



A SCENIC VIEW OF YOUR

Retirement

SPRING 2008

Stable Value Funds – An Overview

As a Plan participant, you may be aware of a new investment option called the Santa Barbara County Stable Value Fund. This fund differs from the previous fixed fund, the Hartford General, but there are also a number of similarities. The main features of the Stable Value Fund are described below.

Transparency of fees

The fees are disclosed, not hidden. The overall expense is 0.35%: 0.25% for management and 0.10% for administrative revenue.

Transparency of investment objectives and the investment itself

The investment objective is to provide a competitive stable interest rate to those invested in the fund, while ensuring that the principal plus any accrued interest is always available for distributions and transfers. This means that your principal and interest are not subject to market volatility and are preserved.

Currently the investments held are mostly investment-grade quality government fixed income bonds (securities that are guaranteed against default by the U.S. government). The investment objective also includes the ability to invest in investment-grade quality corporate fixed income bonds.

Management

The Stable Value Fund is a separately managed fund. The fund, while managed by Great-West Life & Annuity Insurance Company's Advised Assets Group, is authorized and overseen by the Deferred Compensation Oversight Committee (DCOC).

The investment mandate is also established by the DCOC with assistance from the Plan's consultant, Arnerich Massena & Associates.¹ Ultimately, the Stable Value Fund belongs to the Plan; thus, should the County terminate its contract with Great-West Retirement Services®, the assets in the Stable Value Fund can be easily transferred to a new recordkeeper.

Interest

The interest rate is subject to change quarterly and is quoted as an annualized rate of return. Interest is credited quarterly and applies to all funds on deposit; your funds accrue interest from the first day invested in the Fund. Quarterly rate changes will usually be small. The rate is determined and guaranteed in advance of each calendar quarter, so you know exactly what your earnings will be each quarter.

Transfers/withdrawals

Funds deposited in the Stable Value Fund are available immediately for transfers to other investment options within the Plan or for qualifying distributions from the Plan.

Hartford General

As a reminder, the assets held in this investment option are "frozen" until October 2008. Currently, the assets held in the Hartford General are not available for transfer to the other investment options; however, they are available for qualifying distributions. At such time, a transition of these assets from the Hartford General to the Stable Value Fund will occur automatically. After the assets are transferred, you will be able to reallocate the assets to any of the other investment options in the Plan.

Staying Calm in a Turbulent Market

Don't let market volatility rattle your nerves

If you're like some investors, you've been getting nervous about your investments because of recent swings in the stock market. That's not surprising. The good news for you—and your nerves—is that there may be less cause for alarm than you probably thought. What used to be considered volatile may now be the norm. Because the market has grown so large, with the Dow fluctuating at or above 12,000, a 100-point swing is a much smaller percentage of the overall market than it was when the Dow hovered below 3,000.

Try not to let short-term market swings deter you from your long-term investing strategy. Since no one can predict how the market will move next year or even next week, consider keeping your savings invested—and try to avoid making emotion-driven changes to your strategy.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses and disclosure documents from your registered representative. For prospectuses related to investments in your Self-Directed Brokerage (SDB) account, contact Charles Schwab at (888)-393-7272. Read them carefully before investing.

Funds on Watch

The DCOC oversees the County of Santa Barbara Plan and conducts quarterly reviews of the available core investment options. The DCOC takes action based on the recommendations of its outside consultant, Arnerich Massena & Associates,¹ and reviews rigorous quantitative data on each of the investment options.

As a result of a recent review, the following funds have been placed on a "Watch" status:

- Hotchkis & Wiley Large Cap Value Institutional Fund
- Hotchkis & Wiley Mid Cap Value A Fund
- Janus Twenty

The Hotchkis & Wiley funds were placed on Watch due to continued underperformance in the 1-year and 3-year return categories. Janus Twenty was placed on Watch due to changes in the management personnel of the fund.

The DCOC continues to closely monitor these and all funds in the Plan and will keep Plan participants informed of any status changes.

Quick Tip: Assets in the Balance

Does your asset allocation need an adjustment?

If you find that your asset allocation has shifted over the past year, you may need to rebalance. That means adjusting your allocation so that it returns to the one you originally chose. Periodic rebalancing is necessary in any market, because different assets gain and/or lose value at different times.²

Before you begin, consider your overall financial situation. You may want to reassess your asset allocation strategy if you've experienced a major life change, such as marriage or divorce, the birth of a child or a new job. If you want to get back to your original allocation, consider these strategies:

- Shift money from your highest-performing assets into those that have lagged. That means you're essentially selling high and buying low—a classic formula for investing success.³
- You might also change your future allocations. Bump up the percentage of your contributions devoted to your lower-performing assets; reduce the percentage earmarked for your winning funds.
- Annual rebalancing can ensure that your retirement savings plan continues to reflect your goals and risk tolerance.²

Beneficiary Update

As a reminder, you are encouraged to update your beneficiary information, either online at www.santabarbara457.com or via paper form (available through KeyTalk® or the Web site).⁴

Retiree Advocate

Ready to retire?

Don't forget about diversification

What's on your retirement to-do list? Travel? Spending time with family? Volunteering? Whatever your plans, you'll probably need to continue managing your savings through several decades of retirement. Statistics show that life expectancies are on the rise. That's definitely good news—but it also means that your retirement nest egg will probably have to last a long time. A diversified portfolio can help to sustain your lifestyle.

Asset allocation means spreading your retirement savings among different asset classes, so that gains in one asset class may help to minimize losses in another. Diversification goes one step further. It means choosing several investments within a single asset class (holding, for example, a large- and small-cap stock fund) to potentially offset losses in a particular segment of the market.

Both asset allocation and diversification are strategies for managing risk—they can help you avoid putting too many eggs in one basket by making sure no single investment carries too much of the load in your portfolio.

How much risk should you carry? The answer is different for everyone. Many retirees shift their portfolios toward more conservative investments to protect the savings they've accumulated. But remember: Your savings will need to stay ahead of inflation, so consider keeping some assets in stock funds, no matter how old you are.

¹ Americh Massena & Associates is not affiliated with Great-West Life & Annuity Insurance Company or any of its subsidiaries or affiliates.

² Rebalancing does not ensure a profit and does not protect against loss in declining markets.

³ Funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

⁴ Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

⁵ Some Reality Investing services are available for an additional fee.

Representatives of GWFS Equities, Inc. 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.

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Questions?

For information about the Plan and/or access to your account, contact Great-West Retirement Services.

Web site:
www.santabarbara457.com⁴

KeyTalk:
(800) 701-8255⁴
Monday through Friday,
6:00 a.m. to 5:00 p.m. PT

Glendale office:
(800) 382-8924
For Plan questions or to speak
with your local representative

Upcoming Seminars: Reality Investing®

Are you confused by the recent ups and downs in the market? Do you wish you had more help on your account? Take the guesswork out of investing with Reality Investing, a suite of investment and advice services that includes Online Investment Guidance, Online Investment Advice and a Managed Account service.⁵ These seminars will be held at the following locations:

Santa Maria
2125 Center Point Pkwy.
Orchid Room, 1st Floor
May 7, 2008
10:30 a.m. and 2:00 p.m.
May 8, 2008
10:00 a.m.

Lompoc
401 E. Cypress Ave.
Board of
Supervisors Room
May 8, 2008
2:00 p.m.

Santa Barbara
4434 Calle Real
Sheriff's Squad Room
May 14, 2008
10:30 a.m. and 2:00 p.m.

Santa Barbara
123 E. Anapamu St.
Planning Commission
Hearing Room, Room 17
May 15, 2008
10:00 a.m. and 2:00 p.m.