STATE OF MISSOURI
DEFERRED COMPENSATION PLAN

THIRD QUARTER
2010

SIMPLY PUT

In this issue

Investor Quiz Results Announced

The State of Missouri Deferred Compensation Plan Investor Knowledge Quiz gave Plan participants an opportunity to show what they know about investment concepts.

Thank you to the 5,504 Plan participants who took part. The results of the quiz will help the Plan tailor effective basic investment information delivered to participants via the Plan web site, print materials, and live presentations.

Investor Knowledge Quiz questions and answers	Percent that answered correctly
Q. What is asset allocation? **A.** How you divide your investment dollars among the asset classes	78%
Q. What is portfolio diversification? **A.** Buying shares of different types of investments	58%
Q. What would be a reason for you to rebalance your retirement plan account? **A.** To return your asset allocation to its original strategy	28%
Q. If you buy a company's stock… **A.** You own a part of the company	80%
Q. If you buy a company's bond… **A.** You have lent money to the company	76%
Q. Which type of bond is the safest? **A.** U.S. Treasury bond	85%
Q. In general, if interest rates go down, then bond prices… **A.** Go up	32%
Q. Which of the following is the best definition for a "junk bond"? **A.** A bond that is rated as "below investment-grade" by ratings agencies	52%
Q. A "no-load" mutual fund is one that… **A.** Carries no sales charges	18%
Q. What is a mutual fund's expense ratio? **A.** The sum of the mutual fund's investment advisory fee, the administrative costs, 12b-1 distribution fees, and other operating expenses	17%
Q. In general, investments that are riskier tend to provide higher returns over time than investments with less risk. **A.** True	72%
Q. What is a reasonable average annual return that can be expected from a broadly diversified U.S. stock mutual fund over the long run? **A.** 10%	36%
Q. Over the last 25 years in the U.S., the best average returns have been generated by: **A.** Stocks	52%

Of the 5,504 who took the quiz, most (91%) were active employees with the State. Others were a mix of active college or university employees (1%) and retirees (8%). Their ages were 36-50 (42%), 51-65 (40%), 26-35 (14%), 66 or older (4%), and 18-25 (1%).

National Save for Retirement Week

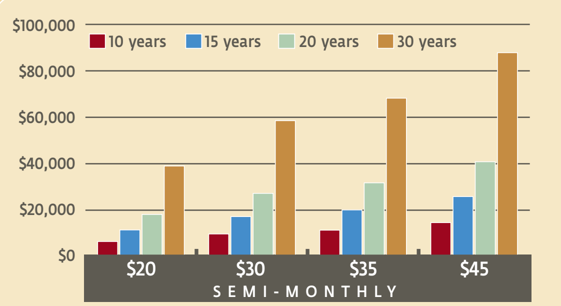
October 17-23, 2010

Congress has called attention to the importance of saving for retirement by proclaiming October 17-23, 2010 as National Save for Retirement Week.

Consider contributing more.

Could you afford to increase the amount you defer into your State of Missouri Deferred Compensation Plan account? The ***My Retirement Outlook*** calculator on the Plan web site can help you plan for an increase that fits your budget.

Just a little increase in savings per paycheck could mean a significant increase in account value, as illustrated by the following chart.



For illustrative purposes only; assumes semi-monthly contributions and a 6 percent average annual return. The final account balance does not account for Plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate so when shares are redeemed they may be worth more or less than the original cost.

To change your contribution, access your account online at **www.modeferredcomp.org** or call the Plan Information Line at **(800) 392-0925**.

Check your progress.

Use the calculators on the Plan web site or attend a seminar on investing to make sure your investments are on track with your retirement goals. To register for seminars, go to the Plan web site or call the Plan Information Line.

Asset class risk

Keeping too much of your account's assets in options that invest in one asset class — stocks, bonds, or cash — could increase risk. For example, a portfolio with too much in conservative investments may expose you to the risk of outliving your assets. A portfolio that's too aggressive could increase your exposure to market risk.

Market risk

This is the risk that an investor could experience losses from the day-to-day fluctuations in the price at which an investment can be bought or sold. Price fluctuations result from many factors, including political developments, investment trends, tax changes, or investor reaction to economic news.

Short-term outlook risk

During volatile market conditions, your emotions could push you into taking on a level of risk that is too low or high. You also run this risk if you try to profit from changes in the market by switching in and out of investments, an approach known as market timing. Excessive trading policy restrictions and redemption fees may apply.

What you should know about risk

Risk is a normal part of investing. Consider some of the different types of risks that can affect the way you invest for your retirement.

Your ability to handle risk is closely related to your personal circumstances, including your age, income, the amount of time left for investing before you expect to retire, confidence in investing, and attitude toward short-term market volatility.

Through diversification and asset allocation, you may be better prepared to manage or compensate for different types of risk. Diversification involves spreading your dollars among a variety of investments. Asset allocation is deciding how to diversify by dividing your money among different asset classes, such as stocks, bonds, or cash equivalents.

