
QDIA Validation

**Great-West Capital
Management, LLC**

**Great-West
SecureFoundation**

April 2014

DALBAR, Inc.
Audit & Due Diligence Division



Federal Reserve Plaza
600 Atlantic Ave, FL 30
Boston, MA 02210
617.723.6400
www.DALBAR.com

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QDIA Validation - Status as of April 2014

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DALBAR APPROVED

VALIDATED for QDIA

DALBAR has evaluated the *Great-West SecureFoundation* is a contingent deferred annuity contract that is offered in combination with one or more *Great-West SecureFoundation Funds* by *Great-West Capital Management, LLC (Manager)* to determine if it complies with the requirements to be used as a Qualified Default Investment Alternative (QDIA) as defined by the Employee Retirement Income Security Act of 1974, as amended [ERISA] Section 404(c)(5) and associated regulations.

Great-West SecureFoundation Funds are referred to as the *Investment* and are registered investment companies that are reported to be in compliance with all applicable regulations.



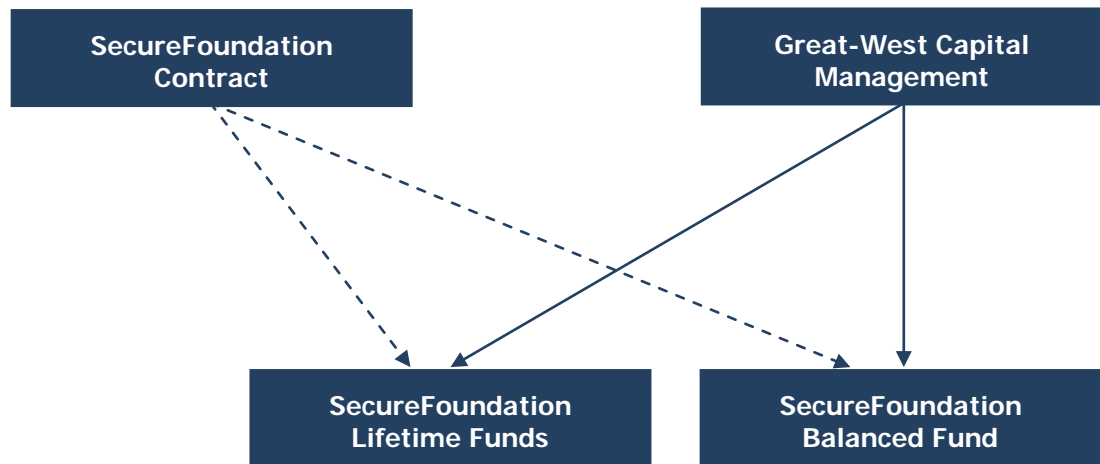
The Investment

The *Great-West SecureFoundation Funds (Investment)*, were examined in relation to requirements for use as a Qualified Default Investment Alternative under ERISA Section 404(c)(5). The *Investment* consists of two categories:

Lifetime Funds... an age based series (target date funds)

Balanced Fund... a risk based investment (moderately balanced fund)

SecureFoundation Structure



→ Validation Grids

The following tables summarize the ways in which the *Great-West Secure Foundation Funds* qualify as QDIAs.

In each case the *Investment* being validated may be applicable as the only one used (stand-alone) or may be used in conjunction with other investments (sleeve) in a model portfolio managed by an investment adviser that qualifies under ERISA section 3(38). The QDIA validation determines which QDIA alternative(s) apply and whether the *Investment* may be used stand-alone and/or as a sleeve in a portfolio.

<i>GREAT-WEST SECURE FOUNDATION LIFETIME FUNDS</i>			
QDIA Alternative		Stand Alone	Sleeve of portfolio
1	Age Based	Yes	Yes
2	Risk Based	No	No
3	Managed Account	No	Yes
4	Short Term	N/A	N/A
5	Grandfathered	N/A	N/A

<i>GREAT-WEST SECURE FOUNDATION BALANCED FUND</i>			
QDIA Alternative		Stand Alone	Sleeve of portfolio
1	Age Based	No	Yes
2	Risk Based	Yes	Yes
3	Managed Account	No	Yes
4	Short Term	N/A	N/A
5	Grandfathered	N/A	N/A

Noteworthy Observations

- The *Great-West SecureFoundation* answers every investor's leading concern, fear of loss. The *Investment* guarantees protection from shocks to the financial system that threatens retirement plan participants ability to fund a secure retirement. Financial system shocks such as the dot com bubble of 2000, the terrorist action of 9/11, the structural failures of 2008 and possible future shocks need not concern participants who have the the guarantee of *Great-West SecureFoundation*.

In addition to protection, the guarantee permits the funds to pursue higher returns through more aggressive investing. A smaller portion of the investment portfolio is required for capital preservation since retirement income is guaranteed at specified levels.

- ➔ **Conclusion.** The *Great-West SecureFoundation Funds* are a prudent approach to maximizing the potential for high returns without undue risk to participants' investments.

- The ability to pursue higher returns is reflected in the *Great-West SecureFoundation Lifetime Funds'* higher than average allocation to equities. The results for the the last one and three years have been outstanding. These funds produced higher returns than comparable investments in 12 out of 13 cases. During the four years since the inception of these funds, the highest annual return achieved was 20.13% and the greatest loss was 3.11%.

- ➔ **Conclusion.** The certainty of the guarantee combined with superior investment returns makes the *Great-West SecureFoundation Lifetime Funds* a prudent choice for default investments.

- The expenses of the *Great-West SecureFoundation Funds*: are approximately one third lower than comparable investments.

