



*Keystone of a
More Secure
Retirement*

• RETIREMENT PLANNING AND INVESTING GUIDE •
A Comprehensive Overview



Keystone: \kē-stōn\ (*noun*) 1. A central stone at the summit of an arch locking the whole together. 2. The central principle of a system, policy, etc., on which all the rest depends. Synonyms of *keystone* are cornerstone or foundation.

The *Keystone* of a More *Secure Retirement*

Your retirement may hold a great deal of promise: travel, vacations, family and the time to pursue your dreams. And to secure these goals, you must start planning your finances now.

The Commonwealth of Pennsylvania Deferred Compensation Program (Program) helps provide you with the ability to build significant tax-deferred savings and expand the opportunities available to you upon severance of employment. Along with other retirement income sources you may have, such as your defined benefit plan, personal savings and Social Security benefits, your Program can help you build toward a more secure retirement.

Essential Tools for Your Financial Future

The following features and benefits of your Program can help you achieve your own secure retirement:

- **Tax-deferred savings** - With before-tax saving, your contributions can grow without being reduced by current federal income taxes, which means you will have more money in your pocket at the end of each pay period than if you were saving the same amount with after-tax dollars.
- **Quick and easy enrollment** - You can enroll by filling out the forms included with this material.
- **Easy, automatic payroll deductions** - Any contribution that you make to your Program is automatically deducted from each paycheck before you even see it. You'll be investing on a regular basis and following a great savings principle: Pay yourself first!
- **Investment choices** - Your Program offers a diverse array of investment options. Please refer to the Investment Option Profiles included with this material for descriptions of your investment options.
- **Convenient account management** - The Web site provides detailed Program and account information and the flexibility to make changes online at www.sers457.com or by calling **(866) SERS457** (866-737-7457).¹
- **Investment advisory tools and services** - The Program also offers participants Reality Investing[®] Advisory Services (Advisory Services), three levels of investment advisory tools and services based upon the level of involvement you desire in managing your investments. You may log on to the Web site at www.sers457.com or call **(866) SERS457** and select option 6 to find out more about the Advisory Services program and the fees associated with each level of service.
- **Funds that fit** - For simplicity and convenience, you might consider a Profile Fund. Almost like a shortcut for choosing investment options, Profile Funds are a group of professionally managed funds that have been pre-mixed to help fit the needs of conservative, moderate or aggressive investors.
- **Do-it-yourself options** - If you're an experienced investor who watches the market and understands asset allocation, you might want the flexibility of a brokerage-type account. In addition to Online Investment Advice, you can elect to use a self-directed brokerage account offered by Charles Schwab. This option allows you to invest in funds beyond those offered by the Program.

By reading this guide, you can learn how to assess your needs and choose the investment strategy and investments that make sense for you.

Navigating Your Finances

Take the First Steps Today

You're probably already asking yourself the big question: How much in actual dollars should I be saving? The fact is, it can be a bit overwhelming (and even frustrating) to try and figure out just how much money you need to save for your future—especially when you're trying to factor in any Social Security or pension benefits you're expecting.

As a starting point, here's a simple rule of thumb that many financial advisors use:

- **In your 20s, save 7% of your salary**
- **In your 30s, save 10% of your salary**
- **In your 40s, save 15% of your salary**
- **In your 50s, save 20% of your salary**

You may be able to save more, or you may be unable to save this much. Regardless, the important thing is to start saving as much as you can right now! And the best way to get started is to save through your Program with convenient payroll deductions!

When planning for your financial future, you may want to consider these factors:

- **You may need to replace at least 70% to 80% of your annual pre-retirement working income** - Some professionals suggest that you'll need about this amount at a minimum to continue your current lifestyle after you stop working full time. And depending on your financial goals, you may even want to replace up to 100% of your pre-retirement income—or more!
- **We're living longer and healthier lives than ever before** - Most of us will live 20 years or more after we retire. In fact, it is estimated that the number of people age 65 and older will nearly double by 2030. We expect to lead fuller, more active lives than previous generations—but at the same time, the costs of maintaining our health and our lifestyle are rising each year. Many of us may have a hand in caring for our parents, as well.
- **Defined benefit plans and Social Security benefits may not be enough** - The fact that we live in a much more mobile society today may mean that you will need to consider opportunities other than defined benefit plans for funding your financial future. Also, benefits from Social Security will probably replace less than 20% to 30% of your annual income. If you have a higher income, they could replace as little as 10%.
- **Don't forget about inflation** - To keep pace with an estimated 3% annual inflation, \$20,000 today would have to grow to more than \$36,100 to have the same buying power 20 years from now.

Star Light, Star Bright ...

Whatever your wishes for retirement, you can count on this: They'll cost more in the future than they do today! Here's a brief perspective on time and the rising cost of living (cost projections assume a 3% annual inflation rate):

<i>Item</i>	<i>Avg. Cost Today in Urban Pennsylvania</i>	<i>Projected Cost in 20 Years</i>
Pennsylvania Home	\$196,750	\$355,352
Auto Insurance	\$722 per year	\$1,304 per year
Annual Tuition at Penn State	\$11,886	\$21,467
Round of Golf at Armitage Golf Club	\$40	\$72
7-Day Caribbean Cruise	\$1,598 per person	\$2,886 per person
Recreational Vehicle (RV)	\$81,000–\$117,500	\$146,295–\$212,218

FOR ILLUSTRATIVE PURPOSES ONLY. Sources: www.geico.com; Great-West Retirement Services research, 2009; www.realestateabc.com. Median home value is for Philadelphia as of November 2009. Although a hypothetical 3.0% figure was used, the actual home appreciation rate in Pennsylvania over time would most likely be higher.

