

State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

WINTER 2013

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

In This Issue

In this issue, get ready to lace up your walking shoes, grab your account statements, and make some plans for your active life. Whether you're just starting out in your retirement plan or are nearing retirement age, we want you to get active, stay healthy, and enjoy all that life—and your finances—can offer. So let's get started! Get ready to take on …

An Active Life!

When it comes to saving, listen to the Greek philosopher who said, "Nothing is permanent but change." In order for your retirement plan accounts to get you where you want to be, it's important to embrace change. Yes, the choices you made when you first enrolled in the retirement plan were great. But you keep getting closer to retirement!

Allocate … And Conquer

Asset allocation is the way you divide up your account into different asset classes, and it need not be intimidating.[1] In a retirement plan, it usually involves just three primary categories.

Most plans offer a choice of funds made up of cash equivalents, stock funds, and bond funds. Younger folks, who may have time to recover if their investments don't do well, may invest more in higher risk investments, like stock funds, because higher risk can potentially mean higher returns. But as people near retirement, they may want to be more conservative, investing in lower risk (and, therefore, often lower return) investments, like bond funds and cash equivalents.

Think of investing in the plan as active and it will be easier to stay on track.

Your tolerance for risk also affects your asset allocation. Those with a longer timeline and a higher risk tolerance may decide to invest more in stock funds, while those who are closer to retirement with a more conservative outlook may invest more heavily in bond funds and cash equivalents. Take an active role in keeping your retirement savings healthy and fit.

1 Asset allocation does not ensure a profit and does not protect against loss in declining markets.

PERS and TRS Defined Contribution Retirement Plan



Shaping Up (A Little at a Time)

Small steps can get you there

Preparing to climb Mt. Everest, standing at its base and looking up, must feel a little disheartening. Ever feel that way when you think about saving for retirement? For many people, their retirement plan will make up a large share of their retirement income, alongside Social Security and other savings. Yet, so many priorities compete for our cash that it can be hard to take that first step up the mountain.

Remember: No one ever leapt to the top of Mt. Everest in a single bound. It takes many steps to get there, and the journey always begins with that very first one.

STEP ONE: Congratulations! You've already taken the first step by contributing to your retirement plan.

STEP TWO: Now take the next step and consider contributing even more money toward your retirement through another savings vehicle. For example, over the long term, an annual contribution rate equal to of 3% of your salary is unlikely to result in a comfortable retirement. You can step up your contributions at least 1% every year until you reach the maximum level. Chances are, the difference in your lifestyle today will be minimal, and you will be allowing your retired self the chance to live much better.

The following chart will give you an idea of what increasing your contribution just 1% could mean over the long term.

Annual Pay	Save This Much More Each Month	Have This Much More in Retirement*
$25,000	$20.83	$20,927
$30,000	$25.00	$25,113
$35,000	$29.17	$29,298
$40,000	$33.33	$33,484
$45,000	$37.50	$37,669

* FOR ILLUSTRATIVE PURPOSES ONLY. Based on a hypothetical 6% annual rate of return (compounded monthly) for 30 years. This illustration assumes regular monthly contributions of 4% of the stated annual pay to a tax-deferred retirement plan. This illustration is not based on (or predicting the performance of) any specific investment or savings strategy. Most retirement investments will move up and down with the market over time, producing better or worse actual returns for you. Your returns are not guaranteed. Withdrawals made prior to age 59½ may incur a 10% IRS tax penalty.

Remember, this illustrates the impact of a one-time decision to increase your contributions by 1%. If you contribute an additional 1% each year (subject to the rules and limitations of the IRS and your plan), your ultimate balance will potentially be much higher, allowing you to enjoy a more secure, comfortable lifestyle later.

GO PAPERLESS

QUICK. CONVENIENT. CLUTTER-FREE.

WANT TO RECEIVE YOUR ACCOUNT STATEMENTS ELECTRONICALLY?
Log in to your account and click on Go Paperless under the My Profile icon.



Roll It in to Make Tracking Easier[2]

And to stick with your retirement strategy

Keeping track of your stuff is easier when you store like items together. It works with money, too. If you left behind a retirement account in your former employer's plan, consider moving the money into your State of Alaska Plan. Why?

- Think "out of sight, out of mind": It is all too easy to lose track of your account once you have moved on.
- You run the risk of misplacing the employer's address and the contact person's name.
- The employer may relocate or be bought out by another firm.
- Or maybe you are one of the 45 million people who move each year, according to the U.S. Postal Service.

