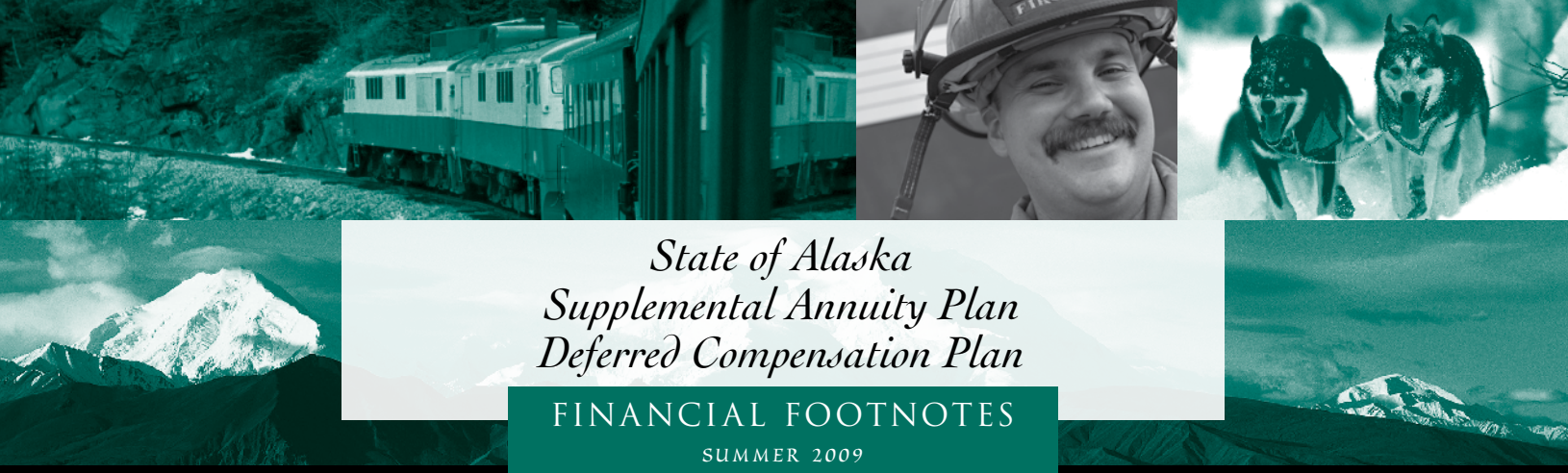

State of Alaska
Supplemental Annuity Plan
Deferred Compensation Plan

FINANCIAL FOOTNOTES

SUMMER 2009

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

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Global Balanced Fund Change Occurred July 22, 2009

The change to the Global Balanced fund announced in the Spring 2009 issue of Financial Footnotes occurred July 22, 2009, for all State of Alaska Defined Contribution Plans. The Capital Guardian Global Balanced Fund was replaced with the State Street Global Advisors (SSgA) Global Balanced Fund.

All future contributions and existing assets in the Capital Guardian Global Balanced Fund were transferred to the SSgA Global Balanced Fund. While there was a change in the unit value of the Global Balanced Fund, there was no change in account values as a result of the conversion.

Address Change for Great-West Office in Anchorage

Please note that the local office in Anchorage is now located at:

301 West Northern Lights Boulevard
Suite 406, Anchorage, AK 99503

Phone: 1-907-276-1500/Toll free 1-800-526-0560

Employees can contact a Great-West Retirement Services® (Great-West) representative in the Anchorage office for information about their State of Alaska Deferred Compensation, SBS-AP or Defined Contribution Retirement Plans. Great-West representatives can help you with:

- Questions regarding your distribution options at retirement
- Enrollment in the State of Alaska Deferred Compensation Plan
- A review of your State of Alaska retirement accounts

Quiz: Inflation Matters

Test your knowledge about the potential impact of inflation on your workplace retirement account.

1. Inflation is most likely to occur when the demand for products and services begins to exceed the available supply. T F

2. Since inflation can eat away at the buying power of the assets in your retirement account, it makes sense to cut back on saving and investing until inflation eases. T F

3. Even if inflation presents new investment challenges, you still want to stick with the asset allocation that best fits your goals, time horizon and risk tolerance. T F

ANSWERS

1. **True.** For example, economists worry that inflation could rise anew as money provided to consumers through the government stimulus plan could result in demand outstripping the available supply of goods and services.

