STATE OF

ALASKA

Deferred Compensation

2010

PLAN INFORMATION

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PLAN INFORMATION
DEFERRED COMPENSATION PLAN

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Registration with the Securities and Exchange Commission is not required for the Alaska Deferred Compensation Plan.

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Capital Guardian Trust Company is a California state chartered bank authorized by the California Department of Financial Institutions to carry on a trust business.

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STATE OF ALASKA DEFERRED COMPENSATION PLAN

INTRODUCTION

Welcome to the State of Alaska Deferred Compensation Plan! We have summarized the program for you in an easy-to-understand, question and answer format. This booklet specifically explains the following:

- Investment options,
- Administrative and investment management fees, and
- Privileges and benefits.

Whenever the terms “you” or “your” are used, they refer to an employee of an organization which participates in the State of Alaska Deferred Compensation Plan.

The words “we,” “us,” and “our” refer to Great-West Life & Annuity Insurance Company/FASCorp. FASCorp is the contract recordkeeper and BenefitsCorp, Inc. provides other services to the Deferred Compensation Plan. Investment options are managed by individuals or organizations separate from Great-West/FASCorp.

If we don’t answer all of your questions in this booklet, please contact your State of Alaska Deferred Compensation Plan representative in the Juneau Division of Retirement and Benefits (DRB). The Division of Retirement and Benefits, FASCorp, and the selected investment managers look forward to serving your investment needs for many years to come!

You can reach your Plan Administrator, at the Alaska Division of Retirement and Benefits, Alaska Deferred Compensation Plan, Division of Retirement and Benefits, PO Box 110203, Juneau, AK 99811-0203, toll-free 800-821-2251, or in Juneau (907) 465-5700.

You can write to Great-West/FASCorp Client Representatives at Great-West Retirement Services, ATTN: Correspondence Department, PO Box 173764, Denver, CO 80217-3764.

If you are a touch-tone dialer with a Personal Identification Number (PIN):

You have automated access to information and transactions at any time with your PIN or a client service representative between 6 a.m. and 5:30 p.m., Alaska time, Monday through Friday by using the original KeyTalk® number: (800) 701-8255.

If you are a rotary-dialer or a touch-tone dialer without a PIN:

If you wish to speak to a client service representative between 3 p.m. and 5:30 p.m., Alaska time, Monday through Friday, please use the following number: (800) 232-0859.

With your PIN you can also access account information on the Division of Retirement and Benefits website at: doa.alaska.gov/drb.

QUESTIONS AND ANSWERS ABOUT YOUR ALASKA DEFERRED COMPENSATION PLAN (DCP)

ELIGIBILITY AND GENERAL INFORMATION

Q1

Who is eligible?

Any permanent employee, *long-term* nonpermanent employee, or elected official of the State of Alaska who has completed a full pay period of employment is eligible to participate. A full pay period means the 16th of one month through the 15th of the next.

Q2

What type of plan is the DCP and when may a person join the Plan?

The Alaska Deferred Compensation Plan (DCP) is an eligible deferred compensation plan under Internal Revenue Code Section 457. Employees may join any time after they are eligible and complete the necessary enrollment forms.

Q3

Does deferring my compensation reduce other employee benefits?

No, participation in this Plan will not reduce other employee benefits you now enjoy.

Q4

Who should enroll in the Plan?

Deferred compensation is very attractive to many people — employees who have already established a regular savings program to meet current needs, those now paying large amounts of income tax, families with dual incomes and those who would like more income for retirement will probably benefit from the Plan. You are cautioned against enrolling if your current monthly income is substantially needed to meet current monthly expenses.

Q5

Who should not enroll in the Plan?

Participation in the Plan is not appropriate for everybody. Among those who should not enroll are people who have not yet accumulated regular savings which could be readily withdrawn in event of need; or those people who may expect to have more taxable income after retirement than they do now. Past experience indicates that if you cannot comfortably afford to defer $100 per month you probably should not join the Plan.

Q6

Can you provide an example of how the Deferred Compensation Plan might work for me?

Yes, the example below is based on certain assumptions, chosen so that you can relate the figures to your own circumstances. First, let's assume that you are deferring $3,600 per year ($300 monthly), that you pay 28% of your earnings in income tax, and that your account will earn 6% per year in interest.

The following is a comparison of the result you could expect if the $3,600 set aside came out of taxable income or was in the form of deferred compensation.

	Without DCP	With DCP
Amount to be saved	$3,600	$3,600
Current Income Tax	- $1,008	- $0
Net dollars saved	$2,592	$3,600
Interest @ 6%	+ $156	+ $216
Current tax on interest	- $44	- $0
Total at end of year	$2,704	$3,816

Please note that the $2,704 is not subject to income tax because tax was already deducted from the amount saved and from the interest earned. But the entire $3,816, assuming it was withdrawn, would be subject to income tax. However, even if the same rate of tax (28%) applied, you would still have extra money because you earned more interest.

Tax:	$3,816 x .28 = $1,068
After Tax:	$3,816 – $1,068 = $2,748
Additional:	$2,748 – $2,704 = $44

Q7

If I have participated in a Deferred Compensation Plan with a previous employer may I participate in the State Plan?

Yes. However, it is your responsibility to ensure that your total yearly deferral does not exceed the legal maximum amount allowed by law for each plan year.

PLAN ADMINISTRATOR

Q8

Who is the Plan Administrator?

The Division of Retirement and Benefits at PO Box 110203, Juneau, AK 99811-0203, is the Plan Administrator. Telephone number is toll-free 800-821-2251, or in Juneau (907) 465-5700, fax (907) 465-3086 or 465-2341; TDD (907) 465-2805.

ADDRESS CHANGES

Q9

How can I change my address?

If you are an active contributing employee of the State, you **must** change your address through your employer's human resources office. If you are no longer contributing and are no longer employed with the State, you **must write** the Division of Retirement and Benefits, Attn: DCP, PO Box 110203, Juneau, AK 99811-0203.

All correspondence sent to the DCP **must** include your signature and social security number.

ENROLLMENT

Q10

How do I obtain an enrollment package or get further information?

Contact the Plan Administrator. The Plan Administrator for the DCP is the Division of Retirement and Benefits at PO Box 110203, Juneau, AK 99811-0203. Call toll-free 800-821-2251, or in Juneau (907) 465-5700; fax (907) 465-3086 or 465-2341; TDD (907) 465-2805.

You will also find enrollment package material on the Plan's website. In any case, you MUST contact the Division of Retirement & Benefits to actually enroll in the Plan by the 25th of the month.

Q11

Am I charged any fee for enrolling in this Plan?

There are no enrollment fees and no front-end or back-end loads are charged.

There is an annual record keeping and administrative fee of .222% (22.2/100 of 1% annually) of your account balance (as of July 1, 2009). This fee is charged monthly at 1/12 (one-twelfth) the annual rate.

The investment options have annual investment expenses which vary depending upon the funds you choose.

Q12

What happens to the money that I defer?

The money comes out of your paycheck as a payroll deduction and is then invested on your behalf in the investment options that you select.

DEFERRAL AMOUNT

Q13

Is there a minimum amount I must defer?

Yes, $50.00 per month ($25.00 per paycheck).

Q14

Is there a maximum amount I can defer?

Yes. The maximum amount you can defer is established by Internal Revenue Code and may be increased annually based on cost-of-living increases.

For calendar year 2010 regular contribution limits, ***for those* UNDER *age* 50**, will be $16,500 of your taxable income.

Members age 50 or older will be able to make up to $5,000 additional normal contributions. This cannot be used during the three-year regular catch-up period.

Therefore, regular contribution limits, ***for those age* 50 *and over***, will be $22,000 of your taxable income for 2010.

The amount of income available for deferral is your gross income after all pre and post tax deductions.

Q15

What happens to my deduction if my paycheck or year-to-date salary is insufficient to support the amount I requested to contribute?

Each payroll, if your salary is sufficient 1/2 of the amount of your monthly deferral will be deducted from your check and contributed, at your direction, to the Deferred Compensation Plan. Any time your payroll or your year-to-date salary is insufficient to support a deduction, the deduction will be lowered to an amount that will allow it to process. If possible, deductions will resume with the next payroll run.

It is important to remember that you can change the amount deferred once each calendar month. A request to change must be received (the postmark) **no later than the last day of the month prior to the month in which it is to be effective.** Please refer to question 15 to determine your personal maximum deferral.

Q16

When should I expect the deductions to be taken from my paycheck?

The first deduction will be taken from the first payroll check that runs immediately after the effective date of your enrollment or as soon as administratively possible. Deductions will continue to be taken from each subsequent payroll check as long as you remain in the plan and have sufficient earnings to accommodate your withholding. Deductions usually are not taken from the final paycheck; however, you may request a deduction from your final paycheck (including final leave cash-out) provided arrangements are made in advance with your Human Resources office and you have submitted a final pay deferred election with the DCP office prior to the first of the month in which you terminate employment.

Q17

Can I increase or decrease the amount of my deferrals?

Yes, you may increase or decrease the amount of your deferrals once each calendar month. The change takes effect the first day of the month following the month in which the request is received.

Q18

Can I change my deferral amount through KeyTalk®?

No. Your request to change the dollar amount of your contribution must be made in writing to the Division of Retirement and Benefits in Juneau.

Q19

What happens if later I decide to stop my deferrals?

You can discontinue your deferrals at any time by notifying the Plan Administrator in writing. After receipt of written notice, deductions no longer will be taken from your paycheck. You may restart contributions effective the first day of the month following receipt by the DCP office of your deferral election.

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If I discontinue my deferral, do I get my money back?

Yes, but not until you terminate state employment. In the event of your death, funds will be available to your beneficiary. Your money remains invested until the payout date you elected or, if you fail to make a payout date election, until the date specified in the Plan Document.

CATCH-UP PROVISION

21

What is the catch-up provision?

The catch-up provision allows you to make up for contributions you could have made during previous years of state employment but didn't.

The Catch-Up Limit for calendar year 2010 is $33,000, which is *double* the base contribution limit — but does NOT include adjustments for over age 50 at the same time. This amount may be increased in future years based on cost-of-living increases.

You may contribute under the catch-up provision for a maximum of three consecutive years. Once you elect catch-up, if you do not utilize all three consecutive years, you can NOT make up the amounts not utilized at a later time or with another employer.

22

When may I utilize the catch-up provision?

You may utilize this provision as early as three years prior to the Normal Retirement Age beginning as soon as January 1 of the first calendar year of eligibility. It is important to remember that, once you designate your DCP Retirement Age (which pertains only to your DCP funds and nothing else), you can not change the designated age; you can defer the commencement of your benefits should you terminate **after** your DCP Retirement Age. Also, if you are eligible for a full retirement benefit based on 20 years (peace officer/fire fighter) or 30 years (all others) of membership service, then you also may utilize this provision beginning as soon as January 1 of the calendar year you complete 17 or 27 years, respectively, of the above stated membership service.

INVESTMENT OPTIONS

23

How is the money in my account invested?

The plan is a participant-directed plan. This means that you can choose from the investment options offered by the plan.

The providers of these investment options were selected by the Alaska State Pension Investment Board or its successor, the Alaska Retirement Management Board. Please see the section "Questions and Answers About Your Investment Options" on page 17.

To contact the Retirement Management Board, you can write to them at ARMB, Alaska Department of Revenue, Treasury Division, PO Box 110400, Juneau, AK 99811-0400, or you may call them at (907) 465-3749.

Q24

How are "earnings" or the "Change-in-Value" determined and applied to my account?

All investment options in the plan are variable options. They are affected by a combination of dividends, interest, and realized and unrealized gains and losses. Therefore, the rate of return you receive may increase or decrease as the market fluctuates. Investment returns are not guaranteed by the plan or the State of Alaska. Negative returns can result depending on market conditions.

ADMINISTRATIVE FEES

Q25

What are the administrative fees associated with this plan?

Administrative fees cover the cost of plan administration, record keeping, production and mailing of statements, newsletters and educational material, legal costs, accounting, financial reporting, and all other costs related directly and indirectly to plan operations.

Expenses are charged to your account in order to cover the cost of administration of the plan.

There is an annual record keeping and administrative fee of .222% (22.2/100 of 1% annually) of your account balance (as of July 1, 2009). This fee is charged monthly at 1/12 (one-twelfth) the annual rate.

These charges will be assessed to your individual accounts against all investment options in both the employee and employer accounts. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. For example:

- The fees calculated on your March 31st account balance will be assessed in April.
- The fees calculated on your April 30th account balance will be assessed in May.
- The fees calculated on your May 31st account balance will be assessed in June.

