



IN THE SPOTLIGHT:

- Understanding the Roth 457 Savings Option
- A Q&A on the Roth Option
- Cyber Smarts Web Tip: Roth Analyzer Calculator
- Roth Group Meeting Schedule
- Expense Ratio Reduction: Vanguard Institutional Index Fund
- Seminar Announcement: Make the Most of Your Retirement

City of Los Angeles Quarterly Newsletter

July 2011

UNDERSTANDING THE ROTH 457 SAVINGS OPTION

On July 1, 2011, the City added a Roth 457 savings option to the City of Los Angeles Deferred Compensation Plan. If you're an eligible employee participant, you've already received information about this new option in a special mailing. If you're a retired participant, you did not receive this mailing because you are not eligible to make new contributions to the Plan and are not otherwise affected by the Roth option. (Note, however, that the City is waiting for clarification from the federal government about the possibility of converting pre-tax amounts to Roth following separation from service, so keep reading your quarterly newsletters for updates).

Active employee participants may still have questions on which approach is more advantageous for them: saving on an after-tax basis with the Roth option or saving on a traditional pre-tax basis.

The following scenarios may help you decide which savings option (or combination of options) might work for you:

SCENARIO ONE: Anticipating Higher Taxes in Retirement

Officer Hill is a member of the City's Police Pension Plan and the Deferred Retirement Option Plan (DROP). She also contributes to the City's 457 plan. Because her main retirement income source (her pension from the City) will provide her with an income that's close to her pre-retirement income, she's anticipating her retirement tax burden will be fairly high. With the Roth option, Officer Hill can build a retirement income stream that won't be taxed when she makes a post-retirement withdrawal. She'd prefer to pay taxes on the 457 contributions she makes today and lower her tax burden in retirement.



SCENARIO TWO: Anticipating a Near-Term Withdrawal

Jeff has just begun his job with the City and is looking forward to a long career. He's also a new father and is anticipating some major expenses in the next few years, including a down payment on his first home. Although he and his wife save as much as they can out of their take-home pay, Jeff wants the flexibility to dip into his 457 account if he needs that money to help cover a big expense.

With the traditional 457 option, he can afford to put more money into his account now, because his contributions are made on a pre-tax basis, which don't take as big a bite from his paycheck as equivalent Roth contributions.



SCENARIO THREE: Potential Higher Tax Rates

Maria has been working for the City for about ten years and participating in the City's Deferred Compensation Plan for almost all that time. She has not yet reached the annual maximum contribution amount for the Deferred Compensation Plan, but she's planning to work toward that goal and increase her contributions. She is concerned with the potential impact of future income tax rates at the federal and state levels. Specifically, she believes that tax rates are going to be significantly higher when she retires in twenty years. However, because no one can predict what future tax rates will be, she wants to hedge her bets and split her contribution between the traditional and Roth options.



Continued on page 2

This communication was created by and is being provided at the request of your Plan Sponsor. Neither Great-West Life & Annuity Insurance Company nor any of its subsidiaries or affiliates have reviewed or approved these materials or are responsible for the materials or for providing updated information with respect to the materials.

UNDERSTANDING THE ROTH 457 SAVINGS OPTION (CONTINUED)

Not an Either/Or Choice

There are two major considerations to keep in mind in determining whether it makes more sense to make pre-tax or Roth contributions:

- **THE IMPACT ON YOUR TAKE-HOME PAY** – Roth contributions will have a bigger impact on your take-home pay than an equivalent pre-tax contribution.
- **YOUR FUTURE TAX BURDEN** – The Roth option can lower the amount of taxes you'll pay in retirement versus saving on a tax-deferred basis the traditional way.

The good news is that you're not locked into one option forever. You can make both Roth and traditional contributions. Or you can switch between the two options as your retirement strategy evolves. The bottom line is that you have flexibility.

Need More Information on Roth?

Check out the Plan's website, www.cityofla457.com, which has more information on Roth contributions, and a "Roth Analyzer Calculator" that can help you compare your options. You can also get answers to your questions by meeting with local service representatives who are available Monday through Friday from 8:00 a.m. to 4:00 p.m. (excluding the first Friday of each pay period) at City Hall, 200 N. Spring Street, Room 867. Group meetings on the Roth option are continuing throughout August. See page 3 of this newsletter for a group meeting schedule.

