



State of Tennessee Optional Retirement Plan

SAVING : INVESTING : PLANNING

VALIC



An optional retirement plan (ORP) is an alternative to the State's defined benefit plan, and provides you with greater control over your retirement plan assets.

As an eligible employee, you can enroll in either the State's defined benefit plan or the ORP. If you choose the ORP for your retirement savings, you must then select one of the State's approved retirement plan providers, such as VALIC.

Enrolling in your retirement plan is easy

- 1 Review the enclosed enrollment materials.
- 2 Complete and sign the enrollment form.
- 3 Mail or fax the completed enrollment form to VALIC.

For additional enrollment assistance:

1-888-569-7055

VALIC Enrollment Center

1-800-448-2542

For a local financial advisor

Why enroll in your ORP?

Flexible investment options

Our ORP approved product offers a wide array of fund options to create an investment mix that helps you achieve financial freedom at retirement.

It's easy to do

Developing your own personal retirement plan is not as difficult as you might think. Your local financial advisor is available by phone or in person to help you enroll and select investment options to suit your personal situation.

You choose your investments

You have the freedom to choose from the options available through your ORP. You'll want to allocate your investments among asset categories and classes to create a diversified investment program that matches your investment goals for retirement.

Your account can move when you do

If you relocate to another state or university system, you may be able to transfer your current ORP account to the new ORP. And because we have advisors in all 50 states and the District of Columbia, a financial advisor from the company may be available to help you keep your retirement plan on track.

No need to make decisions on your own

Keep in mind that there are distinct advantages to both types of retirement plans offered by the University. If you choose VALIC to be your ORP provider, you don't have to make your retirement investment decisions alone. A financial advisor from the company is ready to help you. Consult the University's benefits office and your local financial advisor to review the provisions of both the ORP and the state's defined benefit plan.



Why choose VALIC as your retirement plan partner?

We're committed to your long-term financial needs

VALIC has more than 50 years of experience helping Americans plan for and enjoy a secure retirement. In fact, we've helped millions of Americans to retire on their terms and are one of the country's leading providers of employee retirement programs to universities and other organizations.

When you choose VALIC as your plan provider, you can get as much or as little individual help as you want in planning and investing for your retirement. Your financial advisor frequently visits the campus and is available to meet with you in person or by phone at your convenience.

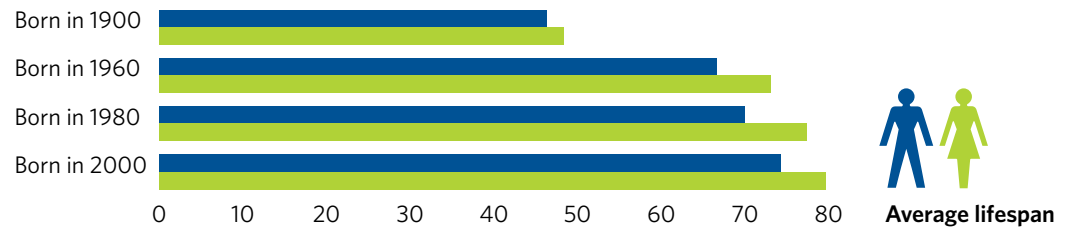
Our company and its people are dedicated to helping you plan for the future by offering objective and expert retirement planning and advice, as well as a choice from an array of innovative products and services. We provide ongoing support through a comprehensive financial education program that continues through all life stages.



Reasons to save for retirement

1 We're living longer

Life expectancy has increased dramatically and continues to rise. That means you could spend 20 years or more enjoying retirement.



Source: National Center for Health Statistics from birth

2 Retirement lifestyles are changing

People today are reinventing retirement and staying active longer. That takes more money. Most experts suggest that for every year in retirement, you'll need at least 80% of your last working year's salary.

3 Inflation isn't going away

The rising cost of goods and services can affect your retirement savings in two meaningful ways. First, it diminishes the real annual rate of return on your investment. Second, it reduces your purchasing power over time. Either way, inflation erodes the value of your money. That means you need a retirement plan that factors inflation into its calculations.

Today	In 20 years	In 40 years
\$40,000	\$72,244	\$130,482

Historically, inflation averages around 3% annually, which may not sound like much. But it can take a big bite. For example, in 40 years you'll need \$130,482 to equal \$40,000 today.