The March, April, and May fees will be reflected on your June 30th statement.

ACCOUNT VESTING

Q26

When does my account vest?

The employee contributions and the Change-in-Value applied to the account are 100% vested when they are placed in the account. This means that you are eligible to be paid the total value of your account balance when you withdraw your account.

ACCOUNT BALANCE INFORMATION

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How can I determine my current account balance?

Your account balance, as well as all your account activity, is included in your quarterly statement.

For more up-to-date information between quarterly statements:

If you are a touch-tone dialer with a Personal Identification Number (PIN):
You have automated access to information and transactions at any time with your PIN or a client service representative between 6 a.m. and 5:30 p.m., Alaska time, Monday through Friday by using the original KeyTalk® number: 1 (800) 701-8255.

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If you wish to speak to a client service representative between 3 p.m. and 5:30 p.m., Alaska time, Monday through Friday, please use the following number: 1 (800) 232-0859. You can also call the Division of Retirement and Benefits toll-free at 800-821-2251 or in Juneau (907) 465-5700.

With your PIN you can also access account information on the Division of Retirement and Benefits website at: doa.alaska.gov/drb.

THE RELEASE OF CONFIDENTIAL ACCOUNT INFORMATION

28

Who can obtain information on my account?

Your account balance and any information related to your account is available to you with proper identification.

Administrative regulations do not allow the release of information regarding personal or financial data to anyone other than you without your prior written authorization, unless the inquiring party has a subpoena or a court order to secure the information. Information may, however, be released to your employer, your former employer, if they are a plan member, or any authorized state agency.

29

How can I obtain the same information for my spouse's account?

Your spouse or legal counsel is not entitled to information about your account without a properly executed release or a court subpoena if no release is available.

BORROWING

30

Can I borrow against my account?

No. The plan does not allow participants to borrow from the plan.

ACCOUNT PAYMENT PROCEDURES

31

If I terminate my employment, when will I receive payment of my account?

Payments are authorized 60 days after termination of employment (for any reason) unless you waive the normal 60-day waiting period. If you waive the 60-day waiting period, your account is authorized for payment after the payroll system updates your termination and all contributions have posted. You should allow for a minimum of three weeks after payment is authorized before you will receive your funds if you have selected a lump sum or periodic payment; your first annuity payment could take one to two weeks longer.

32

How do I initiate benefit payments of my account?

First, you must fulfill the requirements stated in the answer to question 32. Then, you must submit an application for payment. The application form is called the DCP Benefit Payment Election form. On the form, you can choose to be paid currently or to defer payment to a future date.

The date of payment depends on when the Benefit Payment Election form is received.

33

Do I have to submit a Benefit Payment Election form if I do not desire to be paid currently?

You do not need to submit a Benefit Payment Election form. However, you need to submit the form at a later date when you wish to be paid.

34

How much of the Benefit Payment Election form needs to be completed in order to receive payment?

You should complete all sections of the form applicable to you. Each section serves a specific purpose and helps to determine if all requirements for payment have been met.

35

If I have been involved in a divorce, dissolution, or legal separation, do I have to submit proof of these circumstances before I can receive payment of my account?

Before payment can be made, you must inform us of any special distribution requirements that instruct payments to be made directly to another individual, such as an ex-spouse. Usually, this involves a Qualified Domestic Relations Order (QDRO).

If a participant has been released through a divorce or dissolution, such terms are contained in the property settlement sections of the appropriate court documents.

You must provide a court-certified copy of the appropriate divorce, dissolution, or QDRO. Because of the very detailed and specialized nature of this type of situation, you should contact us at the earliest possible time so that you know what specific information we need.

You should be aware that making any false or fraudulent statement for the purpose of obtaining benefits or to avoid making payments due to others is a criminal offense punishable by law.

Q36

What additional types of documentation might be required before payments can begin?

Depending on the payout option you select, you may be required to provide proof of birth date for yourself as well as your designated survivor.

A birth certificate, baptismal record, military discharge, drivers license, or a passport are acceptable forms of proof of birth date. In unusual circumstances, other forms of proof may be accepted.

PAYMENT TO SOMEONE OTHER THAN THE PARTICIPANT

Q37

Under what circumstances can my account be paid directly to someone other than myself?

There are three recognized exceptions that allow access to your benefits by another person or agency:

- An IRS Lien for unpaid taxes
- A Qualified Domestic Relations Order (QDRO) issued by a court of law
- An Order to Withhold and Deliver Property issued by the Child Support Enforcement Division (CSED)

QDROs must be approved and accepted by the plan before your account can be paid to another person—the alternate payee. You must arrange with the court to have a certified copy of the court order sent to us. **The courts do not automatically send documents to us.** Payments to an alternate payee under a QDRO may begin after the QDRO has been accepted by the plan and all normally required payment forms have been submitted.

The plan must honor a properly executed IRS Lien, QDRO, or CSED Order. If you believe the issuing agency has incorrectly applied an order to your account, you must get the IRS, CSED, or the courts to issue a corrected order.

There are no provisions for early withdrawal—hardship or otherwise—that apply to an IRS lien or CSED order. Payments under these orders cannot begin until you are eligible to receive payment.

DEATH BENEFITS

Q38

Are there any death benefits available?

Yes, if your death should occur before you start to receive benefits, your beneficiary will receive the value of your account. A beneficiary may elect any of the available forms of payment, except a joint and survivor annuity, and may defer the commencement of the benefits at any time prior to the commencement of the benefits, subject to certain limitations stated in the Plan. If your beneficiary is not your surviving spouse, then your account must be paid in full within 5 years after your death.

BENEFICIARY DESIGNATION

Q39

If I die before I start to receive my DCP benefits, who will receive the value of my account?

Your account will be paid based on your most recent valid beneficiary designations on file with the Plan Administrator. If no valid beneficiary designations exist, your account will then be paid according to the plans default provisions as follows:

1) Payments shall be made to the surviving spouse, if the spouse survives the participant for 30 days;

2) If there is no surviving spouse, payments shall be made in equal parts to the surviving children, including adopted children, who survive the participant for 30 days;

3) If there are no surviving children, payments shall be made in equal parts to the surviving parents who survive the participant for 30 days; or

4) If there are no surviving parents, payments shall be made to the participant's estate.

Q40

How do I designate beneficiaries for my DCP benefits?

Beneficiaries are designated on the DCP enrollment form and can be updated or changed on the DCP "Financial and Beneficiary Changes" form. All married participants who designate someone other than their spouse for greater than 50% primary beneficiary are also required to complete a DCP Spousal Beneficiary Waiver form. These forms are available from the Plan Administrator or from the Plan's website.

Q41

If I am divorced, will my ex-spouse receive my DCP benefits?

Except as required by a qualified domestic relations order, the revocation of a spousal beneficiary will occur upon the participant's divorce or annulment from the designated spouse unless the participant specifically reaffirms the former spouse as a beneficiary by submitting a new beneficiary designation form to the Plan Administrator after the date of the divorce or annulment.

ACCOUNT REINSTATEMENT

Q42

Can I "pay back" money previously paid out from my account?

No. Money previously withdrawn cannot be re-deposited into your account. Once you have requested payment of the account, and the payment has been issued, the account cannot be reinstated.

PAYMENT OPTIONS

Q43

How much will I receive when my benefits commence?

The actual dollar amount you will receive depends on such factors as:

- The amounts deferred,
- Investment performance,
- The payment option(s) you select, and
- Your life expectancy.

Any amounts payable will be in the form of a lump sum payment, an annuity purchased with the amount in your account, or a periodic payment of your own choosing. The Plan Document under which the plan must operate stipulates therein that State of Alaska Deferred Compensation Plan Assets are to be held for the exclusive benefit of the participants and beneficiaries and therefore are not considered employer assets.

Q44

What options are available to me for payment of my account?

You may choose from the following options:

Lump Sum—A single payment of your account balance or a portion of it.

Periodic Payment—a payout method that allows you to be paid by either selecting a specific dollar amount or the number of years over which your account will be paid to you, or by selecting IRC Minimum Distribution payments. You may choose the frequency of your payments (monthly, quarterly, semi-annually or annually).

You can make a change to the payment frequency or amount, or stop it. Changes to a periodic payment are limited to twice in a calendar year.

Five-Year Period Certain Annuity—equal monthly payments for five years (60 months). If you die before receiving 60 payments, your beneficiary will receive the balance of the benefit payments.

Ten-Year Period Certain Annuity—similar to the five-year certain but for ten years (120 months).

Fifteen-Year Period Certain Annuity—similar to the five-year certain but for fifteen years (180 months).

Single Life Annuity—monthly payments for your life. No payments are made to your beneficiary after your death.

Single Life Annuity with Ten-Year Period Certain—monthly payments for the rest of your life. If you die before 120 payments have been made, your beneficiary will receive the balance of the payments.

Single Life Annuity with Fifteen-Year Period Certain—monthly payments for the rest of your life. If you die before 180 payments have been made, your beneficiary will receive the balance of the payments.

50% Joint and Survivor Annuity—monthly payments for your lifetime. After your death, your survivor will receive one-half of the monthly amount you were receiving for his/her lifetime.

100% Joint and Survivor Annuity—similar to the 50% Joint and Survivor but, after your death, your survivor would receive the same benefit amount you were receiving for his/her lifetime.

Q45

If I am re-employed will my deferred compensation benefit cease?

No. If you are receiving a benefit and are re-employed your benefit can continue. You can stop taking periodic payments if you so elect.

ROLLOVERS AND DIRECT TRANSFERS

Q46

Are lump-sum payments eligible for Direct Transfer to an Individual Retirement Account (called an IRA) or for rollover to an IRA?

Yes. Lump-sum payments to participants, former spouse alternate payees, and spouse beneficiaries are eligible for Direct Transfer or rollover to **non-ROTH IRAs**. Payments cannot be Directly Transferred or rolled over to ROTH IRAs. A payment from the plan that is eligible for rollover can be taken in two ways: you can have your payment paid in a direct rollover or paid to you. A rollover is a payment of your plan benefits to your individual retirement account (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a direct transfer:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your non-ROTH IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.
- If you are age 70-1/2 or greater at the time of payment, a portion of the payment will have to be paid directly to you in order to satisfy Internal Revenue Service minimum distribution requirements.

If you choose to have your plan benefits paid to you:

- You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. However, if the Plan makes the payment directly to you, the 10% additional early distribution penalty does NOT apply. However, if you choose a Direct Transfer to an IRA, any penalties applicable to taking distributions from an IRA then apply.

- You can roll over the payment by paying it to your non-ROTH IRA or to another employer plan that accepts your rollover within 60 days of receiving payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to a non-ROTH IRA or an employer plan, you must find other money to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

TAXES AND PENALTIES

Q47

What are the taxes and penalties on payments from an account?

In general, distributions you receive will be subject to income taxes.

Payments made directly from the DCP plan are NOT subject to additional tax penalties, or the commonly well-known additional 10% penalty if you receive your distribution before you reach age 59-1/2 used on traditional defined contribution plans and IRAs.

However, if you transfer your account to an IRA, all of the normal penalty rules applicable to those plans then apply. Even in those plans, the penalty generally does not apply if:

- you are at least age 55 in the year you terminated employment (this does not apply to an IRA, where 59-1/2 applies),
- distributions are paid at your death,
- you suffer permanent and total disability,
- you must comply with a Qualified Domestic Relations Order payment (for that portion to be distributed to the alternate payee; however, if an alternate payee transfers the money to an IRA, it is then subject to all the normal tax and penalty rules that apply to an IRA), or
- you have selected certain lifetime distribution options.

For a complete list of exceptions to the 10% penalty, see IRS Publication 575, *Pension and Annuity Income*, or consult a tax advisor.

The State of Alaska and the DCP Plan do not give tax advice.

You are solely responsible for determining how federal tax law affects your particular situation. You should contact the Internal Revenue Service or your tax advisor as necessary.

Q48

What tax withholding occurs on account payments?

The plan is required by federal tax law to withhold 20% on all lump-sum payments that are not sent as a direct rollover to an IRA. The law applies to monthly continuing annuity payments on a five-year certain annuity and certain other distributions.

The 20% withholding rule applies only to amounts paid to you. It does not apply if payments are transferred directly from the plan to another IRA or other qualified employer plan, or for a continuing annuity that is at least 10 years in length.

