State of Alaska
Supplemental Annuity Plan
Deferred Compensation Plan

FINANCIAL FOOTNOTES

SPRING 2012

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

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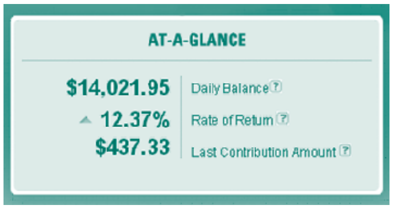
Getting to Know the New Plan Website: At-A-Glance

With the new and enhanced State of Alaska Retirement Plan website, you have a quick and easy way to view your account details with the ***At-A-Glance*** tile.



After you log in to **www.akdrb.com**[1], the *At-A-Glance* tile will be prominently displayed at the top of the web page. It offers an immediate view of your account balance, rate of return, and last contribution amount. You can also click on each item to see additional details, make changes or research options for adjustments to your retirement strategy. Keeping track of your retirement has never been easier.

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.

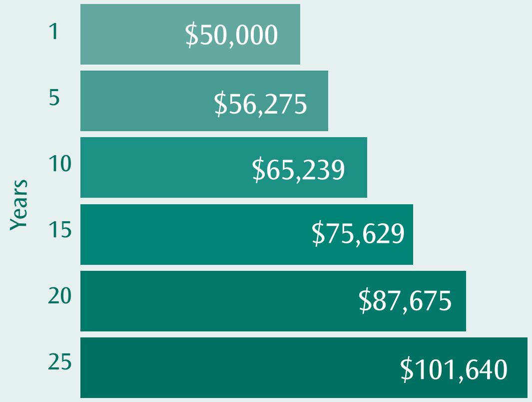
Plan Your Retirement Income

Planning for withdrawals is a key part of any retirement strategy. The earlier you calculate what you'll need to withdraw each month when you're retired—essentially your retirement salary—the more focused your savings strategy will be now.

Consider the 4% rule: If you withdraw 4% of your portfolio during the first year of retirement and adjust that amount for inflation in subsequent years, your investment income could potentially last at least up to 25 years. Keep in mind that the 4% rule is only a guideline. If you retire early, withdrawing less than 3% or 4% a year may help your savings last. If you delay retirement, it may be safe to withdraw more.

Retirement Withdrawals Over Time

See how much an investor with a $1.25 million account balance withdraws if he takes 4%, or $50,000, the first year, then increases the dollar amount 3% each future year to account for inflation.



FOR ILLUSTRATIVE PURPOSES ONLY. This illustration is hypothetical. Highly adverse market conditions may affect an investor's ability to sustain withdrawals at these rates. This is not intended as financial planning or investment advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Assumes 4% annual rate of return and reinvestment of earnings. Rates of return may vary.



How Will You Finance Your Retirement?

Working Americans typically have one source of income: their jobs. But after you retire, your income is likely to come from a few different places, although it may not be enough to pay for all of your needs.

Sources of retirement income

Retirees typically rely on several sources of income. These can include:

- Social Security
- Pensions and/or an annuity
- Income from retirement savings accounts, such as a workplace retirement plan, IRAs and brokerage accounts

One component—the pension—is fading from view. Fewer employees have access to a pension plan, and more are contributing to their employer-sponsored retirement plans.[2] That means they will rely increasingly on their savings and will likely need to work when they retire. According to the Employee Benefit Research Institute, 23% of retirees have worked for pay in retirement, but 74% of current workers expect to work for pay when retired.[3]

Contribute to your State of Alaska 457 Plan

That's why saving for retirement now is so important. Strive to contribute as much as you can to your retirement plan. In 2012 you can contribute up to $17,000 of your pre-tax income ($22,500 if you're age 50 or older), although that amount can vary by plan.

Consider alternatives

If retirement is on the horizon, you may choose to work longer in order to be able to save more. Or you could work part-time while retired. Another option: Postpone taking Social Security, for which you are eligible at age 62, if you can afford to do so. Your benefit increases each year you delay collecting it.

2 "What are the trends in U.S. retirement plans?" ebri.org, 2009.

3 "2011 Retirement Confidence Survey," ebri.org. 2011.

The $102,000 Difference

Small annual increases in your retirement plan contributions can be beneficial over time. Consider the accumulations of two accounts, starting at $5,000, over 30 years. Account A's annual contribution rate stays at 5.5% of a $44,410 annual salary, but Account B's increases by 1% of that same salary each year for three years.

	Contribution	5 years	10 years	20 years	30 years
Account A*	5.5%	$20,400	$41,417	$107,022	$219,855
Account B **	5.5%–8.5%	$25,045	$56,122	$153,724	$322,496

**Contributions stay at 5.5%.*

***Contributions start at 5.5% in year 1, with 1% annual boosts in years 2-4. They remain at 8.5% from year 4 on.*

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment options.
Assumes annual salary of $44,410, the mean income of an American worker in 2010, according to the U.S. Bureau of Labor Statistics, May 2010; 3% annual salary increases and a 4% 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.
Dollar amounts are the accumulated assets over the different periods cited.