4 Shrinking Social Security

Social Security was never designed to do more than supplement retirement income.

Average annual benefit paid to retired worker in 2010	\$13,836
Average annual benefit paid to couple in 2010	\$22,512
Maximum annual benefit for a worker at full retirement in 2010	\$27,876

Social Security is also under increasing stress as baby boomers retire and fewer workers remain to support the system. That means less money coming in as more retirees begin to collect their benefits — and that spells trouble.

Source: Social Security Administration

5 Rising healthcare expenses

As we age, more of our money is likely to be needed for healthcare and related medical expenses. And according to many studies, the rate of inflation for healthcare is likely to continue for years to come.

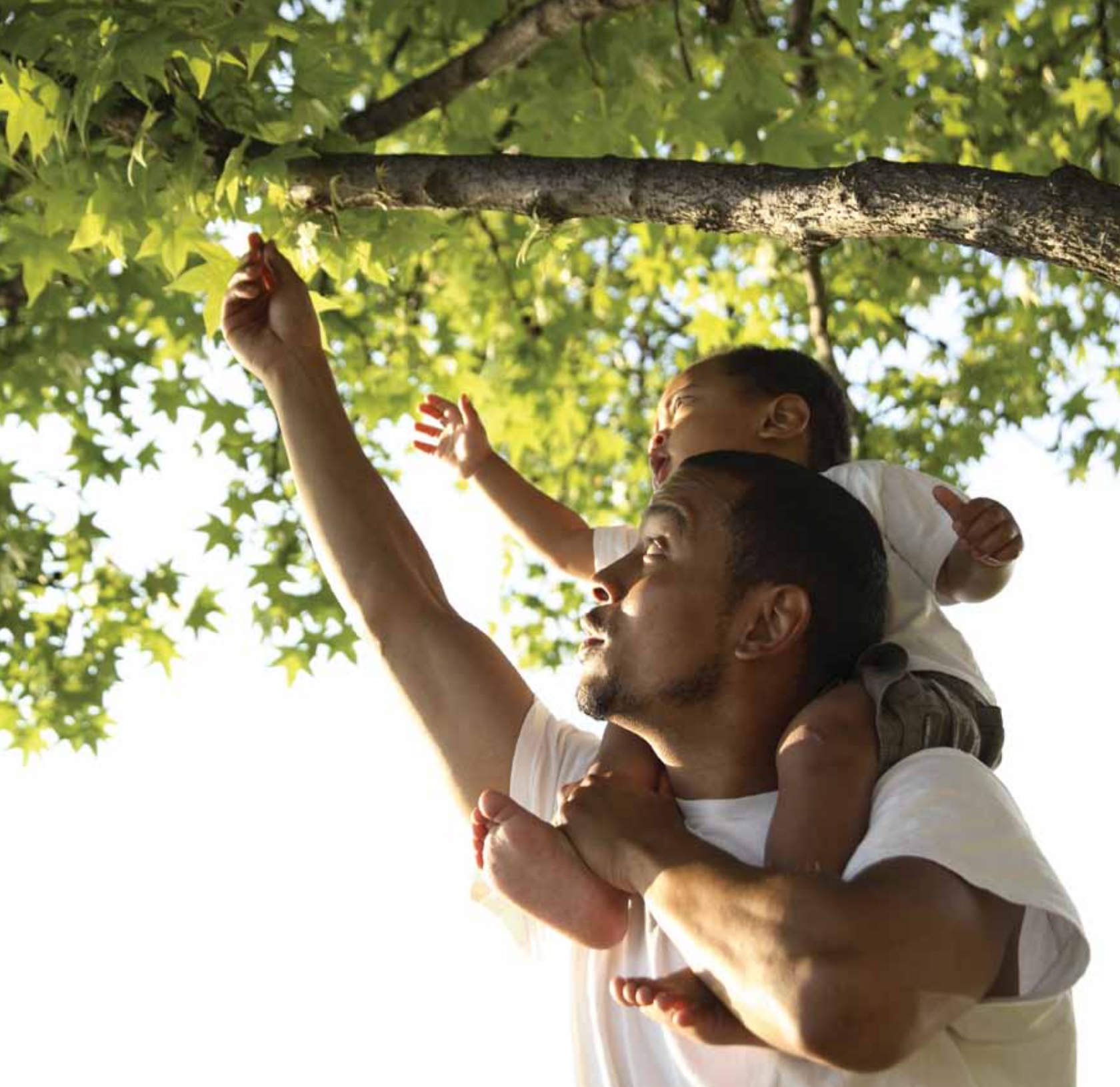
Diversifying your investments means choosing two or more investments that generally respond differently to market conditions. While the value of one is declining, the value of the other(s) could be climbing. Or, as one zigs, the other zags. Of course, while diversification is a sound investment strategy, it doesn't ensure a profit or protect against market loss.