For more information on your possible Social Security benefits, visit the Social Security Web site at www.ssa.gov/planners/calculators.htm.² You'll find interactive retirement calculators that allow you to get a rough estimate of what you can expect in Social Security benefits.

Start *Securing* Your Retirement *Dreams*

Keystone of a More Secure Retirement involves exploring all of the opportunities available to you and taking advantage of them to better yourself financially. The Program is one such opportunity. Participating in your Program allows you to take advantage of some very special features.

Observe Smart Savings Habits by Using Automatic Payroll Deductions

It pays to save through your Program. Your deductions are automatically taken out of each paycheck before you even see them. Out of sight, out of mind—what you don't have, you won't spend! You will also be following a great savings principle: Pay yourself first.

See More Money in Your Pocket with Before-Tax Savings

Contributions you make to your Program are taken out of your paycheck before federal income taxes are calculated, which will reduce your current taxable income. That means you'll have more money in your pocket at the end of each pay period than if you were saving the same amount with after-tax dollars.

Consider this example: Sarah earns \$30,000 per year (\$1,154 per pay period) in regular pay and wants to save \$50 per pay period in the Program. Let's compare how much she would save before tax (through this Program) and after tax (through a savings account at a bank, for example).

Sarah's Paycheck Comparison

	<i>Savings Before Tax</i>	<i>Savings After Tax</i>
Biweekly Gross Pay	\$1,154	\$1,154
Less: Contributions to Program (Before Tax)	- \$50	- \$0
Taxable Pay	\$1,104	\$1,154
Less: Estimated Tax Withheld	- \$166*	- \$173*
Less: Contributions to Other Savings Plan (After Tax)	- \$0	- \$50
Remaining Pay	\$938	\$931
Before-Tax Advantage	\$7	None

By saving before tax in this Program, Sarah has \$7 more to spend (or save!) each pay period— which translates into \$182 more per year!

* FOR ILLUSTRATIVE PURPOSES ONLY. Source: Great-West Retirement Services, 2009. This hypothetical illustration assumes federal income tax withholding of 15% for both the before-tax example and the after-tax example. It does not account for Social Security taxes or state income tax.



Ruffed Grouse, the Pennsylvania state bird.

Outfitting Yourself for Retirement

Today's average retired couple spends the following per month:

Food	\$512
Housing	\$1,080
Utilities	\$276
Clothing	\$182
Transportation	\$468
Healthcare	\$767
Entertainment/Misc.	\$319
Other Insurance	\$55
Taxes	\$83
Total	\$3,742

Source: www.bls.gov, U.S. Department of Labor Consumer Expenditure Survey, 2008, Released Oct. 2009.

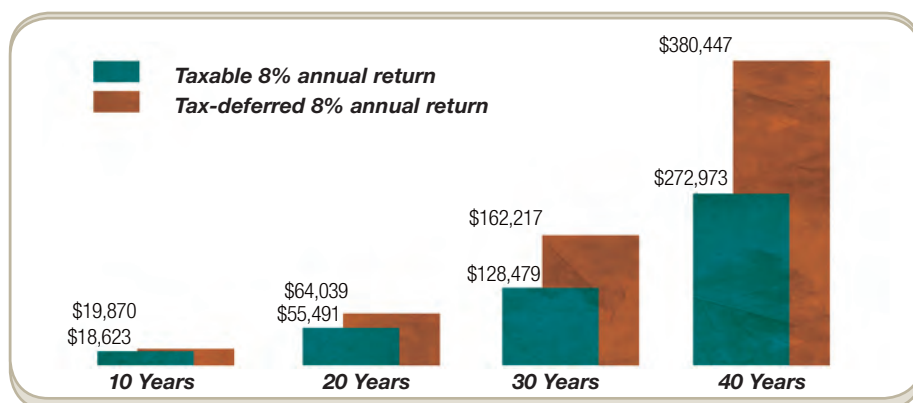
These are nationwide averages only. Keep in mind that retired life in Pennsylvania may cost more or less.

Going the Distance

Watch Your Savings Grow over the Long Term with: Tax-Deferred Compounding

With tax-deferred saving, your contributions can grow without being reduced by federal taxes. And with the added benefit of compounding, earnings on all contributions are reinvested in your account, where they have the potential to keep growing.

The following graph illustrates how Sarah's \$50 per pay period contribution could grow over 10-, 20-, 30- and 40-year periods in her tax-deferred Program (assuming a hypothetical 8% annual rate of return). Compare this with a \$50 per pay period contribution to a taxable investment (such as a bank savings account). As you can see, putting tax-deferred compounding to work for you can make a significant difference in your savings potential over time.



