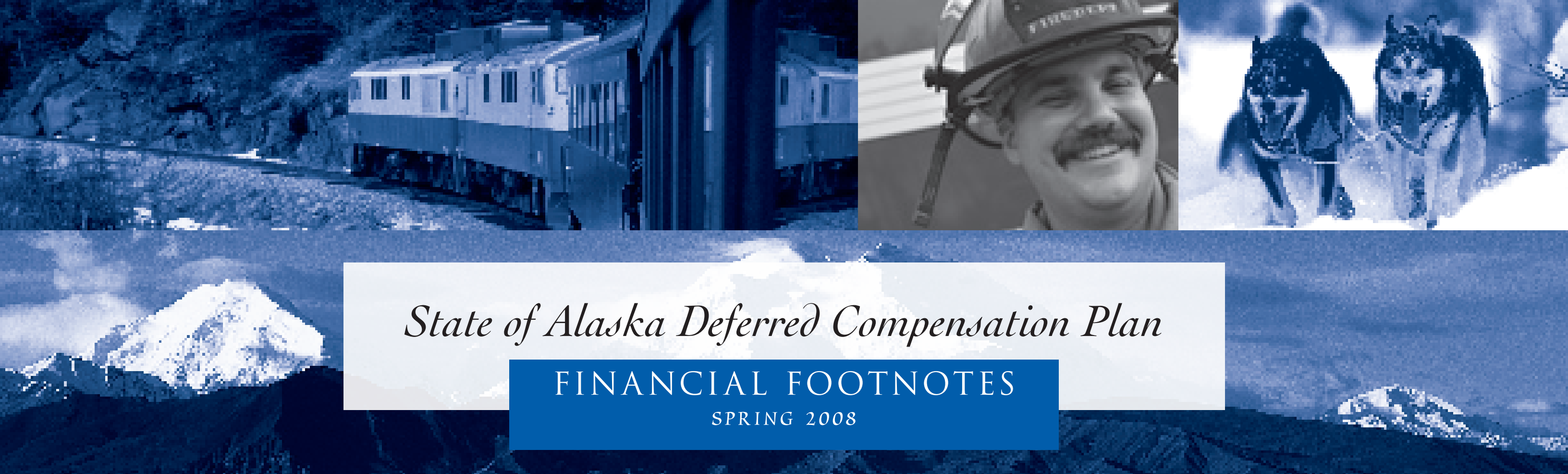


State of Alaska Deferred Compensation Plan

FINANCIAL FOOTNOTES

SPRING 2008

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

In This Issue

Reorganization of the Citizens Core Growth Fund

Citizens Advisors, Inc. (Citizens), the investment manager of the Citizens Core Growth Fund, has signed an asset purchase agreement with Sentinel Asset Management (Sentinel). As a result of this agreement, the Citizens mutual funds were reorganized into Sentinel mutual funds.

The reorganization of the Citizens Core Growth Fund was approved on March 27, 2008, at a special meeting of the fund's shareholders. After the markets closed on April 4, 2008, the Citizens Fund was merged into the Sentinel (SRI) Sustainable Core Opportunities Fund.

The new Sentinel (SRI) Sustainable Core Opportunities Fund is managed by portfolio manager Daniel Manion. Mr. Manion currently manages the Sentinel Common Stock Fund. Mr. Manion will manage the new fund by blending the investment style of the Sentinel Common Stock Fund with the socially responsible investing (SRI) process developed by Citizens. Sentinel is expected to employ many of the Citizens' investment professionals to maintain the socially responsible investing process.

Both the Citizens Core Growth Fund and the Sentinel (SRI) Sustainable Core Opportunities Fund are focused on large-capitalization domestic equities. The most notable difference is that the Citizens fund has a focus on growth whereas the new Sentinel fund will be a core fund that is not intended to have a growth or value style bias.

For additional information, please refer to the proxy statement/prospectus and other materials related to the Citizens fund reorganization at www.citizensfunds.com.[1]

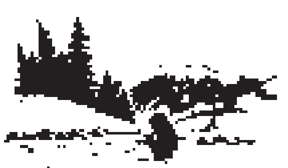
Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses (for the Brandes Inst'l International Equity Fund and the Sentinel Sustainable Core Opportunities Fund) and Investment Option Detail Sheets (for the remaining investment options). Prospectuses and Investment Option Detail Sheets can be obtained on the Division's website at www.state.ak.us/drb, from your registered representative, or from the Division of Retirement and Benefits at (907) 465-4460 or toll free at (800) 821-2251. Read them carefully before investing.

