

State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

SUMMER 2011

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

In This Issue

Beneficiary Information

Be Prepared for Volatility

In an Emergency

Give Yourself Credit

Tax-Smart Saving

Is Your Beneficiary Information Correct?

Designating a beneficiary is a very important part of planning for your future. In the event of your death, payments to your loved ones can go more smoothly if a beneficiary designation form is on file, clearly stating your intentions.

It is vitally important to double-check your beneficiary information. This information can be found on your statement or you can log on to the State of Alaska Plan Website at **www.akdrb.com**.[1] To avoid any potential confusion in the future, it is important to review—and then update—your beneficiary designations.

> IF YOU DON'T HAVE A BENEFICIARY ON FILE, YOUR ASSETS CAN GET CAUGHT IN A LENGTHY AND OFTEN COMPLICATED LEGAL PROCESS.

While this appears to be a simple and logical step, reviews of retirement plan accounts indicate many individuals don't keep their designations current and many don't even have a designation on file. Keep in mind that if you don't have a beneficiary on file, your assets can get caught in the lengthy and often complicated legal process of probate.

Also remember to be specific and include full names when you complete a beneficiary designation form. For example, if you have stepchildren or children from a previous marriage, you shouldn't write "all my children." This phrase may raise the question, "which children?" While you know what you mean, it becomes a different issue with the plan administrator or trustee handling the distribution.

Life Events

Life events present an opportunity to review beneficiary information. There are certain times in your life when it makes sense to revisit your important documents. For example, marriage, divorce and remarriage all present opportunities to review and update key materials, including beneficiary designations. Similarly, the birth or adoption of a child presents another opportunity, as does the time when adult children become financially independent and move away from home. As you approach retirement, it's another ideal time to revisit key documents.

Such life events present an excellent opportunity for you to help ensure that your beneficiary designations reflect your current wishes. Income tax time and other annual events are convenient reminders for you to review your beneficiary information on your retirement plan accounts, as well as on other benefits such as group life insurance policies. You can select or change your beneficiary(ies) online by logging on to **www.akdrb.com**.[1] You can also click on the Forms button to download a beneficiary form. You can also obtain a form by calling KeyTalk® at **1-800-232-0859.**

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.

PERS and TRS Defined Contribution Retirement Plan

Be Prepared for Volatility: How to invest in an up-and-down market

As an investor, you know that risk and return can't be separated. The stock market offers potential inflation-beating returns, but it fluctuates constantly—sometimes dramatically. If you're unprepared for that volatility, you might panic at drops in your retirement account and change your investment options at the wrong time.

Learn from experience

You can minimize the impact of volatility. Strive to maintain an investment mix that is based on your goals and time horizon, and that reflects the degree of risk you can comfortably live with, even in a turbulent market. Consider your response to the 2008-09 stock market collapse. If you made drastic changes, it's a sign that your original investment strategy may not have accurately reflected the amount of risk you could tolerate.

Review as needed

It makes sense to periodically review your goals, time horizon and comfort level with risk, and to confirm that they're reflected in your asset allocation. Asset allocation means dividing your portfolio among the different asset classes of stock funds, bond funds and cash investments. The percentage you invest in each asset class helps to determine your portfolio's short-term volatility and its potential long-term return. You can also diversify within each asset class. For example, your stock fund holdings could include both large- and small-company funds.

Asset allocation and diversification can't prevent a loss in a declining market or guarantee a profit, but they can help you create a portfolio that you can live with despite the market's ups and downs.

Need help?

Your State of Alaska Plans offer Reality Investing® Advisory Services (Advisory Services), offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company, which provides three levels of support to help you with your asset allocation. Based on factors such as your age, risk tolerance and contribution amount, Advisory Services can recommend changes to your investment and savings strategy to help meet your ideal retirement income at your ideal retirement age.

You can choose the level of support that is right for you: Online Investment Guidance, Online Investment Advice or a Managed Account service. While Online Investment Guidance is free, there is an additional fee for the Online Investment Advice and Managed Account services.

There is no guarantee that participation in Reality Investing® Advisory Services will result in a profit or that your account will outperform a self-managed portfolio. For more information about Advisory Services, including the fees for these services, log into the Plan Website at **www.akdrb.com** and click on Reality Investing, or call KeyTalk at **1-800-232-0859**.[1]

In an Emergency

Unforeseen expenses can hurt your ability to save. So plan ahead by setting up an emergency fund. You'll be able to meet financial challenges without having to borrow with a credit card, or tap your nest egg which would set back the compound growth potential of your retirement savings.

How much is enough?

Many financial planners agree that an emergency fund should cover a minimum of three to six months of living expenses. Personal circumstances may warrant having a bigger cushion.

Choose the right account.

This money should be in a safe, liquid account, such as a bank savings account or a money market fund. Your priority for an emergency account is accessibility, not necessarily high return.

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.

Give Yourself Credit

Tax credits reduce the taxes you owe by the dollar amount of the credit. Of the handful you may be able to take advantage of this year, consider making the saver's credit (formally the Retirement Savings Contributions Credit) your top priority.

According to the IRS, for tax year 2011 the credit is available to taxpayers who contribute to a new or existing employer-sponsored retirement plan account by December 31, 2011 (or to an IRA by April 15, 2012), and who have a modified adjusted gross income (MAGI) that meets these limits, depending on their tax-filing status:

- Up to $56,500
  for married couples filing jointly
- Up to $42,375
  for heads of household
- Up to $28,250
  for singles or married individuals filing separately

To be eligible, you must be at least 18 years old, you must not be a full-time student, and you must not be claimed as a dependent on someone else's tax return.

