State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

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Occupational Death Benefit Under Your Plan

As a member of the Defined Contribution Retirement (DCR) Plan, you have certain benefits other than the financial contributions you and your employer make to the plan. These benefits include Occupational Death Benefit (ODB) coverage.

Who is Eligible?

There are a few criteria that all need to be met to be eligible for the ODB:

- Death must occur before the employee is eligible for normal retirement (i.e. eligible for Medicare coverage);
- The proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance of the employee's duties[1]; and
- The injury or hazard is not the result of willful negligence of the employee.

Monthly survivor benefits will be paid to the surviving spouse, or if there is no surviving spouse, benefits will be paid in equal parts to the employee's dependent children.

About the Monthly Survivor Benefit

The first monthly survivor benefit will be paid in the month following the month in which the employee dies. The payment is 40% of the employee's monthly compensation at the time of death. For peace officers or firefighters, the payment is 50%. Note that survivors may not elect to receive the employee's contribution account balance while receiving this monthly benefit.

While the monthly survivor benefit is being paid, the employer will make contributions to the Occupational Death and Disability (ODD) Trust on behalf of the employee's surviving spouse or dependent children.

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KeyTalk® Enhancements Coming Soon

During the first quarter of 2011, KeyTalk will be enhanced with speech recognition capabilities. Along with this new functionality, other highlights include new authentication alternatives in the event you do not have a PIN number[2] and the ability to request a statement or form. The enhancements will be phased in beginning in February with the rollout completed by the end of March. The KeyTalk number for Alaska, **1-800-232-0859**, will remain the same.

1 An employee death caused by an act of assault, assassination or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, shall be considered to have occurred in the performance of and within the scope of the employee's duties.

2 The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.

PERS and TRS Defined Contribution Retirement Plan



Occupational Death Benefit Under Your Plan *(continued from front)*

The payment of contributions to the ODD Trust will consist of both employer and employee contribution percentages, multiplied by the deceased employee's gross monthly salary at the time of death.

Earnings will be allocated to the contributions made to the ODD Trust based on the actual rate of return, net of expenses, of the ODD Trust. Once a year, survivor benefits will increase based on the change in the cost of living for persons age 60 or older or to a person who has received a survivor's pension for five years.

When Do Payments End?

Payments cease the month in which there is no longer an eligible survivor, or the last day of the month following the date the employee would have first qualified for normal retirement, whichever date is sooner. The survivor will receive the balance of the employee's contribution account and the accumulated employer contributions made on their behalf to the ODD Trust. The period of time during which a survivor pension is paid constitutes membership service for the purpose of determining vesting and eligibility for medical benefits. If the total service accrued at the time survivor benefits cease is 10 or more years, the surviving spouse or any surviving dependent children will be eligible for medical benefits from the Defined Contribution Retirement Plan.

Adjusting Your Asset Allocation

With your State of Alaska defined contribution plans, you may have taken the opportunity to determine your asset allocation—the percentage of your retirement plan contributions to invest in stock funds, bond funds and cash equivalent investments. Your asset allocation strategy is not just about percentages; it should reflect your life stage, your comfort with risk, and your overall financial goals.

Every year, take the time to review your allocations to make sure they are still in line with your original targets—and still suit your needs. In many cases, you'll be able to stand pat. But if a change is warranted, here are questions you should ask yourself, with answers that will help you take appropriate action.

Do I need to rebalance?

Sometimes market moves can shift your allocations away from their original targets. If you notice a change of more than 5% from your preferred allocations, consider rebalancing, or resetting your allocations back to their original targets.[3]

Hypothetically speaking, say you have a targeted allocation of 70% in stock funds, 25% in bond funds and 5% in cash investments. If due to market declines your stock allocation has fallen to 65% your portfolio may lack the growth potential you seek. You could direct new contributions to stock funds or shift savings out of an asset class (bonds or cash or both) that has grown too large into stocks.

Has my life changed?

Anything that substantially affects your income, expenses or financial goals may be a good reason to rethink your strategy. Let's say you get married and your spouse also has a workplace retirement plan. Consider how the two plans work together: Check for any redundancies in the funds you've each chosen, and see if your long-term investment goals match.