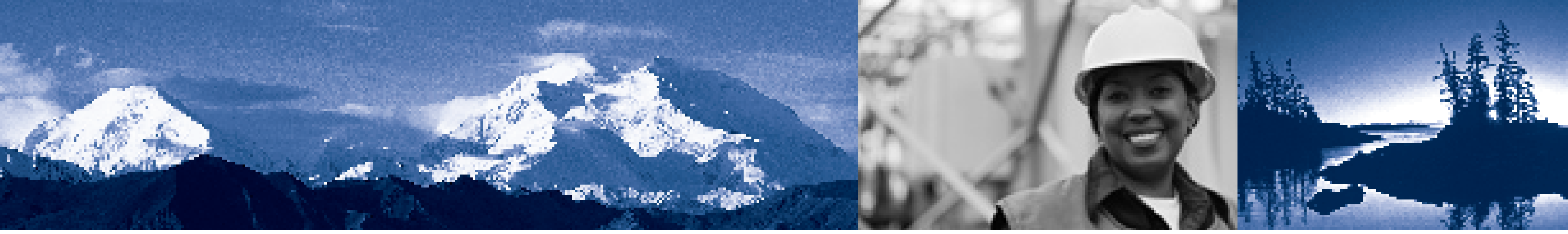
Participants that had assets in the Citizens Core Growth Fund can see this change reflected on their account as a transfer out of the Citizens Core Growth Fund and a transfer in to the Sentinel Sustainable Core Opportunities Fund effective after the markets closed on April 4, 2008.

You do not need to take any action to effect this change. However, if you wish to make investment option changes to your account, you may do so by logging in to your account at **www.akdrb.com** or by calling KeyTalk® at **(800) 232-0859**.[2]

1 Great-West Retirement Services® is not responsible for and does not endorse the content contained in the additional websites provided. These websites are for general education and information only and are provided as a benefit to the users of the sites.

2 Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or KeyTalk received on business days prior to close of the New York Stock Exchange (12:00 p.m. Alaska Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.





Staying Calm in a Turbulent Market

Don't let market volatility rattle your nerves

If you're like some investors, you've been getting nervous about your investments because of recent swings in the stock market. That's not surprising. The good news for you—and your nerves—is that there may be less cause for alarm than you probably thought. What used to be considered volatile may now be the norm. Because the market has grown so large, with the Dow fluctuating at or above 10,000, a 100-point swing is a much smaller percentage of the overall market than it was when the Dow hovered below 3,000.

Quick Tip: Assets in the Balance

Does your asset allocation need an adjustment?

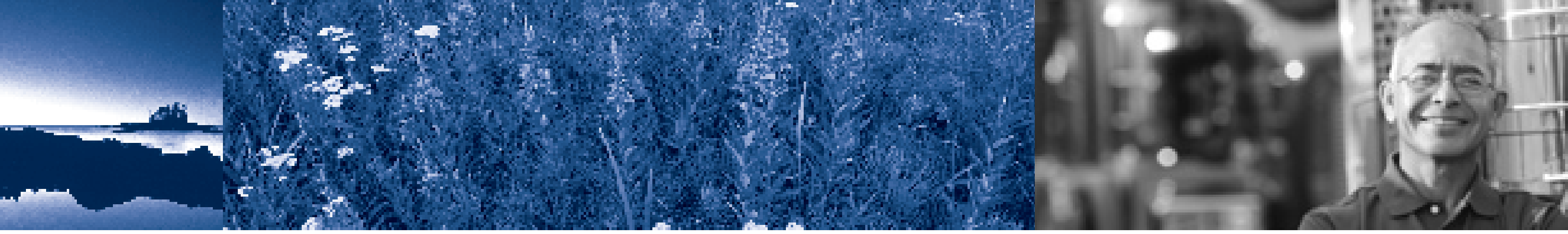
If you find that your asset allocation has shifted over the past year, you may need to rebalance. That means adjusting your allocation so that it returns to the one you originally chose. Periodic rebalancing is necessary in any market, because different assets gain and/or lose value at different times.[4]

Before you begin, consider your overall financial situation. You may want to reassess your asset allocation strategy if you've experienced a major life change, such as marriage or divorce, the birth of a child or a new job. If you want to get back to your original allocation, consider these strategies:

- Shift money from your highest-performing assets into those that have lagged. That means you're essentially selling high and buying low—a classic formula for investing success.[4]
- You might also change your future allocations. Bump up the percentage of your contribution devoted to your lower-performing assets; reduce the percentage earmarked for your winning funds.
- Annual rebalancing can ensure that your retirement savings plan continues to reflect your goals and risk tolerance.[3]

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

4 Funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.



A Compound Benefit

The longer you save, the more your nest egg may grow

Retirement plan investing relies on a simple mathematical process known as compounding. It works like this: When you invest in your plan, you may earn a return on your original contribution and any earnings, too.

How it works

When an investment earns a given return, your retirement plan automatically reinvests those earnings as you receive them. Then, those reinvested earnings can grow even more, thanks to compounding. This snowball effect can be significant over the long term. And here's the best part: Your investments and any earnings are allowed to grow for years (even decades) tax deferred. You won't pay taxes on your pre-tax contributions or any earnings until you begin to withdraw them, usually in retirement—and by then, you may be in a lower tax bracket.

