State of Alaska Supplemental Annuity Plan Deferred Compensation Plan

FINANCIAL FOOTNOTES

SPRING 2009

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

In This Issue

Brandes Fund Change

Upcoming Change to Global Balanced Fund

Target Retirement Trusts Available

Barclays Investment Option Updates

Get Ready for a Long Retirement

Is Your Beneficiary Designation Up to Date?

Brandes Fund Change

Effective June 26, 2009, there will be a change in investment vehicle for the Brandes Institutional International Equity Fund.[1] The fund will continue to be managed by Brandes with the same investment objectives, but will be offered with lower management fees. While you will see a change in the unit value of the fund, you will not see a change in your account value as a result of this conversion.

Upcoming Change to Global Balanced Fund

The Capital Guardian Global Balanced Fund will be replaced with the State Street Global Advisors (SSgA) Global Balanced Fund[1] for all State of Alaska defined contribution plans. The SSgA Global Balanced Fund has a similar investment mandate to the fund currently provided by Capital Guardian, but is passively managed. Passively managed funds (also known as index funds) offer a lower cost alternative to actively managed funds, with the additional benefit of reducing the risk of significantly underperforming the benchmark.

The fund will invest 60% in global equities and 40% in global fixed income using the following funds.[2]

60% Equity:

- Russell 3000 Index, Non-Lending Series Fund—Class A[3,4]
- World Equity ex-US Index, Non-Lending Series Fund[1,3,4]

40% Fixed Income:

- Passive Bond Market Index, Non-Lending Series Fund—Class A (U.S. Aggregate Bond Index)[1,3,5]
- World Government Bond ex-US Index, Non-Lending Series Fund—Class A[1,3,4,5]

Three of the four underlying funds that will comprise the Global Balanced Fund are already provided by SSgA to the State of Alaska participant-directed plans as stand-alone options. The benchmark will be composed of 60% MSCI All-Country World Index, 30% Barclays Capital US Aggregate Bond Index and 10% World Government Bond Index ex-US.[3]

The transition to the SSgA-managed fund is expected to occur on June 26, 2009. Participants can continue to trade the Capital Guardian Global Balanced Fund until 12:00 p.m. Alaska time on June 26, 2009, at which point all future contributions and existing assets in the Capital Guardian Global Balanced Fund will be transferred into the SSgA Global Balanced Fund.

1 Foreign investments involve special risks, including currency fluctuations and political developments.

2 Holdings and composition of holdings are subject to change.

3 A benchmark index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

4 Currently offered as stand-alone option in State of Alaska participant-directed plans.

5 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

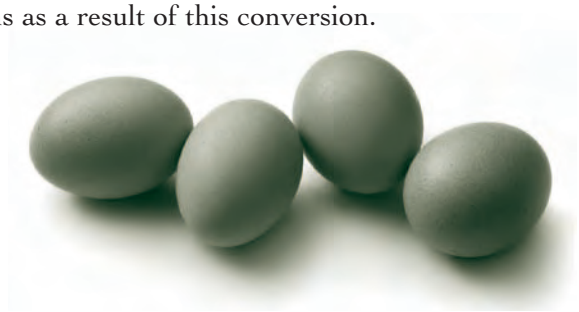
Alaska Target Retirement Trusts Now Available

As announced in the Winter 2009 issue of *Financial Footnotes*, the Alaska Target Retirement Trusts were added to the State of Alaska defined contribution plans on April 1, 2009. For more information on the State of Alaska defined contribution plans' investment options, log in to your account at **www.akdrb.com** and click on the *Investment Options* tab at the top of the page.[6]

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 Institutional International Fund and the State Street Institutional Treasury Money Market Fund or disclosure documents for the other investment options from www.akdrb.com or from a Great-West Retirement Services® registered representative. Read them carefully before investing.

