State of Alaska Supplemental Annuity Plan Deferred Compensation Plan

FINANCIAL FOOTNOTES

FALL 2011

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

Minimizing Risk

It's natural to feel emotional when the investments in your State of Alaska retirement plan gain or lose value. Market fluctuations can either reinforce your confidence or cause you to wonder if you've made the right choices.

Take control

The truth is, every asset class—whether stocks, bonds or cash— carries some form of risk, and you will never be able to eliminate it entirely. But there are ways you can manage it. For example, you can balance the different kinds of risk you face by spreading the money in your workplace retirement account across various asset classes. The percentage you allocate to each should depend on two factors: time (the number of years before you need your money) and your risk tolerance (the amount of risk you're comfortable with).

How risk can affect your investments

Market risk and stocks. This is the possibility that the value of your investments will fluctuate every time the market moves. Stocks have a high degree of market risk in the short term: Sudden declines can lead to quick losses. Longer term, however, the risk of losses with stocks, and therefore stock funds, tends to decline. The stock market has posted positive returns during every rolling 20-year period from 1926 to 2010.[1]

Interest-rate risk and bonds. Compared with stocks, bonds have relatively low market risk and potentially provide stable returns. However, bonds carry significant interest-rate risk: When rates rise, newly issued bonds offer higher interest payments than existing bonds. This causes prices to fall on older, lower-paying bonds, typically hurting returns.

The longer a bond's maturity, the more susceptible it is to interest-rate risk. A longer time period increases the chance that interest rates will rise before the bond matures, leaving the owner locked into lower payments than he or she could get from newer bonds. Holding short-term bonds or funds that own bonds that will mature within a couple of years will help to mitigate the effect of interest-rate risk.

Inflation risk and cash. Cash investments, such as money market funds, rarely lose value, but over long periods they carry high inflation risk: the chance that your investments won't earn enough to keep pace with the gradual rise in the cost of goods and services. Unless you're retired or about to retire, holding large amounts of cash investments may not be in your best interests.

(Continued on next page)

T. ROWE PRICE FUND NAME CHANGE

On or around November 1, 2011, the **T. Rowe Price Small Cap Stock Trust Fund*** will undergo a name change. The new name will be the **U.S. Small-Cap Stock Trust Fund.*** The strategy and underlying investments will remain the same.

* Securities of small-sized companies may be more volatile than securities of larger, more established companies.

1 Morningstar, Inc., Ibbotson® SBBI® 2011 Classic Yearbook

Minimizing Risk
continued

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.

It's about time

Consider the number of years before you'll need your money. If your retirement date is more than a decade away, you may feel comfortable with a more aggressive mix: one that is weighted toward stock funds. Historically, stock funds' strong growth potential has helped to protect against inflation risk[2].

However, if you plan to retire within 10 years or less, you may want to invest more conservatively, with a greater portion of your accounts in bond funds and cash investments. Once you find the balance you're comfortable with, you'll be more confident that you can reach your financial goals.

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

Juggling Priorities

Is retirement your top savings goal?

A recent survey shows that an increasing number of parents make their children's college education their top savings priority—above retirement.[3]

Build your retirement savings

Your State of Alaska retirement plan may be your most effective retirement savings tool. Consider contributing as much as you can.

In 2011, maximum contribution limits are:

2011 Workplace Plan Pre-tax Contribution Limits[4]	
Under age 50	$16,500
Age 50 or older	$22,000

Maximizing retirement plan contributions is important. However, you may have other priorities that you may need to take care of before retirement. For example, it could be repayment of debt or accumulation of three to six months worth of expenses in a cash account that you can use in case of emergency.

Consider a 529 plan[5]

These education savings plans, operated by a state or educational institution, are generally designed to help families set aside funds for future college expenses and can be used to meet costs of qualified colleges nationwide, depending on a plan's design. As long as the plan satisfies requirements, the federal tax law provides tax benefits to the plan participant. Benefits may include tax-deferral on investment growth and tax-free distributions that are used to pay for the beneficiary's qualified college costs.[6]

3 "How America Saves for College 2010: A National Study," salliemae.com.

4 "403(b) Contribution Limits," irs.gov, 2011.

5 To learn about a specific 529 Plan, its objectives, risks, and costs, read the Official Statement. Check with your home state to see if it offers tax or other benefits for investing in its own 529 Plan. 529 Plans are federally tax-advantaged, but certain conditions may apply.

6 "Topic 313 - Qualified Tuition Programs (QTPs)," irs.gov, 2011.



Make Your Savings Last

Planning for retirement

How much money will you need to live on when you retire? Do you think your expenses will change in the years to come? Take the steps below to help you set realistic goals.

Assess your expenses

Most financial advisers say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.[7] Reason: Inflation can gradually increase your cost of living while eroding the purchasing power of your money, especially if you have a lot of it parked in cash investments. What's more, you may face high medical costs. You may be eligible for Medicare at age 65, but the federal insurance program may not cover all your expenses.

Do the math

Examine your current budget and estimate how it might change. Then add up all your anticipated sources of retirement income, including Social Security benefits and a pension, if you have one. The difference between your annual income and expenses is the amount you'll need to withdraw from savings.

Follow the 4% rule

Today's 65-year-olds have a 30% chance of living past age 92.[8] To make your savings last, financial planners generally suggest that you withdraw no more than 4% of your savings during the first year of retirement, and then adjust for inflation each year thereafter. At that rate, your portfolio could last 25 to 30 years—not bad, considering today's long life spans.