It is important to understand that the 20% withholding is not a penalty or an additional tax. Participants are required to pay income taxes eventually on all distributions. These rules simply require withholding at the time of payment. Depending on the amount you receive, and any other tax circumstances at the time, you may be eligible for a refund when you file your tax return. Again, each participant's tax situation is unique and should be carefully evaluated.

An exception to the 20% mandatory withholding rule is for payments made to nonspouse beneficiaries. For nonspouse beneficiaries federal tax withholding is 10% of the payment amount unless the nonspouse beneficiary completes a W-4P to elect no tax withholding or to elect additional tax withholding.

Based on a participant's residence, as indicated by the participant's mailing address, in addition to the federal tax withholding described above, the plan may be required to withhold for state tax. States with such mandatory withholding, at varying rates, include but may not be limited to: California, Delaware, Georgia, Hawaii, Iowa, Kansas, Maine, Massachusetts, North Carolina, Oklahoma, Oregon, Vermont, and Virginia.

HARDSHIP WITHDRAWALS

Q49

What if I experience a future financial emergency and need my money?

There are strict provisions for hardship withdrawals. They can be requested from the Plan Administrator, but you must prove you are experiencing an unforeseen and extreme financial emergency and provide evidence demonstrating that you have exhausted all other reasonable alternatives. This includes stopping your deferrals and cashing out the maximum allowable annual/personal leave.

All hardship withdrawals are subject to the applicable requirements of the Internal Revenue Code and regulations.

Q50

If my hardship withdrawal is approved, how long will it take to receive my money?

It takes an average of one to two months to obtain all the necessary information for a hardship withdrawal. Payments are usually issued within two weeks from the date the withdrawal is approved by the Plan.

QUESTIONS AND ANSWERS
ABOUT YOUR INVESTMENT OPTIONS

Q1

Who manages the investment options for the plan?

(*Barclays Global Advisors*, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)

Brandes Investment Partners, L.P. is registered as an investment adviser under the Investment Advisers Act of 1940.

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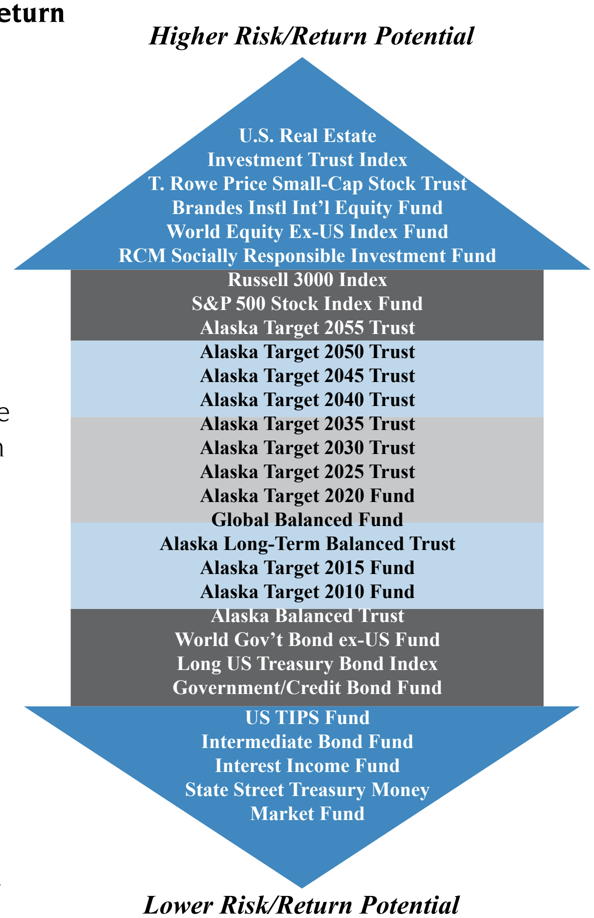
Q2

What is the Risk Spectrum of the options available — low risk to high risk?

Potential Risk versus Potential Return

Generally, the greater an investment's potential return over time, the greater its level of short-term price volatility, or risk. When assessing risk, a short-term investment fund would typically appear on the very low end of the risk/return scale. A very aggressive growth fund might be depicted at the very high end of the scale. The chart to the right shows the relative position of each investment option on the risk/return scale.



Fund Information

For more detailed information related to specific funds, please refer to a current Investment Option Detail Sheet. Investment Option Detail Sheets can be obtained through the Division of Retirement & Benefits toll-free at 800-821-2251 or in Juneau at **(907) 465-5700**, a client service representative, or on the Divisions' website, at **doa.alaska.gov/drb**.

3

What are the Investment Objectives, Investment Make-up, Management Style, and who are the Managers for the investment options?

more risk

less risk

Investment Option	Objective	① Investment make-up ② Management style ③ Manager
U.S. Real Estate Investment Trust Index Fund	Seeks to provide income and capital appreciation and to replicate the returns and characteristics of the Dow Jones Wilshire REIT Index.	① The Index includes equity real estate investment trusts (REITs) and real estate operating companies (REOCs). ② Pasively managed(2) ③ State Street Global Advisors
T. Rowe Price Small-Cap Stock Trust	Seeks to provide long-term capital growth by investing primarily in stocks of small companies. The Fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies. A small company is defined as having a market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance.	① Smaller company common stocks ② Actively managed(2) ③ T. Rowe Price Associates, Inc.
Brandes Institutional International Equity Fund	Seeks long-term capital appreciation. The Fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks.	① International Stocks ② Actively managed(2) ③ Brandes Investment Partners, L.P.
World Equity Ex-US Index Fund	To provide income and capital appreciation and to replicate the returns of the MSCI ACWI Ex-US Index (ACWI Ex-US) and provide broad-based, lowcost exposure to both the developed and emerging markets.	① The Index consists of approximately 2000 securities across 47 markets, with emerging markets representing approximately 18%. ② Pasively managed(2) ③ State Street Global Advisors
RCM Socially Responsible Investment Fund	To provide strong investment results while integrating environmental, social, and governance (ESG) criteria into the investment strategy.	① The Fund invests in companies contained within the KLD Large-Mid Cap Social Index (LMSI). The LMSI holds approximately 600 companies with the highest ESG rankings in each sector of the 1000 largest US stocks. ② Actively managed(2) ③ RCM

INVESTMENT OPTIONS (CONTINUED)

Investment Option	Objective	① Investment make-up ② Management style ③ Manager
Russell 3000 Stock Index Fund	To provide income and capital appreciation and to replicate the returns and characteristics of the Russell 3000® Index. Passively managed.	① The Index is comprised of the 3,000 largest stocks in the US market and accounts for approximately 97% of the US stock market capitalization. ② Passively managed(1) ③ State Street Global Advisors
S&P 500 Stock Index Fund	To provide income and capital appreciation matching the total return of the Standard & Poor's 500 Composite Stock Price Index.	① All 500 of the equity securities in the S&P 500 Index, in proportion to the size of each as measured by its total market value. ② Passively managed(1) ③ State Street Global Advisors
Alaska Target 2025	To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. The fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2025 approaches.	① Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.(1)(2) ③ T. Rowe Price Associates, Inc.
Alaska Target 2020	To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. The fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2020 approaches.	① Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.(1)(2) ③ T. Rowe Price Associates, Inc.
Global Balanced Fund	Seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principal through investments in stocks and fixed-income securities.	① Stocks of large and small companies and corporate & government bonds based around the world ② Actively managed(2) ③ Capital Guardian Trust Company

more risk

less risk

INVESTMENT OPTIONS (CONTINUED)

more risk ↑ / less risk ↓

Investment Option	Objective	① Investment make-up ② Management style ③ Manager
Alaska Long-Term Balanced Trust	To provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages, and money market instruments for investors with an average risk tolerance.	① Stocks of large & small U.S. & established international companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.[1][2] ③ T. Rowe Price Associates, Inc.
Alaska Target 2015	To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2015 approaches.	① Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.[1][2] ③ T. Rowe Price Associates, Inc.
Alaska Balanced Trust	To provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages, and money market instruments for investors with a low to average risk tolerance.	① Stocks of large & small U.S. & established international companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.[1][2] ③ T. Rowe Price Associates, Inc.
Alaska Target 2010	To provide a diversified mix of stocks, bonds, and cash for long-term investors and/or investors with a moderate to high tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches.	① Large- & Small-Cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. ② Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios.[1][2] ③ T. Rowe Price Associates, Inc.
World Goverment Bond Ex-US Index	To provide income and capital investment and to replicate the returns and characteristics of the Citigroup World Government Bond Ex-US Index while minimizing tracking error.	① The Fund employs a passive bond indexing strategy, investing in a well diversified portfolio which is representative of the international government bond market. ② Passively managed[1] ③ State Street Global Advisors
Long-Term US Treasury Bond Index	To provide income and capital appreciation and to replicate the returns and characteristics of the Lehman Brothers Long Treasury Bond Index.	① The Fund seeks to match the return of the Lehman Brothers Long Treasury Bond Index by investing in a well-diversified portfolio of treasury securities with maturities longer than ten years. ② Passively managed[1] ③ State Street Global Advisors

INVESTMENT OPTIONS (CONTINUED)

Investment Option	Objective	① Investment make-up ② Management style ③ Manager
Government/Credit Bond Fund	To provide high current income and some capital appreciation by investing in a diversified portfolio of high quality US fixed income securities	① Securities included in the Lehman Brothers Government Corporate Bond Index ② Passively managed[1] ③ Barclays Global Investors, N.A.
US Treasury Inflation Protected Securities Index	To provide income and capital appreciation and to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.	① The Fund seeks to match the returns of the Index by investing in a portfolio of US Treasury inflation protected securities. ② Passively managed[1] ③ State Street Global Advisors
Intermediate Bond Fund	To provide high current income and some capital appreciation by investing in a portfolio of US government fixed income securities.	① Securities included in the Lehman Brothers Intermediate Government Bond Index ② Passively managed[1] ③ Barclays Global Investors, N.A.
Interest Income Fund	To provide a stable rate of return while preserving capital.	① Medium-term high grade corporate and government fixed income securities ② Actively Managed[2] ③ T. Rowe Price Stable Asset Management
State Street Institutional Treasury Money Market Fund	To provide a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable $1.00 per share net asset value ("NAV"). The Fund invests in US Treasury securities with maturities of 397 calendar days or less.	① The Fund attempts to achieve its investment objective by investing exclusively in direct obligations of the US Treasury, such as US Treasury bills, notes, and bonds. The Fund may also invest in other mutual funds, subject to regulatory limitations, that invest exclusively in such obligations. ② Actively managed[2] ③ State Street Global Advisors

more risk ↑ ↓ less risk

Registration with the Securities and Exchange Commission is not required for the State of Alaska Deferred Compensation Plan.

(1) To be passively invested means to buy and hold a well-diversified portfolio of securities. Passive managers buy a portfolio of securities that comprise a market index while active managers select specific securities to attempt to outperform an index.

(2) An actively managed fund is one in which the fund manager buys, holds and sells a portfolio of stocks and/or bonds which are consistent with the fund's stated investment objective. Using a variety of methods the active fund manager attempts to select funds that will outperform the market.

** Foreign investments involve special risks, including currency fluctuations, economic and political instability and differences in accounting standards.*

*** Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.*

Q4

What is the underlying investment vehicle used for these funds?

The funds managed by Capital Guardian Trust Company, T. Rowe Price Associates, are known as collective trust funds. A collective trust fund is an investment fund set up by a financial institution which is segregated from the general funds of the financial institution. Plan assets are invested into the collective trust fund and that fund, in return, invests in the underlying securities.

The Interest Income Fund is comprised of Structured Investment Contracts (SICs) that are designed to protect principal value from changes in market interest rates. SICs are issued by high quality banks and insurance companies to provide a stable asset value. The SIC or "wrap contract" permits underlying assets of the Interest Income Fund to be valued at book value (i.e., principal plus accrued income). The wrap allows plan withdrawals to be paid at book value.

Brandes Institutional International Equity Fund and the Citizens Core Growth Fund are stand alone, regularly registered mutual funds.

Q5

What are the top holdings for each investment option?

There is, contained in separate "Investment Option Detail Sheets," a listing of the Top Ten Holdings for each investment option. Investment Option Detail Sheets with fund information and top ten holdings are available on the Division of Retirement and Benefits website. The Fund descriptions and the fund's top ten holdings are updated approximately every 6 months. Fund return results are reported quarterly and are included with participant account statements. For more detailed information on available investment options, **please visit the DRB website at doa.alaska.gov/drb**. Click on the "Deferred Compensation Plan" link under Programs and then "Investment Option Detail Sheets" under Publications. Adobe Acrobat Reader is required to download and view Investment Option Detail Sheets. You can print a copy of any sheet directly from your web browser. If you are unable to access this information from the web, please call DRB.

