



LOUISIANA STATE UNIVERSITY SYSTEM 403(b) Plan

The Key to **SAVING MORE** *for Retirement*

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LSU A&M

LSU AT ALEXANDRIA

LSU AT EUNICE

LSU IN SHREVEPORT

PAUL M. HEBERT LAW CENTER

UNIVERSITY OF NEW ORLEANS

LSU AGRICULTURAL CENTER

**LSU HEALTH SCIENCES CENTER,
NEW ORLEANS**

**LSU HEALTH SCIENCES CENTER,
SHREVEPORT**

**LSU HEALTH CARE SERVICES
DIVISION**

**LSU PENNINGTON BIOMEDICAL
RESEARCH CENTER**

IT MAKES A DIFFERENCE...

Taking advantage of all available savings vehicles (especially if they're tax-favored) can make a world of difference when saving towards a longterm goal such as retirement. With the Louisiana State University (LSU) System's Voluntary 403(b) Plan, you have the opportunity to save additional dollars for retirement.

Regardless of where you are in your career, there is no better time than the present to begin putting away a little extra to help you meet your retirement needs.

Are you apprehensive about investing your money because of the volatility in the markets over the past few years? Rest assured – you are not alone. That's why we selected the vendors for your supplemental retirement plan that offer a diverse range of investment options, from very conservative investments for people who have a low-risk tolerance to more aggressive investments for people with a higher-risk tolerance. The retirement plan provider(s) you select will work directly with you to:

- Create a portfolio based on your personal retirement goals; and
- Diversify your portfolio appropriately so you can spread your risk across investments.

Whether your objectives are to have enough money to pay for your child's college education or to have enough to retire comfortably, you can rest assured that the vendor(s) you select will provide you with the investment choices, guidance, and tools to help you achieve your goal(s).

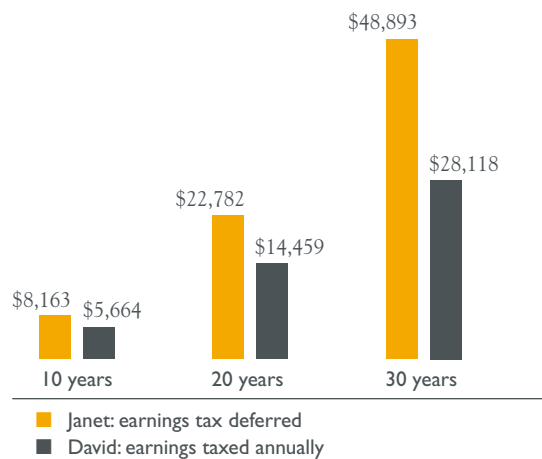
WHY SAVE MORE FOR RETIREMENT?

- You can take advantage of tax-deferred savings. Your contributions to the 403(b) Plan are made before taxes are deducted from your paycheck, which lowers your current taxable federal income. Any investment earnings and interest accumulate on a tax-deferred basis.
- People are living longer and that means your retirement income will need to last longer. Life expectancy for the average American is 77 years¹ so you may need to save enough money to last 20 years or more.
- Basic living expenses are exceeding current retirement savings. It is estimated that by 2030, American retirees will find a \$45 billion shortfall between their basic living expenses and their savings².
- LSU System employees do not contribute towards Social Security for retirement. The State of Louisiana does not contribute toward Social Security. Therefore, many LSU System employees can not rely on receiving Social Security payments at retirement. Even though LSU System employees have a generous retirement plan, without Social Security benefits to supplement your retirement income, you may need to save even more towards your retirement.

WHY START EARLY?

Reaping the fruits of compounding is invaluable so it's important to start early. Even small contributions over time can grow considerably.

Here's an example: Let's assume Janet and David are both in the 25% federal tax bracket. Janet contributes \$50 per month to a tax-deferred retirement account while David contributes \$50 per month to an account where earnings are taxed annually. At a 6% hypothetical effective rate of return, the following chart illustrates the beauty of tax-deferred savings.



This illustration assumes Janet and David are both in the 25% federal tax bracket and the hypothetical effective rate of return is 6%. Also, the calculations assume that there were no withdrawals during the period indicated and do not reflect the deduction of any expenses. If expenses were deducted, the performance would have been lower. This example is provided only as an illustration of the effects of interest compounding and is not intended to predict the actual performance of any investment account. Total returns and the principal value of investments will fluctuate and yields may vary. Withdrawals from a tax-deferred retirement account or annuity are subject to ordinary income tax. A federal 10% tax penalty may apply for withdrawals made prior to age 59½. See a tax advisor for more information.

Lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown. Please consider your personal investment horizon and income tax brackets, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

¹ The World Factbook, 2004

² Palm Beach Post, January 24, 2004

THE LSU SYSTEM'S NEW APPROVED VENDOR LIST

The LSU System works very hard to ensure that the 403(b) savings plan continues to meet the needs of its employees. Part of this effort is to assist you in understanding your retirement options and to make it easier for you to choose the provider that can best meet your retirement plan needs. As such, effective August 1, 2004, the list of available 403(b) vendors available at each LSU System location will include the following companies:

- AIG VALIC
- ING
- MetLife Resources
- TIAA-CREF

We believe the four vendors on the approved list are best positioned to meet the unique needs of the LSU System and its employees. Each of these vendors provides a wide range of investment choices with highly competitive fees and quality customer service. We are confident that you will be able to choose your retirement plan provider(s) and work with them to achieve your retirement goals.

Profiles of the four vendors and other pertinent information that may be helpful in selecting a provider are enclosed within this packet.

