

## *State of Alaska Supplemental Annuity Plan Deferred Compensation Plan*

### FINANCIAL FOOTNOTES

FALL 2010

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

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## *Alaska Target 2010 Fund Closure - Supplemental Annuity Plan*

The Supplemental Annuity Plan Alaska Target 2010 Fund will close to new contributions starting December 31, 2010. Future contributions directed to this fund will be redirected to the State Street Institutional Treasury Money Market Fund on the basis that it is the lowest risk investment option offered and closest to the 100% cash allocation of the Alaska Target 2010 Fund at maturity.

Anyone who remains invested in the Alaska Target 2010 Fund on June 30, 2011, will have their monies moved, by default, to the State Street Institutional Treasury Money Market Fund.

Please note, the Supplemental Annuity Plan Alaska Target 2010 Fund should not be confused with the Alaska Target Retirement 2010 Trust, which will continue to be available to participants of the Supplemental Annuity, Deferred Compensation and PERS/TRS Defined Contribution Retirement Plans.

## *Heads-up on Risk*

### **Keep your account growing**

As an investor, you have likely encountered three types of risk: market, interest-rate and inflation. How can you minimize their impact on your workplace retirement account?

#### **Market risk: Diversify<sup>1</sup>**

You're probably most familiar with this risk: the chance that your investments (particularly stocks) can lose value because of a decline in the market. However, by diversifying—owning a mixture of stock and bond funds (including funds that invest in a mix of U.S. and international stocks, if offered), as well as cash investments—you may increase your chances of having at least one investment performing well at any given time.

#### **Interest-rate risk: Include short-term bonds**

Bonds, particularly long-term bonds, are vulnerable to interest-rate risk: the possibility that currently low interest rates could rise. Generally, when rates rise, bond prices fall. Your best defense (in combination with stock

funds and cash investments): a short-term bond fund, because interest rates are less likely to substantially change in the short term.

#### **Inflation risk: Minimize cash**

Over time, cash investments can lose their purchasing power. This likelihood that the value of your money won't keep up with the prices of goods and services is called inflation risk. For a while now, inflation has hovered at its lowest level in decades, but you shouldn't disregard its potential long-term effects. Consider keeping only assets you'll need within a couple of years in cash (i.e., a money market fund).

## **NEW LOWER FEES**

As of October 1, 2010, your Plan's administrative fees have been lowered. This change will be reflected on your accounts beginning in early November.

The reduced fees will allow more of your contribution money to work toward your retirement. See inside for more information.

<sup>1</sup> Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.



## Fees and Expenses

Great-West Retirement Services® is responsible for the administration of the State of Alaska Defined Contribution Plans. Fees and expenses associated with the day-to-day management of the Plans are deducted from your account to support the Plan, as follows.

### Administrative Fees

This fee covers the cost of Plan recordkeeping expenses, and it has been lowered for both Plans as of October 1, 2010. Fees are assessed to the Plans separately and are based on your account balance.

State of Alaska Plan Type	Prior Annual Administrative Fee	New Annual Administrative Fee as of 10/1/2010
457(b) Deferred Compensation Plan (DCP)	0.22%, or 0.22 of 1%	0.17%, or 0.17 of 1%
Alaska Supplemental Annuity Plan (SBS)	0.16% + \$35 annual fee (\$25 for non-contributing participants)	0.11% + \$35 annual fee (\$25 for non-contributing participants)

- ◇ For the DCP, the new 0.17% administrative fee is assessed monthly at 0.0142%, based on the total balance.
- ◇ For the SBS Plan, the new 0.11% administrative fee is assessed monthly at 0.009%, based on the total balance. Annually, a fixed fee of \$35 (or \$25 for non-contributing participants) is charged.

### Reality Investing® Advisory Services Fees

- ◇ There is no cost to use Online Investment Guidance.
- ◇ There is a \$25 annual fee assessed quarterly at \$6.25 for Online Investment Advice.
- ◇ If you choose the Managed Account service, the quarterly fee will be based on your account balance, as follows:

Account Balance	Quarterly Fee
<\$100,000	0.125%
Next \$150,000	0.10%
Next \$150,000	0.075%
>\$400,000	0.05%

Example:

Account Balance	Quarterly Fee
\$10,000	\$12.50
\$20,000	\$25.00

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.

2 Each fund has its own fund operating expenses that vary depending on the investment options you select. Actual fund operating expenses may be less if the fund currently offers a waiver or reimbursement of a portion of this expense.

3 Not all investment options are available in all Plans.

4 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.