FINDING INFORMATION ABOUT YOUR INVESTMENT OPTIONS

Q6

What is "unit value?"

Unit value is the value of each unit you own in the fund. The number of units purchased by your deposit depends on the unit value at the time your deposit was made. Thereafter, the unit value fluctuates depending upon the value of the underlying securities in the fund portfolio. Funds are valued daily.

To calculate the unit value, we begin with the net asset value of all underlying securities, then add any dividend distributions and deduct the investment management expenses. The value of your investment in any variable option on any given day is determined simply by multiplying the number of units you own by the unit value on that particular day.

Q7

Can I look up the value of my funds in the newspaper?

No. Although similar funds are offered to the general public, their returns are stated on the basis of share prices. Your deferred compensation plan presents returns based on unit value prices. The unit values, for funds other than the Citizens Core Growth Fund and the Brandes Institutional International Equity Fund, are unique and not printed in the newspaper.

Q8

Where can I find rates of return for the investment options?

The plan publishes a sheet with "Historical Average Annual Total Rates of Return" with each quarter-end statement mailing. This sheet summarizes the quarterly, and the one-, three-, five-, and ten-year average annual rates of return for each option and the corresponding tracking index or benchmark for each option. This sheet is made available separately because it is updated each quarter to provide the most up-to-date information. If you have not received the latest rates of return sheet, you can obtain it from the Plan Representative in the Division of Retirement and Benefits or from a Great-West Client Service Representative at the addresses and phone numbers indicated on page 2. The DRB home page can be accessed through the State of Alaska home page under Department of Administration, Division of Retirement and Benefits: doa.alaska.gov/drb.

CHANGES AND TRANSFERS

Q9

May I transfer between the different investment options?

Yes. You may transfer all or a portion of your existing account balance among investment options daily, subject to the completion of prior transfers.

See questions 17 and 18 of this section for limitations and timing.

Q10

May I reallocate my money among the investment options?

Yes. You may reallocate your new deferrals to different investment options daily, but only the last one received prior to deposit of contributions will be used.

Q11

Is there a toll-free number available to obtain account information, make transfers between options or reach a service representative?

If you are a touch-tone dialer with a Personal Identification Number (PIN):

You have automated access to information and transactions at any time with your PIN or a client service representative between 6 a.m. and 5:30 p.m., Alaska time, Monday through Friday by using the original KeyTalk® number: (800) 701-8255.

If you are a rotary-dialer or a touch-tone dialer without a PIN:
If you wish to speak to a client service representative between 3 p.m. and 5:30 p.m., Alaska time, Monday through Friday, please use the following number: (800) 232-0859.

With your PIN you can also access account information on the Division of Retirement and Benefits website at: doa.alaska.gov/drb.

KeyTalk® is a toll-free touch-tone service that allows you access 7 days a week, 24 hours a day (except between 10 p.m. Saturday and 10 a.m. Sunday, Alaska time) to:

- Obtain your current account balance.
- Obtain daily fund values.
- Transfer funds from one investment option to another without submitting forms. Effective February 1, 2001, instead of sending a written confirmation where one was previously required, you will be prompted to print your confirmation with reference number directly through your web browser after the transaction has finished. You will no longer be mailed a follow-up written confirmation. Before printing the confirmation, we recommend that you write down your confirmation number in the event of slowness due to high Internet traffic volume. You can also look at “Completed Transfers” for fund transfers or “Allocation” for future contributions the day after you made the transaction to further assure yourself that the transaction was successful. If you are unable to print a confirmation and would like to obtain one, please call a client service representative at (800) 701-8255 or (800) 232-0859 or call the Plan toll-free at 800-821-2251 or in Juneau at (907) 465-5700.
- Change allocations of future deposits without submitting forms. Written confirmation of all changes will be sent.

Important Note
If you call KeyTalk® to make changes to your account, **please** stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. **If you hang up before you hear your confirmation number**, your transaction request **may** or **may not** (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is **important** for you to review this document for accuracy **as soon as you receive it.**

There are two major types of changes you can make to your account through KeyTalk®:

1. transferring your existing assets among funds, and
2. changing how your **future** contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

Q12

How can I access KeyTalk®?

To access KeyTalk®, at (800) 701-8255, you will need a Personal Identification Number (PIN). This will be assigned to you when your account is set up. After accessing KeyTalk® for the first time, you can customize your PIN to a number that is easy for you to remember by choosing the appropriate option from the KeyTalk® menu.

Q13

What if I don't have access to a touch-tone phone?

If you don't have access to a touch-tone phone and want to make changes or obtain any of the information listed above, call the KeyTalk® number above, remain on the line, and you will be transferred to a Client Service Representative. Client Service Representatives are available to assist you Monday – Friday, 6 a.m. to 5:30 p.m., Alaska time. If you wish to speak to a client service representative between 3 p.m. and 5:30 p.m., Alaska time, Monday through Friday, please use the following number: (800) 232-0859. You may also call DRB in Juneau toll-free at 800-821-2251 or in Juneau at (907) 465-5700 with any questions. Also, for hearing-impaired participants, a special toll-free Telecommunication Device for the Deaf (TDD) number is available which allows participants to communicate with the Client Service representatives. The TDD line is available Monday – Friday, 6 a.m. to 5:30 p.m., Alaska time. This number is (800) 766-4952.

Q14

Can I conduct account transactions through the Internet?

Yes. You can use the Internet to conduct the same transactions you can do through KeyTalk®.

- Obtain your current account balance.
- Obtain daily fund values.
- Transfer funds from one investment option to another without submitting forms.
- Change allocations of future deposits without submitting forms.

You can do this by going to the Division of Retirement and Benefits website at www.state.ak.us/drb. From the division website, you should select the Deferred Compensation Plan option.

Effective February 1, 2001, instead of sending a written confirmation, you will be prompted to print your confirmation with reference number directly through your web browser after the transaction has finished. You will no longer be mailed a follow-up written confirmation.

Before printing the confirmation, we recommend that you write down your confirmation number. You can look at "Completed Transfers" for fund transfers or "Allocation" for future contributions anytime after the next day to assure yourself that the transaction was successful. The web history also contains the same information as the previous written confirmation.

If you are unable to print a confirmation and would like to obtain one, please call a client representative at (800) 701-8255 or (800) 232-0859 or call the Plan toll-free at 800-821-2251 or in Juneau at (907) 465-5700.

Q15

What transactions MUST be conducted through the Juneau DRB office?

The following transactions must be conducted through the Juneau DRB office:

- Arranging for withdrawal of your funds or making a payment deferral election upon termination
- Changing your address, phone number, name, etc.
- Starting deferrals under the plan.
- Changing the total amount of your monthly deferral (increase or decrease).
- Stopping deferrals.

Q16

Is there any charge for transfers?

No.

Q17

Is there any limit to the number of transfers and reallocations I may make?

Transfers and reallocations between investment options may occur daily. Amounts transferred must be in whole percentages only (e.g., 33%, not 33.33%), or an amount in dollars and cents (e.g., $12,345.67).

Q18

If I request a transfer, when is it made?

When transferring funds between investment options, the timing of the transfer is determined by two factors:

Received Date

- Transfer requests, either through KeyTalk® or the Internet, received by Great-West at or before 12:00 noon, Alaska time (or the market close, Alaska time, if earlier) of a business day are considered to be received on that day.
- Transfer requests received after 12:00 noon, Alaska time or requests received on a nonbusiness day are considered to be received the following business day.

Transaction Settlement Time

If you place a transfer on a business day at or before 12:00 noon, Alaska Time, you will receive that day's closing "sell" price per unit (Transfer-OUT $s) and that day's closing "purchase" price per unit (Transfer-IN $s). This applies whether you place the transfer through KeyTalk®, a Client Service Representative, or the Division of Retirement and Benefits website.

Your transfer must be completed at or before 12:00 noon, Alaska Time.

The transfer confirmation must take place at or before 12:00 noon. Transfers that are started at or before 12:00 noon Alaska time, but are **NOT completed** at or before 12:00 noon Alaska time, will be processed the NEXT business day.

It can take up to five minutes, or more, to complete a transfer. Please do not try to time your transfer just before the deadline hoping that it will finish in a minute or two. Phone delays, Internet delays, and heavy volume can interfere with completing a transfer. PLEASE take possible delays into account.

EXPENSES

Q19

What are the expenses associated with this plan?

There are two types of expenses charged against the plan:

1. Recordkeeping/administrative fee.
2. Investment management fee.

The recordkeeping/administrative fee is deducted monthly and applied pro rata to the funds in which you are invested. The investment management fee is a fee charged by the manager of an investment option for providing investment management of the particular fund. These fees are deducted daily and are netted out of the fund's performance, therefore, the investment management fees will not show on your statement.

This information is available in the quarterly statement insert. Fees vary from 0.03% to 1.20%.

Also, FASCorp deducts a fee for account recordkeeping/administrative expenses.

Q20

What are the recordkeeping/administrative fees applicable to my account?

Expenses are charged to your account in order to cover the cost of administration of the plan.

Monthly: 0.222% (Rate effective July 2009) annual rate on assets (0.00222/12 x month-end asset balance)

These charges will be assessed to your individual account on a monthly basis against all investment options. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. For example:

- The fees calculated on your account balance on March 31 will be assessed in April.
- The fees calculated on your account balance on April 30 will be assessed in May.
- The fees calculated on your account balance on May 31 will be assessed in June.

The March, April, and May fees will be reflected on your statement for June 30.

21

Are there any surrender charges applicable to my account?

Funds may be withdrawn at any age in the event of

- Retirement,
- Death of participant,
- Separation from service, or
- Proven financial hardship.

All withdrawals must be authorized by the State of Alaska.

There are no withdrawal fees or IRS penalties for any benefit payable upon retirement, separation of service, financial hardship, or death of participant. All funds are subject to federal income tax as they are paid out.

22

What investment management fees are associated with each option?

This information is available on the Investment Option Year-to-Date Total Returns and Historical Average Annual Total Rates of Return sheets. Fees vary from 0.03% to 1.20%.

Also, FASCorp deducts a fee for account recordkeeping/administrative expenses. See question 20 for details.

23

When are investment management fees deducted from the variable account?

Investment management fees are calculated daily and deducted from investment returns during the calculation of the "unit value." See question 6 for definition of "unit value."

QUESTIONS AND ANSWERS ABOUT MAJOR INVESTMENT TERMS

▼ What is a market index?

Market indexes measure the ups and downs of specific segments of the securities markets. They do not necessarily reflect the performance of your investments. Rather, they reflect the overall performance of certain investment types (e.g., foreign stocks, small company stocks, etc.).

There are hundreds of indexes measuring the performance of various types of stocks. Many are so specialized that they are not widely quoted. Other indexes that measure the performance of a larger number of stocks are more widely reported in most newspapers and are used to get a general idea of how certain types of funds have been performing. The market indexes listed below are seven of the most widely quoted and they cover a large percentage of the overall market.

STANDARD AND POOR'S 500 INDEX (S&P 500)

Standard & Poor's 500 Index is used as an indicator of general stock market performance. It is made up, for the most part, of the 500 largest companies on the New York Stock Exchange. A few of the stocks are not among the largest 500, but are included for diversification purposes.

RUSSELL 2000 INDEX

This index measures the stock performance of 2,000 small company stocks. These stocks have $250 million or less in market capitalization.

RUSSELL 2500 INDEX

This index is composed of the bottom 500 stocks in the Russell 1000 Index and all the stocks in the Russell 2000 Index. This index is a good measure of small to medium/small stock performance.

MORGAN STANLEY EAFE-FREE INTERNATIONAL INDEX

Securities of foreign corporations. The Morgan Stanley Capital International EAFE-Free Index, a subset of the EAFE (Europe, Australasia, Far East) Index, includes securities of countries that have no international investment restrictions. It is an arithmetic, market value-weighted average of the performance of more than 1,000 such securities listed on the stock exchanges of countries in Europe, Australasia, and the Far East.

LEHMAN BROTHERS GOVERNMENT/CREDIT BOND INDEX

This index is made up of the Treasury Bond Index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate debt guaranteed by the U.S. Government) as well as the 1 – 3 Year Government Index (agency and treasury securities with maturities of one to three years) and the 20+ Year Treasury Index (treasury issues with 20 years or more of maturity). This index also includes all publicly issued, fixed-rate, nonconvertible investment-grade, dollar-denominated, SEC-registered corporate debt. The corporate sectors are industrial, finance, utility, and Yankee.

