

# Heads Up

The Directed Account Plan 2008 Year-End Review

January 2009

## Welcome Aboard Community America Credit Union

**A** warm welcome to all Community America Credit Union employees and their families who joined The Directed Account Plan in November. As newcomers, this will be your first experience reading the Heads Up quarterly newsletter. You will receive this newsletter with your quarterly statement in the months of January, April, July, and October. If you selected electronic monthly statements, then your Heads Up newsletter can be viewed online at

[www.4twadap.com/headsup/headsup.htm](http://www.4twadap.com/headsup/headsup.htm). You will always receive the January newsletter in the mail. Each newsletter covers current performance, target allocations, plan news, plan contacts and investment education. This January issue is a detailed four page newsletter with two pages dedicated to a summary of our nine investment options and models. We want to make every effort to help you adjust to your new Plan so please don't hesitate to call the DAP Service Center at 1-877-489-2327 with any questions. The Plan web site [www.4twadap.com](http://www.4twadap.com) is a great way to acquaint yourself with the DAP Plan.

## Monitoring our Managers

The Board of Director's duty is to ensure all nine DAP options maintain an investment return that consistently meets or exceeds its respective benchmark. The plan office and Board Members adhere to the following process in order to achieve this objective.

- ☑ Produce a daily reconciliation to closely monitor the cash movements among the funds including rebalancing options and models to meet target allocations.
- ☑ Produce a monthly performance report showing all time period returns for each of the 32 individual managers and their respective benchmarks.
- ☑ Conduct manager searches using the Morningstar Database and Zephyr Style Advisor Database that produce a bullpen of potential replacement managers.
- ☑ The Executive Director and at least one Board of Director Member conducts a due diligence review with a representative of each fund on a rolling eighteen month basis.
- ☑ Board meetings are held quarterly whereby the Board Members analyze and report on each individual manager. If a manager consistently underperforms its benchmark or if there is concern with the manager or the fund's company, the fund will be removed from the DAP option. A new fund will be added if it consistently meets performance standards and analysis supports that the new fund enhances or compliments the investment option.
- ☑ The DAP is the retirement plan for five of the eight Board Members so they have a personal interest in achieving superior returns.

When reviewing the performance section of this newsletter, pay careful attention to the long term return versus the benchmark. While there is no control over a bear market situation, there is control over maintaining a responsible and superior line-up of investment managers.

## Plan News

### New Tax Law Suspends RMDs for 2009

Visit [www.4twadap.com](http://www.4twadap.com) for a Podcast covering the suspension of the 2009 Minimum Required Distribution. Our next Heads Up newsletter will address this topic in detail.

### New DAP Service Center Hours

Participant service representatives are available each business day from 8:30 a.m. - 8:30 p.m. eastern time to provide toll free telephone service for participant inquiries and transactions. The hours have been changed to 8:30 p.m. from midnight in an effort to reduce plan costs. A review of the DAP phone call history revealed that very few if any calls were made between 8:30 p.m. and midnight.

### Roll In to the DAP

If you are a current DAP Participant or a former DAP participant, you may rollover assets from other accounts into The Directed Account Plan provided the assets meet the following criteria:

- ▶ Traditional IRA assets **can** be rolled into the DAP.
- ▶ Assets rolled out of the DAP into a Traditional IRA, **can** be rolled back into the DAP.
- ▶ Roth IRA assets **cannot** be rolled into the DAP.
- ▶ Nondeductible IRA contributions **cannot** be rolled into the DAP.
- ▶ The earnings attributable to nondeductible IRA contributions **can** be rolled into the DAP.

If you have a balance in a former employer's retirement plan or Individual Retirement Account (IRA), you may want to consider consolidating your assets in the Directed Account Plan. Keeping your retirement savings in a single plan can help simplify performance tracking, provide greater convenience in making investment changes, and minimize paperwork. Visit [www.4twadap.com/rollins.htm](http://www.4twadap.com/rollins.htm) for more information.

