State of Alaska Supplemental Annuity Plan Deferred Compensation Plan

FINANCIAL FOOTNOTES

FALL 2012

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

In This Issue

Getting to Know the Plan Website: Investments and Transactions

Researching and choosing investments for your State of Alaska Retirement Plan are critical steps toward reaching your future retirement income goals. The Plan Website, **www.akdrb.com**, brings together the information and tools you need to understand your options and make your choices.

Investments Tile

The Investments tile is a clearinghouse of information on the funds available in your Plan. You'll find everything you need to know to evaluate and compare the Plan's different investment options and build a portfolio that fits your goals. The information includes:

- Fund overviews
- Fund performance
- Investment trends and values

Transactions Tile

When you're ready to put your plan into action, you'll find a host of capabilities at your fingertips on the Transactions tile, including the ability to do the following:

- Transfer your existing account funds to different investments[1]
- Redirect future contributions to new investments
- Rebalance your account to align with your investment goals
- Set up an ongoing automatic transfer to selected investment options

Visit **www.akdrb.com** and log in to your account today!

Target: $0 Debt

Getting rid of debt can help you meet other financial goals

Money used to pay off your loans means less money for retirement savings, college savings or other goals, such as a down payment on a house. So make a pledge now to trim your debt, with the goal of eliminating it altogether.

Plan your strategy

When reducing debt, start with the most expensive debt first—typically from credit cards. Consider transferring your credit balance to a card with a lower interest rate than the one you use now if applicable and appropriate for your unique situation. The average variable credit card rate recently offered online was 14.46%.*

The big payoff

John and Janet each owe $5,000 in credit card debt at an annual interest rate of 16%. John decides to make the minimum monthly payment only—based on the interest owed plus 1% of the outstanding balance. Janet wants to get out of debt quickly, so she cuts back on other expenses and decides to make a fixed payment of $190 a month. By accelerating her payoff, Janet saves almost $5,000 in interest.

	John	Janet
Months to pay off debt	269	33
Total interest paid	$6,126	$1,199

Source: Bankrate.com calculator, "How much will the minimum credit card payment cost me?"
* Bankrate.com as of June 2012.



Get Started on Building a World of Bright Tomorrows During National Save for Retirement Week

When people think about their retirement, they tend to emphasize the positive—and that's a good thing. Ask someone about their retirement plans and you're likely to hear about how they want to travel, spend more time with family, pursue new interests, or just enjoy a well-earned break from the workplace.

But creating those bright tomorrows requires action in the here-and-now. That's the idea behind National Save for Retirement Week, October 21-27—seven days dedicated to encouraging you to start saving today for the retirement income you'll need to create your own bright tomorrows.

Experts tell us that we'll need to replace 80% or more of our working income for a comfortable retirement lifestyle. For most of us, a significant portion of that 80% will come from personal sources, like the savings we've accumulated in our employer-sponsored retirement accounts. The fact is that potential Social Security or pension benefits may not be enough on their own to get you to the 80% income replacement level.*

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The good news: Your State of Alaska Retirement Plans have features meant to supercharge your savings.

- ***Tax-deferred savings*** – You don't pay taxes on the money you contribute—or on any potential earnings your contributions generate—until you make a withdrawal.
- ***Compounded growth potential*** – Any potential earnings from your investment selections are reinvested and can generate additional earnings of their own.
- ***Automatic paycheck deductions*** – Your contributions to your retirement come out of your paycheck before any deductions for taxes, so you always pay yourself first.

So mark your calendar for National Save for Retirement Week, October 21-27, and get ready to see how bright tomorrows can begin today when you save through your State of Alaska Retirement Plans.

* Source: Center for Retirement Research at Boston College, "How Much to Save for a Secure Retirement," 2011.

Review and Update Your Beneficiary

Selecting a beneficiary is an important step in your retirement planning. By selecting a beneficiary for your State of Alaska Retirement Plan(s), you ensure that the funds you worked a lifetime to save will be used to provide stability for your loved ones after you are gone.

Be sure to check your beneficiary information regularly and keep the information up-to-date with any changes that may occur in your life, such as the birth of a child or a marriage.

To view current beneficiary information for your account(s), log in to **www.akdrb.com** and click on ***My Profile*** and then ***Beneficiary***. Remember, you must designate a beneficiary for each plan in which you participate.

If you have any further questions regarding your beneficiary information on file, call KeyTalk® at **(800) 232-0859**.

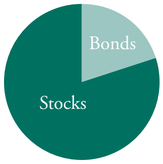


Investing at Every Life Stage

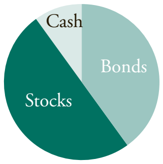
How might three hypothetical investors prepare for future inflation at various life stages?* Each of the following examples is based on historical returns of the three basic asset classes (see chart below). *Please note that past performance does not guarantee future results.*

Nicole, age 25, has just started contributing to a workplace retirement plan. At a financial literacy workshop, she learned that certain investment choices can potentially help her savings stay ahead of future inflation. Nicole chooses an asset allocation of 100% stock investments. Historically, stocks have outpaced inflation over time more than other asset classes. Stocks could lose money in some years, but Nicole is confident that she has enough time before she retires to potentially make up those losses along the way.

