



# State of Alaska PERS/TRS Defined Contribution Retirement Plan

## FINANCIAL FOOTNOTES

FALL 2008

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

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## State of Alaska DRB Fund Changes

### Seven New Investment Options

As announced in a recent mailing from the State of Alaska Division of Retirement and Benefits (DRB), seven new options were added to all defined contribution plans on September 18, 2008.

These additions were made by the DRB in an effort to offer you a more diverse investment lineup. The new investment options are:

- State Street Treasury Money Market Fund—Inst.
- US Treasury Inflation-Protected Securities Index<sup>1,2</sup>
- Long US Treasury Bond Index<sup>1,2,3</sup>
- World Government Bond Ex-US Index<sup>2,3,4</sup>
- Russell 3000 Index<sup>2</sup>
- World Equity Ex-US Index<sup>2,4</sup>
- U.S. Real Estate Investment Trust Index<sup>2,5</sup>

For more information about the new investment options, you can view the Investment Option Detail Sheets available at [www.state.ak.us/drb](http://www.state.ak.us/drb). Under *Programs*, click on *Defined Contribution Retirement Plan*.

### Fund Addition for the PERS/TRS Defined Contribution Retirement Plan

In addition to the new funds mentioned above, the Intermediate Bond Fund<sup>5</sup> was added to the State of Alaska PERS/TRS Defined Contribution Retirement Plan on September 18, 2008. This is the same Intermediate Bond Fund currently offered by the State of Alaska Deferred Compensation Plan.

### Upcoming Change to Socially Responsible Investment Option

The Sentinel Sustainable Core Opportunities Fund will be replaced with the RCM Socially Responsible Investment Fund on October 30, 2008, for all State of Alaska defined contribution plans.

The new RCM fund has a similar socially responsible equity investment mandate. Participants can continue to trade the Sentinel fund through the close of the New York Stock Exchange (12:00 p.m. Alaska Time) on October 30, 2008, at which point all future contributions and existing assets in the Sentinel Sustainable Core Opportunities Fund will be transferred to the RCM Socially Responsible Investment Fund.

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### S&P 500 Index Fund Consolidation

Also effective October 30, 2008, the S&P 500 Index Fund<sup>2</sup> offered in the PERS/TRS Defined Contribution Retirement Plan will be replaced with the same S&P 500 Index Fund as offered in the Supplemental Annuity Plan. There will be no change to the management of this option. This change will reduce the expense ratio associated with this investment option. While you will see a change in the unit value, you will not see a change in your account value as a result of this fund replacement.

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses and disclosure documents from the Division's website at [www.state.ak.us/dr/b](http://www.state.ak.us/dr/b), from your registered representative or by calling KeyTalk® at (800) 252-0859.<sup>6</sup> Read them carefully before investing.*

*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.*

1 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.

2 An 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 an index.

3 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.

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

5 Specialty funds invest in a limited number of companies and are generally non-diversified. As a result, changes in market value of a single issuer could cause greater volatility than with a more diversified fund.

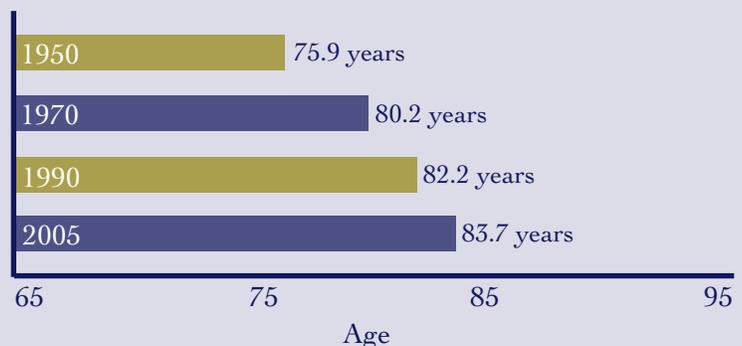
6 Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (12:00 p.m. Alaska 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.