Earnings on Roth contributions are tax-free if a qualifying distribution event is met and under the following conditions: the participant is eligible for distribution, the Roth account has been in existence for five years and the participant has reached age 59½ or older.

A Q&A ON THE ROTH OPTION

IS MY ROTH CONTRIBUTION TAXABLE IN THE YEAR I MAKE IT?

Yes. Your contributions come out of your paycheck after taxes are deducted.

ARE MY ROTH CONTRIBUTIONS AND EARNINGS TAXED WHEN DISTRIBUTED?

No. If your distribution occurs after age 59½, death, or disability and at least five years after your first contribution, no taxes are due.

IF I CHANGE JOBS, CAN I ROLL OVER MY ACCOUNT?

Yes. You can roll over your account to a Roth IRA or a Roth 401(k), Roth 403(b), or governmental Roth 457(b) plan that accepts Roth rollovers.

WHAT IS THE LIMIT FOR MY CONTRIBUTIONS?

The annual limit for 457 salary deferrals is \$16,500 in 2011. If you are age 50 or older, you can contribute \$22,000. If you are in the three calendar years prior to the year of normal retirement age, you may be able use the Special 457(b) Catch-up and contribute up to \$33,000, if eligible.[^] The limit applies to any combination of Roth and traditional contributions.

IF I EXPERIENCE A HARDSHIP/UNFORESEEABLE EMERGENCY, CAN I MAKE A WITHDRAWAL?

Yes, the Plan allows emergency withdrawals for hardships and unforeseeable circumstances.

DO I HAVE TO TAKE MINIMUM DISTRIBUTIONS AT AGE 70½?

Yes. The same minimum distribution rules apply to a Roth account.

CAN I TRANSFER MY EXISTING PRE-TAX BALANCE TO THE ROTH?

No. At this time, the conversion of existing balances is not permitted. This applies to current employees and those retired or separated from service.

HOW CAN RETIREES USE THIS NEW ROTH OPTION?

At this time, retirees are not able to use this new option. The City is researching whether retirees might be able to convert balances from pre-tax to Roth amounts after retirement.

CAN I ROLL OVER MY ROTH IRA TO THE DEFERRED COMPENSATION PLAN?

No. This is not permitted under the Internal Revenue Code.

WHAT IS THE BEST CHOICE FOR ME?

Every individual's situation is unique. We suggest you review materials provided by the Plan, check out the Roth Analyzer Calculator, consult a tax or financial adviser, and/or talk to a Plan representative as part of making a decision about what's best for you.



[^] Special 457(b) Catch-up and Age 50 or older Catch-up cannot be used in the same calendar year.

This communication was created by and is being provided at the request of your Plan Sponsor. Neither Great-West Life & Annuity Insurance Company nor any of its subsidiaries or affiliates have reviewed or approved these materials or are responsible for the materials or for providing updated information with respect to the materials.

CYBER SMARTS WEB TIP: Roth Analyzer Calculator

This online tool can help you determine whether to designate all or part of your elective deferrals as Roth contributions.

Visit the website at www.cityofla457.com, click on the Education tab, the Roth link and then on "Roth Analyzer."

Based on your desired savings level, this tool will compute your hypothetical retirement balance and expected income for the available combinations of traditional pre-tax and Roth contributions. The tool will also allow you to do "what if" analysis under different tax and rate of return assumptions. Local taxes, insurance and other benefit plan deductions are not included in this analysis.

ROTH GROUP MEETING SCHEDULE

Attend an informational meeting and learn more about the new Roth 457 savings option. At these meetings, you will learn:

- What is the Roth 457 savings option?
- What has changed?
- What resources are available to help me?
- What remains the same?

