State of Alaska PERS/TRS Defined Contribution Retirement Plan

FINANCIAL FOOTNOTES

SPRING 2008

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

In This Issue

Vesting

What are the requirements? What does it mean?

Vesting requirements for members of the PERS Tier IV/TRS Tier III Defined Contribution Retirement (DCR) Plan are more flexible than for the defined benefit plans.

From the start, you are 100% vested in *your* contributions to your personal retirement savings account. Full vesting in contributions your employer makes to your account takes five years. Until then, you are partially vested. Here's the vesting schedule for employer contributions:

- At two years of service: 25% vested
- At three years: 50% vested
- At four years: 75% vested
- At five years: 100% vested in your employer's contributions

If you leave PERS or TRS employment, you remain vested according to the number of years worked, even if you take your money with you and roll it into a new plan. But if you leave before you have worked for at least two years, you lose all of your employer's contributions, including any interest gained. It all goes back to the employer.

If you later return to PERS or TRS employment, your employer's contributions would be vested according to your accumulated total service based on the schedule listed above. For example, if you had three years of service when you quit and then returned to covered employment, your employer's contributions would be 75% vested after working one more year.

If you quit, think very carefully before withdrawing any of your money. Any money you withdraw without rolling it over will be subject to state and federal taxes. And if you withdraw money before age 59½, you may also have to pay a tax penalty.

Being fully vested in a defined contribution plan has a different meaning than being vested in a defined benefit plan. In a defined contribution plan, there is no guaranteed pension or retirement benefit, making it even more important to save for your future.

In the next issue: What choices do you have regarding your contributions (yours and your employer's) if you leave the Plan before you retire?

Reorganization of the Citizens Core Growth Fund

Citizens Advisors, Inc. (Citizens), the investment manager of the Citizens Core Growth Fund, has signed an asset purchase agreement with Sentinel Asset Management (Sentinel). As a result of this agreement, the Citizens mutual funds were reorganized into Sentinel mutual funds.

The reorganization of the Citizens Core Growth Fund was approved on March 27, 2008, at a special meeting of the fund's shareholders. After the markets closed April 4, 2008, the Citizens Fund was merged into the Sentinel (SRI) Sustainable Core Opportunities Fund.

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PERS and TRS Defined Contribution Retirement Plan

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The new Sentinel (SRI) Sustainable Core Opportunities Fund is managed by portfolio manager Daniel Manion. Mr. Manion currently manages the Sentinel Common Stock Fund. Mr. Manion will manage the new fund by blending the investment style of the Sentinel Common Stock Fund with the socially responsible investing (SRI) process developed by Citizens. Sentinel is expected to employ many of the Citizens' investment professionals to maintain the socially responsible investing process.

Both the Citizens Core Growth Fund and the Sentinel (SRI) Sustainable Core Opportunities Fund are focused on large-capitalization domestic equities. The most notable difference is that the Citizens fund has a focus on growth whereas the new Sentinel fund will be a core fund that is not intended to have a growth or value style bias.

For additional information, please refer to the proxy statement/prospectus and other materials related to the Citizens fund reorganization at www.citizensfunds.com.[1]

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 Inst'l International Equity Fund and the Sentinel Sustainable Core Opportunities Fund) and Investment Option Detail Sheets (for the remaining investment options). Prospectuses and Investment Option Detail Sheets can be obtained on the Division's website at www.state.ak.us/drb, from your registered representative, or from the Division of Retirement and Benefits at (907) 465-4460 or toll free at (800) 821-2251. Read them carefully before investing.

Participants that had assets in the Citizens Core Growth Fund can see this change reflected on their account as a transfer out of the Citizens Core Growth Fund and a transfer in to the Sentinel Sustainable Core Opportunities Fund effective after the markets closed on April 4, 2008.

You do not need to take any action to effect this change. However, if you wish to make investment option changes to your account, you may do so by logging in to your account at **www.akdrb.com** or by calling KeyTalk® at **(800) 232-0859**.[2]

1 Great-West Retirement Services® is not responsible for and does not endorse the content contained in the additional websites provided. These websites are for general education and information only and are provided as a benefit to the users of the sites.

2 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.

Staying Calm in a Turbulent Market

Don't let market volatility rattle your nerves

If you're like some investors, you've been getting nervous about your investments because of recent swings in the stock market. That's not surprising. The good news for you—and your nerves—is that there may be less cause for alarm than you probably thought. What used to be considered volatile may now be the norm. Because the market has grown so large, with the Dow fluctuating at or above 10,000, a 100-point swing is a much smaller percentage of the overall market than it was when the Dow hovered below 3,000.

Try not to let short-term market swings deter you from your long-term investment strategy. Since no one can predict how the market will move next year or even next week, consider keeping your savings invested—and try to avoid making emotion-driven changes to your strategy.

Green Is Twice as Nice!

You're already saving the green by investing in the State of Alaska DCR Plan, but did you know that you can also receive your quarterly statements and stuffers electronically? Log in to your account at **www.akdrb.com** today to sign up for Online File Cabinet®. It's fast and easy, plus **Great-West Retirement Services® will donate $1 to the National Arbor Day Foundation (www.arborday.org[1]) for every person who signs up during 2008.** Working together to preserve your financial future and our national forests...now that's savvy investing.

