



**DAP**

A lifelong retirement plan

# Heads Up

Directed Account Plan Quarterly Review

April 2016

## More Good News on the Horizon



We're introducing important enhancements to your DAP 401(k) Plan this fall! The updates we're making are the result of a comprehensive review by our investment consultant and the DAP Board of Directors. This newsletter begins with a **letter from the Chairman of the Board** announcing more good news on the horizon for our participants. Next, I've included definitions for some of the new investment options. On page two you will find a **Coming Soon** section along with **Plan News** and **Performance**. I look forward to sharing more detailed information with you this summer about these exciting updates! Michelle Silberberg - Executive Director

### LETTER from the Chairman

I am delighted to announce a major series of exciting enhancements to your DAP 401(k).

Through our recently announced partnership with Mercer Investments, a global leader in retirement plan consulting, we will build on the strengths of the DAP to enhance the investment structure and choices available to participants.

We will, of course, continue to offer participants our very popular DAP Stable Value Option and the four Model Portfolios. The asset allocations of the model portfolios will be enhanced to provide better expected risk-adjusted returns in today's environment.

We will also add a series of Target Date Funds which will allow participants to select an asset allocation fund tied to their expected (or actual) retirement date. Their asset allocation will automatically adjust over time to a lower risk profile as participants move to – and through – retirement.

A new investment tier with an array of passive investment choices will be added to the structure as well. The focus on

our active management strategies will be on even lower expenses than currently offered, as well as consistency of performance based on risk-adjusted returns, as determined by Mercer's proprietary selection process.

In addition, we will offer active and passive high quality bond funds as well as a Treasury Inflation Protected Securities (TIPS) fund. We will also offer a real-asset fund which could provide attractive long-term inflation protection and additional diversification benefits.

We are targeting an implementation date around October 1st. We will be sending a wide array of educational pieces to you over the next several months. Our goal is to build on the strengths of your DAP by providing you with an expanded suite of investments to enhance your retirement readiness and retirement security.

Sincerely,  
Vincent Lombardi  
Chairman of the Board

### NEW INVESTMENTS COMING THIS FALL

**Target Date Retirement Fund** - A fund that automatically resets the asset mix in its portfolio based on an investor's years remaining until retirement. The DAP Board has chosen Vanguard passively managed index target date funds that will automatically adjust over time as a participant moves to and then through retirement.

**Passively Managed Index Fund** - A fund typically invested in stocks or bonds that represent a particular investment index, such as the S&P 500. Results are intended to mimic the performance of the index with very low management fees.

**Actively Managed Fund** - A fund with a fund manager actively buying and selling investments with the goal to outperform a specified investment benchmark.

**Treasury Inflation Protected Securities (TIPS)** - A treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are backed by the U.S. government and their par value rises with inflation, as measured by the Consumer Price Index. Their interest rate, though, is lower than that of typical treasury bonds that do not offer inflation protection.

**Real Assets** - Physical or tangible assets that have value, due to their substance and properties. Real assets include precious metals, commodities, real estate and infrastructure investments. They help to offset one of the biggest risks to a retiree portfolio - unexpected inflation as do TIPS. They also have a relatively low correlation with financial assets such as stocks and bonds and are thus a good diversifier.

## COMING SOON

**more information in the mail this summer that will:**

- Outline what is happening and when.
- Describe the new fund lineup in detail.
- Provide information describing how your investments and contributions will be mapped to the new funds. (does not apply to the Stable Value Option, the Model Portfolios or the Brokerage Option)
- Tell you how to take action if you want to change your investments prior to the fund changes.
- Highlight key dates for certain transactions prior to the quiet periods.

## Plan News

### DAP Investment Options and Models Review

The DAP Board of Directors and Mercer Investments meet quarterly. They conduct a detailed performance review of the investment models and options during these meetings. In between meetings, Mercer monitors the performance and developments of our investment managers to ensure that our investments are performing as expected. The Board is made aware of any concerns so that the appropriate board action can be taken swiftly.

The Neuberger Berman Large Cap Value Fund was terminated and removed from the Value Stock Option on 3/1/16. The fund was terminated due to consistent under performance to the fund benchmark. The funds were moved into the Value Stock Option's index fund - BlackRock Value Index - until the new investment structure update takes place. The new Value Stock Option target allocation is shown in the target allocation box on the right.

### Focus on Low Plan Expenses

We continue to look for ways to sustain and enhance the DAP's low expenses. The final 2015 actual administrative expenses were 7% lower than budget, and 2016 administrative expenses have been budgeted with no increase to 2015 administrative expenses. On the manager expense side, Mercer Investment's goal is to reduce manager expenses through their proprietary investment selection and portfolio construction process. Our goal is to keep the DAP a low cost 401(k) Plan!