INFLATION CAN GRADUALLY INCREASE YOUR COST OF LIVING WHILE ERODING THE PURCHASING POWER OF YOUR MONEY.

7 "Top 10 Ways to Prepare for Retirement," 2011, dol.gov/ebsa/Publications/10_ways_to_prepare.html.

8 U.S. Department of Health and Human Services, National Center for Health Statistics, August 19, 2009.

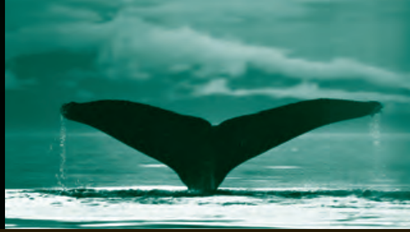
Replacing a Fund

When should you sell a losing fund?

Buy and hold may not mean forever. Over time, investments change, and so do your needs. Here are three red flags that may indicate it's time to consider selling a mutual fund.

- ◊ It has underperformed against its peers and benchmark in both the one-year and five-year periods. (Making comparisons over shorter periods can be misleading.) To assess a fund's performance, visit your Plan's website for more information.
- ◊ It has changed its portfolio manager or its investment strategy; as a result, it may no longer fit your needs or the place it originally filled in your portfolio.
- ◊ The fund hasn't changed, but your investment strategy has. An aggressive investment that you loved at age 25 may feel too risky now if you're age 40 and have a mortgage, a spouse and children. It may feel even riskier if you're close to retirement. As a result, you may decide that you prefer a less aggressive fund.

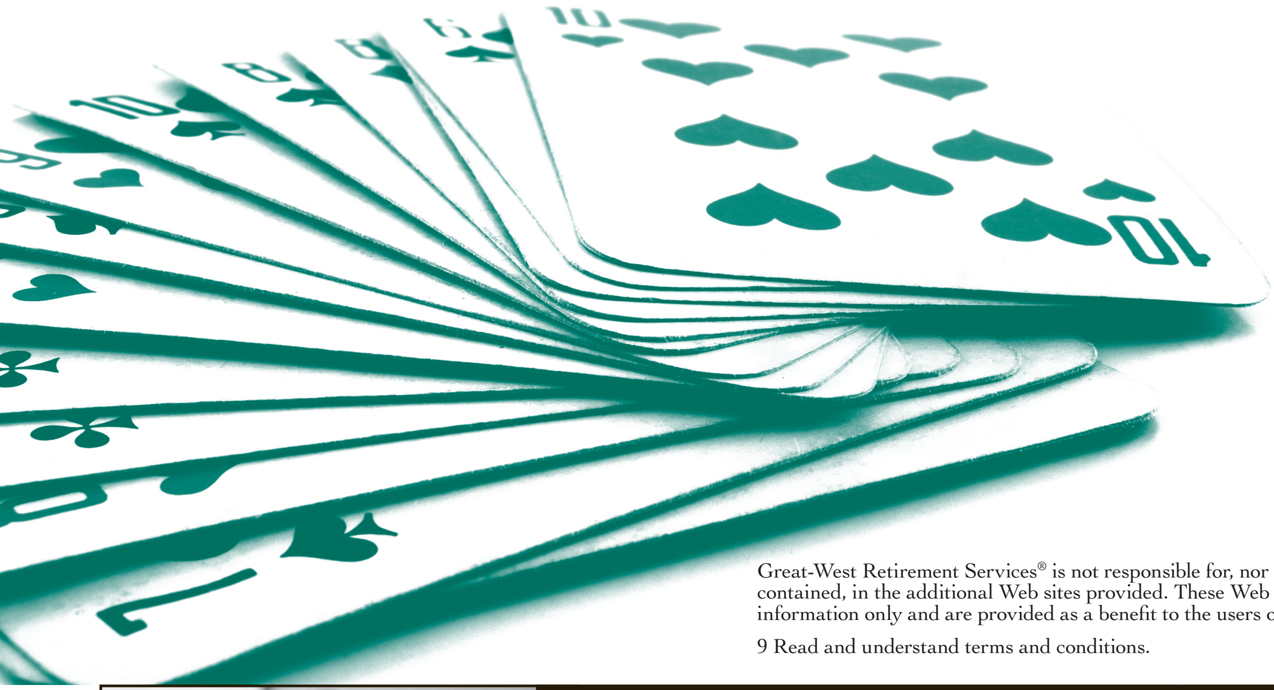




It's All in the Cards

Money that goes to pay off credit-card debt isn't going to help build your retirement nest egg. Here are a few ideas on how to get—and stay—out of credit card debt:

- **PAY OFF THE CREDIT CARD WITH THE HIGHEST** rate of interest first.
- **SHOP FOR A CARD WITH THE LOWEST RATE**—and try to make that the only card you use.[9]
- **TRY TO NEGOTIATE A LOWER RATE** on your high-interest card.[9]
- **AVOID IMPULSE PURCHASES:** Think twice about "charging it."
- **ASK FOR HELP:** If you can't manage debt on your own, consider contacting a local affiliate of the National Foundation for Credit Counseling (nfcc.org).



Great-West Retirement Services® is not responsible for, nor does it endorse the content contained, in the additional Web sites provided. These Web sites are for general education and information only and are provided as a benefit to the users of the sites.

9 Read and understand terms and 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[10]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[10]

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

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.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers. GWFS Equities, Inc. is 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, FASCore, LLC (FASCore Administrators, LLC in California) and their subsidiaries and affiliates. Not intended for Plans whose situs is in New York. 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. Form# CB1027N (10/2011) PT134249