LEHMAN BROTHERS AGGREGATE INDEX
This index tracks the performance of a wide variety of bonds and other fixed income securities.

DOW JONES INDUSTRIAL AVERAGE
The Dow Jones is the oldest and most widely quoted of all market indicators. It measures stock performance of 30 large "blue chip" companies. The term "blue chip" refers to stocks of companies with long records of profit growth and dividend payment and a reputation for quality management, products, and services.

In addition, the 90-day Treasury Bills analysis is often used as a yardstick for the performance of money market securities.

▼ What is an index fund?

Index funds seek to duplicate the composition and equal the performance of the market indexes. Academic research led to the development of index funds. Over their history, index funds have demonstrated very reliable performance in tracking their indexes, while proving themselves an excellent means of controlling investment management costs.

▼ What does it mean to be "passively invested?"

To be passively invested means to buy and hold a well diversified portfolio of securities. Passive managers buy a portfolio of securities that comprises a market index while active managers select specific securities to attempt to outperform an index.

Index-based investment strategies have some advantages over active management: lower costs (including management fees, custody costs, and transaction costs) and reliable performance (index funds minimize the risk of underperforming the market). Academic research has determined that more than 90% of a portfolio's performance is determined by asset allocation decision, while less than 5% is attributable to specific security selection.

▼ What is an actively managed fund?

An actively managed fund is one in which the fund manager buys, holds, and sells a portfolio of stocks and/or bonds which are consistent with the fund's stated investment objective. Using a variety of methods, the active fund manager attempts to select securities that will outperform the market.

GLOSSARY

AGGRESSIVE GROWTH FUND
A variable fund that seeks long-term growth through investment in corporate stock, and does not guarantee a specific rate of return. Generally, investments are made in smaller companies that offer good opportunity for appreciation, but also greater risk than a growth fund.

BALANCED FUND
A fund that buys common stock, preferred stock, and bonds in an effort to obtain the highest return consistent with a low risk strategy. A balanced fund typically offers a higher yield than a pure stock fund and performs better than such a fund when stocks are falling. In a rising market, however, a balanced fund usually will not keep pace with funds invested entirely in stock.

BOND
An interest-bearing certificate of indebtedness (a loan) from a corporation or government body. The issuer agrees to repay a sum by a certain date with a specified rate of interest. The term is generally longer than one year.

BOND FUND
A fund that seeks to provide income and protection of capital through investment in corporate or government bonds. It does not guarantee a specific rate of return, but its volatility is expected to be moderate to low.

CAPITALIZATION
The dollar value of all stock issued by a corporation.

CASH
Instruments or investments of such high liquidity and safety that they are virtually as good as cash (e.g., money market type instruments, treasury bills, commercial paper, etc.). Also referred to as cash equivalents. Such investments are typically short-term with maturities of one year or less.

CERTIFICATE OF DEPOSIT (CD)
An account in which a sum of money is deposited for a specified period of time at a guaranteed rate of return.

COMMERCIAL PAPER
Short-term debt obligations of a corporation.

COMMON STOCK
A security that represents ownership in a corporation.

COMPOUND INTEREST
Interest that is paid on both the principal and the accrued interest.

DIVERSIFICATION
The strategy of investing in a wide variety of different investment vehicles. A major benefit of diversification is the reduction in volatility of investment returns.

DIVIDEND
A distribution to stockholders of the earnings of a company.

DOLLAR COST AVERAGING
An investment approach in which the same amounts are put into the same funds on a consistent basis. By investing this way, more units of a fund are bought when the price is low. Over time, this results in a lower average cost per unit.

EQUITY
Ownership of corporate stock. Types of equities include: international stock, large-cap/large-company stock, and small-cap/small company stock. Please refer to the definitions of these types of equities for further information.

FIXED-INCOME INVESTMENT
Purchase of bonds, commercial paper or other types of debt. Guaranteed certificates are also generally classified as fixed income.

FUND
A sum of money and resources invested for a specific objective.

GROWTH FUND
A variable fund that seeks long-term growth through investment in corporate stocks, and does not guarantee a specific rate of return. Generally, investments are made in medium-to-large companies.

GROWTH AND INCOME FUND
A variable fund that seeks both long-term growth and current income through investment in bonds and dividend-paying stocks, and does not guarantee a specific rate of return. Generally, investments are made in large companies with a stable history.

GROWTH-ORIENTED STOCKS
Stocks of companies that tend to have above average price-to-earnings (P/E) ratios.

INDEX FUND
Index funds seek to duplicate the composition and equal the performance of market indexes. Academic research led to the development of index funds. Over their history, index funds have demonstrated very reliable performance in tracking their indexes, while proving themselves an excellent means of controlling investment management costs.

INFLATION RISK
The chance that the value of your assets or investments will be eroded as inflation shrinks the value of currency. Always measure the return of your investment against the rate of inflation. In other words, if an investment delivers a 10% annual rate of return and the inflation rate is 5%, your real return is 10% – 5% = 5%.

INTEREST
An amount paid for the use of borrowed money, usually calculated as a percentage.

INTERNATIONAL STOCK
Securities of foreign corporations. The Morgan Stanley Capital International EAFE-Free Index, a subset of the EAFE (Europe, Australasia, Far East) Index, includes securities of countries that have no international investment restrictions. It is an arithmetic, market value-weighted average of the performance of more than 1,000 such securities listed on the stock exchanges in Europe, Australia, and the Far East.

LARGE-CAP STOCK OR LARGE-COMPANY STOCK
Investors consider “large-company stocks” to be those issued by the United States’ largest, most well-established businesses. These stocks are sometimes referred to as “blue chip” stocks or stocks of companies with long track records of profit growth and dividend payment and a reputation for quality management, products, and services. The S&P 500 Index, the world’s most widely followed stock index, is comprised of 500 such large-cap stocks.

MATURITY
The date the principal amount of a debt becomes due.

MONEY MARKET FUND
A fund made up of only short-term, low-risk securities.

MORGAN STANLEY EAFE INTERNATIONAL INDEX
This index is the most commonly used for tracking foreign stocks. It tracks more than 1,000 stocks in Europe, Australia, and the Far East.

MUTUAL FUND
A fund that pools money from a large number of participants and invests it in a diversified group of securities.

PORTFOLIO
The set of investments held by an individual or organization.

PORTFOLIO TURNOVER RATE
The speed with which securities are traded within a fund. A fund which holds securities for a long period without selling has a low turnover rate.

PRICE-TO-EARNINGS (P/E) RATIO
The P/E ratio is the price per share of stock divided by the earnings per share for the stock company. The average P/E ratio is deemed to be that of the Standard & Poor’s 500 Index.

PRINCIPAL
The initial sum of money invested plus any future additions to that sum, other than from returns on the original investment.

RISK
The possibility of loss associated with an investment.

RISK TOLERANCE
The degree of chance an investor is willing to take with investments in exchange for the possibility of a greater return. This depends on individual preferences and circumstances.

RUSSELL 1000 INDEX
The Russell 1000 Index is defined as the largest 1,000 stock companies in the Russell 3000 Index.

RUSSELL 1000 GROWTH INDEX
The Russell 1000 Growth Index is defined as the 500 most “growth-oriented” stock companies in the Russell 1000 Index.

RUSSELL 1000 VALUE INDEX
The Russell 1000 Value Index is defined as the 500 most “value-oriented” stock companies in the Russell 1000 Index.

RUSSELL 2000 INDEX
This index measures the stock performance of 2,000 small company stocks. The Russell 2,000 Index is the "best barometer for small stocks."

RUSSELL 2500 INDEX
This index is composed of the bottom 500 stocks in the Russell 1000 Index and all the stocks in the Russell 2000 Index. This index is a good measure of small to medium/small stock performance.

RUSSELL 3000 INDEX
The Russell 3000 Index is defined as the 3,000 largest stock companies in the United States.

S&P 500
Standard & Poor's 500 Index is used as an indicator of general stock market performance. It is made up, for the most part, of the 500 largest companies on the New York Stock Exchange. A few of the stocks are not among the largest 500, but are included for diversification purposes.

S&P SMALL-CAP 600 INDEX
The Small-Cap 600 consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation. It is a market-weighted index, with each stock affecting the index in proportion to its market value.

S&P MID-CAP
Standard & Poor's Mid-Cap Index is used as an indicator of general stock market performance. It is made up of a set of 400 companies that are the next largest after the S&P 500, and have a median capitalization of approximately $600 million. This is not a fund available to investors, but is used as a benchmark to determine how well a fund is performing.

SECURITIES
Stocks or bonds.

SHORT-TERM FUND
A variable fund that seeks to provide high liquidity and current income through short-term investments. It does not guarantee a specific rate of return, but its volatility is expected to be extremely low.

SMALL-CAP OR SMALL-COMPANY STOCK
Companies that issue stocks classified by investors as "small-company stocks" are generally recently established corporations. They may be involved in new or niche products or technologies with a great potential for growth. However, this innovative nature also means greater volatility, risk, and price fluctuation.

TOTAL RETURN
Annual return on an investment including appreciation and dividends or interest.

UNIT VALUE
A measure used to determine the performance and track the account value of a variable fund. Contributions to a variable fund purchase units based on the current unit value. As the unit value changes, so does the value of the account.

VALUE-ORIENTED STOCKS
Stocks of companies that tend to have below average price-to-earnings (P/E) ratios.

VARIABLE FUND
A fund whose value fluctuates with market conditions. Unlike a guaranteed fund, whose value never decreases, the value of a variable fund may increase or decrease.

VESTING
Ownership of the money in a plan, usually based on the number of years of service with an employer.

VOLATILITY
The degree of rapid swings in the price of securities in a given period of time.

YIELD
The amount of income (interest or dividends) that an investment provides relative to its prevailing market price.

ALASKA DEFERRED COMPENSATION PLAN

For Employees of the State of Alaska

PLAN DOCUMENT

AS IN EFFECT ON THE DATE OF PUBLICATION OF THIS BOOKLET (EFFECTIVE CHANGE DATE FEBRUARY 1, 2010)

TABLE OF CONTENTS

The State of Alaska (hereinafter referred to as the "Employer") herewith establishes a deferred compensation plan for the benefit of its eligible employees, under Internal Revenue Code section 457(b), as follows:

ARTICLE 1. DEFINITIONS

A. **"Account"** means an investment account within the Trust Fund, established for each Plan Participant, Beneficiary, or Alternate Payee for the purposes of allocation of Employee contributions and the investment and reporting of the Participant's benefit under the Plan.

B. **"Act"** means Chapter 45 of Title 39 of the Alaska Statutes, as now in force or hereafter amended.

C. **"Actuarial Equivalent"** means benefits of equal value to the aggregate amounts expected to be received under different forms of payment, based upon annuity purchase rates established by the Administrator at the time the benefit is to be determined.

D. **"Alternate Payee"** means the spouse, child, or other dependent of a Participant for whom an amount has been separated into an account under a domestic relations order described in Article VIII.G.

E. **"Beneficiary"** means the person or persons entitled under the provisions of this Plan to receive benefits after the death of a Participant.

F. **"Compensation"** means the total remuneration earned by an Employee for personal services rendered, including cost-of-living differentials, as reported on the Employee's Federal Income Tax Withholding Statement (Form W-2) from the Employer for the calendar year, plus the wage reduction amount contributed to the Plan.

Notwithstanding the above, compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under sections 125, 132(f)(4), 401(a), 402(e)(3), 402(h)(1)(B) or 403(b) of the Code.

G. **"Deferred Compensation"** means all Compensation which is deferred by payroll deduction in accordance with the provisions of this Plan.

H. **"Employee"** means (1) any person (and only such person), including an officer, who is employed by the Employer and whom the Employer determines in the exercise of its sole discretion to be a common law employee who is rendering personal services to the Employer on a permanent employment basis, where the term permanent employment shall exclude short-term nonpermanent (but include long-term non-permanent), and also exclude temporary, casual, emergency, intermittent or poverty employment; (2) any person elected or appointed to a term of office with the Employer; and (3) any person who performs services in the capacity of an independent contractor as a member of a board or commission of the State of Alaska.

I. **"Employer"** means the State of Alaska.

J. **"Includible Compensation"** means Compensation for services performed for the Employer as defined in Code section 457(e)(5).

