State of Alaska Supplemental Annuity Plan Deferred Compensation Plan

FINANCIAL FOOTNOTES

WINTER 2010

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

In This Issue

New Educational Resources Available Online

The State of Alaska Division of Retirement and Benefits is pleased to offer two new online resources that provide the convenience of retirement education anytime you want.

eLearning Seminars and Virtual Classroom are now available on **www.akdrb.com** under the *Education* tab after you log in to your account.

eLearning Seminars

eLearning Seminars cover a variety of important retirement education topics, including asset allocation, investment fundamentals, pre-retirement planning and more. The eLearning Seminars are accessible through a Web link that automatically launches the program, so there is no additional software to install on your computer.

Virtual Classroom

Virtual Classroom provides a more robust online learning experience through three in-depth modules:

1. **Let's Talk About Investment Planning**

   Designed to help you identify your retirement saving objectives and establish effective investment strategies utilizing your employer-sponsored savings plan.

2. **Let's Talk About Financial Planning**

   Designed to help you identify your financial objectives utilizing the financial planning process.

3. **Let's Talk About Retirement Planning**

   An educational program designed to help you understand your retirement objectives and establish a plan to achieve and maintain your retirement lifestyle goals.

Each module includes a downloadable workbook, worksheets and calculators. You have the flexibility to suppress any module and/or subtopics within a module that you feel may not be applicable to you.

Try eLearning and Virtual Classroom today!

To access these new resources, just log on to your account at **www.akdrb.com**; click on the *Education* tab and then the *eLearning or Virtual Classroom* link.[1]

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. 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.

Deferred Compensation Plan Contribution Limits Remain the Same

Contribution limits for the Deferred Compensation Plan will remain the same in 2010. A reminder of the limits is shown in the table at right.

Contribution Type	Maximum Limit for 2010
Normal Contributions Contribute a maximum of 100% of your includible compensation, not to exceed the annual IRS limit.	$16,500
Age 50+ Catch-Up[2] For participants age 50 or older during the 2010 calendar year.	$5,500
Special Catch-Up[2] Special Catch-Up allows you to make up for contributions you could have made during previous years of state employment but didn't. This can be utilized during the three consecutive years prior to, but not including, the year you attain normal retirement age.	$33,000

2 The Special Catch-Up and Age 50+ Catch-Up provisions cannot be used in the same year. You should evaluate which catch-up provision is most favorable for you.

A New Year's Checkup

The start of the new year is a good time to make sure you're on course with your retirement savings goals and to review the investment choices in your State of Alaska Defined Contribution Plan. The following are three important steps to take on your road to a comfortable retirement.

1 Stay focused

Don't let market volatility distract you from reaching your long-term retirement savings goals. A full market recovery, although not guaranteed, can take time. Staying invested for the long haul is one of the ways to help manage your investment risk.

2 Rebalance[3]

When you initially began contributing to your Plan, you likely determined an asset allocation that suited your long-term investment goals. But over time, some of your investments may have done better than others and your portfolio may no longer reflect the original asset allocation you chose.

For example, you might have finished the year with a bigger share of your portfolio in bond funds and a smaller share in stock funds than you wish. You can return to your desired asset allocation by rebalancing your account. (See *Time to Rebalance* on page 3.)

3 Keep saving

Your State of Alaska Plan offers powerful tax advantages because you contribute money that has not been taxed yet and your assets grow tax-deferred until distributed.

As noted earlier in this issue, the limit on contributions to the Deferred Compensation Plan for tax year 2010 is $16,500—and if you're age 50 or older, you may be able to contribute more. If you can't afford the maximum, try to at least contribute as much as you can now, and gradually increase your contribution each year thereafter.

3 Rebalancing does not ensure a profit and does not protect against loss in declining markets.



Time to Rebalance

A well-designed retirement portfolio is tailored to fit your needs, with a mix of assets that match your investment objectives, risk tolerance and time horizon. Rebalancing is how you maintain that mix over time.[3] As markets rise and fall, your portfolio may change shape. You might consider rebalancing your portfolio by shifting some money from high-performing assets to those that have lagged. That way, you help position yourself to benefit should those weaker investments recover.

It's a Three-Step Process

Step One: Assess your current asset mix. Group your investments into three categories: stock funds, bond funds and cash equivalent funds. Your current allocation is the percentage of your total account in each category.

Step Two: Think about your investment objectives, time horizon and risk tolerance. Remember, your most important time horizon may be your life expectancy.