2. **False.** The real danger is that if you don't save enough you won't have enough to live on in retirement.

3. **True.** Determine the best asset allocation strategy for your own personal situation. Then stick to it—rather than trying to adapt it to whatever economic winds are blowing.

How to Use the Alaska Retirement Date Trusts

The Alaska Target Retirement Date Trusts are a type of investment option offered through the State of Alaska Defined Contribution Plans. They are best suited for participants who may not have the time or desire to track their investment options and who need assistance to properly diversify their portfolio.[1] While the Alaska Target Retirement Date Trusts can provide you with a potentially more diversified portfolio in one simple step, remember that they are designed to be the only investment option to which you defer. Deferring less than 100% of your contribution to your chosen Target Retirement Date Trust may result in an unintended overlap of investments and skew your overall asset allocation away from your intended portfolio.

For example, if you choose a Target Retirement Date Trust that has a 90% stock and 10% bond allocation, but you also choose another bond fund offered by the State of Alaska Defined Contribution Plans, then you are unintentionally reducing the stock allocation of your overall portfolio.

Investment Options Based on Your Date of Birth

Year of Birth	Alaska Target Retirement Trust
1988 or after	Alaska Target Retirement 2055 Trust *available July 31, 2009*
1983-1987	Alaska Target Retirement 2050 Trust *available July 31, 2009*
1978-1982	Alaska Target Retirement 2045 Trust *available July 31, 2009*
1973-1977	Alaska Target Retirement 2040 Trust
1968-1972	Alaska Target Retirement 2035 Trust
1963-1967	Alaska Target Retirement 2030 Trust
1958-1962	Alaska Target Retirement 2025 Trust
1953-1957	Alaska Target Retirement 2020 Trust
1948-1952	Alaska Target Retirement 2015 Trust
1943-1947	Alaska Target Retirement 2010 Trust
1942 or before	Alaska Balanced Trust

With the Alaska Target Date Trusts, you can select the appropriate investment option based on your birth date as shown above. Of course, you may invest in any of the portfolios offered, regardless of your age. As with any investment, it is important to evaluate your personal situation on an annual basis to see if your investment objectives have changed.

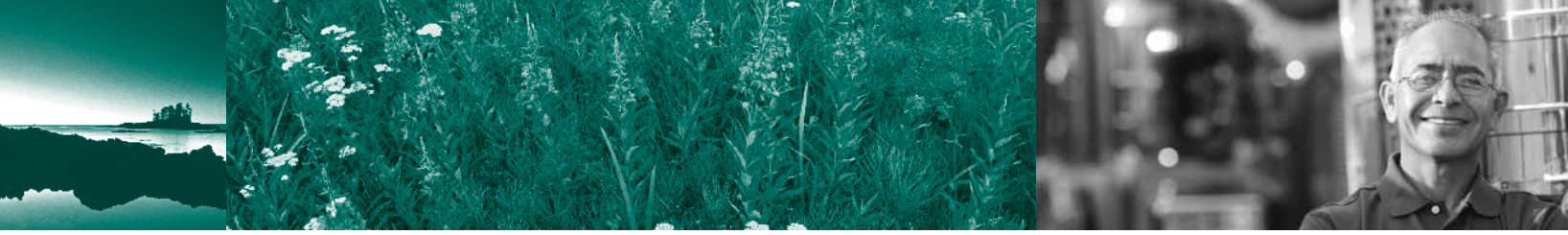
1 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

Investment Advisory Services Available

The State of Alaska Defined Contribution Plans offer a suite of advisory services (provided by Advised Assets Group, LLC) including Online Investment Guidance, Online Investment Advice and a Managed Account service. These advisory services offer solutions for the long term, taking out the emotional factor that can often influence investment decisions. You choose the level of service that is right for you, allowing you to live your life today without the worry of tomorrow.

Online Investment Guidance provides you with a personalized asset allocation and savings rate recommendation that you can use as a guide when building your investment strategy for the State of Alaska Defined Contribution Plans. There is no fee to use Online Investment Guidance.

Online Investment Advice is a tool that takes the asset allocation recommendation from Guidance and recommends specific investment options offered within the State of Alaska Defined Contribution Plans. It suggests how much to allocate to each investment option based on your personal objectives, but it allows you the freedom and flexibility to implement your own choices, manage them online, and generate new recommendations when the need arises. There is an annual $25 fee, assessed quarterly, for Online Investment Advice.