K. **"Internal Revenue Code"** or **"Code"** means the Internal Revenue Code of 1986, as amended from time to time.

L. "Investment Provider" means a corporation or individual selected to provide a particular investment vehicle to the Trust Fund through which a Participant, Beneficiary, or Alternate Payee, by exercising his or her control, is permitted to direct the Trustee or Trustees to purchase investments on his or her behalf.

M. "Investment Funds" means those separate funds which are provided within and which comprise the Trust Fund, and are established for the purpose of directing investments through the exercise of the sole control of a Participant, Beneficiary or Alternate Payee under the terms of the Plan and Trust Agreement.

N. "Normal Retirement Age" means age 70 before March 1, 2006, and 70-1/2 on or after March 1, 2006, unless the Participant makes a one-time written election to reduce normal retirement age. This election is irrevocable. Such election will be valid only if the Participant would have the required number of years of service for normal retirement age under AS 39.35.370. Any Participant who has at any time used the Catch-Up provisions of Article III, Paragraph C, Subparagraph 2 may not subsequently change his retirement age.

A Participant who continues in the employ of the Employer after reaching Normal Retirement Age shall continue to participate in the Plan and may have contributions allocated to his or her Account.

O. "Participant" means any Employee or former Employee who retains a right to benefits under the Plan.

P. "Plan" means the "State of Alaska Deferred Compensation Plan" issued May 31, 1974, amended January 17, 1980, October 1, 1981, October 1, 1982, October 28, 1982, December 31, 1983, May 1, 1986, November 1, 1993, November 15, 1994, April 1, 1995, January 1, 1997, July 1, 1998, January 1, 2002, April 1, 2003, March 1, 2006, February 1, 2010, and includes any future amendments.

Q. "Plan Administrator" or "Administrator" means the Commissioner of Administration, State of Alaska, or the Commissioner's designee. The Plan Administrator shall be responsible for the administration and interpretation of the Plan and shall establish and carry out a funding policy consistent with the purposes of the Plan.

R. "Record Keeper" means an operating entity selected by the Plan Administrator to provide administrative services on behalf of the Plan.

S. "Termination of Employment" means the termination of the Employee's employment with the Employer for any reason, or the expiration of the term of office of an elected or appointed Employee.

T. "Trustee(s)" means that corporation and/or individuals who are designated by the Commissioner of Administration of the State of Alaska as a Trustee or Trustees of the Alaska Deferred Compensation Plan Trust.

U. "Trust Fund" means all cash, securities, real estate, and any other property, together with income thereon, of this Plan held by the Trustee pursuant to the terms of the State of Alaska Deferred Compensation Plan Trust Agreement entered into between the State of Alaska and the Commissioner of the Department of Revenue, as the designated Trustee, as such agreement may subsequently be amended from time to time.

ARTICLE II. ELIGIBILITY AND PARTICIPATION

A. Eligibility Requirements

An Employee is eligible to participate immediately following the completion of a pay period of employment.

B. Participation

An Employee shall complete the required enrollment forms and submit them to the Administrator or the Administrator's designee. Subject to the approval of the Administrator, deferral of Compensation may commence on the first pay period following completion, submission and acceptance of the required enrollment forms. Participation in the Plan continues until a Participant is no longer entitled to benefits under the Plan.

ARTICLE III. EMPLOYEE CONTRIBUTIONS

A. Source of Deferred Compensation

Deferred Compensation shall be derived by payroll deduction solely from Compensation earned after the date the Employee became a Participant.

B. Minimum Amount of Deferred Compensation

As a part of the enrollment process, the Employee shall specify the amount of Compensation to be deferred which may not be less than $50.00 per month.

C. Maximum Amount of Deferred Compensation

1. Primary Limitation

Except as provided in C.2 and C.3. of this Article III, the maximum that may be deferred under the Plan for any taxable year of a Participant shall not exceed the lesser of (a) the applicable dollar amount in effect for the year, as adjusted for the calendar year in accordance with Code section 457(e)(15) (the "Primary Limitation"), or (b) 100% of the Participant's Includible Compensation, each reduced by any amount specified in C.4. of this Article III during that taxable year.

2. Catch-up Limitation

However, for one or more of the Participant's last three taxable years ending prior to Normal Retirement Age, the maximum amount of Deferred Compensation shall be the lesser of

a) twice the applicable limit set forth in Code section 457(e)(15); or

b) the Primary Limitation, plus so much of the Primary Limitation as has not been utilized for prior calendar years beginning after December 31, 1978, if, during each such years, compensation deferred under the Plan was subject to the Primary Limitation, and the Employee was eligible to participate in the Plan.

3. Additional Contributions for Participants Age 50 and Over

Participants age 50 and over are allowed to contribute those additional amounts allowed under Code section 414(v), subject to Code section 414(v)(6)(C), which provides that such additional contributions allowed by this Subparagraph are not available during the three years the Participant is utilizing the catch-up limitation provided for in Subparagraph 2 of this Paragraph C.

4. **Participant Covered by More Than One Eligible Plan**
   If the Participant is or has been a participant in one or more other eligible plans within the meaning of section 457(b) of the Code, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Article III. For this purpose, the Administrator shall take into account any other such eligible plan maintained by the Employer.

D. Changing Amount of Deferred Compensation

A Participant may increase or decrease the amount of Deferred Compensation subject to the minimum and maximum deferrals once each month. The change shall be subject to the approval of the Administrator, and shall be effective no earlier than the first day of the month following receipt of the change request.

E. Temporary Suspension or Decrease of Deferred Compensation

Deferred Compensation will be suspended for any month or months in which there are insufficient monies available to make the deferral agreed upon. Deferrals will be reinstated in the next month in which there are sufficient monies available to make the deferral agreed upon.

F. Ceasing Deferred Compensation

1. **Voluntary Cessation**
   A Participant may stop deferring Compensation without withdrawing from the Plan by providing the Administrator with written notice of intent to cease deferrals. Deferrals will thereupon cease as soon as administratively feasible after the written notice is approved by the Administrator.

2. **Mandatory Cessation**
   A Participant must stop deferring Compensation prior to making a request for a withdrawal due to an unforeseeable emergency by giving the Administrator written notice of intent to cease deferrals. This cessation must remain in effect for one year, after which the Participant may reinstate his deferral of Compensation.

G. Reinstatement of Deferred Compensation

If deferral of Compensation ceases pursuant to Paragraph F.2. of this Article III, the Participant may reinstate deferral by completing the required form provided for this purpose. The Participant may reinstate his deferral of Compensation effective the first day of the month following completion and submission of the required form. Reinstatement may not be effective until the required form is approved by the Administrator. Deferrals will commence in the amount provided on the new forms.

H. Correction of Excess Deferrals

If the Deferred Compensation on behalf of a Participant for any calendar year exceeds the limitations described above, or the Deferred Compensation on behalf of a Participant for any calendar year exceeds the limitations described above when combined with other amounts deferred by the Participant under another eligible deferred compensation plan under section 457(b) of the Code for which the Participant provides information that is accepted by the Administrator, then the Deferred Compensation, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant, as soon as administratively practicable after the Plan determines that the amount is an excess deferral.

I. Terminal Leave Pay

A Participant may elect to defer any payments of the value of accrued funded leave (funded annual or funded personal leave) that will become payable to the participant no later than two and one-half (2-1/2) months after the participant ceases to be an Employee. This election must be filed with the Plan Administrator before the beginning of the month in which the Participant ceases to be an Employee. Severance pay and other amounts that are not payable during active employment are not eligible for deferral under this Plan.

ARTICLE IV. ALLOCATIONS TO EMPLOYEES' ACCOUNTS

A. Accounts

The Plan Administrator has delegated its responsibility to maintain separate accounts on behalf of each Participant, Beneficiary, and Alternate Payee to the Record Keeper. Each Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to the Plan as described in this Article IV. The Account of each Participant, Beneficiary, and Alternate Payee shall be adjusted daily by the following credits and debits:

1. Payments

Subtract the total amount of any payments made from the Account since the preceding date.

2. Contributions

Add the deferral Contributions to the Account since the preceding date.

3. Investment Fund Transfers

Add or subtract the amount of any adjustments to the Account resulting from transfers of Investment Funds.

4. Change-in-Value

Add or subtract the change in value of the Account based on the increase or decrease in the market value of the Investment Fund units held in the Account.

5. Administrative Fees

Subtract the administrative fees in the amount of the prescribed percentage of the month-end asset balance of the Account at the end of each calendar month and a prescribed annual fee during each plan year.

6. Miscellaneous Adjustments

Add or subtract any additional miscellaneous adjustments which are required to reflect the current valuation of the Account.

B. Plan-to-Plan Transfers

1. Transfers to the Plan

Plan-to-plan transfers (but not rollovers) may be accepted from an eligible Code section 457 deferred compensation plan maintained by another governmental employer and will be credited to a Participant's Account with this Plan under the following conditions:

a) The Participant was formerly a participant in an eligible deferred compensation plan maintained by another governmental employer.

b) The Participant has separated from service with that employer and becomes an employee of the State.

c) The Participant has not begun receiving payment of benefits from the other plan.

d) The other employer's Plan permits the direct transfer of the Participant's interest therein to this Plan and such transfer is a "plan-to-plan transfer" which the Code and Regulations permit an employee to transfer, either directly or indirectly, from one eligible plan to another eligible plan. Before accepting a transfer, the Administrator may require an Employee to furnish satisfactory evidence that the proposed transfer is in fact a plan-to-plan transfer which the Code and Regulations permit an employee to make to an eligible plan.

e) The Participant whose account is being transferred will have an amount deferred immediately after the transfer at least equal to the amount deferred under the other governmental deferred compensation plan with respect to that Participant immediately before the transfer.

f) The participant files with the Administrator the prescribed form for a plan-to-plan transfer and obtains the Employer's written consent.

Any irrevocable or revocable election executed with respect to the assets in the former plan shall become null and void as of the date the assets are transferred into this Plan. An eligible employee, prior to satisfying the Plan's eligibility requirements, may make a plan-to-plan transfer to the same extent and in the same manner as the Participant, provided the employee has completed the necessary enrollment forms.

The transferred amounts shall be held, accounted for, administered and otherwise treated in the same manner as Compensation deferred by the Participant under this Plan. The transferred amounts shall not be considered Compensation deferred under this Plan in the taxable year of such transfer in determining the maximum deferral available for that year. However, for the purposes of Article III, Paragraph C, an amount deferred during any taxable year under the Plan from which the transfer is accepted shall be treated as if it had been deferred under this Plan during such taxable year.

The Plan may require such documentation from the predecessor plan as it deems necessary to confirm that such plan is an eligible deferred compensation plan within the meaning of Code section 457(b), and to assure that transfers are provided under such plan. The State may refuse to accept a transfer in the form of assets other than cash, unless the State and the Administrator agree to hold such other assets under the Plan.

2. Transfers to Another Eligible 457(b) Plan

An account may be transferred to an eligible deferred compensation plan maintained by another governmental employer, if

a) The Participant has separated from service with the Employer and becomes an employee of the other employer.

b) The other employer maintains an eligible deferred compensation plan pursuant to section 457(b) of the Code.

c) The other employer's Plan provides that such a plan-to-plan transfer will be accepted.

d) The other employer has provided assurance that the Participant whose amounts deferred are being transferred will have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that Participant under the Plan immediately before the transfer.

Such election to transfer must be made prior to the time that payment of benefits have commenced under the Plan. The Plan Administrator may require such documentation from the other plan as it deems necessary to confirm that such plan is an eligible deferred compensation plan pursuant to section 457(b) of the Internal Revenue Code and its regulations.

3. **Rollovers From Certain Other Employer-Sponsored Plans and IRAs Not Allowed**

   The plan will not accept rollover contributions of distributions from IRAs described in Code sections 408(a) and (b) or from the following types of plans: qualified plans described in Code sections 401(a) and 401(k), 403(b) plans, or Code section 457(b) plans.

4. **In-Service Transfers For The Purchase of Defined Benefit Plan Service Credits**

   An Account, or a portion thereof, may be transferred, while the Participant is in-service, to a governmental defined benefit plan for the purchase of permissive service credit as allowed by Code section 457(e)(17), if:

   a) The governmental defined benefit plan provides that such a plan-to-plan transfer will be accepted.

   b) The governmental defined benefit plan has provided assurance that it will pay the benefits to the Participant as may be allowed under its Plan.

   Such election to transfer must be made prior to the time that payment of benefits has commenced under this Plan. The Administrator may require such documentation from the other plan as it deems necessary to confirm that such plan provides for the purchase of permissive service credit (as defined in Code section 415(n)(3)(A)) under such plan or a repayment to which Code section 415 does not apply by reason of subsection 415(k)(3).