- ➔ **Conclusion.** Use of the *Great-West SecureFoundation Lifetime Funds* should raise no concerns regarding regulatory or litigation threats of excessive fees or other breaches of fiduciary duty by responsible plan fiduciaries.

Introduction

This report contains DALBAR's independent analysis of the *Great-West SecureFoundation Funds* and *Great-West Capital Management, LLC* and is intended to supplement the duty of fiduciaries to prudently select investments for use as a Qualified Default Investment Alternative. Since this is a supplement, the content of this report is intended facilitate and not to replace the evaluation required by regulations.

As an independent expert, DALBAR has no affiliation with the *Great-West SecureFoundation Funds* or *Great-West Capital Management, LLC* and has the training, experience and proficiency to conduct this analysis. DALBAR has a history of over 30-years and is generally recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting certain of its evaluations from the testimonial rule.

This analysis consists of six separate evaluations that are designed to validate if the *Great-West SecureFoundation Funds* and *Great-West Capital Management, LLC* meet the requirements of ERISA section 404(c)(5) and related regulations. These evaluations are:

- **Age Based Asset Allocation Analysis:** A comparison of equity mix (glide path) in comparable investments of the *Lifetime Funds*.
- **Up, Down & Reliability Analysis:** Illustrates the effectiveness of the asset allocation process, including the selection and management of the underlying investments used of the *Lifetime Funds*.
- **Capital Preservation/Appreciation Analysis:** Compares ability of the *Balanced Fund* to preserve capital in a down market and realize appreciation in an up market.
- **Applicability as QDIA Alternative:** A determination of which class or classes of QDIA are appropriate uses of the *Lifetime and Balanced Funds*.
- **Qualification Analysis:** An evaluation of the qualifications of *Great-West Capital Management, LLC* to meet the regulatory requirements for a QDIA manager.
- **Reasonableness as an Investment:** An assessment of whether *Lifetime and Balanced Funds* meet the DALBAR standard of reasonableness.

For more information concerning this report, please contact DALBAR at:



Attn: Audit & Due Diligence

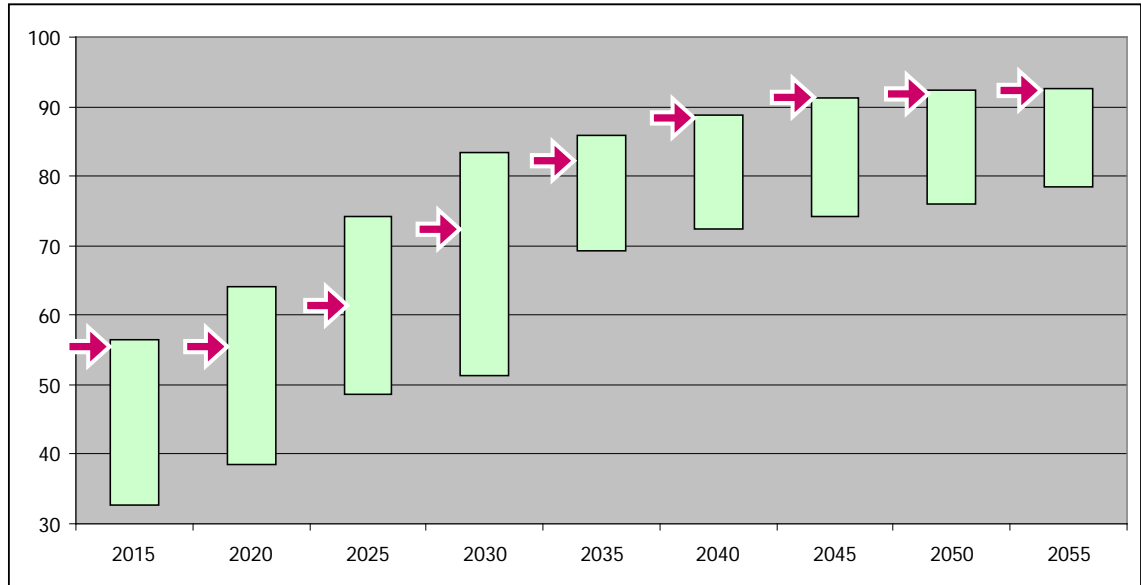
**Federal Reserve Plaza
600 Atlantic Ave, FL 30
Boston, MA 02210
617.723.6400**

audit@DALBAR.com

Lifetime Funds Age Based Asset Allocation Analysis

While the allocation of equity and fixed income assets in age based funds and computer models vary widely, a study of age based (target date) funds across the mutual fund industry was used to compute norms for these allocations. The chart below shows these norms. The marker (→) on the chart illustrates the equity allocation of the *Great-West SecureFoundation Lifetime Funds*

Norms for Equity Allocations Across Target Date Funds



Equity Allocation Ranges and Norms of Target Date Funds

	2015	2020	2025	2030	2035	2040	2045	2050	2055
Highest	62.20	70.06	78.77	83.31	89.18	91.71	92.73	93.84	96.90
Norm -Hi	56.58	64.10	74.31	83.31	85.80	88.88	91.30	92.46	92.49
Norm -Low	32.69	38.60	48.59	51.29	69.27	72.39	74.26	75.90	78.49
Lowest	13.18	33.32	41.72	51.29	58.30	65.80	71.70	73.84	75.55
Equity Allocation for the <i>Investment</i>									
<i>Lifetime Funds</i>	55.97	55.97	60.28	72.28	82.64	88.84	91.03	91.71	92.00

Up, Down & Reliability Analysis

Prudent asset allocation consists of deciding how much of a capital base will be subject to the risk of loss, in pursuit of appreciation. Results of asset allocation are not merely the investment return after a period of time but more importantly the program must preserve capital to the extent that investors expect.