# Reviewing The DAP Investment Options

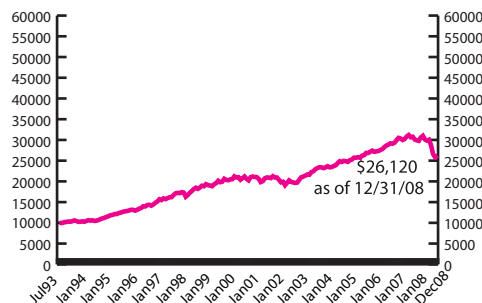
**THE MODEL PORTFOLIOS** - The model portfolios have been created for the participant who does not want to determine his or her own account asset allocation. The DAP Board of Directors has provided an appropriate asset allocation of the DAP investment options based on varying degrees of risk. Rebalancings occur periodically to maintain the target allocations for the options and models.

## The Conservative Model

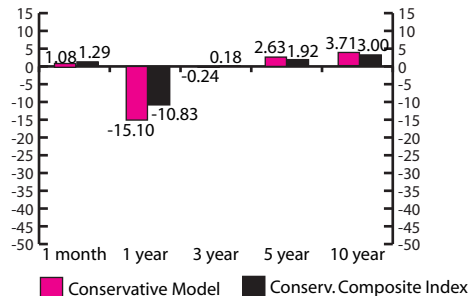
### Investment Objective

This model is designed for the retiree or participant who desires to limit volatility and risk of principal. The objective of this portfolio is income and capital preservation. 60 percent of the portfolio is invested in the Stable Value Fund. As an inflation hedge, 40 percent of the portfolio is split between the Value Stock and Equity Index Funds.

### Growth of \$10,000



### Performance

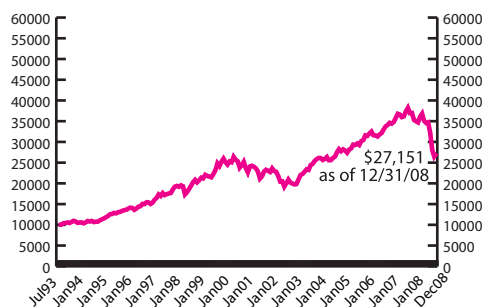


## The Moderate Model

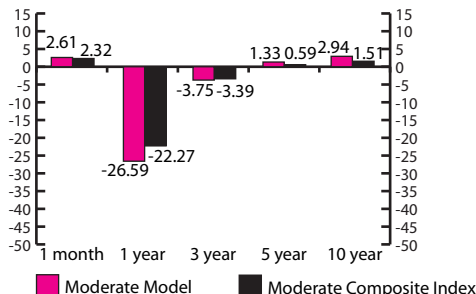
### Investment Objective

This model is designed to provide a balanced long-term asset allocation suitable for a majority of participants. The objective of this portfolio is capital growth and income. 35 percent of the assets is invested in the Stable Value Fund. 65 percent of this portfolio is diversified among the various equity funds.

### Growth of \$10,000



### Performance

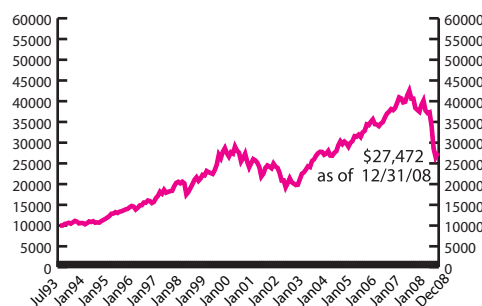


## The Aggressive Model

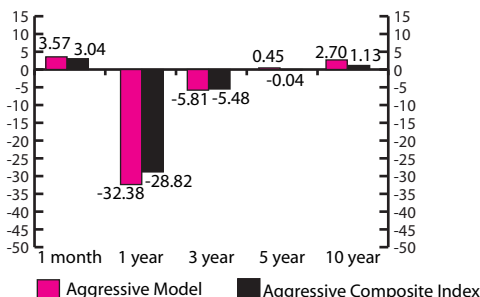
### Investment Objective

This model is suitable for younger participants and those who are willing to accept more risk and higher volatility in their investments. The objective of this portfolio is capital accumulation. 80 percent of its assets is allocated to equities. The Aggressive Model takes above-average risk in an attempt to achieve its goal of above-average returns.

