State of Alaska
Supplemental Annuity Plan
Deferred Compensation Plan

FINANCIAL FOOTNOTES

SUMMER 2010

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

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Three Mistakes You Can Avoid

It's easy to just let your State of Alaska defined contribution plan accounts go on autopilot. Below are three common oversights that can limit your potential to save more, followed by ways you can be proactive:

1 **Contributing too little.** If possible, take advantage of the State of Alaska Deferred Compensation Plan by contributing as much as you can, especially if you're among the millions of Americans whose savings declined during the recession. In 2010, you may contribute as much as $16,500 to the Deferred Compensation Plan. If you're age 50 or older, you can also make "catch-up" contributions of as much as $5,500.[1]

2 **Timing the market.** A single headline can drive a person to shift money from one type of investment to another. In 2008 and early 2009, many investors, afraid of their continuing losses, sold their stock funds and put their money in bond and stable value funds. But unless they moved back into stocks, they missed the rally that ensued; between Dec. 31, 2008, and Dec. 31, 2009, stocks gained 26.5%.[2] Bond returns fell 2.4% and cash investments were up just 0.1%.[2,3]

3 **Investing too heavily in one type of investment.** Recent history has shown that the stock market can rise and fall significantly over a short period of time. That reality—as well as the ups and downs it can create in your retirement savings—may tempt you to minimize the portion of your portfolio you invest in stock funds and load up on bonds and cash investments.

However, stocks could provide the strongest potential for the long-term growth you'll likely need to fund your retirement. You can capture some of that growth potential without exposing all your savings to the declines stocks occasionally experience. The key is to determine the appropriate asset allocation—the mix of stock, bond and cash investments—that is right for you and to stick to it.

How much you should devote to each type of investment depends mainly on the amount of time before you plan to retire, but also on the amount of risk you're comfortable with and your overall investment objectives. In general, the longer your time horizon to retirement, the greater the percentage of stocks you may want to hold.

Need Help Determining an Appropriate Asset Allocation for You?

The State of Alaska defined contribution plans offer help in the form of Reality Investing® Advisory Services (Advisory Services), offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Advisory Services offers three levels of investment advisory tools and assistance based on the level of involvement you desire in managing your investments. Whether you enjoy managing your retirement account or prefer to leave it to the experts, Advisory Services has an option that's right for you. For more information on Advisory Services, just log on to your account at **www.akdrb.com** and click on the Reality Investing tab at the top of the page. Or, call KeyTalk® at **1-800-232-0859** and select option 6 after logging in to your account.* 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.

1 irs.gov
2 Stocks measured by the S&P 500®, bonds by the Ibbotson Intermediate-Term Government Bond Index, cash investments by 30-day Treasury bills. Source: Ibbotson Associates SBBI 2010 Classic Yearbook.
3 Past performance is not a guarantee or prediction of future results.

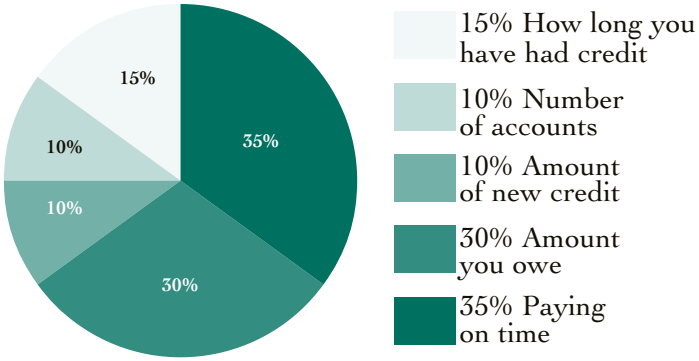
Clean Up Your Credit

Your credit history affects a number of aspects in your life, from getting a mortgage to the rate you pay on a new car loan—even a prospective employer's opinion of you. Each year, you're entitled to a free credit report from each of the three major credit bureaus: Equifax, Experian and TransUnion. For a small fee, you can request your credit score, a three-digit number that reflects how responsible you are as a borrower.

Credit scores range from 300 to 850. Your score could mean the difference between a larger and smaller monthly payment on a new loan, so pay attention to it. Paying all your bills on time and keeping your credit-card balances low are steps you can take to improve your score. If you're having trouble paying bills, work out a payment plan with your creditors. Another tip: Don't open new accounts just to increase your available credit. Holding too many credit cards will count against you if you're unable to keep up with payments.

How Your Score Is Calculated

The following chart shows the components of a credit score. See how your timely payments and the size of your balances count the most.