FOR ILLUSTRATIVE PURPOSES ONLY. Source: Great-West Retirement Services, 2009. Assumes 26 pay periods, an 8% effective annual rate of return (compounded per pay period), reinvestment of earnings, with no withdrawals, and 15% federal income tax. Rates of return may vary. It does not account for Social Security taxes or state income tax. Withdrawals of tax-deferred accumulations are subject to ordinary income tax. These examples do not reflect any applicable fees. If such fees were deducted, the tax-deferred accumulations above would be reduced. Assumes that the taxable account does not hold any investment for more than 12 months. Lower capital gain tax rates may apply if a taxable investment is held longer than 12 months. These hypothetical illustrations are not intended to represent the actual performance of any particular security or investment plan, nor do they project or predict future investment results.

Budgeting for a Better Retirement

Tracking your spending is only the first step. What you do with your findings is critical in establishing the habit of saving money. Keep in mind: Budgeting doesn't necessarily mean you have to completely do without the things you enjoy the most. In fact, just a few small sacrifices here and there can make a big difference in the long run!

Expense	Give Up How Often?	Monthly Savings*	Value if Invested for 25 Years*
Dinner out	Once a week	\$140	\$133,144
Lunch out	Twice a week	\$80	\$76,082
Coffee and bagel	Twice a week	\$32	\$30,433
Vending machine soda	Once a day	\$13	\$12,363
Movie ticket	Once a month	\$10	\$9,510
Video rental	Once a month	\$6	\$5,706

FOR ILLUSTRATIVE PURPOSES ONLY. Source: Great-West Retirement Services, 2009.

* Monthly costs are based on general averages. This illustration is hypothetical and assumes an investment in a tax-deferred retirement account in which you earn an average annual rate of return equivalent to 8%, compounded monthly, reinvestment of earnings and no withdrawals. Rates of return may vary. This hypothetical example is not based on (or predicting the performance of) any specific investment plan or savings strategy, nor does it reflect any charges or fees associated with your Program. The accumulations illustrated here would be reduced if these fees had been deducted.

Investing for Success

All the adventures you have planned for retirement rely on what you learn today: Invest wisely, spend responsibly and save as much as you can.

This guide explores what you need to know to build your own personal investment strategy with respect to your Program assets and your finances outside the Program. As you progress through the following topics, you'll be taking meaningful and measurable steps toward the plan that is right for you:

- **The basic types of investments**
- **Managing the different types of investment risk**
- **The importance of diversification³ in your planning process**
- **An overview of your Program investment options**
- **Tips for creating your personal investment strategy**

When you invest in your financial future through your Program, you decide how to invest your money from the wide variety of options your Program offers. You choose those that fit your personal investment goals, your investment time horizon and your comfort level with risk.

Over the years, your goals for the future may change quite a bit. As they change, so may your financial strategy and how you choose to invest your money. You can be assured that your Program investment options were designed to fit your needs now—and into the future!

Are you ready to start planning for your financial future?

- **How much should I contribute?**
- **When can I retire?**
- **How much income could I expect during retirement?**
- **What specific funds are best for my personal situation?**

Saving Small Today Can Mean Big Money Tomorrow

The chart below shows how just a small increase in your contribution level could mean thousands of dollars more over time. All contribution amounts are based on a hypothetical 8% annual rate of return. (You can refer to the Program Features and Highlights brochure included with this guide for the maximum allowable contribution amounts specific to your Program.)

If you contribute:

\$25 per pay period

Account after 10 years	\$9,935
Account after 20 years	\$32,020
Account after 30 years	\$81,110

\$50 per pay period

Account after 10 years	\$19,870
Account after 20 years	\$64,039
Account after 30 years	\$162,217

\$75 per pay period

Account after 10 years	\$29,806
Account after 20 years	\$95,059
Account after 30 years	\$243,327

Source: Great-West Retirement Services, 2009. For illustrative purposes only. Assumes 26 pay periods and that contributions are made at the end of the pay period, the effective annual rate of return is 8% and earnings are reinvested, with no withdrawals. Rates of return may vary. This does not represent the performance of any specific investment option, nor does it reflect any charges or fees associated with your Program. The accumulations illustrated here would be reduced if these fees had been deducted.



Exploring Your Choices

The Keystone of Your Investment Strategy is about determining your investing style. Your investing style is directly reflected through the kinds of investments you choose to help you reach your financial goals.

Institutional Investments

Your Program provides you with a diverse array of institutional investment options rather than “brand name” retail mutual funds. Institutional investment options are similar to mutual funds in that the money you invest is pooled with the money invested by many other people who have similar investment goals. Professional investment managers use the pool to buy a variety of individual investments, depending on each investment option’s objective. Institutional investment options are generally only available to employers who sponsor retirement plans (like your Commonwealth of Pennsylvania Deferred Compensation Program), foundations and endowments. Institutional investments tend to have lower fees than brand-name retail mutual funds because the employer can negotiate investment management fees with the investment manager.

Learning the Ropes: Asset Classes

Choosing the right investment mix is an important step toward reaching your financial goals. By matching your personal savings strategy to the types of investments that you feel most comfortable with, you are creating an investing style that is all your own. Your Program offers a number of different investment types, also known as asset classes. Although past performance is not a guarantee of future results, here is a brief overview of what you might expect from the three major asset classes over the long term.