Charles, age 44, intends to retire within 25 years. He wants to reduce the impact of stock market volatility on his investments. As a result, he invests 20% of his nest egg in bond investments. The other 80% is invested in stock investments. Like Nicole, he believes he has enough time until retirement to ride out stock market volatility.



Kathryn, age 62, plans to retire in five years. With only a short time until this happens, Kathryn chooses a more conservative allocation than her younger colleagues: 40% of her assets are in bond investments and 10% in cash equivalents. She's concerned that inflation will erode her nest egg—not only now but during her retirement, which could last 25 years or longer. As a hedge against inflation, she keeps 50% in stock investments. Indeed, if inflation were to heat up, Kathryn would have to rethink her retirement timing and budget entirely.



The Long View

The stock market loses money in some years—and now and then it loses a lot. Investors should weigh the risk of loss against the potential for higher returns. Over the years of building your nest egg and while you're tapping it, inflation will likely be eroding your real returns. An effective investment strategy should give you the opportunity for meaningful long-term growth.

All investments have occasionally been swamped by inflation. But here is how the major asset classes have performed against inflation over the long term.

AVERAGE FOR THE PERIOD 1926-2011

Asset Class	Annual Return	Inflation	Annual After-Inflation eturn
Stocks	9.8%	3%	6.8%
Bonds	5.4%	3%	2.4%
Cash	3.6%	3%	0.6%

Source: Ibbotson® SBBI® Classic Yearbook 2012: Market Results for Stocks, Bonds, Bills, and Inflation, 1926–2011. Long-term, annualized total returns are for the period 1926 through 2011. Stock market returns are based on the S&P 500® Index, an unmanaged index that is widely regarded as the standard for measuring Large Cap U.S. stock market performance. It is not possible to invest directly in an index. Bond returns are based on U.S. long-term government bonds; cash returns are based on U.S. 30-day Treasury bills. Inflation is based on the annual average for the Consumer Price Index for the same period. S&P 500® Index is a registered trademark of Standard & Poor's Financial Services LLC.

* FOR ILLUSTRATIVE PURPOSES ONLY. The hypothetical allocations are based on an investment strategy based on risk and return. This is not intended as financial planning or investment advice.

Act Your Age

Many people age 45 and younger invest like aging baby boomers, with only modest exposure to stocks. Unfortunately, they face the risk that their money won't grow enough to fund their retirement years.**

If you're in your 20s, 30s or early 40s, consider investing a larger portion of your portfolio in stocks. That allocation could provide the potential return you'll need to pay for a retirement that could last 25 years or longer. With decades left in your career, you may have time to make up for short-term market declines.

As you approach retirement, shift a portion of your assets to fixed income, keeping some equities for the growth potential you'll need.

** What's Gen X So Scared Of? Stocks." Smartmoney.com, May 5, 2011.

Why Contribute More?

Three ways your State of Alaska 457 Plan helps your nest egg grow

You may find opportunities to boost retirement savings: a salary increase, for example, or cash freed up from paying off a loan. When such an opportunity arises, consider why increasing contributions to your State of Alaska 457 Retirement Plan is a good idea.

1. Tax relief

In 2012, you may be able to save up to $17,000, before taxes, in your workplace plan. If you are age 50 or older and your plan allows, you may also be able to contribute an extra $5,500 in so-called "catch-up" contributions.[1] You won't pay taxes on your contributions or earnings until you withdraw the money, usually during retirement, when most investors are in a lower income tax bracket than they were when they were working.

2. Greater compounding potential

You may reinvest every penny of your investment earnings without handing over any of it to Uncle Sam. Over time, these reinvested returns have greater potential to generate more returns than if they were reinvested in a taxable account, such as a brokerage account. This is due to a phenomenon known as tax-deferred compounding. The longer you invest tax-deferred, the greater compounding's potential impact.

3. Retirement readiness

It doesn't take much to make a big difference. Even as little as a 1% annual boost in contributions today could add hundreds of dollars to the size of your monthly retirement plan account withdrawals.[2]

Your State of Alaska 457 Retirement Plan can be your most powerful savings tool. Make the most of it.

2012 Contribution Limits*	
$17,000	Before taxes
$22,500	If you are age 50 or older

*IRS limits on contributions to workplace retirement plan accounts. Amounts can vary by plan.

1 "401(k) Resource Guide—Plan Participants—Limitation on Elective Deferrals, 2011," irs.gov.
2 "4 Ways to Improve Your Retirement Readiness," smartmoney.com, June 11, 2012.

Contacts/Account Maintenance	
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From Juneau	1-907-465-4460
Website	www.doa.alaska.gov/drb
Account information online	www.akdrb.com[3]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[3]

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