LOCATION	DATE	TIME
Marvin Braude Constituent Center Conference Room 1-B, 1st Floor 6262 Van Nuys Blv., Van Nuys, CA 91401	July 26, 2011	10:00 a.m. & 1:00 p.m.
Playa Vista Library Meeting Room 6400 Playa Vista Drive, Los Angeles, CA 90094	July 27, 2011	10:15 a.m.
Department of Water and Power John Ferraro Building, Auditorium 111 N. Hope Street, Los Angeles, CA 90012	August 2, 2011	10:00 a.m. & 1:00 p.m.
Marvin Braude Constituent Center Conference Room 1-B, 1st Floor 6262 Van Nuys Blv., Van Nuys, CA 91401	August 3, 2011	10:00 a.m. & 1:00 p.m.
Harbor Department Board Room 425 Palos Verdes Street, Los Angeles, CA 90094	August 9, 2011	10:00 a.m. & 1:00 p.m.
Playa Vista Library Meeting Room 6400 Playa Vista Drive, Los Angeles, CA 90094	August 10, 2011	10:15 a.m.
Police/Police Administrative Bldg., Auditorium 100 W. 1st Street, Los Angeles, CA 90012	August 16, 2011	10:00 a.m. & 1:00 p.m.



EXPENSE RATIO REDUCTION: VANGUARD INSTITUTIONAL INDEX FUND

Effective June 1, 2011, the expense ratio for the Vanguard Institutional Index Plus Fund was reduced from 0.025% to 0.02% as a result of increased cash flow and higher average account balances.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative. For prospectuses related to investments in your Self-Directed Brokerage (SDB) account, contact Schwab PCRA at (888) 393-7272. Read them carefully before investing.

Board of Deferred
Compensation
Administration
Members:



Eugene K. Canzano
Chairperson
DWP Participant
Representative
Michael Amerian
L.A. City Employees'
Retirement System
Participant Representative

Cliff Cannon
Retired Participant
Representative
Sangeeta Bhatia
Retirement Plan Manager
DWP Retirement

Tom Moutes
General Manager
L.A. City Employees'
Retirement System
Michael A. Perez
General Manager
Fire/Police Pensions

John R. Mumma
Fire/Police Pensions
Participant Representative
Margaret M. Whelan
General Manager
Personnel Department
Robert Schoonover
Organized Labor
Representative

HAVE QUESTIONS? NEED INFORMATION?

For information about the Plan and/ or access to your account, contact Great-West Retirement Services® in any of the following ways.

Website: www.cityofla457.com†
KeyTalk®: (888) 457-9460†

CITY HALL

200 N. Spring Street, Room 867
Office hours: 8:00 a.m. to 4:00 p.m.

City Hall office is closed on the first Friday of each pay period until further notice.

DWP

JFB Main Office Building
111 N. Hope Street, Level A area
Office hours: First and third
Tuesday of each month, usually
from 8:00 a.m. to 4:00 p.m.

For information about the Board, decisions made by the Plan and investment selection, contact:

NATASHA GAMEROZ

(213) 978-1617

The Board's Website:

<http://www.lacity.org/per/deferredcomp/DeferredComp.htm>

† Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

SEMINAR: MAKE THE MOST OF YOUR RETIREMENT



Great-West Retirement Services® is pleased to present a special seminar delivered by Ron Nichols, Great-West's Retiree Advocate. The seminar is geared toward participants getting close to retirement. It will cover preparing for and transitioning into retirement and your distribution options with your City of Los Angeles Deferred Compensation Plan. This free educational seminar will last approximately two hours, and space is limited! Please call Great-West at (800) 382-8924 to reserve a seat.

LOCATION	DATE	TIME
Planning Commission Hearing Room 17 105 E Anapamu St. Santa Barbara, CA 93101	Tuesday, November 15, 2011	10:00 a.m.
Dept. of Health Services Auditorium 1 st Floor 313 N. Figueroa St. Los Angeles, CA 90012	Wednesday, November 16, 2011	10:00 a.m.
Marvin Braude Constituent Center 6262 Van Nuys Blv. Van Nuys, CA 91401	Wednesday, November 16, 2011	2:00 p.m.
Katy Geissert Library Meeting Room 3301 Torrance Blvd. Torrance, CA 90503	Thursday, November 17, 2011	10:00 a.m.
MWD Union Station 700 N. Alameda St. Los Angeles, CA 90012	Thursday, November 17, 2011	2:00 p.m.

Note: Any parking fees are at your own cost.

CITY OF LOS ANGELES PREMIERE DEFERRED COMPENSATION PLAN

INVESTMENT OPTION RETURNS AS OF JUNE 30, 2011

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or a prediction of future results. For performance data current to the most recent month-end, please visit www.cityofla457.com. The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative. For prospectuses on Self-Directed Brokerage, contact Schwab PCRA at (888) 393-7272. Read them carefully before investing.