The Managed Account service goes beyond Advice and asset allocation recommendations in that it provides ongoing professional asset management at the individual participant level. Participants receive a personalized and strategically designed retirement portfolio that is automatically managed quarter-to-quarter and that reflects your unique time frames and personal retirement information. The Managed Account fee is based on your account balance, as shown in the following table.

Account Balance	Annual Fee
Less than $100,000	0.50%
Next $150,000	0.40%
Next $150,000	0.30%
Greater than $400,000	0.22%

There is no guarantee that participation in the Reality Investing® advisory services will result in a profit or that your account will outperform a self-managed portfolio.

Log in to your account at www.akdrb.com or 1-800-232-0859 (option 6) for more information or to enroll in one of the advisory services.

Cash Is Not King

The downside of "safety"

During a bear market, it may be tempting to seek refuge in cash by selling stocks. Money market accounts, certificates of deposit[2] (CDs) and Treasury bills[3] are considered among the safest cash investments available. But that "safety" may be an illusion in the long run.

Stay ahead of inflation

In order for your portfolio to experience growth over time, your returns must surpass the inflation rate. Over the past 25 years, cash, as measured by the 30-day Treasury bill, has produced an annualized return of just 1.79%, compared with 6.61% for stocks and 5.16% for bonds.[4]

Don't be safe, then sorry

Historically, the frequent selling of stocks in reaction to market downturns has had an adverse effect on long-term returns. That's because when you sell stocks after prices have declined, you miss the eventual recovery in stock prices that typically follows a bear market. Research firm DALBAR, Inc. found that over the past 20 years, individual fund investors had an average annual return of 1.9%, compared with 8.4% for the S&P 500 Index—largely because many investors tended to jump in and out of stocks.[5]

If growth is what you're after, you need to look beyond cash—no matter what the stock market is doing. Remember: The market moves in cycles. You want to be sure you'll be invested in stocks when they eventually recover.[6]

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

2 Certificates of deposit are insured by the FDIC for up to $100,000 per depositor (up to $250,000 for retirement account assets) and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

3 U.S. Treasury securities are guaranteed as to the timely payment of principal and interest if held to maturity. Fund shares are neither issued nor guaranteed by the U.S. government.

4 Morningstar, Inc. The returns cited are adjusted for inflation.

5 Quantitative Analysis of Investor Behavior 2009, DALBAR, Inc.

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

Ready to Retire?

The State of Alaska Defined Contribution Plans and You: How to Keep a Good Thing Going

Retirement: It's the culmination of a lifetime of planning, preparation and saving. It's also the time to decide how you'll want to dip into the funds you've accumulated in your State of Alaska account.

Here's one of the best-kept secrets about retirement planning: The same resource that helped you build your retirement nest egg can help you make the best use of that money in retirement. By keeping your account in the State of Alaska Plan, you'll have access to the same low-cost investment options and account management tools you've always used. So if you plan to keep at least a portion of your retirement funds invested, continuing to work with the State of Alaska Plan is a good option.

You can leave your money invested in the State of Alaska Plan until you are 70½ years old. However, you must begin receiving a required minimum distribution by April 1 of the year following the year in which you reach age 70½ or sever employment, whichever occurs later, (For 2009, this requirement has been waived. See important note below.)

Important note:

Investors age 70½ or older will not have to take a required minimum distribution (RMD) from their tax-deferred retirement accounts in 2009 thanks to the Worker, Retiree, and Employer Recovery Act of 2008 (H.R. 7327). This Act, passed by both the U.S. House and Senate, includes a relief measure that waives the RMD to help retirees whose accounts have already been reduced by last year's stock market downturn. However, RMDs required for 2008 must have been taken by April 1, 2009. For questions regarding your specific situation or for help with calculating your RMD, please consult your financial advisor or tax professional.

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[7]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[7]

7Access 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.

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser. AAG and GWFS Equities, Inc. are wholly owned subsidiaries of Great-West Life & Annuity Insurance Company. 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. Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. GWFS Equities, Inc., or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services. Great-West Retirement Services®, Reality Investing® and KeyTalk® are service marks of Great-West Life & Annuity Insurance Company. Not intended for use in New York. ©2009 Great-West Life & Annuity Insurance Company. All rights reserved.

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