5 The investment management fees for the Russell 3000 Index Fund, U.S. Real Estate Investment Trust Index, World Equity ex-U.S. Index, Long U.S. Treasury Index, U.S. Treasury Inflation Protected Securities Index, and the World Government Bond ex-U.S. Index vary based on total assets of all participants in each fund.

6 Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.

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

8 S&P 500® Index is a registered trademark of Standard & Poor's Financial Services LLC, and is an unmanaged index considered indicative of the domestic Large-Cap equity market.

9 The investment management fees for the S&P 500 Stock Index Fund vary based on total assets of all participants in each fund. The fees for the S&P 500 Stock Index Fund include custodial expenses of approximately 0.05%.

10 The date in a Target Date Fund represents when an investor expects to retire. The principal value of the funds is not guaranteed at any time, including the target date.

11 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

12 U.S. Treasury securities are guaranteed as to the timely payment of principal and interest if held to maturity. Fund shares are neither issued nor guaranteed by the U.S. government.





## Investment Management Fees<sup>2</sup>

- ◇ Investment management fees are deducted from the investment return of the fund before the daily price or performance is calculated.
- ◇ Investment management fees are not shown on quarterly statements.
- ◇ You can also view the fees charged for each investment option on the “Fund Performance” document located on the Website. Fees are listed in the “Gross/Net Expense Ratio” column.

Investment Option <sup>3</sup>	Annual Mgmt. Fee	Investment Option <sup>3</sup>	Annual Mgmt. Fee
U.S. Real Estate Investment Trust Index <sup>4</sup>	0.17% <sup>5</sup>	SSgA Global Balanced Fund <sup>4,7</sup>	0.10%
T. Rowe Price Small-Cap Stock Trust <sup>6</sup>	0.70%	Alaska Long-Term Balanced Trust	0.13%
Brandes Instl International Equity Fund <sup>7</sup>	0.50%	Alaska Target Retirement 2015 Trust <sup>10</sup>	0.13%
World Equity Ex-U.S. Index <sup>7</sup>	0.17% <sup>5</sup>	Alaska Target Retirement 2010 Trust <sup>10</sup>	0.13%
RCM Socially Responsible Investment Fund	0.50%	Alaska Balanced Trust	0.12%
Russell 3000 Index Fund	0.03% <sup>5</sup>	World Government Bond Ex-U.S. Index <sup>7,11</sup>	0.09% <sup>5</sup>
S&P 500® Index Fund <sup>8</sup>	0.035%	Long U.S. Treasury Bond Index <sup>11,12</sup>	0.07% <sup>5</sup>
S&P 500® Stock Index Fund <sup>8</sup>	0.04%-0.12% <sup>9</sup>	Government/Credit Bond Index Fund <sup>11,12</sup>	0.13%
Alaska Target Retirement 2055 Trust <sup>10</sup>	N/A	U.S. Treasury Inflation Protected Securities Index <sup>12</sup>	0.09% <sup>5</sup>
Alaska Target Retirement 2050 Trust <sup>10</sup>	N/A	Intermediate Bond Fund <sup>11</sup>	0.13%
Alaska Target Retirement 2045 Trust <sup>10</sup>	N/A	Stable Value Fund	0.00%-0.20%
Alaska Target Retirement 2040 Trust <sup>10</sup>	0.15%	Alaska Target 2010 Fund	0.10%
Alaska Target Retirement 2035 Trust <sup>10</sup>	0.15%	Interest Income Fund	0.20%
Alaska Target Retirement 2030 Trust <sup>10</sup>	0.15%	State Street Treasury Money Market Fund—Inst.	0.14%
Alaska Target Retirement 2025 Trust <sup>10</sup>	0.15%		
Alaska Target Retirement 2020 Trust <sup>10</sup>	0.14%		

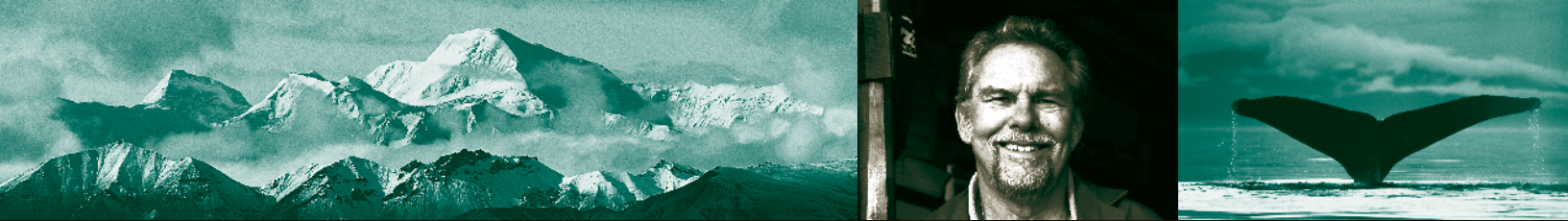
Asset allocation funds may be subject to a fund operating expense at the fund operating expense level, as well as a prorated fund operating expense for each underlying fund in which they invest. For more information, please refer to the fund disclosure document.