Each year you contribute to your workplace retirement plan or IRA you can qualify for the credit, which you can claim by filing Form 8880 with your tax return. The maximum credit is $1,000 ($2,000 if filing jointly). The credit is a percentage of the first $2,000 of each person's contribution—ranging from $200 to $1,000 for singles, $400 to $2,000 for married couples. The highest rate applies to people with the lowest income.

Source: IRS Publication 4703.

Tax-Smart Saving

It may be a good idea to fully fund your tax-advantaged retirement accounts—your workplace retirement savings plan first, than an individual retirement account (IRA). Here's how you can make the most of these accounts.

Workplace plan benefits

In 2011, you may be able to save up to $16,500 pre-tax in your voluntary workplace plan—$22,000 if you're age 50 or older.[2] (Some plans, such as 457 and 403(b), have provisions for even greater contributions for age 50-plus participants.) You won't pay taxes on your contributions or earnings until you withdraw the money in retirement, at which time most investors are in a lower income tax bracket than they were when they were working.

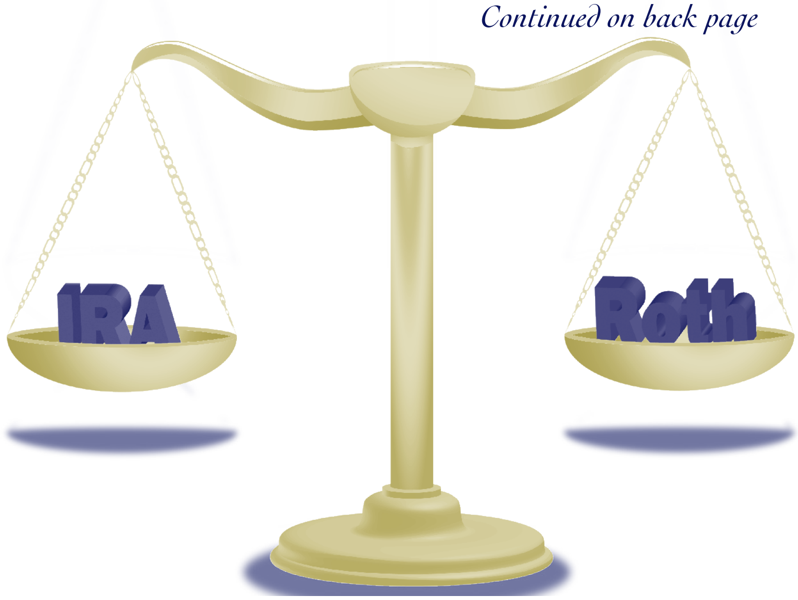
IRA benefits

Like your workplace plan contributions, your IRA contributions can grow federally tax-deferred or tax-free (depending on whether you have a traditional or Roth IRA, respectively), allowing any earnings in the account to compound more quickly than those in taxable accounts.[3]

Which IRA is best for you?

If you're able to save the maximum allowed by your workplace retirement plan, consider either a traditional IRA or a Roth IRA, both of which offer a wide variety of investment choices.

Continued on back page





Tax-Smart Saving *(continued from page 3)*

- Traditional IRAs: Contributions to a traditional IRA may be tax-deductible, depending on your income amount.* But even if your contributions are not tax-deductible, your assets can grow tax-deferred until you start taking required minimum distributions (RMDs) at age 70½. This is valuable if you expect to be in the same or a lower income tax bracket in retirement. At that point, you'll pay taxes on your withdrawals.
- Roth IRAs: Contributions are not tax-deductible; however, qualified withdrawals will be tax-free—a plus if you expect your income level to rise. Note: The amount you can contribute to a Roth, and whether you can contribute at all, depends on your income amount.* Another advantage: Generally, you don't have to take distributions at age 70½ as you must with a traditional IRA. That means your Roth IRA can continue to grow tax-free well into your later years. Roth IRAs are complex investments, and they're not for everyone. You should consult a financial professional before opting for a Roth.

Hands off!

Saving in a workplace retirement plan or a traditional IRA can benefit your bottom line, but tapping it prematurely could make the effort for naught. Sure, you can get at the money if you absolutely have to, but you'll likely have to pay an early withdrawal penalty and owe income taxes, not to mention dampening the potential for any tax-deferred growth.

To avoid raiding retirement funds in an emergency, consider keeping a liquid cash stash to cover three to six months of expenses. Also, you could allocate separate money for goals that have to be accomplished in the short term, such as paying your children's college expenses. Consider keeping it in fixed-income investments, such as certificates of deposit[4] (CDs), which can continue to earn interest until you need the money.

Your retirement savings may be your most precious assets. If you manage them wisely, you'll have a better chance of reaching your retirement goals.

* See Publication 590 at irs.gov for income eligibility rules on tax-deductible contributions to traditional IRAs and on contributions to Roth IRAs.
2 2 A participant may be able to use the Special 457 Catch-up and contribute up to $33,000 in the three calendar years prior to the year of normal retirement age. Special 457 Catch-up and Age 50 or older catch-up cannot be used in the same calendar year.
3 You have until April 15, 2012, to make your 2011 IRA contribution of up to $5,000; up to $6,000 if you're age 50 or older.
4 Certificates of deposit are insured by the FDIC for up to $250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

Contacts/Account Maintenance

Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-5700
Website	www.doa.alaska.gov/drb
Account information online	www.akdrb.com[1]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[1]

Please note: This newsletter does not constitute investment or financial planning advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Great-West Retirement Services®, KeyTalk® and Reality Investing® are registered trademarks of Great-West Life & Annuity Insurance Company. Not intended for plans whose situs is in New York. Form# CB1092N (07/2011) PT128752