Don't Lose Your Focus

It is easy to lose focus when you leave your retirement account in a former employer's plan. You may concentrate only on the plan you have now, forgetting to include your other accounts in your overall strategy. When you fail to consider all of your retirement money as part of one puzzle, your strategy may not work out as you expect.

Start With HR

Feeling concerned? Ask HR if your plan accepts eligible rollover balances and how to roll over the balances you left behind.[3] When done properly as a plan-to-plan transfer, the tax status of the accounts is protected so you won't have to worry about creating a taxable event. Then, when you get a statement telling you your retirement plan's values, you will be able to see all of the plan money you have worked so hard to save.

2 You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.
3 Rollovers are subject to your plan's provisions. Please note that Great-West Financial® requires sufficient information in good order to complete rollover requests.
4 This penalty does not apply to 457 plan withdrawals.

Cash It Out or Roll It Over?

You may have read cautions about cashing out your retirement accounts, even when the balance is small. Here's why.

One, if you are under 59½ you may be required to pay a 10% penalty tax[4] on top of the income tax that will be due on the amount you receive. And two, you miss out on the potential future investment earnings your balance may have enjoyed.

Here's an example. Chris and Terry are both 25 and are moving on to new jobs. Each has accumulated $2,000 in a retirement account. Chris takes his balance out and spends it; Terry moves her balance into her new employer's retirement plan.

From the $2,000 withdrawal, Chris will have to pay a $200 penalty tax[3] along with $460 ordinary income tax, based on his 15% federal and 8% state tax brackets. His net distribution is $1,340.

Terry moves the $2,000 directly into the new plan, so she does not have to pay income or penalty taxes. Assuming a 5% rate of return until age 65, Terry's $2,000 may be worth more than $14,000 at retirement.

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment options. It assumes a 5% annual rate of return and reinvestment of earnings, with no withdrawals. Rates of return may vary. 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.



Ready, Set, Retire!

Healthy Life, Healthy Finances

Staying physically healthy is also an important part of enjoying retirement. Here is a list of magic numbers to review with your doctor.

What Are Your Magic Numbers?

Cholesterol levels. Your LDL cholesterol should be 100 mg/dL or lower. HDL levels should be above 40 mg/dL for men and above 50 mg/dL for women. Your triglycerides should be below 100 mg/dL.[4]

Blood sugar levels. A fasting blood sugar level higher than 100 mg/dL could indicate that you are working your way toward diabetes—and that can bring on a series of other health problems.[5]

Weight. Extra pounds can lead to lots of complications. People who are overweight are more likely to suffer from diabetes, heart problems, joint pain, and a host of other issues that can keep them from participating in the activities they have been planning for in retirement. So make sure to eat a balanced diet, including lots of fresh fruit, vegetables and whole grains.

BMI. Your Body Mass Index compares your height and your weight. A BMI between 25.0 and 29.9 indicates that you are overweight, and a BMI over 30 puts you into the obese category. In either case, talk to your doctor about healthy eating and exercise so you can enter retirement in a healthier state.[6]

Blood pressure. A healthy blood pressure is 120/80 or lower. If yours is too high, you should address it by consuming less salt, dealing with stress in a healthy way, and losing weight.[7]

The common thread? Eat right and exercise. Try these:

- Find an activity you enjoy, like walking or swimming, and do it regularly.
- Invite someone to join you, so you can motivate one another.
- Try something new. How about snorkeling, spelunking, or digging for fossils?
- Set a goal and regularly work toward it. You probably aren't able to swim the English Channel right now. But start training and you may just get there!

Contacts/Account Maintenance

Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-4460
Website	www.doa.alaska.gov/drb
Account information online	www.akdrb.com*
KeyTalk® — account inquiries and maintenance	1-800-232-0859*

4 Source: American Heart Association, http://www.heart.org/HEARTORG/Conditions/Diabetes/PreventionTreatmentofDiabetes/Know-Your-Health-Numbers_UCM_313882_Article.jsp

5 Source: American Heart Association, http://www.heart.org/HEARTORG/Conditions/Diabetes/SymptomsDiagnosisMonitoringofDiabetes/Symptoms-Diagnosis-Monitoring-of-Diabetes_UCM_002035_Article.jsp#tests

6 Source: American Heart Association, http://www.heart.org/HEARTORG/GettingHealthy/WeightManagement/BodyMassIndex/Body-Mass-Index-In-Adults-BMI-Calculator-for-Adults_UCM_307849_Article.jsp

7 Source: American Heart Association, http://www.heart.org/HEARTORG/Conditions/HighBloodPressure/AboutHighBloodPressure/Understanding-Blood-Pressure-Readings_UCM_301764_Article.jsp

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