

SMART Plan

update

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EDUCATE

YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

FOR MORE INFORMATION: GO TO WWW.MASS-SMART.COM

Achieving the Ideal Retirement Part 2: Increasing Your Contributions

In Part 1 of this series, we discussed how thinking in terms of a regular retirement income stream may be a smarter, more practical approach to achieving your ideal retirement than focusing on the lump sum you need to accumulate. Now it's time to turn our attention to how you can build that income stream to reach the 70% income replacement level that many experts recommend we'll need in retirement.*

The most obvious step: increasing your Massachusetts Deferred Compensation SMART Plan contribution amount.

How is saving through the SMART Plan different than saving on my own?

Saving for retirement through the SMART Plan has advantages over trying to save an equivalent amount on your own. For example, your contributions to your SMART Plan account come out of your pre-tax income. That means that each contribution is deducted from your pay before any taxes are assessed, so you could potentially lower the amount of income tax you may pay with each paycheck.

Also, the money you save and invest through the SMART Plan has the potential to grow on a tax-deferred basis. Any earnings from your investments are reinvested and have the potential to generate growth of their own. This is known as compounded growth potential. You don't pay taxes on the money you initially contribute or on any growth your contributions generate until you take a distribution, usually at retirement. In contrast, when you invest on an after-tax basis in something like an outside brokerage account, you pay taxes on your original investment and any earnings you receive. Keep in mind that you will eventually pay taxes on the money you withdraw from your SMART Plan account—but by saving through the SMART Plan, more of your money can stay invested and keep working for you for a longer time.

Percentage or fixed amount: There's a difference

If you're interested in maximizing your saving potential through the SMART Plan, you may also want to consider switching from contributing a fixed amount (for example, \$100 each paycheck) to contributing a percentage of each paycheck (such as 5% or 10%). That way, you'll automatically increase your contributions to your account with each pay increase, and you probably won't even notice the difference!

* Source: <https://www.socialsecurity.gov/planners/morecalculators.htm>, 2012

A LETTER FROM TREASURER STEVEN GROSSMAN

Dear SMART Plan Participant,

As administrator of the Massachusetts Deferred Compensation SMART Plan, I am committed to encouraging and enhancing discussions about retirement savings and financial planning. Above all else, we want to take steps to ensure that state and municipal employees have enough replacement income to safely and responsibly retire.

We are justifiably proud of the successes of the SMART Plan and encouraged by what our current participants are doing to save. Helping participants make informed financial decisions and develop effective retirement income replacement solutions is at the core of the SMART Plan's operations.

We will continue to apply best practices of the investment industry to the SMART Plan in order to provide our participants with the most effective tools they need to succeed. Our plain label enhancement, website re-design, and educational initiatives contained in this Newsletter are designed to do just that.

We hope that our ongoing efforts will motivate even more employees to join the SMART Plan and increase their likelihood of achieving long-term financial success and retirement freedom. We pledge to work with all of you to achieve this important shared goal.

Sincerely,



STEVEN GROSSMAN
SMART PLAN
PARTICIPANT,
STATE TREASURER &
RECEIVER GENERAL



SMART Plan Enhancement

Plain Label Branding

Studies have shown that up to 90% of a participant's portfolio return is directly related to asset allocation.¹ Having the right mix of investment options across stocks, bonds and cash equivalents can have a significant impact on a portfolio's return. In an effort to remove some of the confusion participants face when constructing their portfolios, effective June 1, 2012, the Massachusetts Deferred Compensation SMART Plan will be moving to "Plain Label" branding for all investment options. The Plan will assign customized fund names to all SMART Plan investment options that will reflect each fund's specific investment strategy. By focusing attention on the investment strategy of the fund options, participants will be better equipped to design asset allocation strategies to meet their long-term investment goals given individual risk tolerances.

Why move to "Plain Label" branding of the SMART Plan investment options?

