STATE OF MISSOURI DEFERRED COMPENSATION PLAN

FIRST QUARTER 2011

SIMPLY PUT

In this issue

How Much Money Do You Need to Retire?

In this edition of *Simply Put*, we will explore one of the most common myths about saving for retirement and provide some facts to help you plan for your future.

Myth: **You'll need much less income to live on once you've retired.**

Fact: **Statistics show you'll actually need more than you may think.**

What you save in the State of Missouri Deferred Compensation Plan is crucial, since many experts say you will need retirement income equal to about 80% of the salary you are earning just before retiring. The average State of Missouri employee's pension and Social Security benefits will replace approximately 65% of pre-retirement income. Accumulating supplemental savings in the Plan could help to make up the difference.

Some costs may end, such as job-related expenses for commuting and business clothes, and mortgage payments. But other factors could result in your need for more income, depending upon your particular situation.

You might live longer than you think. Better health care is helping more people live well into their 90s. That means you could spend 30 years or more in retirement. While the State of Missouri pension and Social Security pay benefits for as long as you live, a lengthy retirement could mean needing your savings to last for decades.

Inflation can reduce the purchasing power of a once-comfortable retirement income. As prices go up, a dollar buys less. What you save and invest in the Plan may help to potentially outpace inflation. (*See the quiz on page 4.*)

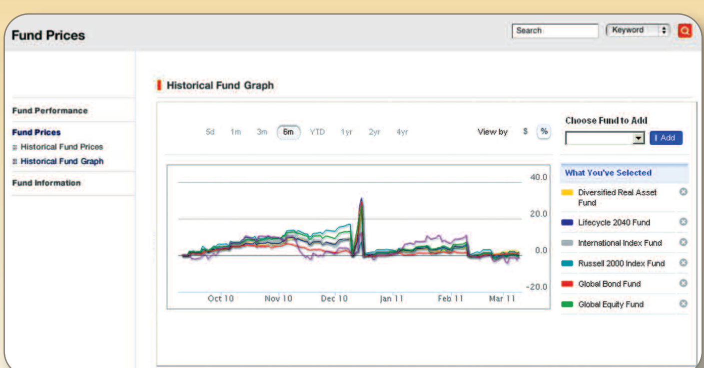
Costs for health insurance and health care often rise as you get older. Without planning, you may find health care could be more expensive, eventually affecting your retirement income. This could be especially true if you retire early, since Medicare doesn't begin until you reach age 65.

Get the facts for yourself

The answer to the question "How much do I need to retire?" is very personal and different for everyone.

Financial tools, including the online calculator *My Retirement Outlook*, on **www.modeferredcomp.org** can help you determine whether you will have enough to retire.

If you have questions about the Plan or your account, speak with a Plan consultant at **(800) 392-0925**, option 2, weekdays, 9 a.m. – 5 p.m.



The new tools provide a picture of your account and the Plan investment options that's easy to understand at a glance.

Plan Website Offers New Interactive Tools

Several new Plan website features are available to help you chart your progress toward your goals.

Go to **www.modeferredcomp.org** and log on to **My Account**. Under **Balances**, you can compare your balances and investment options for the time period of your choice by inserting two dates. Under **Plan Investments**, you can view the historical performance of the Plan's investment options and compare them over time.

2011 tax cut may help you boost retirement savings

You have extra cash in every paycheck because of a Social Security tax break for this year only. Beginning in January, withholding taxes from wages were reduced by 2% for all of 2011.

You are paying 4.2% instead of the standard 6.2% into Social Security on income below $106,800.

This offers a limited time opportunity to save more for your retirement. Simply consider deferring some or all of the 2% into your voluntary retirement plan, such as your 457(b) Plan account.

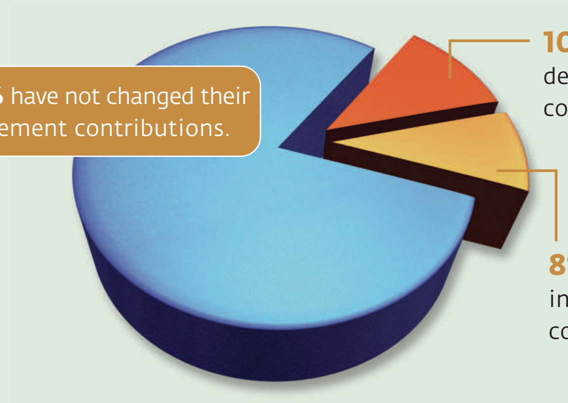
Remember, when you increase your Plan contributions, you may see little or no difference in your take home pay. That's because your contributions are tax deferred which means the amounts are not subject to current federal or state taxes. You only pay taxes on contributions and earnings in your Plan account when you begin withdrawals or distributions.

While the Social Security tax break is temporary, your decision to defer the 2% could make a long-lasting difference for your future. To increase your retirement plan contribution, go to the Plan website or call the Plan Information Line.

How do your retirement plan contributions stack up?

A recent study of state and local government employees' financial habits yielded some thought-provoking statistics.