Average Annualized Returns as of June 30, 2011¹

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Yrs/Since Inception	Expense Ratio ²	Inception Date
FDIC-Insured Savings Option							
FDIC-Insured Savings Account	0.21%	0.42%	N/A	N/A	0.42%	N/A	9/28/09
Stable Value Option							
Deferred Compensation Stable Value Fund ^{3,4}	1.57%	3.44%	3.99%	4.30%	6.23%	0.09%	9/1/85
Profile Portfolios^{5,6}							
Ultra-Conservative	2.84%	7.67%	5.55%	N/A	4.78%	0.09%	1/8/08
Conservative	3.79%	13.15%	5.64%	5.42%	5.43%	0.11%	5/1/02
Moderate	4.81%	20.57%	5.41%	4.91%	5.59%	0.12%	5/1/02
Aggressive	5.44%	25.62%	4.55%	4.07%	5.51%	0.14%	5/1/02
Ultra-Aggressive	6.06%	30.93%	3.45%	N/A	1.11%	0.17%	1/8/08
Bond: Active⁷							
PIMCO Total Return Fund ⁸	2.99%	5.93%	9.46%	8.87%	7.38%	0.47%	5/11/87
Benchmark Index: Barclays Capital Aggregate Bond ⁹	2.72%	3.90%	6.46%	6.52%	5.74%	N/A	
Bond: Index⁷							
Vanguard Total Bond Market Index Inst.Plus ^{3,8}	2.57%	3.72%	6.37%	6.48%	5.44%	0.05%	2/5/10
Benchmark Index: Barclays Capital Aggregate Bond ⁹	2.72%	3.90%	6.46%	6.52%	5.74%	N/A	
Large-Cap Stock: Active							
Hartford Capital Appreciation HLS - CI IA ⁸	2.25%	30.77%	1.24%	4.40%	6.40%	0.67%	4/2/84
Benchmark Index: S&P 500 ⁹	6.02%	30.69%	3.34%	2.94%	2.72%	NA	
American Funds Investment Company of Amer R6 ⁸	4.05%	26.54%	2.80%	2.25%	3.78%	0.30%	5/1/09
Benchmark Index: Russell 1000 ⁹ Value ⁹	5.92%	28.94%	2.28%	1.15%	3.99%	NA	
American Funds Growth Fund of America R6 ⁸	4.76%	28.06%	1.29%	3.04%	3.96%	0.34%	5/1/09
Benchmark Index: Russell 1000 ⁹ Growth ⁹	6.83%	35.01%	5.01%	5.33%	2.24%	NA	
Large-Cap Stock: Index							
Vanguard Institutional Index Plus Fund ⁸	6.03%	30.70%	3.42%	3.00%	2.76%	0.02%	7/7/97
Benchmark Index: S&P 500 ⁹	6.02%	30.69%	3.34%	2.94%	2.72%	N/A	
Mid-Cap Stock: Active¹⁰							
Lazard Mid Cap Institutional ⁸	4.52%	31.82%	6.58%	3.55%	6.67%	0.91%	11/3/97
Benchmark Index: Russell Mid Cap ⁹	8.08%	38.47%	6.46%	5.30%	7.59%	N/A	
Mid-Cap Stock: Index¹⁰							
Vanguard Mid Cap Index Institutional ⁸	8.12%	38.72%	6.45%	5.15%	7.66%	0.08%	5/21/98
Benchmark Index: MSCI ⁹ US Mid Cap 450 ⁹	8.12%	38.75%	6.43%	5.13%	7.21%	N/A	
Small-Cap Stock: Index¹¹							
SSgA Russell Small Cap Index NL Fund - S ⁹	6.23%	37.30%	7.64%	3.87%	5.88%	0.06%	8/1/99
Benchmark Index: Russell 2000 ⁹	6.21%	37.41%	7.77%	4.08%	6.27%	N/A	
International Stock: Active¹²							
Fidelity Diversified International Fund ⁸	3.28%	30.50%	-3.26%	1.43%	7.30%	0.98%	12/27/91
Benchmark Index: MSCI ⁹ EAFE ⁹	4.98%	30.36%	-1.77%	1.48%	5.66%	N/A	
International Stock: Index¹²							
DWS EAFE Equity Index Institutional Fund ^{8,9}	5.59%	31.87%	-1.69%	1.38%	5.23%	0.51%	1/24/96
Benchmark Index: MSCI ⁹ EAFE ⁹	4.98%	30.36%	-1.77%	1.48%	5.66%	N/A	
Self-Directed Brokerage Option¹³							
Schwab Personal Choice Retirement Account [®] (PCRA) Self-Directed Brokerage Option							