Step Three: Log on to your account at **www.akdrb.com**, select *Change* from the left-hand menu and then *Rebalancer*.[1]

From there, you can transfer money among your stock, bond and cash equivalent funds to restore your portfolio to its original mix at the frequency of your choice.

Save intelligently. Pick a date to review your plan every year. You'll thank yourself later.

Fund Facts: Investment Styles

No investing asset class outperforms the others all the time, so you typically don't want your retirement to depend on the fortunes of just one investment. Because each asset class—stocks, bonds and cash—is driven by different economic and financial forces, it's generally unlikely that all three will stumble at the same time. You may want to hedge your bets by dividing your money among them.[4] To help you formulate your retirement strategy, here's a brief sketch of each asset class.

Stocks

Among the three asset class types, investments in stock pose the greatest risk. But, they may also offer the best opportunity for inflation-beating, long-term gains. The younger you are, the more time you have to recover from losses. Because the stock market has historically produced gains over the long term, your age should be a factor in how much stock you own.[5] At age 30, you might have 70% of your retirement savings invested in stocks or stock funds. At age 60, your stake might be down to 40%. Here are a few common stock fund choices:

Growth stock funds take substantial risks in search of high potential returns. These funds vary according to their investment objectives and strategies for achieving them.

Growth-and-income funds invest in dividend-paying stocks and some fixed-income investments in an effort to boost total potential returns.

Technology stock funds invest primarily in technology stocks, offering all the pluses and minuses those stocks are known for: high volatility but potential for greater gains than more conservative investments.

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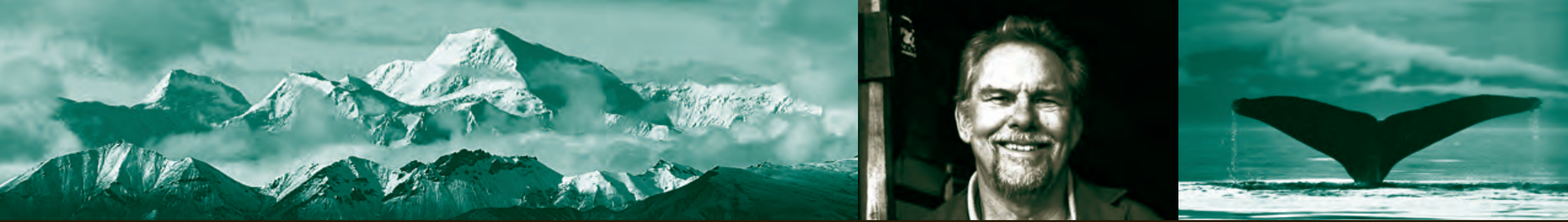

Fund Facts: Investment Styles

(Continued from page 3)

International stock funds invest in stocks outside the United States. Because the world's economies don't move in lockstep, some foreign markets may be thriving in years when the U.S. stock market is down. Keep in mind, however, that these investments pose their own unique risks, such as currency fluctuations and political developments.

Bonds

Bonds are IOUs for money borrowed by corporations, municipalities or the U.S. Treasury. Bond funds don't have maturity dates like individual bonds do. When one bond in the fund matures, it is replaced with a newer issue. Bond funds are generally less volatile and may do well in years when stocks do poorly. These investments typically have lower potential returns than investments in equities.

Cash Equivalents

Cash equivalent investments include certificates of deposit (CDs[6]), money market funds and other short-term securities. Their value is typically steady, so your principal is relatively safe from market ups and downs. Their long-term returns tend to be the lowest of the asset classes, but they can also have a valuable place in your portfolio. Please keep in mind that CDs and other similar bank products are insured, whereas other types of cash equivalent investments, such as money market funds, are not.

Money market funds seek to preserve the value of your investment at $1.00 per share. 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.

The Bottom Line

Once you've decided on an asset mix you're comfortable with—one based on your age, years until retirement and tolerance for risk—stick with it. Granted, it's hard to stick with stocks when the market is slumping, but for the 11 recessions that coincided with stock bear markets since 1926, eight of them experienced the beginning of a bull market well before the end of the recession.[5,7]

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

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

6 Certificates of deposit are insured by the FDIC for up to $250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

7 Source: Ibbotson, National Bureau of Economic Research, Haver Analytics, FMRCo (MARE) as of 2/28/2009.

Annual Financial Statements for the Alaska Supplemental Annuity and Alaska Deferred Compensation Plans are now available at www.doa.alaska.gov/drb.

Contacts/Account Maintenance

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

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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