

# Heads Up

The Directed Account Plan Quarterly Review

April 2009

## New Tax Law Suspends Minimum Required Distribution for 2009

With the significant market volatility that began in 2008, government policy makers wanted to provide an opportunity for people to keep their money invested in retirement savings accounts rather than being forced to withdraw from accounts that may have suffered significant losses. The Worker, Retiree, and Employer Recovery Act of 2008 (the "Act") was signed into law in late December of 2008. One of the provisions of the Act suspends the Minimum Required Distribution (MRD) requirement for the calendar year 2009 for participants in qualified plans. MRD's must recommence in 2010.

MRD's are minimum amounts that a retirement plan account owner must withdraw annually, generally starting with the year that he or she reaches 70 1/2 years of age; if later, the year in which he or she retires.

You should have received a letter in January of 2009 from Fidelity Investments, the Directed Account Plan record keeper, addressing the 2009 MRD suspension. If you did not receive

this mailing, please contact the DAP Service Center at 1-877-489-2327.

The mailing will cover this topic in detail with a question and answer section that provides action steps for all personal situations. If you have set up recurring scheduled payments from the DAP, perhaps to satisfy your MRD, you may stop future payments by calling Fidelity at 1-800-835-5095 at least 10 days prior to the date of your next scheduled payment. You will need to call back by December 2009 to restart these MRD recurring scheduled payments for 2010. If you wish to continue to receive your scheduled payments, no action is required.

If you have not set up regularly scheduled payments and you normally receive an annual payment automatically at the end of the year to satisfy your MRD, that payment will be suspended and you will not receive it in 2009. If you wish to receive a withdrawal, please call Fidelity at 1-800-835-5095.

## Questions on the Minds of DAP Participants

By: Marty Zygmund - Executive Director of The Directed Account Plan

**B**ear markets bring many things including an increase in call volume to the DAP office from participants. Most calls are from the retired population in the DAP regarding the Stable Value Option. I thought it would be helpful to all of our participants to offer a Q&A about the Stable Value Option. What follows are some of the questions from participants and the answers I've given them.

### Q: Explain the DAP's Stable Value Option to me.

**A:** The option is made up of four components: 40% Wellington Bonds, 46% Invesco Interest Income Fund, 4% Community-America Credit Union CDs, and 10% Dreyfus Cash Management Fund. The Dreyfus fund is the liquidity fund in the option used for participant inflows and outflows to the option. The Dreyfus fund does participate in U.S. Treasury Dept. Temporary Guarantee Program for Money Market Funds. The amount of CDs in the credit union has remained constant since 2001 with the accumulated interest from the CDs being invested in either the Dreyfus Cash Management Fund or with one of the bond managers as allocations warrant. Both Wellington and Invesco are long-time bond managers for the DAP and it is these portfolios that are wrapped with insurance wrappers.

### Q: Explain further the types of bonds the bond managers are invested in, the insurance wrappers and who is monitoring the Stable Value Option.

**A:** As of 2/28/09, approximately 55% of the bond portfolio's investments were comprised of U.S. Treasuries, Agencies, and Cash. The remainder of the bond portfolios were invested in high quality fixed income securities. 92.4% of the bond portfolios were invested in securities rated A or better. *There are no sub-prime securities in the portfolios.* The portfolio's duration as of 2/28/09 was 3.4 years. The bonds in these portfolios may fluctuate in value with changes in interest rates and other market factors. In order to maintain a positive crediting rate (similar to yield), Invesco purchases an insurance contract called a wrapper from a number of providers. These wrappers take away the ups and downs in the value of these bonds and provide the positive crediting rate. Please refer to the January 2008 *Heads Up* for a detailed explanation of this mechanism. Invesco is responsible for the due diligence on the wrap providers and diversifying among wrap providers. The DAP office gets a detailed report from both bond managers on a monthly basis and the Board of Directors reviews these reports at the quarterly board meeting. The DAP conducts

due diligence meetings with these managers several times throughout the year.

### Q: I've read a lot about market to book ratios of Stable Value Funds. How is our ratio?

**A:** As of 2/28/09 the market to book ratio for the bond portfolios in our Stable Value Option was 95%. This is right in line with other SV funds whose portfolios are comprised of similar allocations.

### Q: I've noticed the yield on the Stable Value Option decreasing. Any idea how low it will go?

**A:** Because of the wrappers used in Stable Value Funds, the term "crediting rate" is used in place of "yield". The decrease in the Stable Value Option's crediting rate is primarily the result of a decline in interest rates. Over the past several months, interest rates on U.S. Treasuries and other short term securities have declined significantly. With a portfolio duration of 3.4 years, there is a portion of the portfolio always maturing and being reinvested in the current interest rate environment. With current short term interest rates at historic lows, the new investments coming into the

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# Performance

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## Fund Performance

as of March 31, 2009 (in percentages)