CITY OF LOS ANGELES PREMIERE DEFERRED COMPENSATION PLAN

Benchmark Indices

Barclays Capital Aggregate Bond	An unmanaged index considered indicative of the broad fixed income market in general (formerly the Lehman Brothers Aggregate Bond Index).
MSCI® EAFE®	The MSCI® EAFE® Index is a trademark of Morgan Stanley Capital International Inc., and is an unmanaged index considered indicative of foreign equity markets in general.
MSCI® US Mid Cap 450	The MSCI® US Mid Cap 450 Index represents the universe of medium-capitalization companies in the U.S. equity market. MSCI® is a trademark of Morgan Stanley Capital International Inc.
Russell 2000®	The Russell 2000® is a trademark of the Frank Russell Company and measures the performance of the smallest 2,000 companies in the Russell 3000 Index (the 3,000 largest U.S. companies by market capitalization), representing about 7% of the Russell 3000 total market capitalization.
Russell Mid Cap®	The Russell Mid Cap® is a trademark of the Frank Russell Company and measures the performance of approximately 800 of the smallest securities in the Russell 1000® Index. The Russell Mid Cap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.
Russell 1000® Value	The Russell 1000® Value Index is a trademark of the Frank Russell Company and is considered indicative of the domestic large-cap equity value market.
Russell 1000® Growth	The Russell 1000® Growth Index is a trademark of the Frank Russell Company and is considered indicative of the domestic large-cap equity growth market.
Standard & Poor's 500®	S&P 500® Index is a registered trademark of Standard & Poor's Financial Services LLC, and consists of 500 stocks chosen for market size, liquidity and industry group representation. It is one of the most widely used benchmarks of U.S. equity performance, and is considered indicative of the domestic large-cap equity market.

DISCLOSURES

¹The average annual and calendar year returns for the funds reflect actual total returns for each fund, net of fund operating expenses. Any administrative fees or expenses charged will reduce the overall rate of return. If returns are shown prior to the inception date of the current share class, they are hypothetical, and based on the initial share class (adjusted to reflect the fees and charges associated with the current share class).

²Actual fund expense ratio may be less if the fund currently offers a waiver or reimbursement of a portion of this expense.

³Transfer restrictions may apply. Check the Fund Fact Sheet for further information.

⁴Formerly the Galliard Stable Value Fund.

⁵The Profiles include investment options directly available to your Plan. For more information about the Profiles, including the eligible underlying portfolios, review the Fund Data Sheets or contact your registered representative.

⁶Asset allocation funds may be subject to a fund operating expense at the fund level, as well as prorated fund operating expenses of each underlying fund in which they invest.

⁷A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

⁸Mutual fund investment option.

⁹A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

¹⁰Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies.

¹¹Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.

¹²Foreign investments involve special risks, including currency fluctuations and political developments.

¹³Participants choosing the Schwab PCRA Self-Directed Account will be charged an additional annual administrative fee of \$50. These securities are not offered through GWFS Equities, Inc.

Transfer Restrictions

Transfers out of the Deferred Compensation Stable Value Fund must be invested in a variable investment option for a minimum of 90 days prior to investing any funds in the FDIC-Insured Savings Account. Transfers may not be made directly from the Deferred Compensation Stable Value Fund to the FDIC-Insured Savings Account.

Securities (except Schwab PCRA), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Core investment options are through separately managed accounts and mutual funds. GWFS Equities, Inc., or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services. Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc. and GWFS Equities, Inc. are separate and unaffiliated. Great-West Retirement Services® and KeyTalk® are registered trademarks of Great-West Life & Annuity Insurance Company. Not intended for plan sponsors whose situs is in New York. ©2011 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1003N (07/11) PT129827