## More and More Golden Years

There's good news for anyone preparing for retirement: Americans are living longer, more active lives than ever before. Today, a 65-year-old can expect to reach age 83, whereas someone who turned age 65 in 1950 could expect to live only to age 76.<sup>7</sup> This chart shows how life expectancies have increased in recent years.

A longer life span means you're likely to need substantial savings in order to maintain your lifestyle once you stop working, so try to make the most of your employer-sponsored retirement plan. Boost your contributions as your income increases, and take advantage of any available matching contributions from your employer.

### Expanding Life Expectancies



<sup>7</sup> Health, United States, 2007. National Center for Health Statistics.



## Keep Your Cool

### Try Not to Invest Emotionally

It's OK to get emotional watching a weepy movie, but you should try not to get emotional about the money you've invested for retirement. No matter what happens in the financial markets, don't let two strong emotions—fear and greed—deter you from your long-term strategy. Instead, try to stay calm, and make investment decisions based on reason and facts.

### Stay Focused Through Market Swings

It might seem logical to give in to your fears and sell when the stock market is falling. But you may be surprised to learn that the opposite reaction—i.e., gritting your teeth and staying invested—tends to produce good results. Think of it this way: The market may be falling now, but it's unlikely to fall forever.

In fact, history shows that since 1942 the market has racked up more good years than bad.<sup>8</sup> If you're not invested when the turnaround comes, those potential gains will pass you by.

### Don't Chase Trends

Another emotion that often causes investors to make mistakes is greed. What's wrong with succumbing to a little greed if the stock market is soaring? Well, not only do you risk paying too much for your investments, but you may choose something that is only hot for the moment and about to cool down.

### Let Reason Be Your Guide

So, how do you invest with your head and not your heart? Have a plan. Divide your assets according to your need for growth and the degree of risk with which you're comfortable. Then stick with that strategy.

Be realistic about stock market behavior. Past performance is never a guarantee or prediction of future results; however, from January 1, 1954, through December 31, 2007, stocks (as measured by the S&P 500<sup>®9</sup>) have returned an average of 10.4% a year.<sup>8</sup> Don't let fear make you forget that, historically, the occasional bad year has usually been followed by several good years. And don't let greed blind you to the fact that years when the market made great gains have usually been followed by years when it hardly gained at all or even fell.<sup>8</sup> If you remain focused on the long term, you can build a portfolio that may potentially withstand the market's inevitable swings.



<sup>8</sup> Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.

<sup>9</sup> "S&P 500<sup>®</sup>" is a trademark of The McGraw-Hill Companies, Inc.



# Cash Flow from Your Nest Egg

## How to Spend What You've Saved

The savings you've accumulated in your employer-sponsored retirement plan may be one of your greatest retirement resources. No matter where you are on the path to retirement, keep the following tips in mind.

### Follow the 4% Rule

Many financial professionals agree that you can safely withdraw 4% of your savings in your first year of retirement and then increase that amount by 3% each year to account for inflation. For example, imagine you saved \$1.25 million and your first withdrawal in retirement was \$50,000. In year two you'd need to withdraw your \$50,000 plus an additional 3%, or \$51,500, and then \$53,045 in year three, and so on.



### Be Sure to Take RMDs

The term "RMD" stands for "required minimum distribution." The IRS requires you to begin taking distributions from your retirement savings plan when you reach age 70½. Your first distribution must be taken by April 1 following the year in which you turn age 70½. If you don't take your RMD on time, or you don't withdraw enough, you could be subject to significant tax penalties. You can visit [www.irs.gov](http://www.irs.gov) to find complete RMD guidelines and estimates.

Remember that retirement planning doesn't end when you retire. If you follow these guidelines, your savings may sustain you for several decades.

<i>Contacts/Account Maintenance</i>	
Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-4433
Website	<a href="http://www.state.ak.us/drb">www.state.ak.us/drb</a>
Account information online	<a href="http://www.akdrb.com">www.akdrb.com</a> <sup>6</sup>
KeyTalk® — account inquiries and maintenance	1-800-232-0859 <sup>6</sup>

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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