The desired outcome of the asset allocation is an increased benefit to the employee in the form of increased retirement funds and the avoidance of undue risk.

Unlike cumulative return measures, the *Up, Down & Reliability Analysis* used for this report does not combine periods of investment gains and losses, but examines each separately. There are two reasons for the separation. The first is that investors have very different responses to a failure to make profits than the response to incurring losses. Only by separating periods of gains from periods of losses can the two effects be measured.

The second reason for separation is that asset allocators use different mechanisms for capital preservation from those used for potential appreciation. Only by examining the performance in each condition (Up and Down markets) can the effectiveness of each be judged.

The *Up, Down & Reliability Analysis* isolates the performance that occurred during periods when each of four different market conditions existed:

- Rising
- Falling
- Turbulent
- Recent

These market conditions provide the powerful measure of reliability. Reliability reflects the extent to which the allocator consistently maintains its relative standing among peers. Reliability is derived from the standard deviation of an allocator's relative performance across the selected periods.

The performance of the allocator being evaluated is compared to a peer group consisting of other allocators that describes comparable age based objectives of capital preservation and potential appreciation.

The *Up, Down & Reliability Analysis* shows the strength or weakness under these varying conditions so that poor performance under one set of conditions is not disguised by extraordinarily strong performance in another. Furthermore, the performance is supported by the measure of Reliability:

Reliability: Inverse of standard deviation of relative performance over tested periods.

The no-load shares are chosen for this analysis since this class is most widely available in age based funds. Additionally, the distortions in returns due to a varying mix of distribution and other fees are avoided.

Periods Tested

The periods selected for this analysis are those most representative of the required market conditions in recent history. The periods consist of:

Up Market (2009): The average total return for all age based funds in the share class compared to the *Investment* for the most recent significant up year (2009).

Down Market (2008): Same as Up Market but for the most recent severe down year (2008)

Volatile Market (2011): Same as Up Market but for the most volatile year in recent history (2011)

Recent Market (2013): Same as Up Market but for the most recent full calendar year (2013)

Lifetime Funds Performance Findings

The Great-West SecureFoundation Lifetime Funds have demonstrated consistency with the stated goals of each fund during the most stressful periods in recent history. The group of funds performed well during the turbulence of 20011 and the strong markets of the most recent calendar year of 2013.

Each Lifetime Fund Outperformed Comparable Funds

For the two high stress periods examined the Lifetime Fund procuded far better results than the average target date fund.

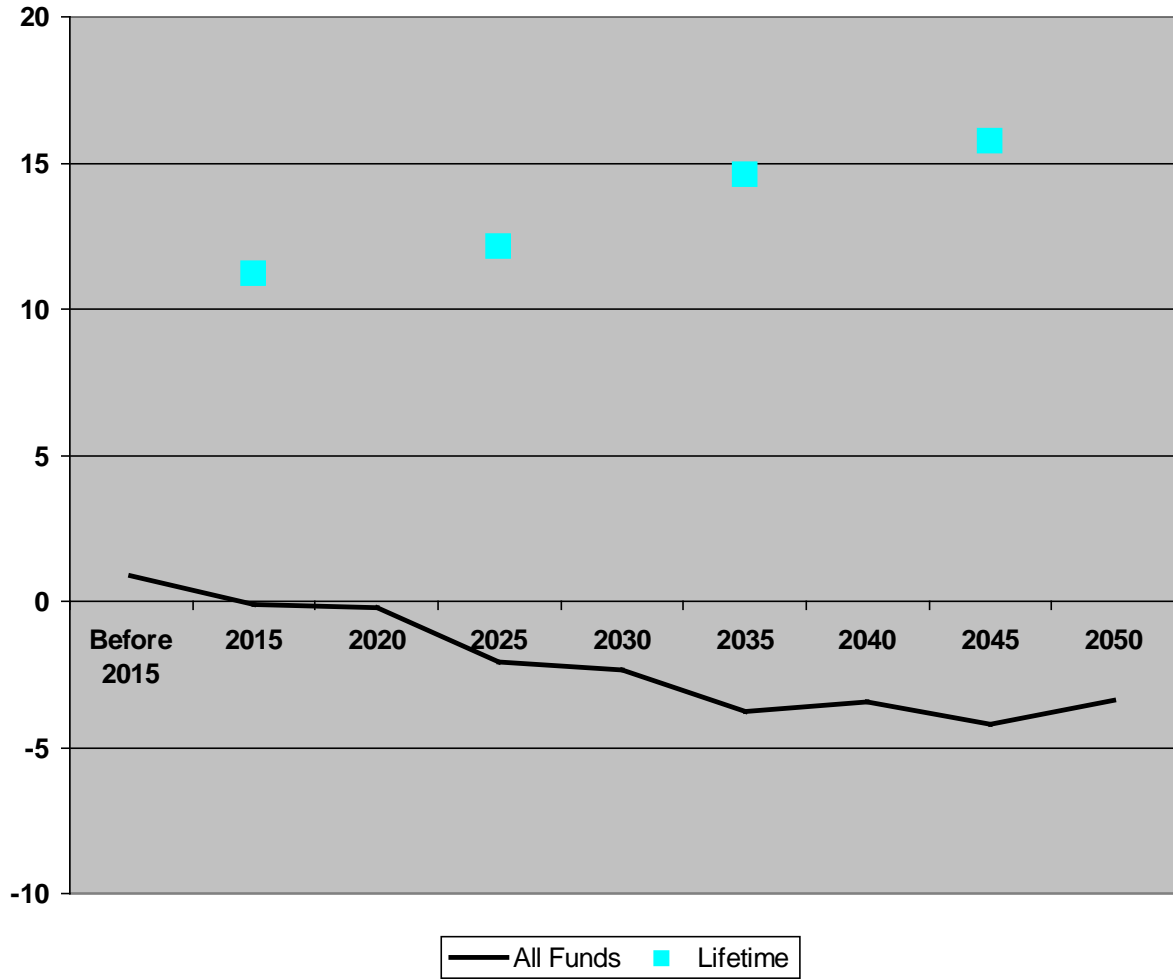
This outstanding performance may be attributable in part to the Great-West SecureFoundation contract that accomplishes the capital preservation need, thus permitting more aggressive investing by the Lifetime Funds.