By eliminating the confusion of retail fund names, participants can focus on the importance of portfolio diversification and asset allocation because the name of the fund will clearly reflect the investment strategy.

Will the "Plain Label" initiative have any impact on my current portfolio?

No. This initiative is simply a re-branding of existing fund options and will not result in a change in underlying managers. **No action on your part is required.**

How can I view the underlying manager(s) of each "Plain Label" investment option?

The underlying manager(s) will be clearly displayed on our website, performance reports, fund overviews and quarterly statements.

How will changes to the underlying manager(s) of a "Plain Label" fund be communicated to participants?

All SMART Plan Investment options are continually monitored in an effort to deliver the best options for our Plan participants. Any change to an underlying manager will be communicated to participants and displayed via the Plan's quarterly newsletter, the website, performance reports and fund overviews.

New Fund Name	Current Fund Name	Asset Class/Style(Stock)-Duration(Bonds)	Benchmark
Money Market Fund	Vanguard Money Market	Money Market	Citigroup 3 Month T-Bill Index
Diversified Bond Fund ²	PIMCO Total Return Fund	Bond-Intermediate	Barclays Capital Aggregate Bond Index
Large Company Growth Stock Fund	Fidelity Growth Company Fund	Large Cap-Growth	Russell 3000 Growth Index
Large Company Blend Stock Fund	Fidelity Fund	Large Cap-Blend	S&P 500 Index
Large Company Value Stock Fund	Eaton Vance Large Cap Value Fund	Large Cap-Value	Russell 1000 Value Index
Large Company Blend Stock Enhanced Index Fund	T. Rowe Price Structured Research Common Trust Fund	Large Cap-Blend	S&P 500 Index
High Yield Bond Fund ^{2,3}	Eaton Vance High Yield Fund	Bond-Intermediate	Merrill Lynch U.S. High Yield Index
Real Estate "REIT" Fund ⁴	Invesco Equity Real Estate Securities Trust Fund	Active Real Estate	NAREIT Equity Index
Small Company Stock Fund ⁵	Wellington Active Small Cap Stock Portfolio	Small Cap-Growth	Russell 2000 Index
International Stock Index Fund ⁶	SSgA Int'l Index Sec Lending Series CI I	International Equity-Passive	MSCI EAFE Index
Treasury Inflation Protection Securities "TIPS" Index Fund	SSgA US Infl Prt Bd Idx Non Lnd Ser A	Treasury Inflation Protection Securities "TIPS" -Passive	Barclays Capital U.S. Treasury: TIPS Index
Large Company Stock Index Fund	SSgA S&P 500 Index Securities Lending Series Fund Class I	Large Cap-Passive	S&P 500 Index
Small Company Stock Index Fund ⁷	SSgA Russell Small Cap Index Securities Lending Series Fund Class I	Small Cap-Passive	Russell 2000 Index
Bond Index Fund ²	SSgA U.S. Bond Index Securities Lending Series Fund Class I	Bond-Passive Intermediate	Barclays Capital Aggregate Bond Index

SMART Plan Enhancement (continued)

Fund Name (Current)	Current Underlying Managers	Asset Class
Income Fund	BlackRock Income Research & Management Wells Capital	Stable Value
International Equity Fund	Harding Loevner Inst'l International Equity Portfolio MFS Inst'l International Equity Fund	International Equity ⁶
SMARTPath 2000 to SMARTPath 2055	Various options currently included in the Plan	Target Retirement Date ⁸

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.

The New SMART Plan Website

The newly redesigned SMART Plan website (www.mass-smart.com) includes a range of upgrades and enhancements to make the site easier to use. The new site makes it:

Easier to find information – The site's tile-based design streamlines access to the most popular tools and information.

Easier to learn – The new site makes it easier to be an informed investor. It provides a calculator to show how retirement contributions affect a paycheck, as well as quick online courses on investment fundamentals.