Stable Value/Money Market Investments

- **Lower risk, with lower growth potential** - Stable value and money market investments are often referred to as “cash equivalents.” Their objective is capital preservation.

Money market funds include certificates of deposit⁴, commercial paper and other short-term securities.

Stable value investments seek to preserve principal and provide a steady return of interest. The portfolio may include securities with short- to intermediate-term maturities.

While cash equivalents have a place in many portfolios, their returns are generally low and may not outpace inflation.

An investment in a money market or stable value fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.

Bonds

- **Moderate risk, with moderate growth potential** - By investing in bonds (also called fixed-income investments), you are actually “loaning” money to an organization (such as a corporation or the government) in exchange for interest payments. Principal value may fluctuate up and down, sometimes widely, but ordinarily will not vary as much as stocks. Bond investment options may help offset the higher risk of stocks in a more aggressive investment portfolio and may help keep pace with inflation in a more conservative investment portfolio.

Stocks

- **Higher risk, with higher growth potential** - By investing in stocks, you are actually buying shares of ownership in a corporation. Stocks have the highest potential for growth over the long term, but also carry a higher degree of risk. Their unpredictable movement up and down in value is called volatility. Historically, over long stretches of time, stocks have had a greater rate of return than other types of investments.

Learning from the Past

Although past performance is not a guarantee of future results, it may help to put some of the major investment types in some historical, “big picture” perspective. From December 31, 1927, through December 31, 2008:

- Small company stocks delivered an average annual return of 11.7%.
- Large company stocks delivered an average annual return of 9.6%.
- Long-term government bonds delivered an average annual return of 5.7%.
- Treasury bills delivered an average annual return of 3.7%.⁵
- Inflation has averaged 3.0% a year.

Source: Ibbotson Associates, 2009.

Managing Risk

When it comes to investing, there's no way to avoid risk. However, you can learn to help minimize many risks with a sound investment strategy.

The Different Faces of Risk

There's the risk of losing money if the market goes down—which it will from time to time. There's the risk of playing it too safe and not beating inflation. And there's the risk of not saving and investing at all—and not having enough money for the retirement you envision for yourself. You'll need to consider all the different types of risk as you climb toward retirement.



The Tools for Managing Risk

As you formulate your personal investment strategy, keep in mind the following general tips for managing investment risk:

- **Allocate your assets and diversify³** - The process of determining your investment mix is known as asset allocation. Putting your money into a number of different types of investment options that include different types of asset classes can help reduce risk. Generally speaking, if your dollars are invested in materially different types of investments and market conditions negatively impact one of your investments, not all of your money will be affected.
- **Invest for the long term** - The market will have ups and downs, but if you invest wisely and allow your investments to weather market ups and downs, you may have a better chance of reaching your long-term investment goals.
- **Beware of inflation** - Just as you should be aware of investing too aggressively, you should also be aware of being too cautious. When you're ready to retire, you'll most likely be living in a much more expensive world than today. If you invest all your contributions in a conservative investment option that earns a 6% annual return and inflation is 3%, inflation will erode much of your investment gains.
- **Rebalance regularly⁶** - Rebalancing is simply shifting money from one asset class to another in order to maintain your appropriate investment mix. Your financial situation changes at different stages of your life. Be sure to review your investment mix and your long-term goals on a regular basis and make changes only when necessary.

Potential Risk/Return Spectrum

An overview of risk/return based on the available asset classes in your Program:

Higher risk, higher potential return

Lower risk, lower potential return

International Stock⁷ – EAFE Equity Index Fund
Mid-Sized Company Stock⁸ – Extended Market Fund
Large Company Stock – Stock Index Fund
Balanced – 60/40 Balanced Fund
Bond – Aggregate Bond Index Fund
Fixed Investment Option – Stable Value Fund
Money Market – Short Term Money Market Fund

This chart is for illustrative purposes only and does not predict or guarantee the returns of any given asset class.

The Elements of a Sound Investment Strategy



Three key components can help you develop a sound investment strategy that will help you reach your retirement goals: your savings target, your time horizon and your risk tolerance.

Your Savings Target

In choosing your investment strategy, consider the amount of money you want to save and invest through your Program, as well as any other retirement plan or other assets you and your spouse or domestic partner might have.

Your Time Horizon

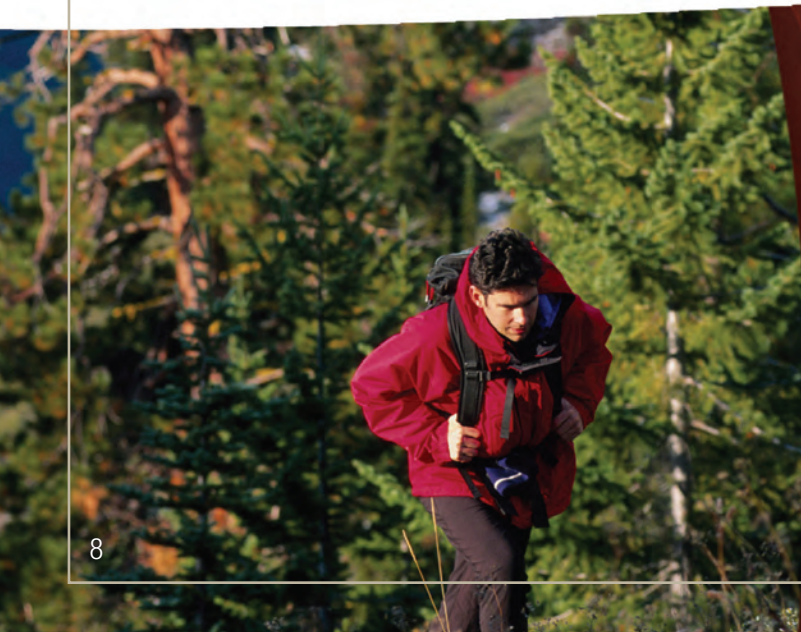
The amount of time you have to invest in your Program before you start making withdrawals is also very important. If you are many years away from retirement, you may be willing to take more risk with your money and invest more aggressively. When you are closer to retirement, your investment strategy may lean more toward investments with less risk because they'll have less time to recover should they fall in value.