Up, Down & Reliability Charts

The following charts show the annual returns for up/down/volatile/recent periods and the reliability of returns for no-load retail class shares:

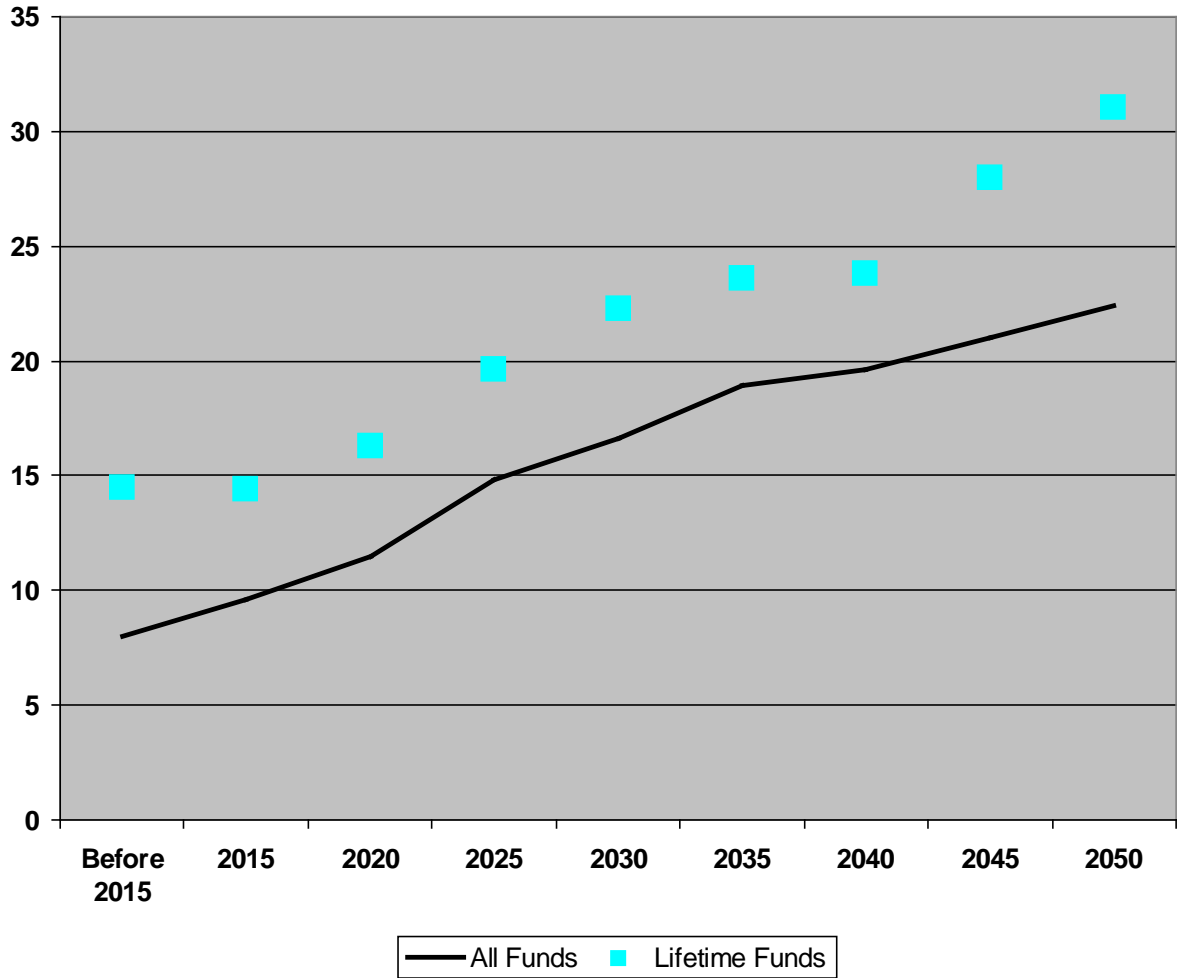
- **Up Market (2009)**
Omitted–Investment did not exist for entire calendar year
- **Down Market (2008)**
Omitted –Investment did not exist for entire calendar year
- **Turbulent Market (2011)**
- **Recent Market (2013)**
- **Reliability**
Omitted –Investment did not exist for all calendar years

Lifetime Funds in Turbulent Market (2011)



Lifetime Funds in Recent Market (2013)

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Balanced Fund Capital Preservation/Appreciation Analysis

This analysis addresses the fundamental requirement of every asset allocation strategy to preserve capital while realizing appreciation.

The Great-West SecureFoundation Balanced Fund is compared to benchmarks of aggressive, moderate and conservative balanced funds in four critical periods to identify how responsive the Investment has been during these periods. The periods are:

- **Up Market (2009)**. Test of capital appreciation capability.
- **Down Market (2008)**. Test of capital preservation capability.
- **Turbulent Market (2011)**. Test of preservation and appreciation capability in volatile conditions.
- **Recent Market (2013)**. Test of performance consistency in the most recent year.