Sticking to an asset allocation strategy based on your specific needs and objectives can help you withstand short-term outlook, recession, prosperity, interest rate, and asset class risks. Maintaining an investment mix that includes options that invest in stocks for growth potential could help to reduce the risks of inflation and outliving your assets.

Of course, using diversification or asset allocation as part of your investment strategy does not assure or guarantee better performance and may not protect against loss in declining markets. Past performance does not guarantee future results.

Investment risk

Most investments are not guaranteed, and the loss of principal is possible. The value of a security will fluctuate, so that when it is redeemed, the amount may be more or less than the original investment. Generally, the greater an investment's potential reward over time, the greater its level of price volatility or risk.

Interest rate risk

Rising interest rates can negatively affect your fixed income investment options when they pay less than newly issued bond investments. Higher rates can also cause investors to put more money into interest-paying investments, potentially driving down the value of fund options that invest in stocks.

Recession and prosperity risks

An economic slowdown means all investments can lose value and make investing seem riskier, giving some an excuse to avoid investing for retirement. A period of prosperity can make investments appear less risky, causing some to take on more risk than is appropriate for their situations.

Inflation risk

Even a modest inflation rate can severely reduce the amount your retirement savings will buy in the future. Historically, inflation has averaged three percent. At that rate, in 24 years, you might need twice as much money as you spend today to help meet your expenses.

Longevity risk

Many people underestimate how long they will live. Living longer could increase the likelihood of running out of savings during retirement.

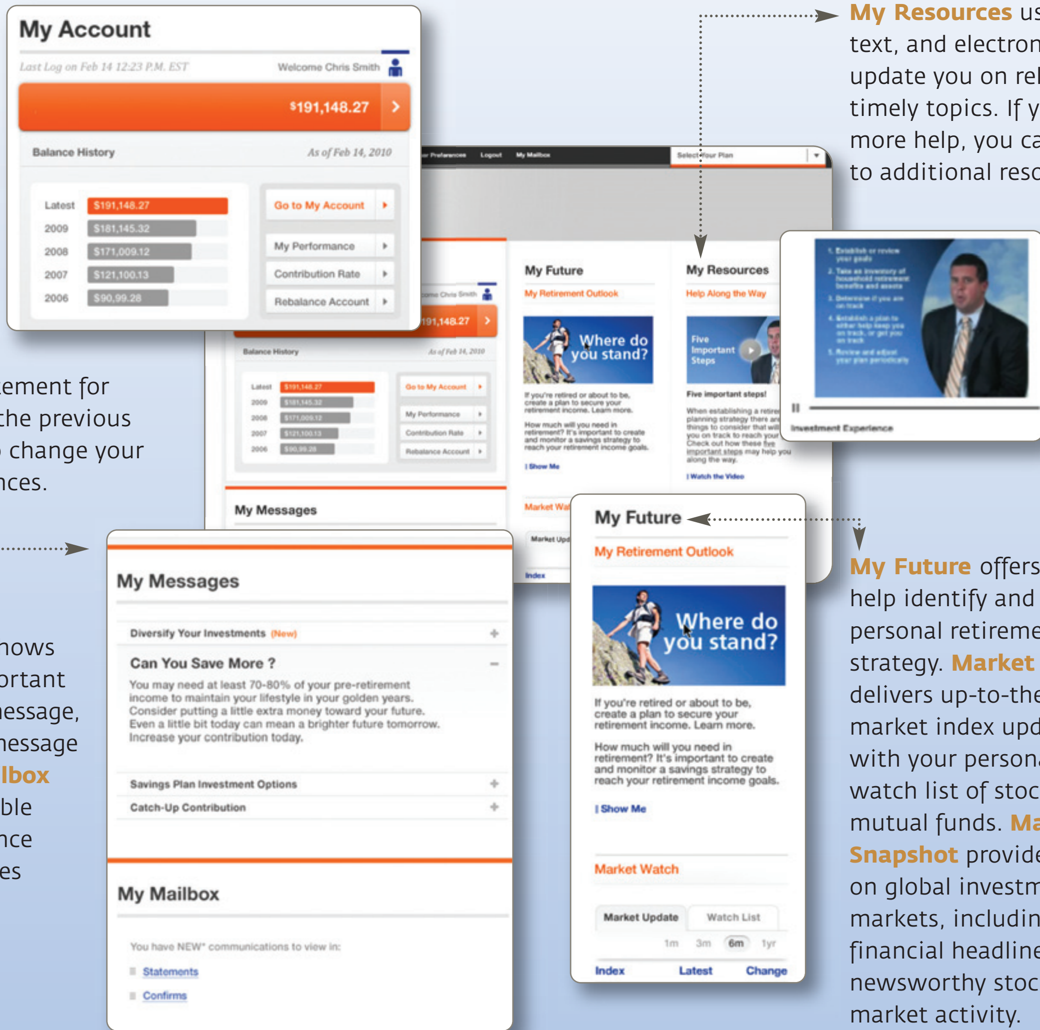
Sources of definitions: "ING Special Report: Managing Key Risks to Make Your Retirement Income Last"; "A Falling Market Isn't the Only Risk" and other articles by SmartMoney; and *A Woman's Guide to Investing* by Lightbulb Press.