Why use asset allocation to diversify your investments?

Asset allocation is the scientific process of creating a diversified investment mix by selecting the most effective combination of investments — those with dissimilar performance behavior. Investments are grouped into three asset categories — growth (stocks), income (bonds) and stable value (cash equivalents). The amount of money you should invest in each category depends on your investment objective, personal risk tolerance and time horizon (the time you have left until you need the money).

Within the broad asset categories are asset classes, or types of investments such as international equities, domestic equities, fixed income funds, etc.

Asset allocation could be the master plan that governs all of your investment decisions. It works for any age and for every stage of life, because it integrates all of your personal goals and needs with your personal risk tolerance. Be aware, though, that asset classes and the indexes from which their historical returns are derived are not managed funds, have no identifiable objectives and cannot be purchased. They do not provide an indicator of how individual investments performed in the past or how they will perform in the future.



Always consider your situation carefully before you invest. An investment in stocks and bonds involves risk of fluctuation and possible loss of principal. Common stocks involve greater risk than government bonds, because they are more volatile and have a greater potential for loss of principal.

Estimate your risk tolerance

By answering these eight questions and adding their point total, you can get a rough estimate of your risk tolerance, which is one criterion in making an investment decision.

1 In how many years do you expect to begin making withdrawals from your retirement account(s)?

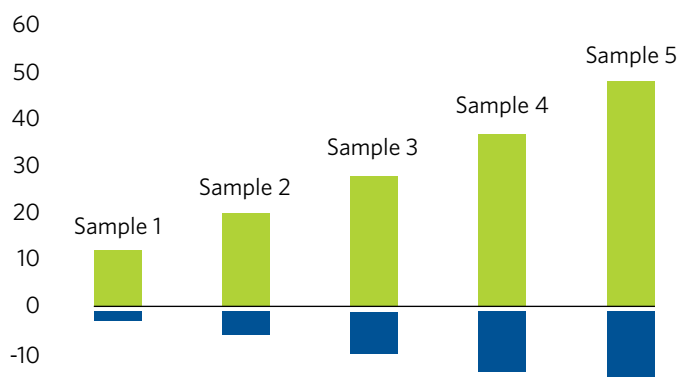
Fewer than 5 years	0	Score
5 years	4	
10 years	8	
15 years	12	
more than 15 years	18	

2 Once you begin making withdrawals, how many years do you expect to continue making withdrawals?

Lump-sum payment or full withdrawal over fewer than 5 years	0	Score
5 years	6	
10 years	10	
15 years	14	
more than 15 years	18	

3 The graph below shows a one-year range of returns for five hypothetical investment mixes. In which of these mixes would you prefer to invest?

Sample 1	0	Score
Sample 2	3	
Sample 3	6	
Sample 4	9	
Sample 5	13	



4 The five hypothetical samples shown in the table below represent a best-case and a worst-case result for an investment of \$100,000 after one year. Which range of possible results would you prefer?

	Potential best case	Potential worst case
Sample 1	\$115,590	\$94,430
Sample 2	\$121,250	\$91,690
Sample 3	\$133,520	\$84,040
Sample 4	\$139,540	\$80,180
Sample 5	\$151,740	\$72,100

Sample 1	0	Score
Sample 2	3	
Sample 3	6	
Sample 4	9	
Sample 5	13	

5 How would you respond to the following statement? I am comfortable with investments that may frequently experience large declines in value if there is a potential for high returns.

Strongly disagree	0	Score
Disagree	2	
Somewhat agree	4	
Agree	7	
Strongly agree	10	

6 If the value of a hypothetical investment increases by 15% over four months while similar investments increase by 5%, which of these strategies are you most likely to follow?