The benchmarks of balanced funds are used to illustrate the relative performance in each of these market conditions. When successful, more aggressive investments should be above the median in Up Markets and below in Down Markets. When successful, more conservative investments should be above the median in Down Markets and below in Up Markets.

Balanced Fund Capital Preservation and Appreciation Findings

The Great-West SecureFoundation Balanced Fund has demonstrated consistency during the recent most stressful periods. The fund's return was among the best of all balanced funds during the turbulence of 2011. During the most recent calendar year of 2013, the fund's performance was consistent with moderately balanced funds.

The success of the Balanced Fund's capital preservation is evidenced by the results of 2011, where instead of suffering losses there were strong gains in the face of great volatility.

Outcomes for *Balanced Fund* (Referred to as *BAL* in table)

Return Range	Up Year Return % 2009		Down Year Return % 2008		Turbulent Year Return % 2011		Recent Year Return % 2013	
High	38.02		0.12		10.84	BAL 11.77%	28.68	
Above Normal	M 23.97		C (19.90)		C 1.57		A 20.99	
Median	C 20.80	N/A	A (24.32)	N/A	M 1.12		M 17.66	BAL 16.09%
Below Normal	A 18.67		M (26.60)		A (0.81)		C 9.67	
Low	10.17		(40.13)		(5.20)		(0.61)	

Abbreviations used in the table above:

- A** = Aggressive Benchmark (11 funds)
- M** = Moderate Benchmark (92 funds)
- C** = Conservative Benchmark (29 funds)

Applicability as QDIA Alternative

There are five types of investments that are named as possible QDIA alternatives. In each case the *Investment* being validated may be applicable as the only one used (stand alone) or may be used in conjunction with other investments (sleeve). The alternatives are:

1. Age Based
2. Risk Based
3. Managed Account
4. Short Term (Omitted: Not suitable for this *Investment*)
5. Grandfathered (Omitted: Not suitable for this *Investment*)

The Applicability phase of the QDIA validation examines the *Investment* to determine which alternatives apply and whether it may be used stand-alone and/or as a sleeve.


A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
1. Age Based - An investment fund product or model portfolio:			
a) ... that applies generally accepted investment theories,	Yes	Yes	The investment approach used is consistent with well established principles and theories. <i>Great-West SecureFoundation Funds</i> invest primarily in Underlying Funds designed to track the performance of a specified securities index ("Index Funds"). U.S. and foreign equities, fixed income securities, short-term investments, and derivatives are also permitted without limitation. Great-West Capital Management uses its proprietary investment process for selecting the Underlying Funds in which the Funds invest.
b) ... that is diversified so as to minimize the risk of large losses,	Yes	Yes	<i>Investment</i> is diversified among asset classes, industries and geographic regions.
c) ... that is designed to provide varying degrees of long-term appreciation and capital preservation	Yes	Yes	Each <i>Great-West SecureFoundation Lifetime Fund's</i> asset allocation strategy will, over time, until a Guarantee Trigger Date, generally become more conservative, with greater emphasis on investments that provide for income and preservation of capital, and less on those offering the potential for growth.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
	No	Yes	The <i>SecureFoundation Balanced Fund</i> may only be used as a sleeve if the QDIA manager of the plan varies the balance of capital appreciation and capital preservation through the use of other investments.
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to commodities.
e) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	Yes	Yes	Each <i>Great-West SecureFoundation Lifetime Fund's</i> asset allocation strategy will, over time, until a Guarantee Trigger Date, generally become more conservative, with greater emphasis on investments that provide for income and preservation of capital, and less on those offering the potential for growth.
	No	Yes	The <i>SecureFoundation Balanced Fund</i> may only be used as a sleeve if the QDIA manager of the plan varies the balance of capital appreciation and capital preservation through the use of other investments.
f) Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	Yes	Yes	Each <i>Great-West SecureFoundation Lifetime Fund's</i> asset allocation strategy will, over time, until a Guarantee Trigger Date, generally become more conservative, with greater emphasis on investments that provide for income and preservation of capital, and less on those offering the potential for growth.
	No	Yes	The <i>SecureFoundation Balanced Fund</i> may only be used as a sleeve if the QDIA manager of the plan varies the balance of capital appreciation and capital preservation through the use of other investments.