*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 per share, it is possible to lose money by investing in the Fund.*

For more information on fees or the investment options, or for any other questions, visit the Website at [www.akdrb.com](http://www.akdrb.com) or call KeyTalk® at 1-800-232-0859 toll-free, seven days a week, 24 hours a day (except between 10:00 p.m. Saturday and 10:00 a.m. Sunday, Alaska Time).<sup>13</sup>

***Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, your registered representative can provide you with mutual fund prospectuses for the Brandes Institutional International Equity Fund and the State Street Treasury Money Market Fund – Inst., as well as disclosure documents for the investment options exempt from SEC registration. Read them carefully before investing.***

<sup>13</sup> 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 (12:00 p.m. Alaska 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.



## Master Your Mix

### Review your asset allocation

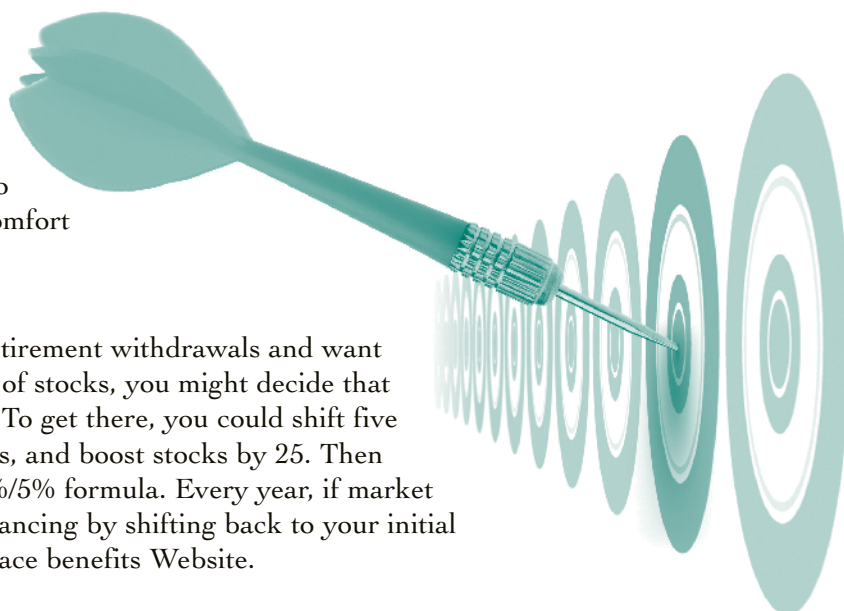
Does your investment strategy still fit your retirement savings goals and your comfort with risk? Check out the way your assets are divided, or allocated, in your workplace retirement account between stocks, bonds and cash equivalents. Each category represents a percentage of your total assets. Let's say you have \$100,000 saved. If you hold \$50,000 in stock funds, \$40,000 in bond funds and \$10,000 in a money market fund, your asset allocation is 50%/40%/10%.

### Does your mix fit your needs?

Consider your true time horizon: your life expectancy, because you may live another 20 to 30 years after you retire. Also consider your comfort with risk (see "Heads-up on Risk," page 1).

### Make a change

If you still have 10 to 15 years before taking retirement withdrawals and want to benefit from the long-term growth potential of stocks, you might decide that a 75%/20%/5% allocation is more appropriate. To get there, you could shift five percentage points from cash and 20 from bonds, and boost stocks by 25. Then make new contributions based on the 75%/20%/5% formula. Every year, if market movements alter that allocation, consider rebalancing by shifting back to your initial target. You can usually do this on your workplace benefits Website.



FOR ILLUSTRATIVE PURPOSES ONLY. Asset allocation and rebalancing can help you achieve diversification in your workplace retirement account, but they do not ensure a profit or protect against loss during volatile markets.

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

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From Juneau	1-907-465-1600
Website	<a href="http://www.doa.alaska.gov/drb">www.doa.alaska.gov/drb</a>
Account information online	<a href="http://www.akdrb.com">www.akdrb.com</a> <sup>14</sup>
KeyTalk® —account inquiries and maintenance	1-800-232-0859 <sup>14</sup>

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