### Growth of \$10,000



### Performance



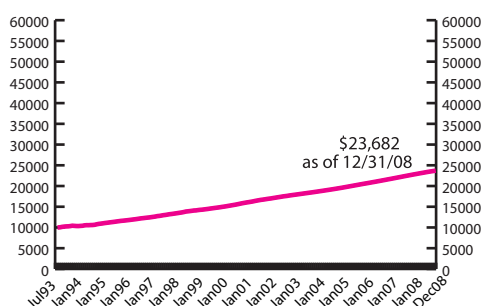
**THE INVESTMENT OPTIONS** - The DAP Board of Directors applies their investment expertise and careful analysis to select a diversified group of managers that fit the objective for each of the following investment options.

## Stable Value Fund

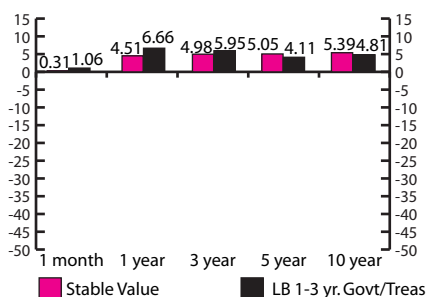
### Investment Objective

This option is designed to provide investors with a return comparable to that of high quality bonds with less volatility. It invests in a combination of traditional investment contracts, security-backed investment contracts, actively managed bonds, CDs and cash. The benchmark is the Lehman Brothers 1-3 Year Govt./Treasury Index.

### Growth of \$10,000



### Performance

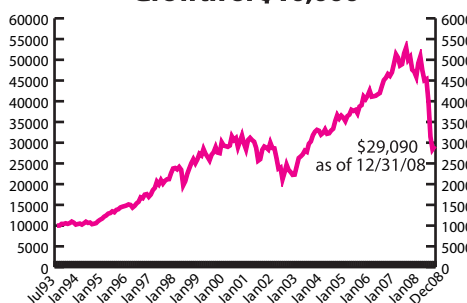


## Value Stock Fund

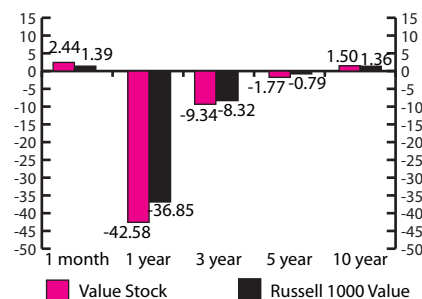
### Investment Objective

This option may include a range of value investment managers. These value managers look for large or mid-cap stocks that are undervalued in the marketplace in relation to factors such as the company's assets, sales, earnings, book value, growth potential, cash flow, or in relation to securities of other companies in the same industry. The benchmark is the Russell 1000 Value Index.

### Growth of \$10,000



### Performance



## Equity Index Fund

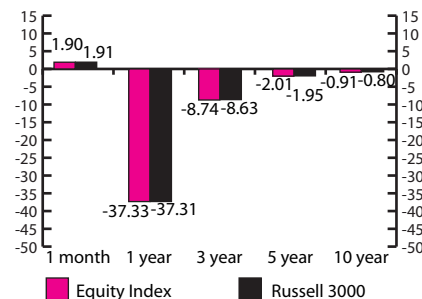
### Investment Objective

This option is invested in a portfolio of equity securities. The investment objective is to closely approximate the capitalization weighted total rate of return of publicly traded securities represented by the 3000 largest companies. The benchmark for this option is the Russell 3000 Index.