Funds & Portfolios	2007	2008	March 2009	Ytd 2009	3 yr. avg.	5 yr. avg.	10 yr. avg.
<b>Stable Value Fund</b>	<b>5.21</b>	<b>4.51</b>	<b>0.22</b>	<b>0.69</b>	<b>4.78</b>	<b>4.94</b>	<b>5.33</b>
BC Govt. 1-3 Year	7.10	6.66	0.53	0.32	5.92	3.95	4.78
<b>Value Stock Fund</b>	<b>10.96</b>	<b>-42.58</b>	<b>8.30</b>	<b>-11.82</b>	<b>-14.71</b>	<b>-4.85</b>	<b>-0.14</b>
Russell 1000 Value Index	-0.17	-36.85	8.55	-16.77	-15.40	-4.94	-0.62
<b>Equity Index Fund</b>	<b>5.01</b>	<b>-37.33</b>	<b>8.82</b>	<b>-10.77</b>	<b>-13.64</b>	<b>-4.63</b>	<b>-2.33</b>
Russell 3000 Index	5.14	-37.31	8.76	-10.80	-13.55	-4.59	-2.25
<b>Growth Stock Fund</b>	<b>14.36</b>	<b>-39.62</b>	<b>8.39</b>	<b>-4.52</b>	<b>-12.79</b>	<b>-3.10</b>	<b>-3.37</b>
Russell 1000 Growth Index	11.81	-38.44	8.92	-4.12	-11.28	-4.38	-5.26
<b>International Stock Fund</b>	<b>20.44</b>	<b>-48.64</b>	<b>7.18</b>	<b>-9.17</b>	<b>-13.60</b>	<b>-1.17</b>	<b>1.20</b>
MSCI EAFE Net Dividend	11.17	-43.38	6.34	-13.94	-14.47	-2.18	-0.84
<b>Div. Small Co. Stock Fund</b>	<b>-1.09</b>	<b>-36.44</b>	<b>8.48</b>	<b>-13.02</b>	<b>-17.29</b>	<b>-6.28</b>	<b>3.47</b>
Russell 2000 Index	-1.57	-33.79	8.93	-14.95	-16.80	-5.24	1.93
<b>Conservative Portfolio</b>	<b>6.58</b>	<b>-15.10</b>	<b>3.68</b>	<b>-3.82</b>	<b>-2.52</b>	<b>1.45</b>	<b>3.09</b>
Conservative Composite Index	5.25	-10.83	3.78	-5.32	-2.24	0.46	2.29
<b>Moderate Portfolio</b>	<b>8.48</b>	<b>-26.59</b>	<b>5.66</b>	<b>-5.77</b>	<b>-7.23</b>	<b>-0.39</b>	<b>2.12</b>
Moderate Composite Index	5.96	-22.27	5.65	-7.53	-7.09	-1.45	0.56
<b>Aggressive Portfolio</b>	<b>8.41</b>	<b>-32.38</b>	<b>6.97</b>	<b>-7.66</b>	<b>-10.21</b>	<b>-1.79</b>	<b>1.74</b>
Aggressive Composite Index	5.30	-28.82	6.78	-9.77	-10.38	-2.67	0.00

## Questions on the Minds of DAP Participants

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portfolio lower the overall crediting rate of the portfolio. However, the interest rate credited to our SV Option remains attractive relative to other similar capital preservation investment vehicles such as money market funds or short term CDs. Trying to predict the future of short term interest rates is as futile as trying to predict the short term direction of the equity markets. To get some idea, one may want to look at the crediting rate of the SV Option the last time the U.S. experienced a recession (2001-2002) and the Fed was lowering short-term interest rates to help jump start the economy. Of course one must make the disclaimer, "past performance is no guarantee of future results."

### Q: Do you have any concerns about our Stable Value Option?

A: I have concerns about many things, some of which I wake up at night thinking about. However, the Stable Value Option is not one of them. The SV Option is well diversified, has lots of oversight and has bond managers whose investment objective is safety of principal first and yield second.

## Online Tools to Reevaluate your Investment Strategy

Whether you have 10 + years to retire or you are already retired, it is necessary to take time to reevaluate your investment strategy.

No one investment allocation is right for everyone. It's important that your investment mix (the percentage of stocks, bonds, and short-term investments in your portfolio) is appropriate for your age, risk tolerance, and financial situation. Fidelity NetBenefits offers a variety of tools and workshops to help you determine your investment mix.

Go to [www.401k.com](http://www.401k.com) and click on **Tools and Learning** to access:

**Portfolio Review.** Helps you easily identify an appropriate investment strategy and desired mix.

**eLearning Seminars.** Seminars on a variety of topics can be viewed with a live presenter or as a self-paced module.

**myPlan Retirement Quick Check.** myPlan RQC helps you determine how much to save.

## Fund Component Weighting

These tables represent component weightings for individual investment funds as of March 31, 2009.

	Weight- ings	Net Value of Funds (\$MM)
<b>Stable Value Fund</b>		<b>\$342.1</b>
Dreyfus Cash Mgmt. Fund/CDs	14%	
Invesco Interest Income	46%	
Wellington Core Bond	40%	
<b>Value Stock Fund</b>		<b>27.1</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>11.0</b>
BGI US Equity Index	100%	
<b>Growth Stock Fund</b>		<b>15.1</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>15.1</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>19.9</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>40.1</b>
<b>Moderate Portfolio</b>		<b>157.8</b>
<b>Aggressive Portfolio</b>		<b>10.6</b>
<b>Fidelity Funds Window</b>		<b>55.4</b>
<b>Total</b>		<b>\$694.2</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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