41% of government employees expect to retire at a later age because of the financial market decline. They also expect the cost of living to increase — and yet:



Have you reviewed your contributions to your voluntary retirement plan lately? Are you sure that your current contribution rate will allow you to save enough money to retire? Take advantage of the tools and services available through your Plan for evaluating whether your current contribution rate will be enough to help you reach your retirement objectives.

Statistics are from ***Public Employees in Focus*** *published by the ING Retirement Research Institute in September 2010 based on a survey of 1,026 state and local government employees.*

Check your Plan account's fiscal fitness

Your Plan account needs routine check-ups for the same reason you need a physical exam: to make sure it stays healthy.

A fiscal check-up can tell you whether you're on track to meet your retirement objectives or need to make changes. Here are some basic guidelines to help you maintain your long-term financial well-being.

Quarterly Review your account statements to see how your investments are performing.

Annually Look at the amount you contribute from each paycheck into your employer's voluntary retirement plan and consider increasing it.

Review the investments in your account. If your portfolio is out of alignment with your investment strategy, you may want to rebalance to restore the target percentages you set originally. Generally, rebalancing involves selling one or more of your investments and using the proceeds to buy other investments in your portfolio. Rebalancing and asset allocation cannot assure or guarantee better investment performance or prevent loss in declining markets, but both can help manage risk as part of your investment strategy.

Regularly Take advantage of your Plan's educational opportunities, tools, and services.

Should I delay taking my first RMD?

While your personal finances are fresh on your mind as the tax season ends, it may be a good time to think ahead to a decision you might face in December.

Tax laws require you to begin annual withdrawals known as Required Minimum Distributions (RMDs) from your retirement accounts in the year in which you reach age 70½, or when you retire, whichever is later.

Generally, you must take your RMDs no later than December 31 of each calendar year to avoid a 50% tax penalty. However, a special rule applies to your first RMD. You have the option of delaying your first distribution until April 1 following the year in which you reach age 70½ or retire, whichever is later.

You might prefer to wait if you expect to be in a lower tax bracket in the following year. However, keep in mind that your second distribution must be made on or by December 31 of that same year.

Receiving your first and second RMDs in the same year may increase your taxable income for the year. So before you decide when to take your first RMD, consider consulting with your financial or tax adviser about your personal situation.

Tips to prevent online fraud

You can protect your confidential information and reduce the risk of potential financial harm due to identity theft by taking these precautions.

Anti-virus software

Anti-virus software scans and deletes viruses from your computer and incoming e-mail. After you purchase anti-virus software, keep it enabled to repair damage and receive updates automatically.

E-mail

Do not reply to e-mails from unknown or suspicious sources. Delete them immediately. Do not open attachments or links contained within e-mails from unknown sources.

Hackers use appealing subject lines and false addresses to entice you to open virus-laden e-mails and attachments. In reading an e-mail subject line, if it sounds too good to be true, do not open the e-mail or attachment.

Internet

Download information only from trustworthy websites. Complete virus scans of downloads before opening them. Use spyware detection to ensure that you do not become a victim of pop-ups that could obtain your user identification and password for your accounts.

If you have high-speed Internet access, use a firewall to prevent hackers from gaining unauthorized access to your computer. A firewall may be provided through your operating system or home networking software if you have a personal router.

If your computer becomes infected, you should log off the Internet and scan your computer with updated anti-virus software.

Test your knowledge of inflation

Inflation is a rise in the level of prices of goods and services in an economy over a period of time. Do you know how inflation could affect your retirement planning? Quiz yourself.

1. The U.S. average rate of inflation over the past nine decades has been more than 5%. TRUE FALSE

2. The worst inflation in U.S. history has come after periods of heavy deficit spending by the government. TRUE FALSE

3. It is wise for individuals who are saving and investing for retirement to factor inflation into their long-term investment strategy. TRUE FALSE

Answers:

1. **False.** Overall, U.S. inflation has risen an average of 3% per year, based on the Consumer Price Index (CPI)[1] which began tracking data in 1913.[2] At that rate, in 24 years, you might need twice as much money as you spend today to help meet your expenses.
2. **True.** The worst years for inflation were during and after World War I, World War II, and the Vietnam War. In the 1970s, soaring oil prices combined with Vietnam War spending, resulting in high inflation. The risk of inflation in 2011 is considered likely because of the recent period of deficit spending to lift the economy out of deep recession.[1]
3. **True.** Even a modest rate of inflation can reduce the purchasing power of your retirement savings in the future. As a buffer against inflation, you may want to consider including some options that invest in stocks for potential growth in your investment mix.

[1] *Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers Historical Tables, 1913 to the Present," as of March 2010.*

[2] *Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions."*

Sign up online for free seminars

You have access to helpful educational seminars at no charge.

A seminar is a convenient way to learn about the Plan and its benefits, how to enroll, fundamentals of investing, the Target Date Funds, and how to handle your account in retirement.

Seminars are conducted around the state for your convenience. You can view the list of seminar topics, schedule, and locations or sign up for free seminars online at **www.modeferredcomp.org** under **Plan Updates & Notices** on the home page.

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:

- **Monday, May 30, 2011**
- **Monday, July 4, 2011**

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