Source: myfico.com, February 2010. Great-West Retirement Services® is not responsible for, nor does it endorse the content contained in the additional Website provided. This Website is for general education and information only and is provided as a benefit to the users of the site.

Let Go of Your Emotions

Emotion motivates many investors. Understanding this human tendency may help you avoid common investment mistakes.

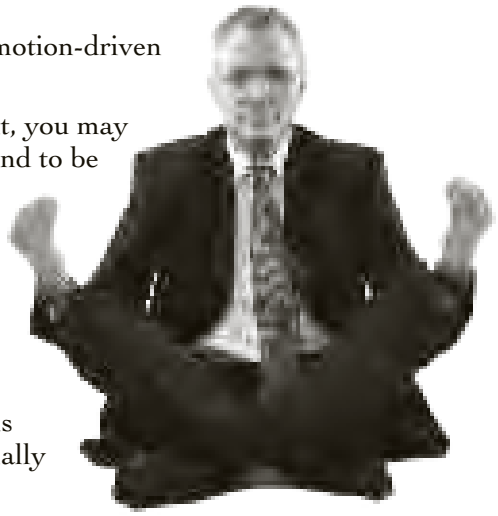
An individual who held funds that matched the S&P 500's return from 1990 to 2009 would have earned an annualized gain of 8.20%. But the typical equity fund investor earned an average annualized return of just 3.17%, according to research firm DALBAR, Inc.[3, 4] DALBAR attributes this shortfall to investors' tendency to invest in stock funds after the market rises and sell after the market declines—that is, to buy high and sell low.

When emotions rule

Behavioral economists have documented and categorized a number of common emotion-driven investment errors:

Loss aversion: People tend to fear losses more than they enjoy gains.[5] As a result, you may be tempted to hold much of your retirement savings in cash investments, which tend to be stable but don't offer the long-term growth you may need to reach your goals.

Herding: Individuals often make the same choices they see other people making. "Following the herd" may blind them from making decisions based on their own financial goals.



It may be impossible to remove emotion entirely from your investing decisions. However, you can help manage your reaction to the market's ups and downs by reviewing your investments on a regular schedule—say every three months. This way, you'll have time to think through your decisions, rather than react emotionally to headlines.

3 Past performance is not a guarantee or prediction of future results.

4 "Quantitative Analysis of Investor Behavior," DALBAR, Inc., 2010.

5 Nudge: Improving Decisions About Health, Wealth and Happiness, Richard H. Thaler and Cass R. Sunstein, 2008

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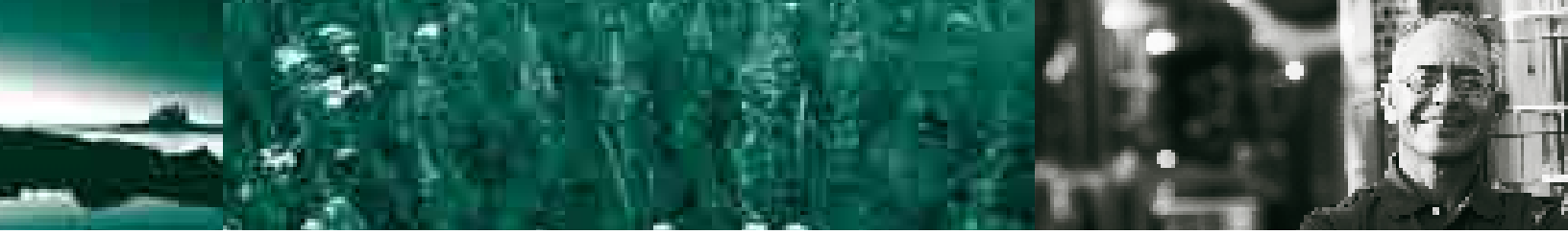
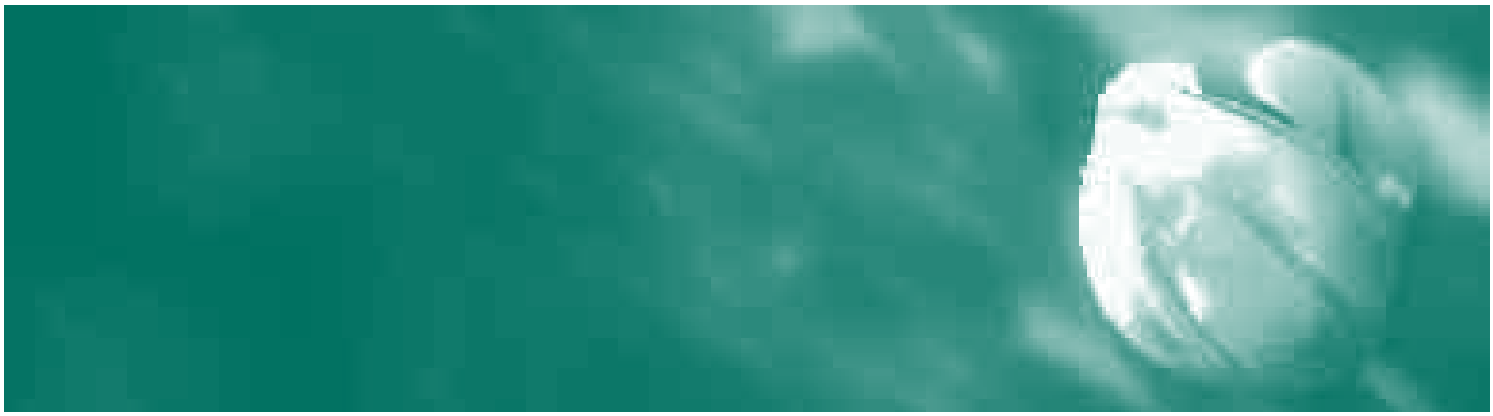