### Target Allocations as of March 31, 2016

#### Retirement Model

80% Stable Value  
5% Value Stock  
10% Equity Index  
5% International Stock

#### Conservative Model

60% Stable Value  
20% Value Stock  
20% Equity Index

#### Moderate Model

35% Stable Value  
15% Value Stock  
15% Equity Index  
15% Growth Stock  
10% International Stock  
10% Diversified Small Co. Stock

#### Aggressive Model

20% Stable Value  
15% Value Stock  
15% Equity Index  
15% Growth Stock  
15% International Stock  
20% Diversified Small Co. Stock

#### Stable Value Option

80% Invesco Managed Account  
10% BlackRock Instl. Money Market  
10% CDs

#### Value Stock Option

20% T. Rowe Price Value  
15% JP Morgan Equity Income  
15% Goldman Sachs Mid Cap Value Instl.  
10% Sequoia  
40% BlackRock Value Index

#### Equity Index Option

100% BlackRock US Equity Index

#### Growth Stock Option

20% Marsico Focus  
20% T. Rowe Price Growth Stock  
20% Primecap Odyssey Growth  
10% Wellington Mid Cap Opportunities  
10% Broad Run Mid Cap Growth  
20% BlackRock Growth Index

#### International Stock Option

12% Templeton Instl. Foreign Equity  
8% Thornburg International Value  
12% MFS International Value  
10% DFA Emerging Markets Value  
6% Brandes Intl. Small Cap Equity  
52% BlackRock ACWI Ex-US IMI Index

#### Diversified Small Co. Stock

15% DFA US Micro Cap Portfolio  
15% Royce Opportunity  
15% Brown Capital Mgmt. Small Co. Instl.  
10% Buffalo Small Cap  
10% Deutsche Small Cap Value  
10% Mutual of America Disciplined Small Cap Value  
5% Walthausen Small Cap Value  
20% BlackRock Small Co. Index

### DAP Performance as of March 31, 2016 (in percentages)

Options & Models	Annual Return					Ytd		Annualized Return			
	2011	2012	2013	2014	2015	2016	3 yr.	5 yr.	10 yr.	20 yr.	
<b>Stable Value Fund</b> BC 1-3 Yr Gvt/Treas	3.63 1.56	3.07 0.51	2.49 0.37	2.15 0.64	2.23 0.57	0.50 0.89	2.24 0.79	2.63 0.90	3.46 2.56	4.67 3.72	
<b>Value Stock Fund</b> Russell 1000 Value Index	-8.33 0.39	17.54 17.51	33.87 32.53	12.23 13.45	-6.01 -3.83	-0.02 1.64	8.11 9.38	7.69 10.25	5.25 5.72	8.03 8.31	
<b>Equity Index Fund</b> Russell 3000 Index	0.86 1.03	16.27 16.42	33.33 33.55	12.40 12.56	0.40 0.48	0.96 0.97	11.02 11.15	10.88 11.01	6.79 6.90	7.81 8.04	
<b>Growth Stock Fund</b> Russell 1000 Growth Index	-3.31 2.64	14.99 15.26	37.47 33.48	11.55 13.05	5.10 5.67	-2.84 0.74	11.98 13.61	10.30 12.38	7.17 8.28	7.48 7.39	
<b>International Stock Fund</b> MSCI EAFE Net Dividend MSCI ACWI Ex-US IMI Net	-16.36 -12.14 -14.31	16.54 17.32 17.04	17.64 22.78 15.82	-5.10 -4.90 -3.89	-2.34 -0.82 -4.60	0.85 -3.00 -0.23	2.05 2.23 0.76	0.85 2.29 0.58	2.82 1.80 2.19	6.13 4.12 4.39	
<b>Div. Small Co. Stock Fund</b> Russell 2000 Index	-5.13 -4.18	19.27 16.35	43.42 38.82	1.25 4.89	-4.38 -4.41	-1.49 -1.52	6.58 6.84	7.56 7.20	5.62 5.26	8.36 7.68	
<b>Retirement Model</b> Retirement Composite Index	1.87 0.77	5.85 3.79	7.50 6.07	3.32 2.25	1.47 0.08	0.63 0.88	3.48 2.25	3.74 2.36	n/a 3.13	n/a 4.42	
<b>Conservative Model</b> Conservative Composite Index	0.99 1.22	8.59 7.09	14.09 13.44	6.28 5.59	0.47 -0.33	0.54 1.06	5.32 4.58	5.49 4.79	4.93 4.06	6.33 5.50	
<b>Moderate Model</b> Moderate Composite Index	-2.33 -0.48	12.12 10.92	21.83 20.53	5.93 6.18	0.20 -0.35	-0.03 0.64	6.52 6.16	6.36 6.14	5.48 4.78	7.18 6.07	
<b>Aggressive Model</b> Aggressive Composite Index	-4.33 -1.73	14.48 13.35	26.88 25.15	5.42 6.38	-0.79 -1.11	-0.29 0.34	6.89 6.76	6.70 6.75	5.63 5.03	7.59 6.50	

### More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the KEYTALK telephone voice response system, available 24 hours a day. DAP Retirement Specialists are available 9:00 a.m. to 8:00 p.m. Eastern Time Monday through Friday (excluding New York Stock Exchange holidays). Call 1-844-861-4DAP (1-844-861-4327). Use your Social Security number and PIN to access your account.

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Interactive Web Site:  
[www.dap401k.com](http://www.dap401k.com)

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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