Maximize Your Paycheck

A change in your withholding may help you save more

Effective management of your paycheck withholding could mean an increase in your take-home income—and the potential to save more for retirement.

Less is more on the W-4

Your W-4 Employee's Withholding Allowance Certificate (Form W-4) is used by your employer to calculate how much federal income tax to withhold from your pay. The more dependents you claim, the smaller the tax bite (and vice versa).

Whether you owe money to the IRS or get a refund, the goal here is to get your tax withholding as close as you can to your actual tax liability. The danger: Withhold too little and you may receive a tax bill. Withhold too much and get a refund. A refund may seem like a good deal on paper, but in practice it's money that sat in Uncle Sam's pocket all year long when it could have been in yours, *potentially earning interest in your retirement savings account*.

Put your money to work

Your workplace retirement plan is your most powerful savings tool. You can save up to $17,000 of your pre-tax income ($22,500 if you're age 50 or older), although that amount can vary by plan. Contribute the maximum allowed for the year if you can; you'll maximize your tax-deferred growth potential and reduce your taxable income.



International Investing: It's a Small World

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 investment options, if offered by your retirement plan, may provide diversification.[4,5] Diversifying your investments with international holdings can help manage risk, especially when the U.S. stock market is lagging. The trick, of course, is to balance the potential rewards against the risks.

Many means to an end

There are four basic categories of overseas investing: global, international, emerging market and country-specific. Global funds invest in equities throughout the world, including the United States; international funds invest outside of the United States; emerging market funds invest in the stocks of underdeveloped countries[6]; and country-specific funds invest in the stocks of only one country[7].

A broad-based global or international index fund or portfolio, if among the menu of your investment choices, may provide the diversity you need. If your plan does not offer global or international investment options, you may already have some international exposure through investment options that invest in U.S. companies that do business abroad.

On the plus side

Investing overseas offers the opportunity for valuable diversification because it exposes your portfolio to more investment opportunities than investing solely in U.S. companies. It's important to remember that international markets comprise roughly two-thirds of all global investments. So when one region is down, another may be up—which can help offset some of the risk in your portfolio and potentially improve returns over time.

On the flip side

Economic developments and changes in currency rates can hurt returns. For example, if you were invested in a foreign country that is experiencing lackluster economic growth, you might suffer heavy losses if that economic trend were to continue. Similarly, an investment in a foreign country whose currency value falls in comparison to the dollar would cause your account to decline in value.

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.

Be informed

If you want to keep up on global news and trends, visit financial websites like **www.ft.com** (*Financial Times*) and **www.investorguide.com** to monitor the major stock markets of the world, access information on leading foreign companies, and keep abreast of significant political news. You can also track international portfolios in *The Wall Street Journal* and in the financial section of your local newspaper.[8]

When it comes to investing, it is a small planet. Consider the risks and rewards of international investing and whether or not it may be right for you. If it is, you'll be able to sit at your Korean computer, sip your Brazilian coffee, and select investments—from all over the world.

4 Foreign investments involve special risks, including currency fluctuations and political developments.

5 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

6 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.

7 Specialty funds that invest in a specific country or region may be more volatile than funds with more diversified investments.

8 Great-West Retirement Services® is not responsible for and does not endorse the content contained in the additional resources provided. These resources are for general education and information only and are provided as a benefit to the users of the resources.



Protect Yourself

Tips for avoiding identity theft

Identity theft is growing fast. Spare yourself the personal and financial violation with the following advice from the Federal Trade Commission[9]:

- Thieves often pick through trash bins for financial documents. ***Shred papers and receipts*** that contain personal information.
- ***Guard your mail.*** Drop off outgoing mail in post office collection boxes instead of in an unsecured mailbox. If you're planning to be away from home for a stretch, contact the U.S. Postal Service to request that your mail be held until you return.
- Before revealing any identifying information, say, on a job application, ***ask how it will be used and secured***, and whether it will be shared with others.
- When given the option to create a computer password, ***use a combination of numbers, symbols and upper-and lower-case letters***. Avoid predictable words or numbers (your mother's maiden name, your birthday) that make it easy for outsiders to gain access.
- If you own a computer, ***update your virus protection software regularly***. Do not open files from strangers. Do use a hacker inhibiting firewall and a secure browser that encrypts or scrambles information you send over the Internet (particularly important when making online transactions). Be sure to bypass automatic log-in features.

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[1]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[1]

9 Fighting Back Against Identity Theft," ftc.gov, 2012.

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.

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