Barclays Investment Option Updates

Three investment options managed by Barclays Global Fund Advisors converted from securities lending to non-lending funds. The conversion took place March 27, 2009, and affects the Government/Credit Bond Fund[5], the Intermediate Bond Fund[5] and the S&P 500® Index Fund[2] (Deferred Compensation Plan only). There was no change to the management of these funds. While there was a change in the unit value of the Deferred Compensation Plan S&P 500 Index Fund, there was no change in account values for any of these options as a result of this conversion.



Get Ready for a Long Retirement

Will you have enough?

As life expectancies rise[7], you may enjoy a longer retirement than previous generations have. Here's a four-part process to help you save and invest now for your financial future.

1. Target a savings goal

For a specific idea of how much you may need to set aside for retirement, consider the following age-based guidelines:

- If you're in your 20s, try to contribute 10% to 15% of your annual income.
- If you begin saving in your 30s, you may need to contribute 15% to 25%.
- If you wait until your early 40s to begin building your nest egg, consider contributing 25% to 35%. At this stage of your life you have more options for earning income to further boost savings than you will at age 70. Bear in mind that your pension (if you have one) and Social Security may supplement your retirement needs, but they may not replace one hundred percent of your pre-retirement income.

2. Invest for long-term growth

Once you've determined how much you can afford to save, you'll need to decide how to invest your contributions so your money will have the potential to grow as much as possible while keeping pace with inflation, which is currently around 4%.[8]

Stock funds have historically offered the most potential for inflation-beating gains. For example, in spite of 2008's 37% decline, the Standard & Poor's 500® Index posted an annualized gain of roughly 10% during the 25 years through December 31, 2008.[9,10] So consider keeping some assets in stocks—no matter where you are on the path to retirement. *Past performance is not a guarantee or prediction of future results.*

3. Choose a strategy—and stick with it

The past year's recession and extremely volatile financial markets have rattled many investors. Try not to react emotionally to market swings; instead, focus on your investment strategy. When you initially determine the way you want to divide—or allocate—your assets, you should do so based on your age and comfort with risk. The further you are from retirement, the more aggressively you may consider investing in stock funds to focus on growth. You may, for example, wish to start with an allocation of 70% stocks, 25% bonds and 5% cash. The closer you get to retirement, the more you may want to pare back your stock allocation in favor of bonds for less volatility and steadier income.[11]

4. Plan your spending needs

Give as much thought to withdrawing money from your nest egg as you do to accumulating those savings; otherwise, you may run the risk of outliving your money. Many financial experts suggest withdrawing no more than 4% of your investments in your first year of retirement, and then adjusting that amount for inflation each year thereafter. For example, with savings of $500,000, if you withdraw $20,000 in your first year of retirement and the average annual rate of inflation is 4%, your second withdrawal would be $20,800—and so on.

With a disciplined approach to saving, investing and withdrawing, you can potentially build a portfolio to help sustain you through decades of retirement.

7 U.S. Center for Disease Control
8 Bureau of Labor Statistics
9 January 2009 - Ibbotson Associates, a subsidiary of Morningstar, Inc.
10 S&P 500® is a trademark of The McGraw-Hill Companies, Inc.
11 Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

Is Your Beneficiary Designation Up to Date?

Effective April 1, 2009, Great-West Retirement Services (Great-West) will maintain your beneficiary designations for the State of Alaska defined contribution plans. Any previous beneficiary designation you may have filed with the Alaska Division of Retirement and Benefits (DRB) remains effective. However, we would like to update Great-West's records with the most up-to-date information. In the event of your death, you want to be sure that your account is distributed to whom you choose.

The easiest way to do this is to log on to your account at www.akdrb.com. Just choose the appropriate Plan, click on *Change* on the left-hand menu and then click on *Beneficiary*.[6] Prefer to make your beneficiary designation on paper? A Beneficiary Designation form may be requested by calling KeyTalk® at (800) 232-0859.[6]

Contacts/Account Maintenance

Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-1600
Website	www.state.ak.us/drb
Account information online	www.akdrb.com[6]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[6]

6 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.

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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