C. Amounts Placed in Trust, Fees and Adjustments

The Employee contributions specified in Article III shall be deposited into the Trust Fund as soon as administratively feasible after receipt by the Trustee.

The Plan Administrator shall direct the Trustee to make payment from the Trust Fund for any fees (administrative, investment, or other) incurred by the Plan in such amounts and at such times as deemed necessary by the Plan Administrator for the maintenance of the Plan. No fees shall be paid from the Trust Fund on account of reimbursement for settlor expenses. Settlor expenses shall include those incurred by the State on account of the creation, amendment or termination of the Plan.

Amounts remaining in the Trust Fund following the payment of necessary and reasonable administrative expenses associated with the administration of the Plan shall be invested by the Trustees in accordance with the direction of the Participant, Beneficiary or Alternate Payee in one or more Investment Funds as may be made available by the Plan Administrator and shall increase or decrease depending upon changes in investment value.

The corpus or income of the trust or custodial account may not be diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries.

D. Valuation of Trust Fund

The Trust Fund shall be valued at least once a quarter, and the value and investment performance of each individual Account shall be reported to respective Participants at a reasonable time following the valuation date based on information assembled by the Plan Administrator.

E. Participant Election to Direct Investments Among Available Investment Funds

1. Initial Deposit of Employee Contributions to Investment Funds

Investment of Plan funds held in an Account may be directed by a Participant, Beneficiary or Alternate Payee among available Investment Funds in accordance with rules established by the Plan Administrator. Initial investment of Plan funds allocated to an Account shall be allocated to the default investment fund as specified by the Plan Administrator if the Participant does not specify an investment fund choice. Once made, the Plan funds allocated to an Account shall be directed to the available Investment Funds in accordance with the provisions of this Paragraph E.

2. Participant Direction of Investment

A Participant, Beneficiary, or Alternate Payee may elect to change the investment of Employee contributions to be allocated to his or her Account among available Investment Funds once each day in accordance with the rules established by the Plan Administrator. Only the last election that has been filed with the Plan Administrator prior to the transmittal of Employee contributions to the Trust Fund for allocation to the individual Account will be used to direct the investment of the Employee contributions received.

3. Investment Direction to Transfer Existing Individual Account Balance Among Investment Funds

A Participant, Beneficiary or Alternate Payee may elect to transfer all or a portion of his or her existing Account balance among available Investment Funds once each day in accordance with the rules established by the Plan Administrator. Such a direction shall be effective as indicated in the rules established by the Plan Administrator.

4. Liability

The Employer, Plan Administrator, State of Alaska, Alaska Retirement Management Board, or a person or entity who is otherwise a fiduciary, is not liable for any investment loss, or by reason of any breach, that results from the direction of the Participant, Beneficiary, or Alternate Payee in the exercise of control over the Plan assets allocated to his or her Account for the purpose of directing the investment of those funds.

5. Right to Select Investment Options for Participant Use

Effective October 1, 2005, the Alaska Retirement Management Board retains the right to select the investment options to be made available to Participants, and may change them from time to time, in accordance with AS 39.45.030.

ARTICLE V. VESTING AND PAYMENT OF BENEFITS

A. Vesting

Each Participant's Account shall be fully vested and nonforfeitable at all times. Such vesting in the Plan in no way abrogates the right of the Employer or the Participant to terminate the Participant's employment at any time, with or without cause.

B. Eligibility for Payment

1. A terminated Employee shall be eligible to elect distribution of his or her Account, in accordance with this Article V, subsequent to termination of employment, within an administratively feasible time in accordance with the business practices established by the Plan.
2. The distribution of an Account can be made in whole or in part.

   Where a distribution of an Account involves an annuity option, such annuity option can not be changed once the benefit has commenced.
3. If a Participant dies before benefits commence, a Beneficiary shall be immediately eligible to elect distribution of the deceased Participant's Account, in accordance with the terms and conditions of this Article V.
4. Notwithstanding the foregoing, in the event that a domestic relations order qualifying as such is received and approved by the Plan Administrator as specified in Paragraph G of Article VIII, benefits shall be payable to the Alternate Payee in accordance with the terms and conditions of such order, as that order has been accepted by the Plan.

C. Hardship Withdrawals for an Unforeseeable Emergency

1. General

In the event of an unforeseeable emergency which is beyond the control of the Participant and which causes extreme financial hardship, a Participant may apply to the Administrator to distribute all or a portion of the Participant's Deferred Compensation. Such application shall be made by completing and submitting all required forms for this purpose. The Participant must, prior to application, cease deferring Compensation in accordance with Paragraph F of Article III. If the application for the payment is approved by the Administrator, payments shall be effective as soon as possible after the date specified in the Participant's application or the date of approval by the Administrator, if later.

2. Unforeseeable Emergency Defined

An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from:

a) an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Code section 152(a)).

b) loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster);

c) the need to pay for the funeral expenses of the Participant's spouse or dependent (as defined in section 152(a) of the Code);

d) or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant; for example,

i) the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency.

ii) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency.

Except as otherwise specifically provided in Paragraph C of this Article V, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.

3. Unforeseeable Emergency Distribution Standard

A distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved:

a) through reimbursement or compensation from insurance or otherwise,

b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

c) by cessation of deferrals under the Plan.

4. Demonstration of Need

A Participant requesting a hardship withdrawal by reason of an unforeseeable emergency must clearly demonstrate that the circumstances giving rise to the emergency were not under the Participant's control and constitute a real emergency which is likely to cause the Participant great financial hardship. The Administrator may require such medical, financial, or other evidence deemed appropriate to make a determination concerning the Participant's withdrawal request.

5. Distribution Necessary to Satisfy Emergency Need

Distributions because of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). In no event shall the distribution exceed the value of the Participant's Deferred Compensation Account. Any money remaining in the Account shall be distributed in accordance with the provisions of this Plan.

6. Method of Distribution

The method of distribution of any withdrawal for unforeseeable emergency shall be determined by the Administrator.

D. Distribution Requirements

1. General Rule

Notwithstanding any other provision of the Plan, distributions shall be determined and made in accordance with the applicable requirements of Code sections 401(a)(9) and 457(d) and proposed or final Treasury Regulations hereunder. These rules also apply to distributions to Beneficiaries or Alternate Payees.

2. Required Beginning Date

The entire interest of a Participant must be distributed or begin to be distributed no later than the Employee's required beginning date. The required beginning date of a Participant is the later of the first day of April of the calendar year following the calendar year in which the Participant attains age 70-1/2 or the date of actual retirement.

E. Benefit Commencement Date

1. Payments to a Participant or Beneficiary who meets the requirements of Paragraph B of this Article V shall commence as soon as administratively feasible following the benefit commencement date. The benefit commencement date is the first date on which one of the following occurs:

    a) A Participant or Beneficiary meets the requirements of Paragraph B of this Article V and has made a complete application for payment;

    b) A Participant attains age 70-1/2 and has not made an application for payment.

    c) A Beneficiary did not begin receiving payments by December 31 of the year following the Participant's death, and five years have elapsed since the Participant's death.

    d) A Participant requests a direct trustee-to-trustee transfer to another plan as permitted in paragraph E of this Article V.

2. A Participant or Beneficiary may elect to defer receipt of payment to a date later than the date specified in Paragraph B of this Article V in accordance with the following:

    a) A Participant may defer to any date up to April 1 of the year after attaining age 70-1/2;

    b) A spouse Beneficiary may defer to any date on or before December 31 of the year in which the Participant would have attained age 70 1/2. Payments must be made over a period no longer than the life expectancy of the spouse.

    c) A nonspouse Beneficiary must receive a distribution (1) of the entire amount by December 31 of the calendar year that contains the fifth anniversary of the Participant's death, or, (2) if the distribution is started by December 31 of the calendar year following the year of the Participant's death, it can be made payable over the life of the Beneficiary, but not beyond his or her life expectancy.

3. Payments to an Alternate Payee shall commence as soon as administratively feasible for an Alternate Payee who meets the requirements of Paragraph B, subparagraph 4 of this Article V and has made a complete application for payment.

4. Notwithstanding any other provisions of this Article V, the entire Account balance of a Participant, Beneficiary, or Alternate Payee who meets the requirements of Paragraph B of this Article V will be distributed automatically in a lump sum if the balance is $1,000 or less.

F. Form of Payment

1. A Participant may elect to receive his or her Account in the form of (i) a total or partial lump-sum as described in subparagraph (a); (ii) an annuity described in subparagraphs (b), (c), (d), or (e); a periodic payment described in subparagraph (f); or (iii) a partial lump-sum plus an annuity described in subparagraphs (b), (c), (d), or (e), defined as follows:

    a) Lump Sum - The payment of all or any part of a Participant's Account balance in a payment amount of a single distribution. The Participant may designate the time and amount of each payment;

    b) Period Certain Annuity - An annuity payable in a fixed number of monthly installments for a duration of 60, 120 or 180 months;

c) Life Annuity with a Period Certain - An annuity payable until the later of (1) the first day of the month in which the annuitant's death occurs, or (2) the date on which the payment of a fixed number of monthly installments is completed. The duration of the installments shall be 120 or 180 months;

d) Single Life Annuity - An annuity payable monthly until the first of the month in which the annuitant's death occurs;

e) Joint and Survivor Annuity - An annuity payable monthly to the Participant until the first of the month in which the Participant's death occurs. Following the Participant's death, a survivor annuity equal to 50% or 100% of the Participant's benefit (as previously elected by the Participant) shall be paid monthly to the joint annuitant for the remainder of his or her lifetime; or

f) Periodic Payment – A form of payment which allows Participants to receive benefit payments out of their Accounts while staying invested in the current fund offerings provided by the Plan. The payment schedules are

   i) Period Certain—Participant selects length of time to receive funds.

   ii) Minimum Distribution Option—amounts paid will be recalculated annually and paid at the minimum distribution level.

   iii) Payment Certain—Participant selects amount to be paid out and continue until funds are depleted.

2. This subparagraph applies to distributions made on or after January 1, 2002. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution that is equal to at least $200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

   a) For purposes of this subparagraph, an "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income; any hardship distribution described in Section 401(k)(2)(B)(i)(iv) of the Internal Revenue Code received after December 31, 1998; any hardship distribution described in Section 402(c)(4) of the Code received after December 31, 2001; and any other distribution(s) reasonably expected to total less than $200 during a year.

   b) For purposes of this subparagraph, an "eligible retirement plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, a qualified plan described in Section 401(a) of the Code, and on and after January 1, 2002, a tax sheltered annuity plan described in Section 403(b) of the Code or a governmental plan described in Section 457(b) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, prior to January 1, 2002, an eligible retirement plan is an individual retirement account or an individual retirement annuity.

c) For purposes of this subparagraph, a distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

d) For purposes of this subparagraph, a "direct rollover" is a payment by the Plan to the eligible retirement plan specified by the distributee.

e) This Plan does not accept contributions of eligible rollover distributions.

3. A Participant may request that the Plan Administrator transfer all or a portion of his or her Account in a direct trustee-to-trustee transfer to another defined benefit governmental plan defined in Code Section 414(d) allowed to receive such a transfer for the purpose of purchasing permissive past service credits as defined in Code Section 415 (n)(3)(A) under the receiving plan in accordance with the terms of that plan. Such transfers are limited to no more than two in a calendar year.

4. Any form of payment elected shall be the Actuarial Equivalent of the value of the Participant's Account as of the benefit commencement date.

5. Plan Distributions on Account of Death

a) Upon the death of a Participant whose payments have commenced, a Beneficiary shall receive further payments only to the extent provided in accordance with the form of payment that was being made to the deceased Participant. The remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

b) If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (i) or (ii) below:

i) if any portion of the Participant's interest is payable to a designated Beneficiary, distributions may be made over the life or over a period certain not greater than the life expectancy of the designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died;

ii) if the designated Beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with (i) above shall not be earlier than the later of (A) December 31 of the calendar year immediately following the calendar year in which the Participant died and (B) December 31 of the calendar year in which the Participant would have attained age 70 1/2.