The market goes up and it goes down. Be sure that your investment mix is appropriate to meet your short-term and long-term goals. You may have many years in retirement, so you might consider the benefits of maintaining some assets in investments that are likely to outpace inflation and provide some growth.

Your Risk Tolerance

Risk tolerance is your comfort level with the ups and downs in the value of your investments. You don't want to lose sleep if your account value declines; however, you'll also need to earn a rate of return that is appropriate for your goals.

You need to create an investment mix that provides a balance between safety and growth that you are comfortable with, and that will help you work toward your goals.



Keep in mind that saving and investing through your Program may be only one of your financial goals. You may have other financial goals, both short and long term. Be sure to balance all of your goals when making investment decisions.

Choosing Your Investment Route

Once you've considered your comfort level with risk, your time horizon and how much money you'll need, it's time to ask: "Do I have the time or desire to manage my own investment portfolio?"

Not sure? This quiz can help you decide. Check either Yes or No in response to each of the following questions.

1. Do you have the time and interest to track your investment options on a monthly or quarterly basis?
 Yes No
2. Do you have a basic understanding of why mutual funds and other investments increase or decrease in value?
 Yes No
3. Do you know what an asset class is?
 Yes No
4. Do you know how to determine your investment objective?
 Yes No
5. Do you know what percentage to invest in an investment option based on your investment objectives?
 Yes No



For more planning tools and financial calculators, visit www.sers457.com.¹

Understanding Your Results

If you answered Yes up to two times:

The Profile Route

For simplicity and convenience, you may wish to choose one of the pre-assembled Profile Funds. The profiles are mixes of the investment options already contained in your Program, and they offer convenience and professional management. The Profile Funds are reviewed on page 11.

If you answered Yes three to five times:

The Custom Route

The Custom Route may be the way you want to go if you want to be very involved in every step of investment review, investment selection and account monitoring. Investment planning tools and details are provided on page 12.



Testing Yourself

Find Your Investor Type

Knowing the type of investor you are is critical to making the right investment decisions. Complete the following survey to help you identify your Investor Type, which is your risk tolerance and investment style.

Circle the number that describes how strongly you agree or disagree with the following statements.

1. I am a knowledgeable investor who understands the trade-off between risk and return, and I am willing to accept a greater degree of risk for potentially higher returns.

Strongly Disagree 1 2 3 4 5 Strongly Agree

2. I am willing to invest on a long-term basis.

Strongly Disagree 1 2 3 4 5 Strongly Agree

3. If one of my investments dropped 20% in value over six months due to a stock market fluctuation, I would hold on to that investment, expecting it to recover its value.

Strongly Disagree 1 2 3 4 5 Strongly Agree

4. I have savings vehicles other than the Program that make me feel secure about my financial future.

Strongly Disagree 1 2 3 4 5 Strongly Agree

Now add up the numbers you circled above:

Match your score from the survey above to one of the three personal Investor Types below.

4–8 points: Conservative Investor Type

You're an investor who is comfortable with less risk for potentially lower returns. But remember: Not having enough money when you retire is a big risk, too! Keep in mind how much time you have until retirement and the effect that inflation may have on your investments.

9–14 points: Moderate Investor Type

You're an investor who prefers some balance between lower-risk investments and higher-risk investments, and you are comfortable with some market volatility. Review your situation at least once a year to make sure you're still comfortable with how you're allocating your money to various investment options.

15–20 points: Aggressive Investor Type

You're an investor who's comfortable with taking on the higher risk associated with the chance for higher returns. You're comfortable knowing that your investments can lose significant value at times as you pursue higher returns over the long term. Review your situation at least once a year and keep in mind how much time you have until retirement.

The Profile Route

Profile Funds are a kind of “shortcut” for choosing investment options for your Program account. Once you choose a Profile Portfolio, you can let the diversified investment mix in that profile keep you on the path to securing your financial future as long as your investment objectives don’t change. The mix of funds and investment types in each profile has been professionally selected to match a particular risk profile—from conservative to aggressive.