### Growth of \$10,000



### Performance



## Growth Stock Fund

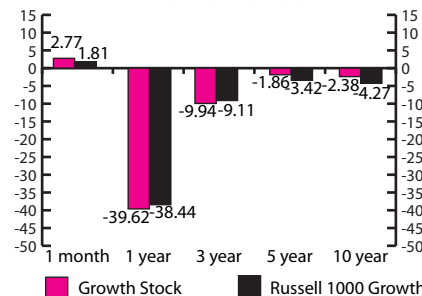
### Investment Objective

This option contains funds whose managers invest in stocks from companies with higher historical or expected growth rates in sales or earnings. The primary objective is capital appreciation. The benchmark for this option is the Russell 1000 Growth Index.

### Growth of \$10,000



### Performance



## International Stock Fund

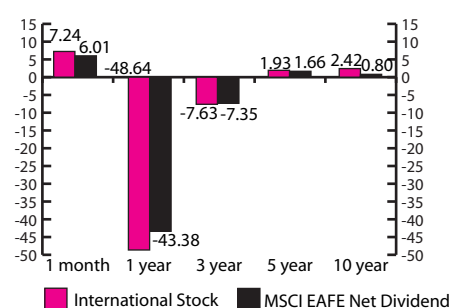
### Investment Objective

This option contains funds whose managers invest in securities across world markets. The primary objective is long-term growth of capital through a diversified portfolio of world market securities. Investment is in common stocks of foreign and some US companies. The benchmark for this option is the MSCI EAFE Net Dividend Index.

### Growth of \$10,000



### Performance

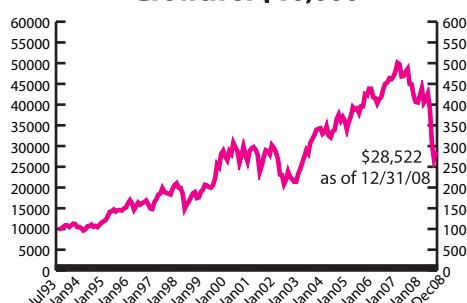


## Diversified Small Co. Stock Fund

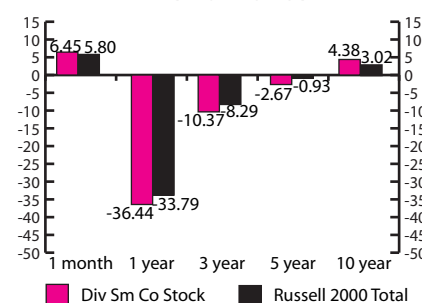
### Investment Objective

This option contains portfolios that typically include growth and value stocks of small to medium companies. The primary objective is capital appreciation through investment in equity securities that have significantly better-than-average prospects for appreciation. Funds in this category tend to be more volatile than other equity investments. The benchmark for this option is the Russell 2000 Total Index.

### Growth of \$10,000



### Performance



## 2008 Plan Expense Overview

The information below is based on un-audited actual expense numbers in addition to estimates of investment manager fees for 2008. The basis points listed below are not charged directly to you but taken as an adjustment to the daily NAV of each DAP Option.

<b>Average Plan Assets in 2008</b>	<b>\$869,004,715</b>
<b>Total Operating Expenses</b> (Recordkeeping, Trustee, Administration, Personnel, Communication)	<b>1,022,744</b>
<b>Operating Expenses as a percent of assets</b>	<b>12</b>
<b>Approximate Investment Manager Fees *</b>	<b>34</b>
<b>Other Mutual Fund Expenses **</b>	<b>6</b>
<b>Total DAP Fees and Expenses as a percent of assets -</b>	<b>52 basis points</b>

\* mutual fund investment management fee average \*\* includes mutual fund transaction fees, 12 b-1 fees, administrative fees, and all other asset-based costs incurred by the funds. Does not include transaction costs of participant activity, which is reflected in each BGI NAV, lowering BGI performance. \*\*\* expense ratio includes operating expenses and investment manager fees. Basis Point - one basis point is equal to 1/100th of one percent.