Sell the entire investment now to realize the gain and move to a more conservative investment to protect the gain.	0	Score
Sell some of the investment now and move the proceeds to a more conservative investment to lock in a portion of the gain.	4	
Continue holding the investment.	9	

7 Suppose you invested \$30,000 with the intention of holding the investment for 10 years. If this investment lost value during the first year, at what value of your initial \$30,000 investment would you sell and move to a more stable investment?

\$28,500	0	Score
\$27,000	2	
\$25,500	4	
\$24,000 or less	7	
I would not sell	10	

8 The following table shows the average return and probability of experiencing a loss in five different hypothetical investments over a two-year holding period. Which of the following investments would you prefer?

	Likely return	Odds of loss	Score
Investment 1	5%	9 out of 100	0
Investment 2	6%	11 out of 100	3
Investment 3	9%	17 out of 100	6
Investment 4	10%	19 out of 100	9
Investment 5	12%	22 out of 100	13

Total score for questions 1 & 2 only: _____

Total score for questions 1 through 8: _____

Find a sample mix

First, total the scores for your answers to questions 1 and 2 and locate the time horizon column that reflects this number. Next, total the scores for your answers to all questions (1-8) and locate the row that reflects this total. This letter in the box where your column and row intersect represents a sample mix that relates to your estimated tolerance for risk.

Time Horizon Score					
Point total for your answers to questions 1 & 2	0	4 or 6	8 or 10	12, 14 or 18	22+
Total Score					
Point total for your answers to questions 1-8					
0-20	A	A	A	B*	C*
21-27	A	A	B	C*	C*
28-45	A	B	C	D	D*
46-59	A	C	D	D	E
60+	A	D	E	F	G

* Conservative investors need to evaluate whether they want a somewhat more aggressive mix simply because they have a long investment time horizon.



After you've assessed your investment objectives, time horizon and risk tolerance, you can create an investment mix that fits your financial profile. Know your asset allocation sample before making your investment selections.

As an alternative to choosing individual investments, we've created sample mixes that represent the major categories of investor allocations. These are examples and not recommendations. Your allocations should reflect your personal goals and investment preferences. Neither asset allocation nor diversification ensure a profit or protect against market loss.

Tips about risk and volatility

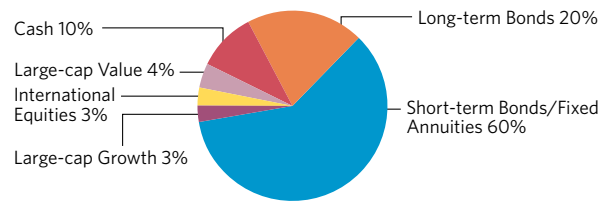
Generally, higher potential returns involve greater risk and short-term volatility. Some examples:

- > Small-cap, mid-cap, sector and emerging funds can experience significant price fluctuation due to business risks and adverse political developments.
- > International (global) and foreign funds can experience price fluctuation due to changing market conditions, currency values, and economic and political climates.
- > High-yield bond funds, which invest in bonds that have lower ratings, typically experience price fluctuation and a greater risk of loss of principal and income than when investing directly in U.S. government securities such as U.S. Treasury bonds and bills, which are guaranteed by the government for repayment of principal and interest if held to maturity.
- > Mortgage-related funds' underlying mortgages are more likely to be prepaid during periods of declining interest rates, which could hurt the fund's share price or yield, and may be prepaid more slowly during periods of rapidly rising interest rates, which may lengthen the fund's expected maturity. Investors should carefully assess the risks associated with an investment in the fund. Fund shares are not insured and are not backed by the U.S. government, and their value and yield will vary with market conditions.

A

Very Conservative — Sample A

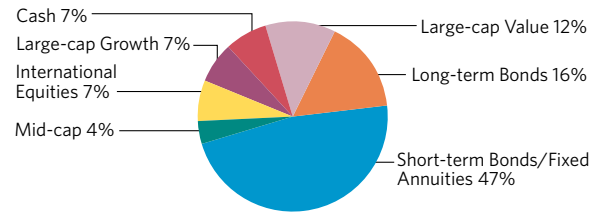
This sample mix might suit investors whose main goal is principal protection and liquidity. In order to minimize a decline in principal, a very conservative investor will accept lower returns.