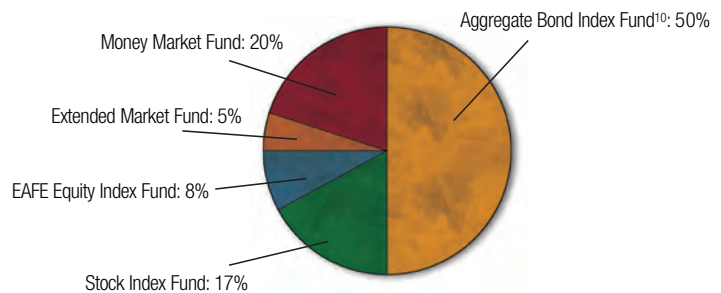


The Profile Portfolios⁹ Offer:

- **Convenience** - When you select a Profile Portfolio, you can be confident that the profile you select will stay true to its investment objectives and yours.
- **Professional Management** - The investment mix is selected, regularly monitored and adjusted as needed.
- **Diversification³** - Ranging from conservative to aggressive, each profile is diversified with a mix of investments covering a variety of asset classes and investment types. This diversification can allow for a more consistent rate of return while helping to reduce portfolio risk and volatility.

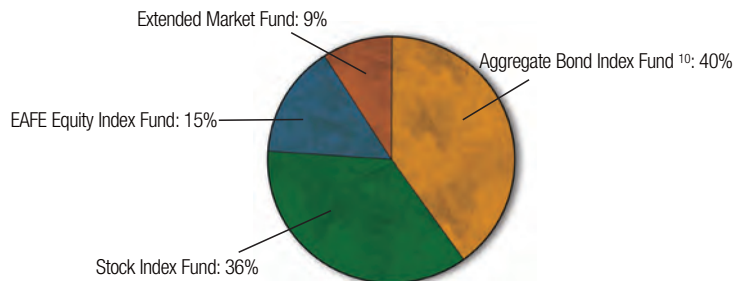
Conservative Profile

Seeks preservation of capital, concentrating on income and low risk by investing in eligible underlying funds, with an emphasis on fixed-income investments. Potentials: Low income, low growth, low principal risk.



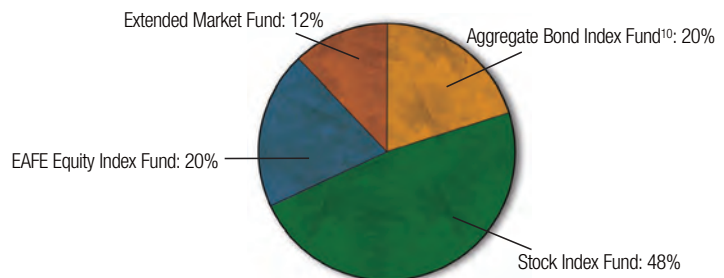
Moderate Profile

Seeks intermediate total return through long-term capital appreciation (and to a lesser extent, income) by investing in eligible underlying funds, with an emphasis on equity and fixed income. Potentials: medium income, medium/high growth, medium principal risk.



Aggressive Profile

Seeks high total return through long-term capital appreciation by investing in eligible underlying funds, with an emphasis on equity investments. Potentials: high growth, high principal risk.



Please consider the investment objectives, risks, fees and expenses carefully before investing. Additional disclosure documents can be obtained from your registered representative.

The Profiles may include some investment options not directly available to your Plan. For more information about the Profiles, including the eligible underlying portfolios, review the Fund Data Sheets or contact your Registered Representative.

The Custom Route

The Custom Route is designed for individuals who want to build their own investment strategy and select their own investments. A list of your individual investment options is included with this kit.

Once you've identified options that interest you, make sure you carefully review each fund overview, as well as the applicable disclosure documents. You can also visit the Web site at www.sers457.com for more information on each investment option, including investment objectives, asset allocations, operating expenses and specific holdings.¹

Planning Your Future

Before you select your investment options, you should consider using DreamTrackerSM, an interactive retirement planning tool that's available on the Web site, to help you estimate your retirement savings nest egg and analyze whether you are on schedule to meet your retirement income needs. To access this easy-to-use tool, just go to www.sers457.com and click on the "Planning Tools" tab.¹

Additional Assistance with Investment Advisory Services

Advisory Services includes Online Investment Guidance, Online Investment Advice, and a Managed Account service for personal and professional investment assistance and account management.



Online Investment Guidance is the ideal strategy for you if you want some general guidelines to help you manage your own account. Online Investment Guidance provides you with a personalized asset allocation and savings rate recommendation that reflects your unique financial information, retirement time frame, goals and financial situation. There is no fee to use the Online Investment Guidance tool.

The Online Investment Advice tool is the ideal strategy for you if you want specific portfolio recommendations to help you manage your own account. Advised Assets Group, LLC (AAG) creates a personal wealth forecast and recommended portfolio based on information drawn from your individual account profile and from the investment options available in the Program. Your recommended portfolio reflects your unique financial information, retirement time frame, goals and financial situation. Based on your recommended portfolio, you can easily direct your own investment choices and manage them online. Online Investment Advice is available for a fee of \$25 per year, assessed to your account at \$6.25 per quarter.

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.



Some Friendly Advice

As a participant in your Commonwealth of Pennsylvania Deferred Compensation Program, you are offered professional online investment advice as an added benefit of the Program.

