

Questions and Answers regarding the State of Missouri Deferred Compensation Plan new investment design

1. Why are these changes being made to the deferred compensation plan?

The purpose of the new plan design is to provide a more customer-focused deferred compensation plan with high quality, well diversified, cost conscious investment products that will work to the advantage of state employees and encourage them to save for their retirement years.

2. Can you describe this type of employee savings plan and the authority bestowed upon the administrator (MOSERS) of the Plan?

The State of Missouri Deferred Compensation Plan is a tax-deferred employer sponsored plan whose assets are held in a trust and provided as a benefit to employees. MOSERS administers this plan and the MOSERS Board of Trustees has the legal authority and fiduciary responsibility to choose the investment options for the plan and oversee the types of investment decisions made by employees given a list of investment options. This legal authority is outlined in Missouri State Statute 105.915 found at http://www.mosers.org/assets/pdfs/DC_Plan_Statutes.pdf

3. How will the new plan design benefit me?

The new plan design:

- Has lower fees
- Is much simpler to understand
- Provides real choices. You may choose the ING Stable Income fund if you aren't comfortable with stock investment risks, or you may choose the Self-Directed Brokerage Account if you are a hands-on investor who likes to personally manage your investments. If any portion of your account is allocated to funds other than the ING Stable Income fund or the Self-Directed Brokerage Account on April 9, 2009, it will automatically be mapped to a target date fund (http://www.mosers.org/assets/pdfs/DC_Plan_Design_TD_Funds.pdf) that is tied to the earlier of the year you are eligible to retire or reach age 65. The target date funds automatically adjust asset allocations as you get closer to your retirement, requiring little or no maintenance now or in the future and without any further action on your part.

4. Why are you moving my investments?

During the past year, MOSERS worked diligently with ING, the record keeper for the State of Missouri Deferred Compensation Plan (the "Plan"), to review all aspects of the Plan. A primary goal of that review was to gain a better understanding of the overall knowledge that Plan participants have regarding their investments and investing behaviors.

What we learned from state employees and participant focus groups is that too many choices lead to confusion. Our research showed that:

- over 60% of Plan participants have assets in just one fund,
- over 50% of Plan participants are invested in only the Stable Income Fund,
- and 32% of the Plan's assets are invested in large-cap stock mutual funds.

We are now implementing the changes needed to help participants become better investors. By streamlining the current line-up of 31 funds to a series of 12 target date funds, one cash-like fixed-income investment, and a brokerage window, we will now offer an investment design that provides a smart, simple, savings solution for all Plan participants.

5. Wouldn't it be better to wait until the markets recover to implement the transition?

You may be concerned that by implementing the changes at this time you will be selling shares of your funds at lower market prices, but understand that you will also be buying shares at lower market prices. If we waited until the markets recovered you would be selling fund shares at higher prices, and buying shares at higher prices. As fiduciaries of the plan and investment

professionals, we are confident that the results of this transition would not be improved by a delay in the timing.

6. Will my account lose value due to the mapping process?

No. Your fund shares will be sold and the exact dollar amount of the proceeds from those sales will purchase your target date fund shares.

7. What if I don't want to be mapped to a target date fund?

If you don't want to be invested in a target date fund, you can transfer your money into the ING Stable Income Fund or establish a Self-Directed Brokerage (SDB) Account before April 9th at 3:00 p.m. Central Time. The Plan will continue to offer the ING Stable Income Fund as a fixed-income cash-like investment option for those individuals with a low tolerance for risk and the Self-Directed Brokerage Account for those who are familiar with a brokerage window option and want to take a hands-on approach to managing their account.

8. Will I be able to repurchase the exact funds that I hold now in an account in the SDB?

In most cases, you will be able to trade into the same funds, but you might not be able to repurchase the same class of shares because:

- Some of the current funds are institutional share classes that are not available to individuals.
- A few of the funds are no longer open to new investors.

9. Will the current fund options be available via the brokerage window after the transition?

Yes, the majority of the funds will be available through the brokerage window; however transaction, load fees and minimum investments may apply. A complete list of the funds is included below detailing their availability in the brokerage window and their anticipated fees:

Current Missouri Fund Line Up	Current Share Class Ticker	Share Class Ticker available through SDB	Available in Brokerage Window	Load Fee	Transaction Fee (\$25 per buy or sell trade)	Comments
AIM Dynamics	FIDYX	FIDYX	Yes	NONE	NONE	
American Century Equity Income	TWEIX	TWEIX	Yes	NONE	NONE	
American Century Growth	TWCGX	TWCGX	Yes	NONE	NONE	
American Century Ultra	TWCUX	TWCUX	Yes	NONE	NONE	
American Funds Bond Fund of America	ABNDX	ABNDX	Yes	Front End Load Fund	Check Prospectus	
Brown Capital Small Company	BCSIX	BCSIX	Yes	NONE	\$25	
Dreyfus Premier Third Century	DRTHX	DRTHX	Yes	NONE	NONE	
Dreyfus Small Cap Stock Index	DISSX	DISSX	Yes	NONE	NONE	
Federated U.S. Government Securities: 2-5 Years	FIGTX	FIGIX	Yes	NONE	NONE	
Fidelity Asset Manager	FASMX	FASMX	Yes	NONE	NONE	
Fidelity Contrafund	FCNTX	FCNTX	Yes	NONE	NONE	
Fidelity Equity-Income	FEQIX	FEQIX	Yes	NONE	NONE	
Goldman Sachs Mid Cap Value	GSMCX	GMSX	Yes	NONE	NONE	
Janus Worldwide	JAWWX	JAWWX	Yes	NONE	NONE	
Dryden Total Return Bond	PDBCX	PDBCX	Yes	LOAD Fee	Check Prospectus	
Jennison Blend	PEQZX	PRECX	Yes	LOAD Fee	Check Prospectus	
Putnam Investors	PINX	PINX	Yes	LOAD Fee	Check Prospectus	
T. Rowe Price International Stock	PRITX	PAITX	Yes	NONE	NONE	Short term redemption fee of 2% if held less than 90 days
Templeton Developing Markets	TEDMX	TEDMX	Yes	LOAD Fee	Check Prospectus	
Vanguard Inflation Protected Securities	VAIPX	VAIPX	Yes	NONE	\$25	
Vanguard LifeStrategy: Conservative Growth	VSCGX	VSCGX	Yes	NONE	\$25	
Vanguard LifeStrategy: Growth	VASGX	VASGX	Yes	NONE	\$25	
Vanguard LifeStrategy: Income	VASIX	VASIX	Yes	NONE	\$25	
Vanguard LifeStrategy: Moderate Growth	VSMGX	VSMGX	Yes	NONE	\$25	
Vanguard Total Stock	VITSX	VITSX	Yes	NONE	\$25	
AIM Small Cap Growth	GTSIX	GTSIX	Yes	NONE	NONE	
Gartmore Nationwide	MUIFX		No			
Janus Small Cap Value	JSCVX	JSCVX	Yes	NONE	NONE	
Neuberger Berman Genesis	NBGEX	NBGEX	Yes	NONE	NONE	
SEI Index S&P 500 Index	TRQIX		No			
Varying minimum investments may apply to all funds						

10. What is the benefit of the brokerage window?

For those who want to take an active, hands-on approach to managing their Plan account, there is the option of using the Self-Directed Brokerage Account (SDB) to build an investment portfolio. The SDB gives you access to most individual stocks and bonds, and over 9,000 mutual funds, 3,600 of which are no-load and over 1,000 that are no-load, no transaction fee funds.

11. How do I open a Self-Directed Brokerage Account?

First, you must complete a Self-Managed Account Full Service Application, available in the Forms section of the Plan website or by calling the local ING office at 1-573-893-1053 or the Plan Information Line at 1-800-392-0925. Upon receipt of your completed application, you will receive a welcome letter along with your brokerage account number. This process takes approximately two weeks to complete.

Once your account is open, you may direct your contributions to a money market fund in the SDB. Once invested, you can trade within your brokerage account at your discretion online via the SDB Web site or by calling a brokerage representative at 1-866-548-5595, Monday – Friday, 7:30 a.m. to 4:30 p.m. Central Time (except on New York Stock Exchange holidays).

12. What are the costs associated with the brokerage window?

There is no annual fee to participate in the brokerage window; however there are fees associated with trading securities and some mutual funds.

- There are over 1,000 no-load and no-transaction fee mutual fund investment options available through the brokerage window. (See the Glossary of important terms for no-load and no-transaction fee.)
- Some no-load mutual funds will carry a fee of \$25 per transaction. Load mutual fund transaction fees may vary (please refer to a fund's prospectus for information regarding all sales loads and/or transaction fees).
- Stock trades will incur a fee of \$14.95 per trade
- Fixed Income trades will incur a fee of \$50.00 per trade

13. I tried to direct 100% of my contributions to my SDB account, but the system would not allow me to. Why?

This isn't allowed because you need to maintain a minimum balance in the core funds to cover monthly program administrative fees. You can only contribute 90% of your contributions to your SDB account.

14. What are core funds?

Core funds are any investment option offered through the Plan other than the Self Directed Brokerage Account, such as the Stable Income Fund or a target date fund.

15. Why do I need to keep a minimum balance of \$500 in core funds in my SDB account?

This liberal requirement exists to encourage participants to hold a portion of their assets in the plan's recommended investment options and to collect the monthly program administrative fees shown on your statement. This has been reduced from the previous requirement of \$2,500.