➔ **SUMMARY:** The *Great-West SecureFoundation Lifetime Funds* qualify to be used as an AGE-BASED QDIA.
 Both *Great-West SecureFoundation Lifetime Funds* and *Great-West SecureFoundation Balanced Funds* may be used as part of a qualified model portfolio in conjunction with other investments.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
2. Risk Based - An investment fund product or model portfolio:			
a) ... that applies generally accepted investment theories	Yes	Yes	The investment approach used is consistent with well established principles and theories. <i>Great-West SecureFoundation Funds</i> invest primarily in Underlying Funds designed to track the performance of a specified securities index ("Index Funds"). U.S. and foreign equities, fixed income securities, short-term investments, and derivatives are also permitted without limitation. Great-West Capital Management uses its proprietary investment process for selecting the Underlying Funds in which the Funds invest.
b) ... that is diversified so as to minimize the risk of large losses	Yes	Yes	<i>Investment</i> is diversified among asset classes, industries and geographic regions.
c) ... that is designed to provide long-term appreciation and capital preservation	Yes	Yes	<i>Investment</i> is designed to manage the risk of capital loss and produce appreciation that is consistent with capital preservation.
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to commodities.
e) ...consistent with a target level of risk appropriate for participants of the plan as a whole.	No	No	The <i>Great-West SecureFoundation Lifetime Funds</i> are not suitable as a sleeve.
	Yes	Yes	The <i>Great-West SecureFoundation Balanced Fund</i> may be used where it is appropriate to seek capital appreciation with a moderate level of risk. When used as a sleeve of a model portfolio the balance of capital appreciation and protection may be altered by including other investments.
<p>➔ SUMMARY: The <i>Great-West SecureFoundation Lifetime Funds</i> do not qualify as a RISK-BASED QDIA neither as a standalone investment nor when used as part of a qualified model portfolio in conjunction with other investments.</p> <p>The <i>Great-West SecureFoundation Balanced Fund</i> qualifies as a RISK-BASED QDIA either as a standalone investment or when used as part of a qualified model portfolio in conjunction with other investments.</p>			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
3. Managed Account - An investment management service:			
a) ... with respect to which a fiduciary that is either, I. an investment manager, within the meaning of section 3(38) of ERISA; II. a trustee of the plan that meets the requirements of section 3(38)(A), (B) and (C) of ERISA; or III. the plan sponsor who is a named fiduciary, within the meaning of section 402(a)(2) of ERISA,	N/A	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
b) ...applying generally accepted investment theories,	N/A	Yes	The investment approach used is consistent with well established principles and theories. <i>Great-West SecureFoundation Funds</i> invest primarily in Underlying Funds designed to track the performance of a specified securities index ("Index Funds"). U.S. and foreign equities, fixed income securities, short-term investments, and derivatives are also permitted without limitation. Great-West Capital Management uses its proprietary investment process for selecting the Underlying Funds in which the Funds invest.
c) ...allocates the assets of a participant's individual account	N/A	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
d) ...to achieve varying degrees of long-term appreciation and capital preservation,	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components.
e) ...through a mix of equity and fixed income exposures,	N/A	Yes	<i>Investment</i> contains both equities and fixed income in addition to commodities.
f) ...offered through investment alternatives available under the plan,	N/A	Yes	The <i>Investment</i> is appropriate for inclusion in the plan and thus be made available to a qualified QDIA manager of the plan.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
g) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation based on the participant's age, target retirement date or life expectancy.
h) Such portfolios are diversified so as to minimize the risk of large losses and	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components.
i) ...change their asset allocations and associated risk levels for an individual account over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components for an individual account over time with the objective of becoming more conservative.
 SUMMARY: The <i>Great-West SecureFoundation Funds</i> do NOT qualify to be used in a MANAGED-ACCOUNT QDIA by themselves but may be used as part of a qualified model portfolio in conjunction with other investments.			

Qualification Analysis

No violations of self-dealing prohibitions were found and The *Great-West Secure Foundation Funds* were found to meet the QDIA requirements for the alternatives shown in the Validation Grid section of this report. The analysis included the following findings:

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
1. Self-dealing Prohibitions - A fiduciary with respect to a plan:			
a) ... shall not deal with the assets of the plan in his own interest or for his own account,	Does <i>Manager</i> have discretion to vary its compensation based on changing holdings within the <i>Investment</i> ?	Pass	<i>Manager's</i> compensation is considerably below industry benchmarks. Manager can vary compensation but in the most extreme case variations will still result in expenses that are below norms.
b) ...in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or	Does <i>Manager</i> have interests that are adverse to those of participants?	Pass	<i>Manager's</i> interests are not adverse to participants' by virtue of the fact that <i>Manager's</i> compensation increases with growth in asset value in participants' accounts and decreases if assets decline.
c) ...receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan.	Does <i>Manager</i> receive compensation from another party for managing the <i>Investment</i> ?	Pass	<i>Manager</i> uses a fund of funds structure. The underlying funds produces compensation for the <i>Manager</i> in the form of "Acquired Fund Fees and Expenses", which is included in the fund's expense ratio disclosure.

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
2. Conditions for QDIA Fiduciary Relief			
a) Consider investment fees and expenses in choosing a QDIA	Do expenses for this <i>Investment</i> fall within the normal range of other investments of this type?	Pass	Actual Expenses for the <i>Great-West SecureFoundation Balanced and Lifetime Funds</i> and all underlying investments are significantly below respective expense benchmarks. See Appendix C - Expense Analysis for details.
b) Material is provided to participant relating to his/her QDIA.	Is <i>Investment</i> material appropriate for plan participants?	Pass	Material contains description that can be extracted to be appropriate for participants with only minimal investment knowledge.
c) Notice must be written in a manner calculated to be understood by the average plan participant.	Is the information provided for inclusion in the required notice understandable to an average participant? <u>Note: Plan fiduciary must determine that the entire notice can be understood.</u>	Pass	Under most circumstances, the average plan participant will be able to understand the information extracted from the materials.
3. QDIA Requirements			
a) QDIA shall not permit employer securities except as investments within regulated investment companies or as employer match.	Does <i>Investment</i> permit use of employer securities outside of the QDIA exceptions?	Pass	<i>Investments</i> are registered investment companies and qualify under the exemption applicable to employer securities.
b) QDIA may not impose financial penalties or restrict the ability of a participant to transfer.	Are there restrictions or fees to transfer out of <i>Investment</i> which are prohibited under QDIA regulations?	Pass	No restrictions, except that <i>Manager</i> reserves the right to use restrictions in the event that market timing is discovered.

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
c) QDIA is either managed by an investment manager, as defined in section 3(38) of ERISA, or plan trustee, or plan sponsor who is a named fiduciary or is a registered investment company or a stable value fund under State or federal regulation.	Does the <i>Manager</i> meet the criteria appropriate for the type of QDIA being validated?	Pass	<i>Investments</i> are registered investment companies.