The Managed Account service is the ideal strategy for you if you lack the time, knowledge or confidence to manage your own account and would prefer to have AAG select the investments and manage your account for you. AAG's Managed Account service provides you with a personalized and strategically designed retirement portfolio that is automatically managed from quarter to quarter. If you choose to participate in the Managed Account service, an annual fee that is based on your account balance will be deducted from your account quarterly. You may cancel participation at any time. Please see the chart below for specific fee information.

Account Balance	Maximum Annual Fee
Less than \$100,000	0.60%
Next \$150,000	0.50%
Next \$150,000	0.40%
Greater than \$400,000	0.30%



Self-Guided Investments

Finally, if you feel confident about picking your own mutual funds other than the ones offered by the Program, you can enroll in the self-directed brokerage account offered by Charles Schwab. This option will allow you access to hundreds of other mutual funds beyond the core options in your Program.

Please note that this is for knowledgeable investors who acknowledge and understand the risks associated with many of the investment choices available through the self-directed brokerage account.

For prospectuses on self-directed brokerage options, contact Charles Schwab at (888) 393-7272. Read them carefully before investing.

Accessing Advisory Services

- Go to www.sers457.com and log in with your Username and Personal Identification Number (PIN).¹¹
- Click on the “Reality Investing® Advisory Services” tab, then the “Let’s get started” button.
- Review “Important Information” about using the service. To proceed, click “I Accept.”
- Once you go through the initial questions, you will have the choice to enroll in Advice or continue with Guidance.

Keeping Retirement on Your Horizon

Keystone of a More Secure Retirement is about starting a savings plan right now. And the earlier you start participating in your Program, the sooner you can begin enjoying the benefits of tax savings, tax-deferred growth and compounding.



Mountain Laurel, the Pennsylvania state flower.

Don't Wait to Start Saving for Retirement—Strike Quickly

The following illustration shows the cost of waiting just one year to start saving for retirement (assuming monthly personal contributions of \$250 and an 8% annual return).

Don't Wait!

Starting Age	Total Contributions by Age 65	Account Value at Age 65	Cost of Waiting One Year
25	\$120,000	\$872,752	
26	\$117,000	\$802,992	\$69,760
35	\$90,000	\$372,590	
36	\$87,000	\$341,161	\$31,429
45	\$60,000	\$147,255	
46	\$57,000	\$133,069	\$14,186

FOR ILLUSTRATIVE PURPOSES ONLY. Source: Great-West Retirement Services, 2009. This is a hypothetical illustration and is intended to show how the number of years invested in the Program could affect participant account values. It is not intended to depict the performance of any particular security or investment plan. This illustration assumes monthly contributions of \$250, a hypothetical 8% annual rate of return, reinvestment of earnings, retirement at age 65 and no withdrawals. Rates of return may vary. Savings totals do not reflect any fees/expenses that may be associated with your Program. The accumulations shown above would be reduced if these fees had been deducted.

As you complete your decision process, you may decide that contributing the minimum amount to the Program may be enough for now. And while that's a great start, contributing a little extra can add up very quickly and get you farther along the path to making your financial goals a reality!

In the broad scope of things, **Keystone of a More Secure Retirement** is about defining and pursuing your own financial freedom. Enrolling in your Commonwealth of Pennsylvania Deferred Compensation Program will allow you to begin connecting to that freedom in a very real way. To enroll, follow the easy steps on the next page.

Possible Sources of Retirement Income

1. Social Security Benefits

Social Security benefits were never intended to replace 100% of an employee's annual working income. The following information can give you a general idea of what to expect from your benefits.

<i>Average Annual Pay</i>	<i>Approximate Annual Benefit*</i>	<i>Percentage of Annual Pay Replaced by Social Security*</i>
\$20,000	\$11,628	58%
\$40,000	\$17,964	45%
\$60,000	\$23,556	39%
\$80,000	\$26,532	33%
\$100,000	\$29,496	29%

* FOR ILLUSTRATIVE PURPOSES ONLY. Source: Social Security Web site, www.socialsecurity.gov/OATC/quickcalc/index.html, January 2010. Based on a 35-year-old today retiring at full retirement age, 67. Assumes no future increases in prices or earnings.

2. Traditional Employer Pension Plans

Often called a "defined benefit" plan, a traditional pension plan such as yours provides guaranteed benefits based on your salary and years of service. Any pension plan may provide more benefits if you have a long-term service record, but it may not be as advantageous if you change jobs frequently. For more information on your defined benefit plan, please call **(800) 633-5461** or visit the SERS Web site at www.sers.state.pa.us.²

3. Personal Savings

Your personal savings may include money in bank accounts, mutual funds, certificates of deposit, stocks and bonds, IRAs or other resources outside of your Social Security benefits or your Commonwealth of Pennsylvania retirement programs.

Begin Today

Shortly after enrolling in your Program, you'll receive a PIN.¹¹ This will allow you to access a full menu of online advice (see pages 12-13) and planning tools at www.sers457.com. For access, you'll also need your Username.

It's important to realize that any retirement-saving needs projection is just a starting point. You should perform a calculation annually and update any assumptions you make as your personal circumstances change.

Beyond the Horizon

For many people, saving for retirement will be one of their major financial goals. Answer the questions below to begin visualizing your life in retirement.

