



State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

FALL 2009

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

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Save for Retirement. Save the Planet.

There are lots of things that need saving in this world. Don't forget that retirement is one of them. Once again, National Save for Retirement Week has been officially reinstated by the U.S. Senate and U.S. House of Representatives. The resolution was passed in an effort to increase awareness among employees like you of the importance of saving for retirement.

This year, in the spirit of thinking long term, we have gone green! It takes mindful preparation to have the future that we want—in terms of both our physical environment and our financial environment.

Save for retirement

Visit www.save4retirement.net today to access the following:

- *Virtual Learning*—View online presentations on topics such as planning for retirement and diversifying your assets
- *Calculators*—Determine how much to save and how contributing more affects your pay
- *Helpful Links*—Visit Websites that may help you plan for retirement

Save the planet

Go paperless with Online File Cabinet®—the fast, easy way to view quarterly statements online at www.akdrb.com.¹ Online File Cabinet will store your statements so you can access, view and print them at your convenience. Plus, you will also receive an electronic version of this newsletter.

Verify your Beneficiary, Update Online

Be sure to check the Beneficiary section of your enclosed statement to verify the information listed is correct. If the beneficiary is incorrect or if no beneficiary appears in this section, please log in to your account at www.akdrb.com and update it immediately. Great-West Retirement Services is now the recordkeeper for your defined contribution beneficiary designations. While you may have a valid beneficiary designation on file with the Division of Retirement and Benefits, you are asked to update your designation at this time.

Updating your beneficiary is easy!

1. Log in to your account at www.akdrb.com
2. Click on *Change* on the left-hand menu
3. Click on *Beneficiary*

Remember to review and update beneficiaries for all of the State of Alaska defined contribution plans in which you participate.

¹ Access to KeyTalk and the Website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.



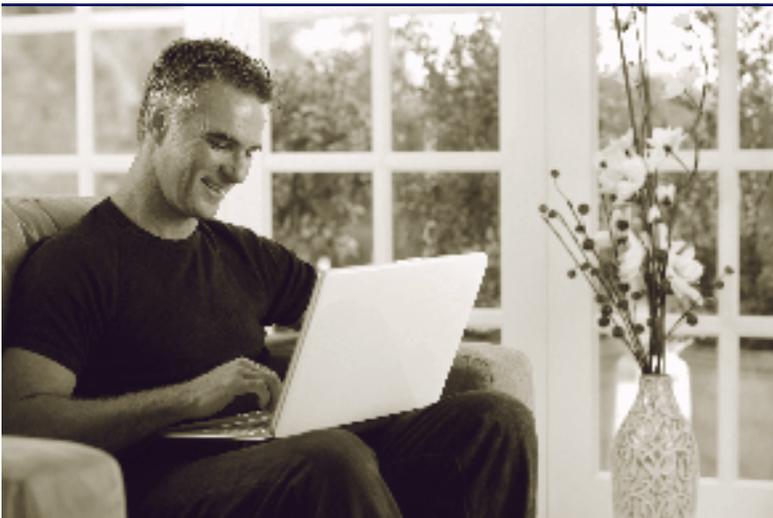


Collective Trusts Explained

Most of the investment options offered in the State of Alaska PERS/TRS Defined Contribution Retirement (DCR) Plan are collective trusts. The idea behind a collective trust is to leverage the purchasing power of institutional investors (like the State of Alaska) so that individual investors (like you) may engage in financial transactions that would not otherwise be feasible and at a lower cost. But what are collective trusts and how do they compare to a mutual fund? The following are some key points to keep in mind regarding collective trusts.

- Collective trusts work and act much like a mutual fund in that they are pooled investment vehicles.
- They offer investors many of the same benefits, such as portfolio diversification, professional management and investment flexibility.
- Collective trusts are offered by a bank or a trust company and are available to qualified plans, such as 401(k) plans and certain governmental plans, such as the Alaska defined contribution plans. They are not available to retail investors.
- Collective trusts differ from a mutual fund in that they are not registered with the Securities and Exchange Commission. Instead they are governed by a declaration of trust. This is why you will not find a fund prospectus or a ticker symbol associated with a collective trust like you would a mutual fund.
- Since collective funds do not have some of the regulatory requirements that mutual funds do, they generally have lower operating expenses.
- Because this investment is exclusively for institutional clients, there aren't any retail advertising or marketing fees.

More information on each of the collective trust options offered through the State of Alaska PERS/TRS DCR Plan can be found by logging into your account at www.akdrb.com and clicking on *Investments* and then *Investment Option Fund Detail Sheets*.¹



An Undeniable Advantage

How tax-deferred accounts build savings

Thanks to this year's government stimulus package, most U.S. households are enjoying a number of tax breaks. Even so, investors are looking for every opportunity to further reduce their tax bills in the interest of building savings. A tax-deferred retirement account is one of the ways to do so.

The power of tax deferral

Your State of Alaska PERS/TRS Defined Contribution Retirement Plan is a tax-deferred account. In a tax-deferred account, your contributions and earnings aren't taxed until you withdraw them, at which time they are taxed as ordinary income. What's more, if you are allowed to contribute pretax dollars to your plan, this reduces your taxable income, possibly lowering your tax liability for the year of contribution.



Which Asset Mix Is Best for Me?

There's no simple formula for figuring out your asset allocation. However, you may do best financially and psychologically by creating an allocation that's tailored for you, based on your age, number of years until retirement, financial goals and obligations, and your personal comfort with investment risk.

The following three hypothetical investors share their stories. Assume, for the sake of this example, that 25 years ago each investor was 38 years old, earned \$40,000 a year, and contributed 6% of salary (\$2,400) to his or her workplace retirement plan annually. Each one's asset allocation was based on his or her individual financial circumstances.