CHOOSING A RETIREMENT PLAN PROVIDER

Selecting the retirement company with which to invest your hard-earned money is a crucial decision. We strongly encourage you to first determine your retirement goals. Once you have defined your goals, there are a number of key issues you should consider in selecting a retirement plan provider including:

- Financial stability of the company;
- Available investment choices;
- Company's service and commitment to its customers; and
- Applicable fees.

More information on these and other key factors for consideration is found on the following pages.

Financial Stability & Experience

Is the company financially stable? What is the company's rating from independent agencies?

You will want to entrust your retirement funds to an organization with the stability, experience and strength to deliver on its promises. You should read through each provider's plan materials and annual reports for information.

In addition, please see the enclosed vendor profile sheets for information on each vendor's ratings from independent agencies such as:

- Standard & Poor's;
- Moody's Investors Service;
- A.M. Best Co.; and
- Fitch Ratings.

These ratings are usually indicative of the recipient's superior stability, claims-paying abilities, sound investments, and financial strength.

Retirement Fund Objectives

Does the company clearly state the investment objectives of each of its funds and accounts?

You should review each individual investment option or fund that you are interested in and examine the provider's descriptive materials including any prospectus. Some factors you should consider, include:

- The types of investments in the fund's portfolio;
- The fund's objectives as well as the types of investments the fund will make and the risks associated with those investments;
- The fund's performance over the past one-, five-, and ten-year periods (compare periods by accounting for expenses and fees that impact performance).

Investment Offering

Does the provider offer a range of investment options to meet your risk tolerance and retirement goals?

Diversifying or spreading your portfolio over a range of investments is one of the best strategies for reducing risk and providing protection against poor investment performance. That is, diversification allows the performance decline of one investment type to be offset by the rise of another. However, diversification does not guarantee against loss. Your investment options may include different asset classes such as:

- Equities
- Fixed-income investments
- Guaranteed investments
- Real estate investments

Spreading your investments over these options can give you the mix of safety and growth that is most appropriate for you.

Asset Allocation Assistance

How you mix your money among different asset classes has an important influence on the performance of your investments.

Dividing your money is called asset allocation. By spreading your money among the asset classes, you can better manage your investment risk and help provide for more consistent returns over time.

For example, if all of your investments are in stocks and the stock market has a large decline, the value of your investments may decline significantly. However, if your investments are spread over stocks, bonds, real estate, and money markets, the impact may be less significant.

Each provider has its own unique investment and asset allocation strategy. They can assist you in choosing an asset allocation portfolio which includes your preference for certain types of investments and satisfies your level of risk.

For details on each provider's strategies, you can visit their Web sites at:

- AIG VALIC: www.aigvalic.com
- ING: www.ingretirementplans.com/custom/lstuda
- MetLife Resources: www.metlife.com
- TIAA-CREF: www.tiaa-cref.org

Service Commitment

Does the company have a reputation for responsive, reliable service?

Average Americans now spend a quarter or more of their lifetimes in retirement. You should consider the company's commitment to assisting you during your career as well as after you retire. How well a company manages the following is usually a good indicator of their focus on customers:

- Multiple contact channels via a toll-free customer service telephone center and automated telephone service;
- Interactive Web site with secure online access for account information, transaction capability, and up-to-the-minute market news;
- Personal counseling;
- Retirement/financial planning assistance;
- Educational workshops and seminars; and
- Customer communications including newsletters and quarterly/annual statements.

Expenses and Fees

What fees and expenses does the company charge?

Financial companies have expense charges in order to operate and provide various services. Expenses vary among companies so you should consider expenses along with the other factors we mentioned above such as investment offering, performance and service. Fees will impact your returns and may include:

- Asset-based charges;
- Sales fees;
- Transfer fees;
- Withdrawal fees;

- Administration fees to cover advertising and marketing costs; and
- Maintenance fees.

Keep in mind that:

- Lower expenses mean more of your money is working for you.
- Higher expenses mean the fund's return has to be higher to make up for them.
- Sales fees ("loads") or transfers and withdrawal fees mean you might pay more over the long term.

Retirement Income Options

What types of income options does the company offer? Will they be suitable for your income needs at retirement?

Perhaps retirement is a long time away for you. Regardless, it's a good idea to look for a company that offers a variety of payment options so that when you retire, you will be able to choose a payment method that best meets your needs. You may want to consider these issues when choosing your payment options:

- Your life expectancy (how long you will need to draw income);
- Whether you wish to provide for dependents during your retirement and/or after your death;
- Other assets you will have to draw on in retirement in addition to your retirement plan; and
- Whether to draw only a minimum payment when you first retire to preserve the rest of your accumulation for later years or for your estate.

IT'S EASY TO ENROLL

Interested in participating in the LSU System's 403(b) Tax-Deferred Supplemental Retirement Account Plan?

Simply review the enclosed vendor profiles.

Then, go to your local Human Resources office, obtain an enrollment kit for the vendor(s) you have selected, the necessary prospectuses, and a salary reduction form. Complete both the enrollment application and the salary reduction form and return them to your Human Resources office. It's that easy – so don't delay!

If you need additional information or have questions, you can contact the Financial Service Representatives for each vendor directly at:

- AIG VALIC888 568-2542
- ING800 873-2161
- MetLife800 236-8489
- TIAA-CREF800 842-2776

START SAVING MORE TODAY

Now that you know how to get started, don't wait. Start saving more today and begin to enjoy the benefits of additional retirement savings:

- Tax deferral
- Compounded growth
- Reduced (Current) Federal Taxable Income

Starting early can make a difference!