- Where will you be living?
- What will a typical day be like?
- With whom will you be spending time?
- Will you be caring for someone elderly?
- What are your travel plans?
- What new interests/hobbies will you explore?
- What is most important to you about retirement?
- What will be some of your major financial and other obligations?







How to Join Your Deferred Compensation Program

- **Step 1: Read through all of the materials in this kit** - You wouldn't put together a bicycle without reading the directions, so take the necessary time to educate yourself about investing for retirement.
- **Step 2: Complete the enrollment forms** - If you have questions, you can call **(866) SERS457** (866-737-7457) and have an account representative walk you through enrollment. Remember to complete your beneficiary information. (See additional information below.) Once completed, sign and mail the forms to the address listed on each form.
- **Step 3: Track your savings and investment program** -
 - Go to the Web site at www.sers457.com. You will need your Username and PIN to log in.¹¹
 - Call **(866) SERS457** (866-737-7457).
 - **Sign up for Online File Cabinet®** - This is a fast, efficient way to view your account information online versus waiting for the statements that are mailed to you. Whenever a new statement or document is added to the Online File Cabinet, you'll receive an e-mail notification. Once you have logged on to the Web site, just click on the link for the Online File Cabinet to sign up. Once you are there, you can read and print all new information, as well as previous statements.
 - Quarterly statements will be mailed to you, along with newsletters that provide important information about your Program and general financial and investment topics. And remember that as your circumstances change, you may need to adjust your investment strategy.

About Your Beneficiary

In the event of your death, your primary beneficiary or beneficiaries will receive your account balance in the Program. Your contingent beneficiary will receive the money if the primary beneficiary dies before you do. You'll want to make sure you review your beneficiary designation as your personal circumstances change (such as your marital status) over the years.



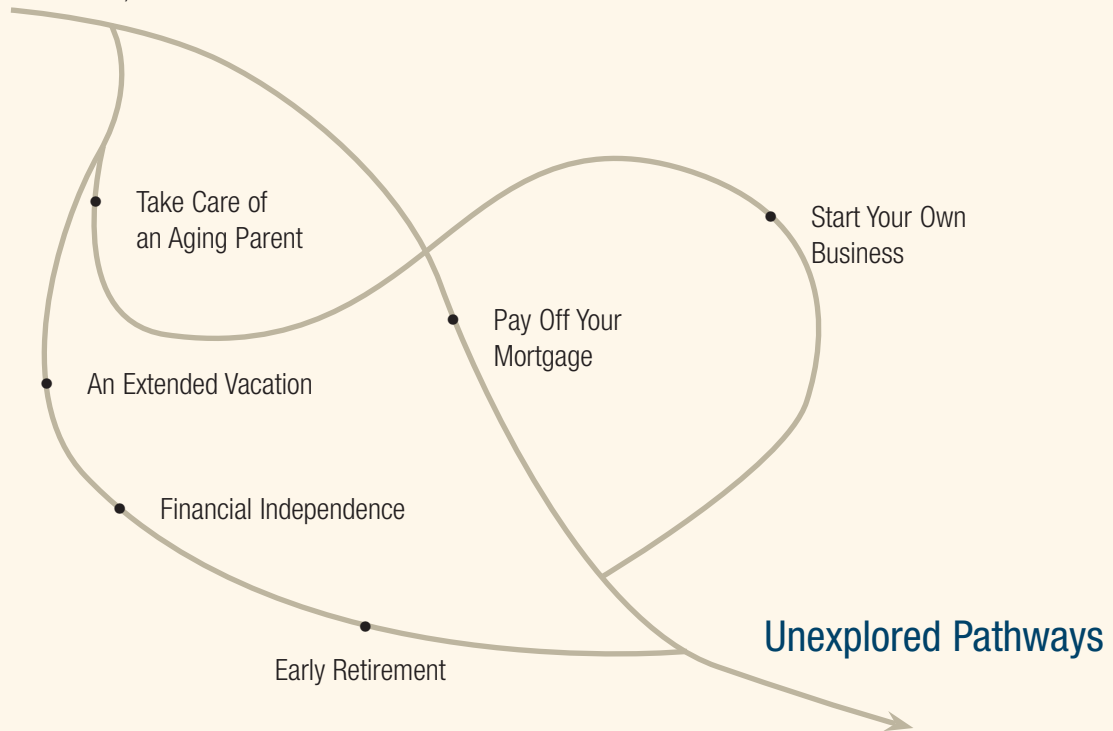
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- 1 Access to KeyTalk[®] and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.
 - 2 Great-West Retirement Services is not responsible for, nor does it endorse 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.
 - 3 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
 - 4 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.
 - 5 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.
 - 6 Rebalancing your account does not ensure a profit and does not protect against loss in declining markets.
 - 7 Foreign investments involve special risks, including currency fluctuations and political developments.
 - 8 Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.
 - 9 The Profile Portfolio allocations are professionally determined and are based on an investment strategy based on risk and return. Allocation percentages to investment options can change based upon periodic investment reviews. The portfolio allocation models are not intended as financial planning or investment advice.
 - 10 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.
 - 11 The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.



Where Will Retirement Take You?

The **Keystone of a More Secure Retirement** program can provide you with the tools to explore your financial goals and build a plan that can help you reach them.

Gateway (You Are Here)



Core securities (except the self-directed brokerage option), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

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