Easier to take action – When a participant decides to take action, such as changing an investment mix, the new site makes it easy to turn those decisions into actions.

PRE-LOGIN HOME PAGE



The NEW website debuts on April 18, 2012.

POST-LOGIN HOME PAGE

Because each participant's retirement picture is unique, the new site provides a personalized account view and suggests steps that can be taken to reach retirement income goals.

At-A-Glance – Each time participants log on, they immediately see the current progress toward their savings goal—how much has been saved, the rate of return, and the amount of the last contribution.

Suggested Links – Each visited page features suggested links for next steps that the participants might consider, based on the content of the page.



Achieving the Ideal Retirement (continued)

Take the next step

Saving more through the SMART Plan is easy. Just log on to your account at www.mass-smart.com and click on “Change Paycheck Contribution” link under the Transactions menu option. You’ll be able to increase your contribution amount and switch from a fixed amount to a percentage contribution.

If you’d like to see how an increase to your SMART Plan contributions will affect your take-home pay, visit the

Paycheck Planning calculator available on the plan website under Educate>Planning Tools and Calculators.

Finally, to learn more about the impact of compounded growth potential and how a small increase in your contribution can make a big difference in the long term, check out the Increase Your Savings calculator that’s also available at Educate>Planning Tools and Calculators on the new SMART Plan website.

International Equity Fund Reminder

As part of the ongoing performance review of the Massachusetts SMART Plan investment options, Harding Loevner LP and MFS Investment Management have been selected as the new underlying managers for the SMART Plan’s International Equity Fund. The fund will be split with 30% invested in the Harding Loevner International Equity Portfolio (Ticker: HLMIX) and 70% invested in the MFS Institutional International Equity Fund (Ticker: MIEIX). The objective of this fund remains unchanged.

GOT QUESTIONS? NEED ANSWERS?

SMART Plan Customer Service Center

Call us today at **(877) 457-1900!**
Available Monday through Friday
from 9:00 a.m. to 8:00 p.m. ET

Regional Service Center Waltham

255 Bear Hill Rd.
Waltham, MA 02451
Available Monday through Friday
from 9:00 a.m. to 5:00 p.m.

Correspondence should only be directed to the Regional Service Center in Waltham.

Boston

One Ashburton Place, 12th Floor
Boston, MA 02108
Available Monday through Friday
from 9:00 a.m. to 5:00 p.m.

Additional Location on St. James Avenue
Call us today at **(877) 457-1900**
Available by appointment

Quincy

Call us today at **(877) 457-1900**
Available by appointment

Worcester

2 Chestnut Place / 22 Elm Street
Worcester, MA 01608
Available Monday and Thursday
from 9:00 a.m. to 5:00 p.m.
Tuesday, Wednesday and Friday
from 9:00 a.m. to 3:00 p.m.

Springfield

436 Dwight Street, Room 109
Springfield, MA 01103
Available Monday,
Wednesday and Friday
from 9:00 a.m. to 5:00 p.m.



To contact your local representative,
call **(877) 457-1900**,
or go to www.mass-smart.com >
Contact Us > Find Your Local Representative.

A map of Massachusetts will appear. Click on the area code in which you work to find the name of your local representative.

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- 1 Asset allocation and/or diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
- 2 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.
- 3 Although they have higher return potential, high yield bonds are also subject to greater risk, including the risk of default, compared to higher rated securities.
- 4 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.
- 5 Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.
- 6 Foreign investments involve special risks, including currency fluctuations and political developments.
- 7 A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.
- 8 The date in a Target Date Fund represents an approximate date when an investor would expect to start withdrawing his or her money, or when an investor expects to retire. The principal value of the funds is not guaranteed at any time, including the target date.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers. GWFS Equities, Inc. is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Not intended for Plans whose situs is in New York. ©Great-West Life & Annuity Insurance Company. All rights reserved. CB1096N (4/2012) PT#147347