16. How do I find a list of no-load and no-transaction fee mutual funds available through the SDB?

You can find a complete list of available mutual funds by accessing the SDB login page using the following link:

https://login.mystreetscape.com/ftgw/Fas/nf/SSCorrClient/Login/Init/df.chf.ra/my_citistreet.

The first 35 pages of the searchable PDF document contain all available no-load and no transaction fee mutual funds.

17. Are any funds I have invested through the brokerage window going to be mapped to a target date fund?

No, money in the ING Stable Income Fund or a Self-Directed Brokerage Account will not be mapped to a target date fund.

18. May I choose more than one target date fund?

It is possible to choose more than one, but keep in mind that target date funds are designed to be a single diversified investment solution for your retirement savings. Any other use of the target date funds may result in less than optimal returns, a higher amount of risk in your portfolio, or both.

19. Which target date fund I will be mapped to?

Depending on your birth date, you will be mapped to one of the following twelve funds:

If you were born:

1932 or before
1933 – 1937
1938 – 1942
1943 – 1947
1948 – 1952
1953 – 1957
1958 – 1962
1963 – 1967
1968 – 1972
1973 – 1977
1978 – 1982
1983 or later

You will be mapped to:

Missouri 1995
Missouri 2000
Missouri 2005
Missouri 2010
Missouri 2015
Missouri 2020
Missouri 2025
Missouri 2030
Missouri 2035
Missouri 2040
Missouri 2045
Missouri 2050

20. If I am over age 65, which Missouri Target Date Fund will I be mapped to?

Depending on your birth date you will be mapped to one of the following four funds:

If you were born between:

1932 or before
1933 – 1937
1938 – 1942
1943 – or later

You will be mapped to:

Missouri 1995
Missouri 2000
Missouri 2005
Missouri 2010

21. I took advantage of the ING Advisor Service and the Professional Account Manager; will I still be able to use the service?

No. The move to the target date funds negates the need for the ING Advisor Service and the Professional Account Manager program, therefore they will no longer be available after the transition, and you will no longer be charged a fee for this service.

22. I have money invested in a fund that has redemption fees. When you redeem my shares, will I be responsible for paying these fees?

No, the redemption fees will be waived for the transition to the target date funds.

23. Who do I call if I have questions?

Call the State of Missouri Deferred Compensation Plan Information Line at 1-800-392-0925. Participant Service Representatives are available Monday – Friday, 7 a.m. to 7 p.m., except on most New York Stock Exchange holidays. You may also speak with a local representative by calling 1-800-392-0925, Option 2, Monday – Friday, 9 a.m. to 5 p.m. Central Time.

If you prefer to visit the Jefferson City office during business hours, it is located close to Lowe's at 3349 American Drive, Suite A.

Glossary of Important Terms:

Asset Allocation: The distribution of assets among different categories of investments such as: cash, bonds, domestic equities, foreign equities and real estate securities.

Asset Class: A specific category of assets or investments, such as stocks, bonds, cash, international securities and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations.

Bonds: Debt instruments with which the investor loans money to an entity (company or the government) that borrows the funds for a defined period of time at a specified interest rate. Bonds may also be referred to as fixed-income securities.

Brokerage Window: Allows a participant to invest in stocks and mutual funds offered by a brokerage firm. This is also referred to as a self-directed account.

Diversification: The use of a variety of investments (or investment strategies) in order to reduce the risk that all of your investments lose value at the same time.

Equity: A type of security that represent ownership in a corporation. Stocks are equities.

Fixed Income: Any type of investment that pays a specific interest rate, or a regular or fixed return, usually bonds or preferred stocks.

Mapping: The transfer of assets from one investment option to another in a predetermined manner.

Load: A sales charge or commission charged to an investor when buying or selling shares of a mutual fund. The fee may be charged each time the investor buys into the mutual fund (front-end load) or when the investor redeems the mutual fund shares (back-end load).

No-load: Describes a mutual fund that does not have a commission.

Stable Income/Stable Value: An asset class that seeks to deliver safety and stability to investors by preserving principal and accumulated earnings. Although they are similar to money market funds, they offer the potential for higher returns, making them comparable to intermediate-term bonds, but with less volatility.

Transaction Fee: A fee charged for buying or selling certain mutual fund shares, also called a brokerage commission.

Index Fund: A type of fund with a portfolio constructed to match or track the components of a market index, such as the Standard & Poor's 500 Index (S&P 500). An index fund provides broad market exposure, low operating expenses and low portfolio turnover.

Active Management: a fund investment strategy where managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. An actively managed fund normally has higher operating expenses than an index fund.