## DAP Option Expense Ratios

	<b>Option *** (Basis Points)</b>	<b>Morningstar Average (Basis Points)</b>
<b>Stable Value</b>	<b>30</b>	<b>n/a</b>
<b>Value Stock</b>	<b>92</b>	<b>Large Value 92</b>
		<b>Mid Value 103</b>
<b>Equity Index</b>	<b>21</b>	<b>n/a</b>
<b>Growth Stock</b>	<b>90</b>	<b>Large Growth 101</b>
		<b>Mid Growth 113</b>
<b>International Stock</b>	<b>113</b>	<b>109</b>
<b>Diversified Small Co. Stock</b>	<b>84</b>	<b>101</b>
<b>Conservative Model</b>	<b>41</b>	<b>60*</b>
<b>Moderate Model</b>	<b>61</b>	<b>57*</b>
<b>Aggressive Model</b>	<b>70</b>	<b>89*</b>

\* from Morningstar model portfolios

## 2008 Manager Changes

<b>Added</b>	<b>Month</b>	<b>Option</b>
Dreyfus Govt. Money Market Fund	1/08	Stable Value
Dreyfus Cash Management Fund	9/08	Stable Value
Brown Capital Mgmt. Small Co. Instl.	9/08	Div. Sm. Co. Stock
<b>Removed</b>	<b>Month</b>	<b>Option</b>
BGI - Stable Value Fund	1/08	Stable Value
Legg Mason Opportunity	6/08	Div. Sm. Co. Stock
Dreyfus Govt. Money Market Fund	9/08	Stable Value

### Fund Component Weighting

These tables represent component weightings for individual investment funds as of December 31, 2008.

	<b>Weight- ings</b>	<b>Net Value of Funds (\$MM)</b>
<b>Stable Value Fund</b>		<b>\$342.5</b>
Dreyfus Cash Mgmt. Fund/CDs	15%	
Invesco Interest Income	45%	
Wellington Core Bond	40%	
<b>Value Stock Fund</b>		<b>32.3</b>
BGI Value Index	20%	
Neuberger Berman Partners	20%	
JP Morgan Large Cap Value	15%	
Goldman Sachs Mid Cap Value Instl.	15%	
T. Rowe Price Value	20%	
CGM Focus	10%	
<b>Equity Index Fund</b>		<b>12.7</b>
BGI US Equity Index	100%	
<b>Growth Stock Fund</b>		<b>16.0</b>
BGI Growth Index	20%	
Wellington Mid Cap Opportunities	15%	
Turner Midcap Growth	15%	
Marsico Focus	20%	
T. Rowe Price Growth Stock	15%	
Primecap Odyssey Growth	15%	
<b>International Stock Fund</b>		<b>18.1</b>
BGI EAFE Index	22%	
Am Century International Discovery	10%	
Am Century International Growth	10%	
Templeton Instl. Foreign Equity	12%	
Oppenheimer Intl. Sm. Co.	10%	
Thornburg International Value	12%	
Marsico International Opportunities	12%	
Dimensional Emerging Markets Value	8%	
Royce Global Value	4%	
<b>Diversified Small Co. Stock Fund</b>		<b>22.3</b>
BGI Small Co. Index	30%	
Dimensional US MicroCap Portfolio	15%	
Royce Opportunity	15%	
Third Avenue Small Cap Value	15%	
Morgan Stanley US Sm. Cap Value Instl.	10%	
Brown Capital Mgmt. Small Co. Instl.	10%	
iShares Morningstar Small Growth Index	5%	
<b>Conservative Portfolio</b>		<b>40.7</b>
<b>Moderate Portfolio</b>		<b>179.3</b>
<b>Aggressive Portfolio</b>		<b>12.5</b>
<b>Fidelity Funds Window</b>		<b>57.8</b>
<b>Total</b>		<b>\$734.2</b>

### More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 a.m. to 8:30 p.m., Eastern time Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in The Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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