A Plan to Help You Save More

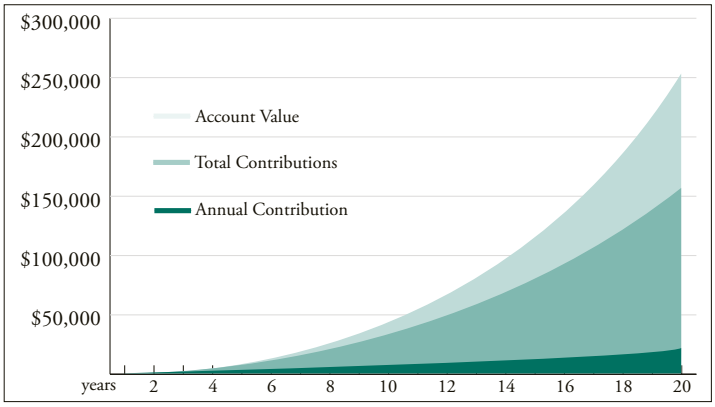
In a recent AARP survey, nearly 20% of Americans age 45 or older said they had prematurely withdrawn funds from their workplace retirement savings accounts and IRAs in 2009.[6] Read on to find out what you can do to help keep your nest egg growing.

1 Get rid of credit-card debt

The sooner you eliminate outstanding balances, the less interest you'll have to pay to your lenders. You might consider using a home equity line of credit or another low-interest rate loan to pay off these high-interest debts.

2 Save for emergencies

A good rule of thumb is to accumulate three to six months' worth of day-to-day expenses in an easily accessible account, such as a money market account. If you're worried about losing your job, consider making eight months' worth your goal.



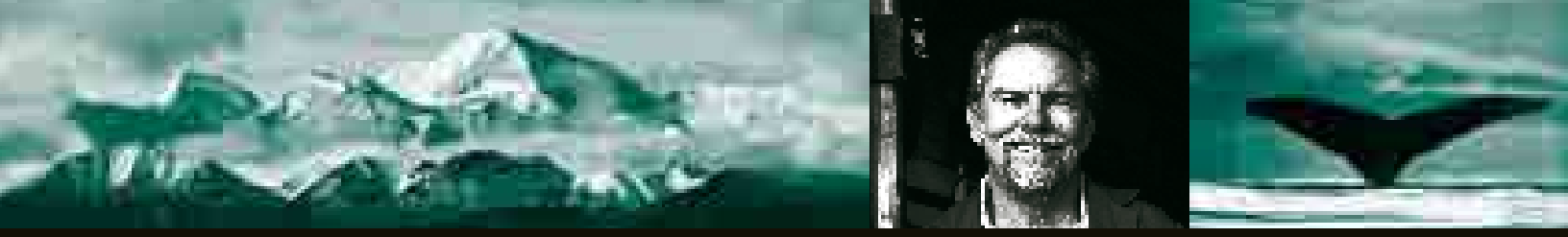
3 Boost retirement contributions to your Deferred Compensation Plan

Increasing contributions to your State of Alaska Deferred Compensation Plan by one percentage point each year can have a dramatic impact on its growth. Let's say you earn $50,000 a year and you start contributing 1% of that salary to your Deferred Compensation Plan now. If you increase your contributions by one percentage point each year thereafter for 20 years, your account could grow to $255,173.[7]

How you prioritize the actions above can depend on your own personal situation. Does your credit card have a high interest rate? If an emergency car or home repair comes up, could you pay for it? Or would you need to use that same high-interest rate credit card? In today's challenging economy, it pays to manage your money wisely.

