
- Give yourself 72 hours to think about any purchase over $100 so you don't make impulsive decisions.
- Get help from a local affiliate of the National Foundation for Credit Counseling (800-388-2227 or www.nfcc.org) if you can't manage debt on your own.

Great-West Financial[SM] is not responsible for and does not endorse the content contained in the additional Websites provided. These Websites are for general education and information only and are provided as a benefit to the users of the sites.

Occupational Death Benefit (continued)

The payment of contributions to the ODD Trust will consist of both employer and employee contribution percentages, multiplied by the deceased employee's gross monthly salary at the time of death.

Survivors may direct the investment of the employee's contribution account during this period. Earnings will be allocated to the contributions made to the ODD Trust based on the actual rate of return, net of expenses, of the ODD Trust. Once a year, survivor benefits will increase for persons age 60 or older and for those who have received a survivor's pension for five years.

When Do Payments End?

Payments cease the month in which there is no longer an eligible survivor or the last day of the month following the date the employee would have first qualified for normal retirement, whichever day is sooner. The survivor will receive the balance of the employee's contribution account and the accumulated contributions made on his or her behalf to the ODD Trust. The period of time during which a survivor pension is paid constitutes membership service for the purpose of determining vesting and eligibility for medical benefits. If the total service accrued at the time survivor benefits cease is 10 or more years, the surviving spouse or any surviving dependent children will be eligible for medical benefits from the Defined Contribution Retirement Plan.

Contacts/Account Maintenance

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From Juneau	1-907-465-4460
Website	www.doa.alaska.gov/drb
Account information online	www.akdrb.com[7]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[7]

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

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