B

Conservative — Sample B

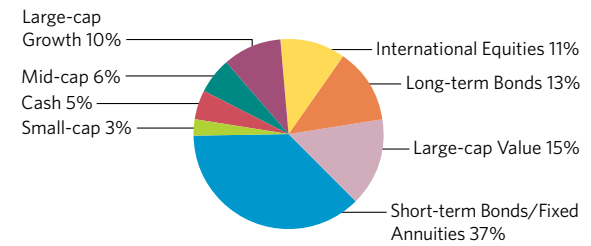
This sample mix might suit investors who view protection of principal as being very important. Conservative investors can accept small, short-term declines in value in order to achieve some portfolio growth.



C

Moderately Conservative — Sample C

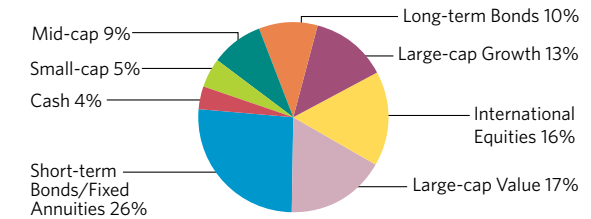
This sample mix might suit investors who are concerned with protection of principal. Moderately conservative investors seek higher returns with minimal risk and can tolerate some volatility.



D

Moderate — Sample D

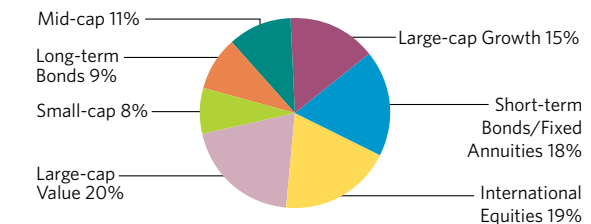
This sample mix might suit investors who are willing to accept some fluctuations of principal for the potential to achieve a better return.



E

Moderately Aggressive — Sample E

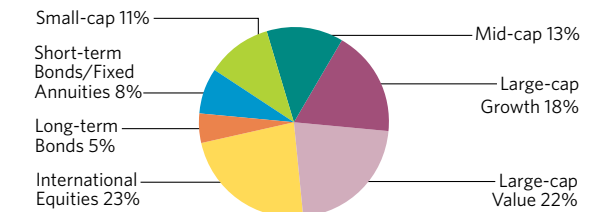
This sample mix might suit investors who are willing to tolerate greater fluctuations of principal in an attempt to achieve an even higher return.



F

Aggressive — Sample F

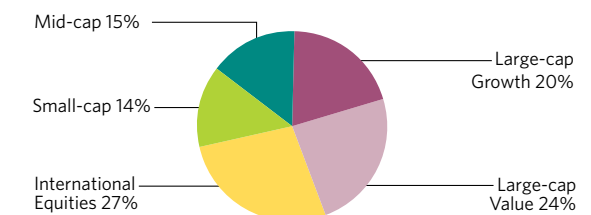
This sample mix might suit investors who are seeking high returns and are willing to accept much greater fluctuations of principal for the opportunity to achieve long-term gains.



G

Very Aggressive — Sample G

This sample mix might suit investors who are seeking maximum returns and will accept substantial fluctuations of principal for the potential to achieve long-term gains.



Getting started

Now that you understand how powerful your retirement plan is and why it's so important to save for retirement, don't miss the opportunity.

Your VALIC financial advisor will help you set long-term financial goals, create a suitable investment plan to help meet those goals, and help you implement and maintain your investments along the way.

Help from your VALIC financial advisor

- > **Your financial advisor will meet with you in person to help you develop a customized retirement investment strategy based on your unique needs and goals.**
- > **Your financial advisor will show you how to use asset allocation to make informed investment decisions.**
- > **To help you stay on track, your financial advisor will meet with you periodically, at your convenience, to help update your investments as your personal circumstances change.**

Financial solutions

Let us help you prepare for a secure retirement

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VISIT
your local
financial advisor



VALIC has more than half a century of experience helping Americans plan for and enjoy a secure retirement. We provide real solutions for real lives by consistently offering products and services that are innovative, simple to understand and easy to use. We take a personal approach to retirement plans and programs, offering customized solutions for individual needs.

We are committed to the same unchanging standard of one-on-one service we have delivered since our founding. We can help you live retirement on your terms.

Securities and investment advisory services are offered by VALIC Financial Advisors, Inc., member FINRA and an SEC-registered investment advisor.

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