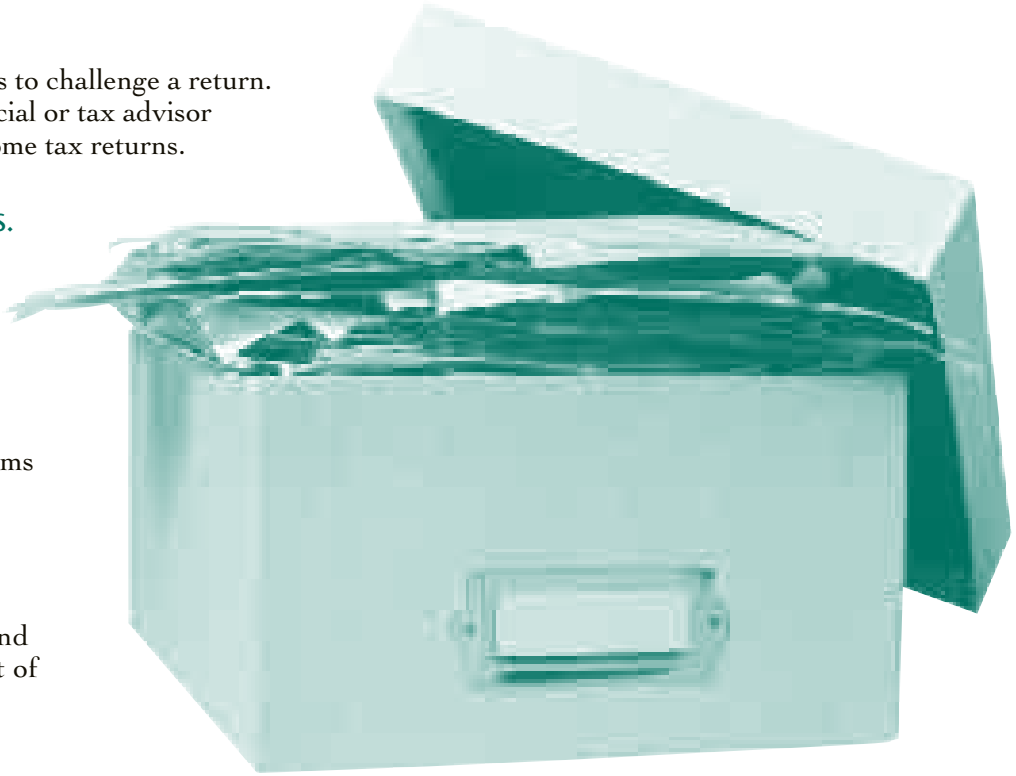
6 aarp.org, February 2010.

7 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any investment options. It assumes a $50,000 beginning salary with 3% annual raises, a 7% annual rate of return, 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. It does not take into account an employer match.



Paper Work

Thanks to online banking, there are fewer financial documents you need to file. Here's a list of what you should keep and for how long.



Tax returns.

Generally, the IRS has up to 3 years to challenge a return. You should consult with your financial or tax advisor regarding the retention of your income tax returns.

Retirement account statements.

Hold on to annual statements until you retire or close the account.

Bills and receipts.

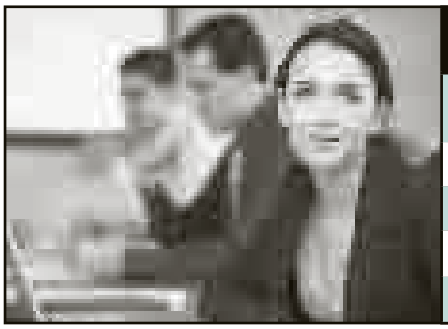
Keep records of major purchases indefinitely to support insurance claims if items are lost or stolen.

House records.

If you sell, you'll need papers documenting the purchase price and improvements to establish the cost of the house for tax purposes.[1]

1 irs.gov

Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.



Contacts/Account Maintenance	
Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-1600
Website	www.doa.alaska.gov/drb
Account information online	www.akdrb.com*
KeyTalk® —account inquiries and maintenance	1-800-232-0859*

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