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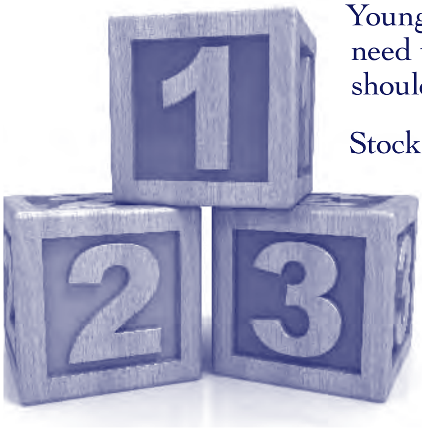
3 Rebalancing does not ensure a profit and does not protect against loss in declining markets.

Adjusting Your Asset Allocation *(continued from page 2)*

Do my investments match my life stage?

Your age is the most important factor because it determines your time horizon: how many years before you retire, and then how many years you'll need to rely on your savings in retirement.



1. The Early Years: Can I afford to take more risk?

Younger investors, say between their 20s and 40s, have several decades before they need to withdraw their money for retirement. Generally, your priority at this stage should be to maximize growth.

Stocks have historically offered the greatest potential for long-term growth compared with other asset classes, although past performance does not guarantee or predict future results. You might consider holding as much as 80% or more of your portfolio in stock funds and 20% in bond funds. Occasionally, the value of your stock investments may decline. However, your greatest advantage is time. Over many years, the potential growth of your stock funds, combined with continued plan contributions, may make up for those declines while helping to offset the impact of inflation.[4]

2. Mid-life: Time to dial down?

By your 50s, you may have accumulated substantial assets but have less time to make up for losses. It's still important to maximize growth in order to offset the longer-term risk of inflation. (See "How Inflation Hurts Your Cash.") Shifting a portion of your savings out of stock funds and into bond and cash funds can help you manage your risk of short-term losses, while maintaining a good measure of growth potential. You might choose to hold about 70% or less in stock funds, with 25% or more in bond funds and 5% in cash equivalent investments.[4]

3. Retirement: How can I make my savings last?

As you approach retirement, you want to protect your savings from sudden declines, so it may make sense to reduce your stock fund assets in favor of bond funds. You might consider an allocation of 40% in stock funds, 40% in bond funds and 20% in cash equivalent investments. You may not want to abandon stock funds, though: You'll always need some growth, whether to maintain your lifestyle or leave a legacy for your heirs.

Can I get assistance with my asset allocation strategy?

Do you need help putting an asset allocation strategy into play? Your Plan also offers an innovative suite of three levels of investment assistance through Reality Investing® Advisory Services (Advisory Services). Depending on the level of involvement that you want to take in managing your account, Advisory Services may provide you with the help you need. There is no guarantee that participation in Reality Investing Advisory Services will result in a profit or that your account will outperform a self-managed portfolio. Visit **www.akdrb.com**[5] for more information on these services, including any applicable fees.

4 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.

5 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.



How Inflation Hurts Your Cash

Some investors may think of cash as the ultimate safe investment. But cash is not risk-free. Investors who keep most of their assets in cash or cash equivalents, such as stable value or money market funds, face the risk of inflation.

Inflation, or the rise in the prices of goods and services, reduces the purchasing power of cash over time. Even at 3% per year—the average rate since 1926—inflation may slash the purchasing power of $1,000 to $543 over 20 years.[6]

In 2009, inflation fell for the first time since 1955, down 0.4% for the year.[8] Some economists worry that the opposite of inflation could occur: deflation—a prolonged period of falling prices.[7] Investors who trade frequently may consider short-term deflation strategies.[7] But for investors like yourself, who are focused on saving for retirement, protecting your investments from the long-term effects of inflation could be in your best interest. The reason: Even if deflation occurs, it has historically proved to be rare.[6]

You can soften inflation's bite by maintaining a well-balanced portfolio that invests in stock funds and bond funds in addition to cash equivalent investments, such as money market funds. The returns of each asset class tell the story of how investing in stock funds and bond funds can help you stay well ahead of inflation: From January 1, 1926, to December 31, 2009, cash equivalent investments, such as money market funds, gained just 3.7%, while bonds averaged annual returns of 5.4% and stocks returned 9.8%.[8]

Keep your assets growing by staying wise to inflation.

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 per share, it is possible to lose money by investing in the fund.

6 Bureau of Labor Statistics (bls.gov).
7 "What To Do If Inflation Strikes," June 4, 2010, smartmoney.com.
8 Morningstar, Inc., Ibbotson® SBBI® 2010 Classic Yearbook. Stock return is based on the Standard & Poor's 500 Index. Bond return is based on the Long-Term Government Bond Index. Cash return is based on the 30-day Treasury bill. Past performance is not a guarantee of future results.

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KeyTalk®—account inquiries and maintenance	1-800-232-0859[5]