Reasonableness as an Investment

QDIA regulations require that investments be reasonable, which DALBAR has further defined as falling within a normal range of comparable investments. The Reasonableness Analysis presented reflects this standard.

Plan fiduciaries are responsible for reviewing current investment information and making the determination that the *Great-West SecureFoundation Funds* are reasonable investments for the plan. Plan fiduciaries, including plan sponsors, are encouraged to seek independent expert advice in making the selection and monitoring of investments.

In order to assist in the determination DALBAR provides the following observations based on information available at the time of this evaluation.

C. REASONABLENESS INVESTMENT ANALYSIS	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS
1. Minimum track record	
The average history for each underlying asset class investment strategy should be at least three years.	The history of underlying asset classes is well over three years. The <i>Investment</i> has a history of two to four years.
2. Stability of the organization	
The average tenure of the portfolio management team for each underlying asset class investment strategy should be at least two years.	Tenure of management of each underlying asset class investment strategy exceeds the threshold.
3. Assets in the product	
The average underlying asset class investment strategy should have at least \$75 million under management (can include assets in other funds with the same strategy).	The assets under management of the <i>Investment</i> and each underlying asset class exceed the threshold.
4. Holdings consistent with style	
a) The allocation to equities is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile;	The equity allocation of the <i>Great-West SecureFoundation Balanced and Lifetime Funds</i> are either the high range of the norm or above the norm for similarly named funds but after considering the presence of a guarantee, the equity allocation is very conservative.

C. REASONABLENESS INVESTMENT ANALYSIS	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS
b) The allocation to fixed income is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile.	The fixed income allocation of the <i>Great-West SecureFoundation Balanced and Lifetime Funds</i> are either low or below the norm for similarly named funds but after considering the presence of a guarantee, the fixed income allocation is very conservative.
5. Correlation to style or peer group	
The number of asset classes that make up the QDIA are evaluated against the peer group - most asset classes to least - the screening threshold being set at the peer group median.	The underlying assets of <i>Great-West SecureFoundation Balanced and Lifetime Funds</i> are index funds and highly diversified with respect to asset classes. There are no known peer groups to which this strategy applies.
6. Expense ratios/fees	
a) The wrapper expense is evaluated against the peer group – cheapest to most expensive - the screening threshold being set at the bottom quartile.	The management fees of 10 bps for the <i>Great-West SecureFoundation Balanced and Lifetime Funds</i> are below the norms of corresponding peer groups.
b) The average expense ratio of each underlying asset class investment strategy is evaluated against the peer group - cheapest to most expensive - the screening threshold being set at the bottom quartile.	The expense ratio of each underlying fund is significantly below norms for corresponding funds. See Appendix C - Expense Analysis for details.

C. REASONABLENESS INVESTMENT ANALYSIS																	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS																
7. Performance relative to assumed risk																	
<p>This analysis evaluates historical performance within the context of overall risk. It examines the number of positive and negative annual returns, the average of the positive and negative annual returns, and the best and worst annual returns, for a minimum of three years (max: 10 years).</p>	<p>The <i>Great-West SecureFoundation Lifetime Funds</i> produced positive returns in 86% of cases over the four years ended 12/31/13, with the following results:</p> <table> <tr> <td>Average positive return:</td> <td>+16.11%</td> </tr> <tr> <td>Average negative return:</td> <td>-3.11%</td> </tr> <tr> <td>Best annual return:</td> <td>+20.13%</td> </tr> <tr> <td>Worst annual return:</td> <td>-3.11%</td> </tr> </table> <p>The <i>Great-West SecureFoundation Balanced Fund</i> produced positive returns in 100% of cases over the four years ended 12/31/13, with the following results:</p> <table> <tr> <td>Average positive return:</td> <td>+9.96%</td> </tr> <tr> <td>Average negative return:</td> <td>None</td> </tr> <tr> <td>Best annual return:</td> <td>+16.09%</td> </tr> <tr> <td>Worst annual return:</td> <td>None</td> </tr> </table>	Average positive return:	+16.11%	Average negative return:	-3.11%	Best annual return:	+20.13%	Worst annual return:	-3.11%	Average positive return:	+9.96%	Average negative return:	None	Best annual return:	+16.09%	Worst annual return:	None
Average positive return:	+16.11%																
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Worst annual return:	-3.11%																
Average positive return:	+9.96%																
Average negative return:	None																
Best annual return:	+16.09%																
Worst annual return:	None																
8. Performance relative to a peer group																	
<p>The average 1-, 3-, and 5-year performance of each asset class investment strategy is evaluated against the peer group's median.</p>	<p>Underlying investments are index funds, which by definition track the respective indices. We found no material variation from the performance of the respective indices.</p>																

Appendices

- A. Asset Allocators
- B. Portfolio Managers –Underlying Investments
- C. Risk/Return Analysis
 - 1. Investment
 - 2. Underlying Investments
- D. Performance Analysis
 - 1. Investment
 - 2. Underlying Investments
- E. Expense Analysis
 - 1. Investment
 - 2. Underlying Investments

A. Asset Allocator

INVESTMENT	ALLOCATOR	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
<i>Great-West SecureFoundation Lifetime and Balanced Funds</i>	S. Mark Corbett, Committee Chair	27	4

