



## Observations and Responses Regarding the Current Uncertainty in the Financial Markets

The last few weeks have truly been historical weeks in the financial markets. We certainly don't know all the long term consequences of what has occurred, but it's likely we will feel the effects for years. We at Great-West Retirement Services<sup>®</sup>, have prepared the following answers to address some of the questions being asked at this point regarding recent events and what actions, if any, participants might consider at this point.

Q: How are mutual funds structured?

A: Mutual funds are generally more **diversified**<sup>1</sup> investments than individual stocks that may help you limit your investment risk since they are generally invested in several underlying investment options. Since they are invested in several underlying investment options, exposure to losses in any one investment that may have exposure, such as Lehman Brothers fund, should be limited.

Q: What happens if a mutual fund company that I am invested with goes under?

A: A mutual fund is owned by the fund shareholders, not the company managing it. For instance, having a mutual fund with Lehman Brothers may only mean that they are managing the fund, **not** necessarily that you are invested in Lehman Brothers stock.

Q: Is my money invested in mutual funds protected?

A: Mutual fund assets are kept in a custodial account, where they are protected from claims by creditors if the holding or managing company files for bankruptcy. Mutual fund assets are also generally made up a variety of investment options, so your mutual fund investment could already be diversified<sup>1</sup>, and therefore, may not suffer as much impact.

Q: Can a holding or management company's creditors attach to my retirement plan assets?

A: Your money is held in a custodial account, where it is protected from claims by creditors of your company or of the company managing your retirement plan assets.

Q: Based on recent events, should I reevaluate my retirement account?

A: It is always a good idea to reevaluate your retirement account from time to time and as your financial circumstances change, but keep in mind that your retirement account is meant to be a **long-term, diversified**<sup>1</sup> investment account. Please consult with an investment adviser if you feel you need to reexamine your retirement portfolio.

Q: Are my funds covered by FDIC insurance?

A: No, they are not. However, there are regulations in place that can protect your assets like the Investment Company Act of 1940 which includes regulations related to the structure and operations of mutual funds. It requires that mutual funds maintain thorough books and records, safeguard their portfolio securities and file semi-annual reports with the SEC.

Q: What is the level of exposure I have in my defined contribution plan with Great-West?

A: Generally, tax-qualified defined contribution retirement plan assets are required to be held in trust for the exclusive benefit of participants. These assets are not subject to creditors of the sponsoring organization. Plan participants may have exposure to market fluctuations based on their current investment allocations. For more information on your investment allocations, please contact your plan sponsor.

Q: Do I have protection if my employer incurs similar financial problems as AIG?

A: Tax-qualified retirement plan assets are required to be held in trust for the exclusive benefit of participants. These assets are not subject to creditors of the sponsoring organization. Your defined contribution plan will *not* be affected by your company's financial situation unless you are able and have put some of your portfolio into company stock, or unless your asset allocation has significant exposure to your employer.

Q: What is Great-West's investment policy?

A: Great-West Retirement Services maintains very conservative investment policies and practices with respect to the management of its corporate assets, and our balance sheet continues to be strong. We also have a graphic in our yearly report that shows our conservative investment approach.

Q: What is a stable value fund?

A: Stable value funds are fixed income investment vehicles. The assets in stable value funds are high quality bonds and other conservative investment options. Stable value funds are structured to maintain the value of the principal and all accumulated interest. Stable value funds may, or may not, be an investment option offered in your plan.

Q: What is a general account investment?

A: An investment option that is backed by the issuing insurance company, in which a guaranteed interest rate is credited, and in which current market rates (if higher than the minimum guaranteed rate) may also be credited to the account.

(Source: <http://www.variableannuityfacts.org/resources/glossary.jsp>).

Q: What is a separate account?

A: An account established by an insurance company to hold and invest premiums paid by the contract owner. The amounts held in the account are "separate" from the company's general account. In the event of insolvency, assets in this account are not available to the insurer's general creditors. (Source: <http://www.elmannuity.com/glossary.html>)

Q: What is the Securities Investor Protection Act and how does it relate to GWFS Equities, Inc.?

A: The Securities Investor Protection Act, which created the SIPC ("SIPC"), was intended to help protect investors in the event a brokerage firm holding customer securities or cash should fail. It does not protect investors from investment losses associated with the investments themselves.

While GWFS Equities, Inc. is a federally registered broker dealer firm, it is registered as a limited broker dealer firm authorized to sell only mutual funds and variable contracts, and does not "hold" any securities or cash as with a retail brokerage account. As such, it is exempt from membership with SIPC.

Any contributions received from participants and contract owners that are placed in a GWFS banking account that is established for the exclusive benefit of GWFS customers are forwarded promptly through the transfer agent to the mutual fund investment company(s) or variable contract(s) separate account in which the participant is invested, depending on their investment allocation, for the purchase of mutual fund shares or variable contract units.

1 Diversification of an investment portfolio does not assure a profit and does not protect against loss in declining markets.

**Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company and an affiliate of FASCore, LLC (FASCore Administrators, LLC in California) and First Great-West Life & Annuity Insurance Company, White Plains, New York.**

Great-West Retirement Services<sup>®</sup> refers to products and services provided by Great-West Life & Annuity Insurance Company, FASCore, LLC (FASCore Administrators, LLC in California), First Great-West Life & Annuity Insurance Company, White Plains, New York and their subsidiaries and affiliates. Great-West Life & Annuity Insurance Company is not licensed to conduct business in New York. Insurance products and related services are sold in New York by its subsidiary, First Great-West Life & Annuity Insurance Company. Other products and services may be sold in New York by FASCore, LLC. Representatives of Great-West Retirement Services are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. ©2008 Great-West Life & Annuity Insurance Company. All rights reserved. PT#71674 (10/2008)