New look and feel for Plan website's home page

The next time you log on to the Plan website, you will see changes in the design and organization of information on the Plan home page. It is the screen that appears after you log on to your Plan account. These improvements make it easier for you to access information for managing your account.

My Account provides a snapshot of key account information, transactions, and Plan information, with quick links to take action. For more detailed historical information, you can generate an online statement for any date range during the previous two years. You can also change your account access preferences.

My Message Center shows account news and important alerts. If you receive a message, you can click from the message to take action. **My Mailbox** highlights newly available electronic correspondence like confirmation notices and statements.



My Resources uses video, text, and electronic media to update you on relevant and timely topics. If you want more help, you can easily link to additional resources.

My Future offers resources to help identify and track your personal retirement savings strategy. **Market Watch** delivers up-to-the-minute market index updates, along with your personalized watch list of stocks and mutual funds. **Market Snapshot** provides updates on global investment markets, including key financial headlines and newsworthy stock market activity.

Tax breaks in 2010

If enacted, a substitute amendment offered by Senator Max Baucus (D-MT) to the American Jobs and Closing Tax Loopholes Act of 2010 (HR 4213) would extend tax breaks from 2009 that could help reduce your 2010 federal income taxes.

1. **Extend the ability for individuals who were over 70½ to donate money to charity** — the top limit is $100,000 a year — directly from their Individual Retirement Account or Individual Retirement Annuity (IRA), without having to declare those IRA distributions as taxable income. This could help taxpayers who do not have enough expenses to itemize deductions on their tax returns.
2. **Extend the standard deduction on the federal income tax return for up to $1,000 in state and local property taxes for those individuals who do not itemize.** This would be a break for older homeowners who no longer pay enough interest on their mortgages to justify itemizing.
3. **Extend deductibility of state and local sales taxes instead of state income taxes.** This might help itemizers who live in states with a sales tax who have moved from high income tax states to states with no or low income taxes. Check with a tax adviser about whether this tax deduction applies to your situation.

If legislation is not enacted, these provisions will expire December 31, 2010 and the deductions will not be available for 2010 federal income tax returns.

Test your knowledge of compounding

One of the basic principles of saving for retirement is to invest for the long term. Time gives the assets in your account the benefit of compounding. Take this quiz to see how much you really know about the subject.

1. Compounding is the process by which the value of an investment potentially increases over time. TRUE FALSE

2. Compounding can play a crucial role in building up your retirement nest egg. TRUE FALSE

3. The Rule of 72 is a quick way to estimate an investment's doubling time. TRUE FALSE

Answers:

1. **True.** Let's say you invest $1,000 in an investment that returns 5% the first year you own it. At the end of year one, your investment is worth $1,050, a gain of $50. In year two, the investment again returns 5%, but it's now 5% of $1,050, or $52.50. The value of your investment has climbed to $1,102.50 ($1,000 + $50 + $52.50). Thanks to compounding, your money may potentially grow faster as each year's incremental gain is added to the previous year's total. After 20 years of compounding and earning 5% annually, your initial $1,000 investment has grown to $2,653.30 without your adding another cent.
2. **True.** The process of compounding is the process of building. The higher the return on your investments, the faster compounding can help build up your asset base.
3. **True.** The Rule of 72 is a simple rule for estimating how long it will take for compounding to double the value of an investment at a given rate of return. Say you have an investment at an 8% annual rate of return. Divide 72 by eight, and you'll see that the value of your investment will double in about nine years. At a 12% annual rate of return, your investment would double in value in roughly six years (72 divided by 12). These examples are for illustrative purposes only and do not represent the performance of any of your Plan's investment options. Your results will vary.

Statement Has New Beneficiary Section

Please check out the new beneficiary section on the last page of your quarterly or electronic statement.

A beneficiary is the person who would receive any money left in your Deferred Compensation Plan account in the event of your death. You will see either the name of the most current beneficiary or a note that you do not have beneficiary information on file with ING. With your password, you may review, add, or edit your beneficiary information online at **www.modeferredcomp.org** or by calling the Plan Information Line.

STATE OF MISSOURI
DEFERRED COMPENSATION PLAN

Participant Service Representatives:
Available Monday–Friday, 7 a.m.–7 p.m.
(800) 392-0925, option 1, and from the main menu, option 0

ING Local Office:
3349 American Avenue, Suite A • Jefferson City, MO 65109

ING Plan Consultants:
Available Monday–Friday, 9 a.m.–5 p.m. • (800) 392-0925, option 2

quarterly calendar

The New York Stock Exchange is closed:

- **Thursday, November 25, 2010**
- **Friday, December 24, 2010**
- **Monday, January 17, 2011**

Transactions made on these days will be processed the following business day.