Judy was a single woman who lived alone and said market swings kept her awake at night. Furthermore, she needed to help pay her mother's nursing home bills. Keeping in mind her discomfort with risk and the probability that she also needed her money to help her mother, Judy decided on the following asset allocation: stock funds, 40%; bond funds, 40%; and cash investments (30-day T-bills), 20%.

Bob had two young children, so he and his wife, Betty, were preparing to pay college bills almost until the day Bob was planning to retire. Because they were not able to save much while paying those bills, they wanted to invest all they could then for maximum growth to potentially give them the biggest retirement fund possible. They chose a mix of stock funds, 80%, and bond funds, 20%.

Mel had two older children who would finish their college education years before he retired. But he was thinking about quitting his job in a few years and starting a business with his wife, Molly. To support their business initially, Mel and Molly planned to tap into their retirement savings for a while. So they wanted to balance investment growth with preservation of principal. They chose stock funds, 60%; bond funds, 20%; and cash investments, 20%.

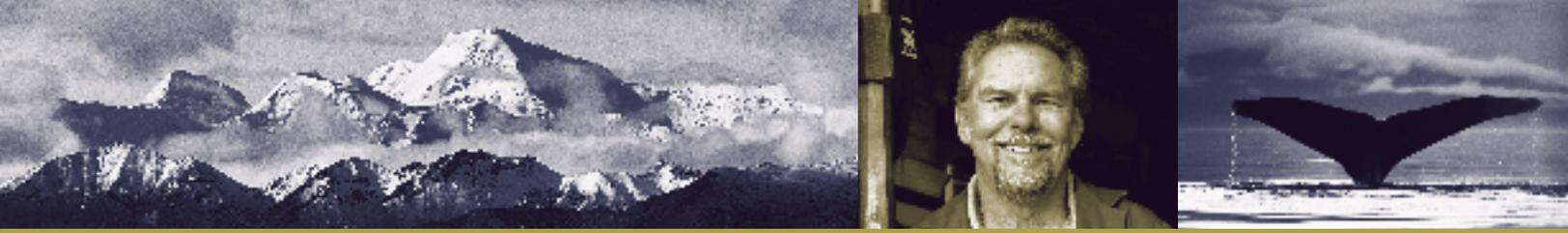
Because of their varied allocations, Judy, Bob and Mel will have different-sized nest eggs 25 years later. How big might the difference be? While past performance is no guarantee of future returns, let's see how these allocations performed during the 25-year period ending December 31, 2008. Assuming that their allocations stayed the same and their incomes and retirement plan contributions grew by 4% a year, Judy would have accumulated about \$244,000, Bob would have had about \$292,000, and Mel would have had about \$254,000.²

It's clear that Bob had the winning strategy. But given Judy's and Mel's uneasiness about risk and the other financial needs they anticipated, they probably did what was right for both their pocketbooks and their peace of mind. And those considerations should be what guide you in determining your asset allocation.³

² This hypothetical illustration assumes annualized returns as follows: Judy, 8.18%; Bob, 9.47%; Mel, 8.48%. Rates of return may vary. This illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulations shown above would be reduced if these fees had been deducted. This illustration is not intended to predict or project future investment results. Calculations are based on annualized returns between 1984 and 2008 for the following indices: The Standards & Poor Index (S&P 500®) for stocks; the Ibbotson intermediate-term government bond index for bonds; and the 30-day Treasury bill for cash investments. S&P 500® Index is a trademark of the McGraw-Hill Co. and is an unmanaged index considered indicative of the domestic Large-Cap equity market.

³ Though stocks have historically yielded the highest returns of any investment class since 1926, according to Ibbotson Associates, you could have lost money if you'd liquidated your retirement fund during certain down years—a fact to keep in mind when you plan for the future.





Distribution Processing Enhancement

Employees withdrawing money from the State of Alaska PERS/TRS Defined Contribution Retirement Plan will now receive their check faster thanks to new processing procedures. Effective December 1, 2009, all distribution forms should be submitted directly to Great-West Retirement Services. This streamlines the process by eliminating the DRB as the “middleman” and allows for daily distribution processing.

Completed distribution forms should be sent to the address below:

Great-West Retirement Services® | P.O. Box 173764 | Denver, CO 80217-3764

Reinventing Retirement—Again

Those individuals who were hoping to use retirement as a way to start a second career may be rethinking their plans now. More than 12 million Americans are searching for work⁴, and landing a meaningful position in a new industry is even harder for the graying set. Switching careers often means making less money at a time when retirees are trying to regrow shrunken savings.

The situation isn't completely hopeless. Retirees could, in fact, consider changing jobs within their industry, leveraging their professional experience and connections. At a job interview, for example, retirees could remind a recruiter that they have years of training that someone else paid for. Plus, generally speaking, retirees are often more stable than younger workers as part-time or contract employees.

If a retiree is set on switching gears entirely, the good news is that there will always be opportunities in certain fields. Nonprofits, for example, are expected to need manager-level employees with expertise in disciplines such as marketing or finance.⁵ Healthcare also tends to be a friendly environment for retirees. And new training can always give the job search a boost.

⁴ Bureau of Labor Statistics (figure will be updated)

⁵ The Second Career, *SmartMoney* magazine, May 2009

	<i>Contacts/Account Maintenance</i>	
	Alaska Division of Retirement and Benefits	1-800-821-2251
	From Juneau	1-907-465-5700
	Website	www.state.ak.us/drb
	Account information online	www.akdrb.com ¹
	KeyTalk®—account inquiries and maintenance	1-800-232-0859 ¹

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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