B. Portfolio Managers –Underlying Investments

INVESTMENT	PORTFOLIO MANAGER	Total Years Exp.	Yrs With Fund
Great-West International Index Initial and Great-West S&P Mid Cap 400 Index Initial	Richard A. Brown	20	3
	Thomas J. Durante	14	3
	Karen Q. Wong	14	3
Great-West S&P 500 Index Initial and Great-West S&P Small Cap 600 Index Initial	Richard A. Brown	20	4
	Thomas J. Durante	14	4
	Karen Q. Wong	14	5
Great-West Bond Index Initial	Catherine S. Tocher	27	10
	Thone Gdovin	17	New
	Sam Moyn	14	New
Northern Emerging Markets Equity Index	Steven J. Santiccioli, Deutsche Bank	20	6

C. Risk/Return Analysis

→ Risk/Returns Analysis at 12/31/2013

1. Investment

	INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	<i>Great-West SecureFoundation Lifetime Funds –Class G</i>							
	<i>2015</i>	4	4		9.37		14.49	
	<i>2020</i>	2	2		12.88		14.42	
	<i>2025</i>	4	3	1	13.50	-0.96	16.28	-0.96
	<i>2030</i>	2	2		16.56		19.61	
	<i>2035</i>	4	3	1	17.17	-3.10	22.30	-3.10
	<i>2040</i>	2	2		19.43		23.58	
	<i>2045</i>	4	3	1	18.33	-3.96	23.81	-3.96
	<i>2050</i>	2	2		19.58		23.49	
	<i>2055</i>	4	3	1	18.21	-4.42	23.16	-4.42
	<i>Lifetime Funds Summary</i>		86%	14%	16.11	-3.11	20.13	-3.11
	<i>Great-West SecureFoundation Balanced Fund –Class G</i>	4	4		9.96		16.09	

2. Underlying Investments

	UNDERLYING INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	Great-West Bond Index Init	10	9	1	5.12	-2.51	7.20	-2.51
	Great-West International Index Init	2	2		19.53		21.13	
	Great-West S&P 500® Index Init	10	9	1	13.70	-37.50	31.63	-37.50
	Great-West S&P Mid Cap 400® Index Init	2	2		24.92		32.72	
	Great-West S&P SmallCap 600® Index Init	10	8	2	18.85	-16.09	40.60	-31.35
	Northern Emerging Markets Equity Index	7	4	3	36.57	-25.09	72.64	-53.08
	Summary		83%	17%	19.78	-20.30	34.32	-31.11

D. Performance Analysis

➔ *Annualized Returns vs. Peer Group at 12/31/2013*

1. Investment

This comparison presents only one share class since other classes are derivative and peer group comparisons would therefore be repetitive and provide no additional insights other than that they exist.

Note: Items in **BOLD** indicate at or better than average peer group results.

Investment	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
<i>Great-West SecureFoundation Lifetime Funds –Class G</i>					
2015	14.49	8.60			0.66
2015 Peer Group –No Load	9.64	6.71			0.99
2020	14.42				0.67
2020 Peer Group –No Load	11.46	7.56			1.04
2025	16.28	8.89			0.68
2025 Peer Group –No Load	15.08	8.86			1.03
2030	19.61				0.71
2030 Peer Group –No Load	16.42	9.01			1.07
2035	22.30	10.75			0.71
2035 Peer Group –No Load	19.50	10.06			1.06
2040	23.58				0.72
2040 Peer Group –No Load	19.67	9.88			1.10
2045	23.81	11.18			0.71
2045 Peer Group –No Load	21.67	10.72			1.08
2050	23.49				0.71
2050 Peer Group –No Load	20.87	10.30			1.11
2055	23.16	10.86			0.70
2055 Peer Group –No Load	22.85	11.02			1.06
<i>Great-West SecureFoundation Balanced Fund –Class G</i>	16.09	9.42			0.66
Moderate Balanced Peer Group – No Load	17.01	9.61			1.2

2. Underlying Investments

Note: Items in **BOLD** indicate at or better than average peer group results.

Underlying Investment	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
Northern Emerging Markets Equity Index	-3.03	-2.35	13.72	-	0.30
Diversified Emerging Mkts	-0.02	-1.73	14.65	10.52	1.70
Great-West International Index Init	21.13	-	-	-	0.70
Foreign Large Blend	19.41	6.71	12.37	6.74	1.40
Great-West Bond Index Init	-2.51	2.78	4.19	4.32	0.50
Intermediate-Term Bond	(1.22)	3.73	6.37	4.34	0.92
Great-West S&P 500® Index Init	31.63	15.52	17.29	6.77	0.60
Large Blend	31.44	14.49	17.06	7.02	1.23
Great-West S&P Mid Cap 400® Index Init	32.72	-	-	-	0.60
Mid-Cap Blend	33.98	14.09	20.02	8.37	1.42
Great-West S&P SmallCap 600® Index Init	40.6	17.78	20.74	10.07	0.60
Small Blend	37.67	15.33	20.45	9.00	1.40

E. Expense Analysis

➔ *Expenses by Class at 12/31/2013*

<i>Great-West SecureFoundation</i>	Class G	Class G1	Class L
<i>Lifetime Funds</i>			
<i>2015</i>	0.66	0.76	0.91
<i>2020</i>	0.67	0.77	0.92
<i>2025</i>	0.68	0.78	0.93
<i>2030</i>	0.71	0.81	0.96
<i>2035</i>	0.71	0.81	0.96
<i>2040</i>	0.72	0.82	0.97
<i>2045</i>	0.71	0.81	0.96
<i>2050</i>	0.71	0.81	0.96
<i>2055</i>	0.70	0.80	0.95
Balanced Fund			
	0.66	0.76	0.91



Federal Reserve Plaza
600 Atlantic Ave, FL 30
Boston, MA 02210
617.723.6400
www.dalbar.com