If the Participant has not made an election pursuant to this subparagraph by the time of his or her death, the Participant's designated Beneficiary must elect the method of distribution no later than the earlier of (A) December 31 of the calendar year in which distributions would be required to begin under this section, or (B) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated beneficiary, or if the designated Beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

c) For purposes of subparagraph 4(b) above, if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of subparagraph 4(b), with the exception of paragraph (2) therein, shall be applied as if the surviving spouse were the Participant.

d) For purposes of this subparagraph, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

e) For the purposes of this subparagraph 4, distribution of a Participant's interest is considered to begin on the Participant's required beginning date (or, if subparagraph 4(c) above is applicable, the date distribution is required to begin to the surviving spouse pursuant to subparagraph 4(c) above). If distribution in the form of an annuity irrevocably commences to the Participant before the required beginning date, the date distribution is considered to begin is the date distribution actually commences.

G. Changing Elections

A Participant or Beneficiary may change any

1. form of payment election, or
2. election to commence benefits, or
3. joint annuitant designation

at any time, prior to the issuance of a lump-sum payment or prior to the issuance of an initial annuity payment. Changes will not be allowed on or after the issuance of such payment. A Participant may change the periodic form of payment with respect to the period certain schedule, the payment certain schedule, or the frequency of payments (or stop the periodic payments) at any time.

H. Failure to Elect a Form of Payment

If a Participant who is not married, or a Beneficiary in the case of the Participant's death, fails to elect a form of payment prior to the required benefit commencement date, the Account shall be paid in the form of a Lump Sum. If a married Participant fails to elect a form of payment prior to the benefit commencement date, the Account shall be paid in the form of a 50% Joint and Survivor Annuity, with the Participant's spouse as the joint annuitant.

I. Late Contributions

Contributions pursuant to Article III made on behalf of a terminated Employee after the benefit commencement date shall not affect the form or amount of payments already being made to the Participant or a Beneficiary. If that Participant is not currently employed by the Employer, these contributions shall be paid directly to the Participant or Beneficiary as soon as administratively feasible.

J. Reemployment After Benefits Have Commenced

Annuity benefits which are being paid to a Participant shall not be affected by the Participant's subsequent employment with the Employer. Periodic payment benefits or partial lump sum withdrawals paid to a Participant will cease upon reemployment.

K. Return of Overpayments and Interest on Overpayment Amounts

A Participant, Beneficiary, or Alternate Payee shall remain responsible for repayment to the Plan of any excess amounts received pursuant to a distribution should it be determined that the Participant, Beneficiary, or Alternate Payee is not entitled to the entire amount he or she actually received.

The Participant, Beneficiary, or Alternate Payee shall also pay interest on amounts overpaid at a prescribed rate of interest at seven percent due to an overpayment of a benefit withdrawal.

ARTICLE VI. BENEFICIARIES

A. Designation

A Participant may designate a Beneficiary, on a form provided for that purpose by the Plan Administrator, to receive the Plan distributions payable following the Participant's death as described in Paragraph F, Subparagraph 5 of Article V. Except as provided in Subparagraph 4 below, any Beneficiary designation, whether filed with the Plan Administrator before, on, or after March 1, 2006, is subject to the rules under Subparagraphs 1 – 3 below. A Participant may change or revoke a Beneficiary designation without notice to the Beneficiary or Beneficiaries at any time by filing a new designation with the Plan Administrator. Any new Beneficiary designation is subject to the spousal consent rules described below.

1. If a Participant who was married at the time of death designated a nonspouse Beneficiary, the actuarial equivalent value of the benefit payable to such Beneficiary shall not exceed 50% of the Participant's Account balance. The spouse to whom the Participant is married at the time of the Participant's death shall automatically be deemed the Beneficiary for the remaining 50% of the Account balance unless the spouse specifically consents to the nonspouse Beneficiary designation in the manner prescribed by Subparagraph 2 below. If the spouse consents in this manner, a married Participant may designate a nonspouse Beneficiary for the entire benefit or any portion of the benefit which is payable in an available form of payment contained in this Plan except to the extent a qualified domestic relations order filed with the Administrator provides for payment to a former spouse or other dependent of the Participant unless the Participant filed a revocation of Beneficiary accompanied by a written consent to the revocation from each person entitled under the qualified domestic relations order.

2. The spouse's consent to the Beneficiary designation must be contained in a writing signed by both the Participant and the Participant's spouse, must specifically acknowledge the effect of the consent, and must be witnessed by a Plan representative or notary public. Any consent by a spouse shall be effective only with respect to such spouse.
3. Except as provided by the express terms of a qualified domestic relations order, which has been accepted by the Plan Administrator, the dissolution of a marriage between the Participant and his or her spouse will automatically revoke a Beneficiary designation in favor of that former spouse executed by the Participant before the dissolution unless the Participant, subsequent to the dissolution, specifically reaffirms the former spouse as a Beneficiary on the form provided for that purpose by the Plan Administrator.
4. The requirement that the spouse to whom the Participant is married at the time of the Participant's death shall automatically be deemed the Beneficiary for 50% of the Participant's Account balance does not apply in the case of a Participant whose most recent Beneficiary designation form was received by the Administrator before January 1, 2002, if the Participant's death occurred before March 1, 2006.

B. Failure to Designate a Beneficiary

If upon the death of a Participant there is no valid designation of Beneficiary on file with the Plan Administrator, a divorce or annulment has revoked the Beneficiary designation naming the Participant's spouse as a Beneficiary, or the Beneficiary is deceased, then benefits shall be paid in the following order of succession:

1. Payments shall be made to the surviving spouse, if the spouse survives the Participant for 30 days;
2. If there is no surviving spouse, payments shall be made in equal parts to the surviving children, including adopted children, who survive the Participant for 30 days;
3. If there are no surviving children, payments shall be made in equal parts to the surviving parents who survive the Participant for 30 days; or
4. If there are no surviving parents, payments shall be made to the Participant's estate.

C. Payments to Beneficiaries

The Plan Administrator may request proper proof of the Participant's death and may require the Beneficiary to provide evidence of his or her right to receive a distribution from the Plan in any form or manner the Plan Administrator may deem appropriate. The Plan Administrator's determination of the Participant's death and of the right of a Beneficiary to receive payment under the Plan shall be conclusive. If a distribution is to be made to a minor or incompetent Beneficiary, payments may be made to the person's legal guardian, conservator, or custodian in accordance with the Uniform Gifts to Minors Act or similar law as permitted under the laws of the state where the Beneficiary resides. The Plan Administrator or Trustee will not be liable for any payments made in accordance with this Paragraph C of Article VI, and they are not required to make any inquiries with respect to the competence of any person entitled to benefits under the Plan.

ARTICLE VII. AMENDMENT AND TERMINATION

A. Amendment

The Plan Administrator shall have the right to amend this Plan, at any time and from time to time, in whole or in part. Such power to amend includes the right, without limitation, to make those retroactive amendments referred to in the Internal Revenue Code. However, such right to amend the Plan shall be subject to the provisions of Paragraph C of this Article VII. Further, no amendment of the Plan shall permit any assets of the Plan to be used to pay premiums or contributions of the Employer under any other plan maintained by the Employer.

B. Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State of Alaska has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State of Alaska may in its sole and absolute discretion terminate the Plan in whole or part at any time without liability whatsoever for such termination. If the Plan shall be terminated, all investments shall remain in force until all Participants' Accounts have been completely distributed in accordance with the Plan.

C. Nonreversion

1. The corpus or income of the trust or custodial account may not be diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries.
2. If Plan benefits are provided through the distribution of annuity or insurance contracts, any refunds or credits in excess of Plan benefits (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) will be paid to the trust or custodial account.
3. Any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.
4. The Plan Administrator shall have no right to modify or amend the Plan retroactively in such a manner as to reduce the benefits of any Participant accrued to date under the Plan by reason of contributions made by the Employer prior to the modification or amendment except to the extent permitted by law.

VIII. MISCELLANEOUS

A. Limitation of Rights; Employment Relationship

Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund or Account, nor the payment of any benefits, shall be construed as giving any Participant or other person any legal or equitable right against the State of Alaska, Employer, the Investment Provider, the Plan Administrator or the Record Keeper, except as provided in the Plan, and, in no event, shall the terms of employment of any Employee be modified or in any way be affected by the Plan.

B. Transfer of Assets of Plan

In no event shall this Plan be merged or consolidated with any other plan, nor shall there be any transfer of assets or liabilities from this Plan to any other plan, unless immediately after such merger, consolidation or transfer, each Participant's benefits, if such other plan were then to terminate, are at least equal to or greater than the benefits which the Participant would have been entitled to had this Plan been terminated immediately before such merger, consolidation, or transfer.

C. Safeguard Provision

Neither the State of Alaska, Employer, Investment Provider, Record Keeper, or the Plan Administrator, shall recognize any attempt to alienate amounts held on behalf of, or payable to, an Employee or other person who is or who might become eligible for benefits under the Plan. Such amounts are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before being received by the person entitled to the amount under the terms of the Plan. An attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held under the plan is void. Except as provided in AS 09.38.065, amounts held on behalf of, or payable to, an Employee or other person who is or who might become eligible for benefits under the Plan are exempt from garnishment, execution, or levy.

D. Interpretation; Severability

The Plan hereby created shall be construed, administered and governed in all respects in accordance with the Internal Revenue Code and other pertinent federal laws, and the laws of the State of Alaska, provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Plan being an eligible deferred compensation plan within the meaning of section 457(b) of the Internal Revenue Code. If any provision of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

This Plan is also intended to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and is intended to be construed in accordance with EGTRRA and guidance issued thereunder.

If a provision of EGTRRA is mandatory as it applies to the eligibility of this Plan, then that provision is adopted, and to the extent provisions of the Plan exist that are inconsistent with such mandatory EGTRRA requirements, the mandatory requirements of EGTRRA shall supersede the provisions of this Plan, to the extent the provisions of this Plan as written are inconsistent with EGTRRA.

If a provision of EGTRRA is optional as it may apply to a Code section 457(b) plan, then only those provisions herein specifically adopted are part of this Plan. All other optional provisions of EGTRRA, not specifically adopted into this Plan, are not included in this Plan.

E. Plan Administration

The Plan Administrator shall establish rules and regulations for administration of the Plan, and shall be responsible for its interpretation. A determination by the Plan Administrator shall be conclusive and binding upon all interested parties. The Plan Administrator shall have the sole discretion, authority and responsibility to interpret and construe the Plan document (including ambiguous provisions thereof) and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Employees, Participants and Beneficiaries and the amounts of their respective interests. The Trustee and other interested parties may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary. No rule, regulation or interpretation shall discriminate in favor of persons who are highly compensated employees.

F. Form of Election

Any election or any alteration or revocation of a prior election by a Participant, Beneficiary, or Alternate Payee for any purpose under this Plan shall be on forms or made in a manner prescribed for that purpose by the Plan Administrator. To be effective, the forms required or the required action for any purpose under this Plan must be completed and filed in accordance with the requirements set forth herein, and in accordance with rules, regulations and/or procedural policies prescribed by the Plan Administrator. To be effective, an election must be received by the Plan Administrator or the Plan Administrator's designee, such as the Record Keeper, prescribed for the purpose of receiving the election information.

G. Domestic Relations Orders

Notwithstanding the nonalienation provisions in paragraph C "Safeguard Provision," the Plan Administrator may direct that benefits be paid to someone other than a Participant or Beneficiary pursuant to a valid qualified domestic relations order, meeting the requirements of section 414(p)(11) of the Code, that has been executed by a judge of a competent court in accordance with applicable state law, and which has been accepted by the Plan Administrator.

The Plan Administrator shall determine whether an order meets the requirements of this section within a reasonable period after receiving an order. The Plan Administrator shall notify the Participant and any Alternate Payee that an order has been received and indicate to the Alternate Payee and Participant when the Plan has accepted the order. A separate account for the Alternate Payee portion shall be established as soon as administratively feasible after the order has been accepted by the Plan.

H. Participant Loans

Participants loans from the Plan are not allowed.

I. Treatment of Persons Who Serve in a Uniformed Service.

An Employee whose employment is interrupted by qualified military service as defined in Code section 414(u) or who is on a leave of absence for qualified military service as defined in Code section 414(u) may elect to make additional Annual Deferrals upon resumption of employment with the Employer equal to the maximum Annual Deferrals that the Employee could have elected during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Annual Deferrals, if any, actually made for the Employee during the period of the interruption or leave. This prerogative applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave) notwithstanding the fact that Code section 414(u) is not applicable to this Plan.

STATE OF

ALASKA

You can reach your Plan Administrator, the Alaska Division of Retirement and Benefits, at:

Alaska Deferred Compensation Plan
Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203
800-821-2251
(907) 465-5700

For KeyTalk® related transactions, the number is:
(800) 701-8255 (701-TALK).

For Web related transactions: doa.alaska.gov/drb