Life Stage Investing: Keeping up with Your Allocation

Seek growth while moving toward retirement

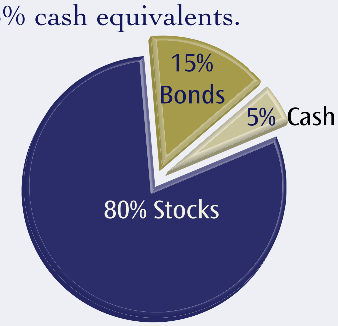
Enrolling in your employer-sponsored savings plan is the first step toward retirement, but once you've signed up, how should you invest? The way you allocate your contributions among the three major asset classes—stock funds, bond funds and cash equivalents—is one of the most important factors in determining your long-term investment returns.

Why it matters

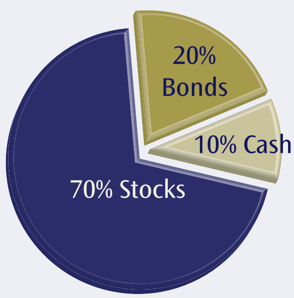
An allocation that's too cautious could leave you with insufficient funds to last through a long retirement. And an allocation that's too aggressive could leave you with losses at precisely the moment you need to access your money. Stock funds, for example, have historically produced the biggest gains over the long term, but a stock fund's value will tend to experience more short-term fluctuations than a bond fund. Keep in mind there's no single asset allocation that's right for every investor; yours should have enough growth potential to sustain you through your years of retirement, but shouldn't be so risky that it keeps you awake at night.

To create an asset allocation strategy that's appropriate for your situation, take into account your various financial goals, when you'll need the money, and your tolerance for risk. Then, consider these age-based guidelines:

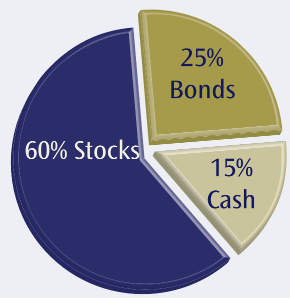
In your 30s: Because you have many years until retirement, you may be able to tolerate occasional short-term market fluctuations. Since you're likely to rely on your savings for several decades in retirement, you'll need them to grow while you're working—so consider keeping the majority of your investments in stock funds. Possible allocation: 80% stock funds, 15% bond funds and 5% cash equivalents.



In your 40s: You may now have additional financial responsibilities like saving college tuition money for your children, but try to put your retirement first. Remember that there are loans, financial aid and scholarships to help with college costs, but only you can finance your retirement. Make sure you're saving as much as you can. Growth is still important, but you may want to consider a slightly more conservative allocation. Possible allocation: 70% stock funds, 20% bond funds and 10% cash equivalents.



In your 50s: Retirement is approaching, and you may be eligible to make catch-up contributions to your plan. That means you could potentially save up to $20,500 in 2008. You'll begin withdrawing your savings soon, so consider shifting your allocation toward less-risky investments. But remember, you're likely to be retired for several decades, so your portfolio will still need to have some growth potential. Be sure to keep stock funds in your plan. Possible allocation: 60% stock funds, 25% bond funds and 15% cash equivalents.



FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice.

No matter where you are on the path to retirement, try to save as much as you can through your employer-sponsored retirement plan. Be sure to review your investments annually to make sure they're on track to sustain you through decades of retirement. Your portfolio may gradually become more conservative as you age, but remember that long-term growth is essential. Steady saving, tax-deferred compounding and prudent asset allocation can help increase and maintain your nest egg.



Quick Tip: Assets in the Balance

Does your asset allocation need an adjustment?

If you find that your asset allocation has shifted over the past year, you may need to rebalance. That means adjusting your allocation so that it returns to the one you originally chose. Periodic rebalancing is necessary in any market, because different assets gain and/or lose value at different times.[3]

Before you begin, consider your overall financial situation. You may want to reassess your asset allocation strategy if you've experienced a major life change, such as marriage or divorce, the birth of a child or a new job. If you want to get back to your original allocation, consider these strategies:

- Shift money from your highest-performing assets into those that have lagged. That means you're essentially selling high and buying low—a classic formula for investing success.[4]
- You might also change your future allocations. Bump up the percentage of your contributions devoted to your lower-performing assets; reduce the percentage earmarked for your winning funds.
- Annual rebalancing can ensure that your retirement savings plan continues to reflect your goals and risk tolerance.[3]

Ready to Retire?

Don't forget about diversification

What's on your retirement to-do list? Travel? Spending time with family? Volunteering? Whatever your plans, you'll probably need to continue managing your savings through several decades of retirement. Statistics show that life expectancies are on the rise. That's definitely good news—but it also means that your retirement nest egg will probably have to last a long time. A diversified portfolio can help to sustain your lifestyle.

Asset allocation means spreading your retirement savings among different asset classes, so that gains in one asset class may help to minimize losses in another. Diversification goes one step further. It means choosing several investments within a single asset class (holding, for example, a large- and small-cap stock fund) to potentially offset losses in a particular segment of the market.

3 Rebalancing does not ensure a profit and does not protect against loss in declining markets.
4 Funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

Contacts/Account Maintenance

Alaska Division of Retirement and Benefits	1-800-821-2251
From Juneau	1-907-465-4460
Website	www.state.ak.us/drb
Account information online	www.akdrb.com[2]
KeyTalk®—account inquiries and maintenance	1-800-232-0859[2]

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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