Say you invest $5,000 in your retirement savings account and you earn a hypothetical 8% annual return. In the first year, you'll earn $400 on your investment, giving you a total of $5,400. In the second year, say you contribute another $5,000 and, again, you earn a hypothetical 8% return—now you'll earn on your original investment, your additional contribution and the $400 earnings from the first year. Your investment would deliver another $832, bringing your two-year total to $11,232 with the potential to continue climbing.[5]

Growing over time

Compounding can produce modest, if steady, gains over the first few years. If you continued to save $5,000 per year and earned an 8% return for the next 20 years, your retirement portfolio would be worth more than $228,809—and if you'd increased your contributions by $1,000 to $6,000 per year after the first year, you'd have nearly $270,256![6]

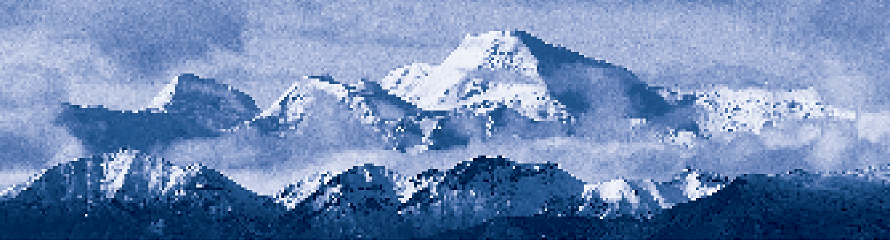
The lesson is clear: The longer you leave your money invested, the more it can potentially grow. Saving for retirement takes discipline and patience. It may not seem exciting, but if you stay focused on the future and avoid the temptation to tap into your savings, you have the potential to retire with a comfortable nest egg.

5 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical example does not represent any of the investment options in your plan. It is not intended to predict or project future investment results. The illustration does not reflect any charges, expenses or fees that may be associated with your plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

6 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes a $5,000 contribution each year for 20 years or a $5,000 contribution the first year and a $6,000 contribution for the remaining 19 years, respectively; an 8% annual rate of return; and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted. This is not intended to predict or project future investment results.

Green Is Twice as Nice!

You're already saving the green by investing in the State of Alaska Deferred Compensation Plan, but did you know that you can also receive your quarterly statements and stuffers electronically? Log in to your account at **www.akdrb.com** today to sign up for Online File Cabinet®. It's fast and easy, plus **Great-West Retirement Services® will donate $1 to the National Arbor Day Foundation (www.arborday.org[1]) for every person who signs up during 2008.** Working together to preserve your financial future and our national forests … now that's savvy investing.



Finish Strong

Catch-up contributions can help you sprint toward retirement

If you're age 50 or older, you're probably planning how you'll spend your time when you stop working. Whether you plan to travel the world, move to a new city or spend time with family closer to home, you're likely to rely on your savings for several decades.

Fortunately, you're now eligible to make Age 50+ Catch-Up contributions to your State of Alaska Deferred Compensation Plan. You may also be eligible to make Standard Catch-Up contributions. Standard Catch-Up helps you make maximum use of the Deferred Compensation Plan by allowing you to catch up on the deferrals that you were eligible to make but did not earlier in your employment. If you are within three years of attaining your designated normal retirement age and are younger than age 70½, you are allowed to catch up on contributions that could have been made, but were not. Participants using the Standard Catch-Up provision in 2008 may contribute a total of $31,000. Participants may not contribute to both the Age 50+ Catch-Up and Standard Catch-Up in the same year.

2008 Contribution Limits	
Standard Contribution Limit	$15,500
Age 50+ Catch-Up Contribution Limit	$5,000
Standard Catch-Up Contribution Limit	$15,500

Catch-up contributions can have a dramatic impact on your savings, especially if you take advantage of them as soon as you become eligible. If you began saving the maximum allowed under Age 50+ Catch-Up every year starting at age 50 and continuing through age 65, assuming a hypothetical 8% average annual return you could potentially add an additional $601,147 to your retirement savings![7] No matter how old you are, consider increasing your contributions this year.

Ready to Retire?

Don't forget about diversification

What's on your retirement to-do list? Travel? Spending time with family? Volunteering? Whatever your plans, you'll probably need to continue managing your savings through several decades of retirement. Statistics show that life expectancies are on the rise. That's definitely good news—but it also means that your retirement nest egg will probably have to last a long time. A diversified portfolio can help to sustain your lifestyle.

Asset allocation means spreading your retirement savings among different asset classes, so that gains in one asset class may help to minimize losses in another. Diversification goes one step further. It means choosing several investments within a single asset class (holding, for example, a large- and small-cap stock fund) to potentially offset losses in a particular segment of the market.

7 FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes a $20,500 contribution per year, 8% annual rate of return and reinvestment of earnings, with no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted. This is not intended to predict or project future investment results. This hypothetical example does not represent any of the investment options in your plan.

Contacts/Account Maintenance

Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-4460
Website	www.state.ak.us/drb
Account information online	www.akdrb.com[2]
KeyTalk—account inquiries and maintenance	1-800-232-0859[2]

Please note: This newsletter does not constitute investment or financial planning advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

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