



IN THE SPOTLIGHT:

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City of Los Angeles Quarterly Newsletter

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SOME INTERESTING THINGS ABOUT INTEREST RATES

Since the onset of the financial crisis and “Great Recession” in 2008, we have witnessed a historic decline in interest rates in the United States. This has impacted both short-term rates (such as those affecting the interest you receive on savings accounts at a bank) and long-term rates (such as those affecting mortgage rates).

Rates have not only fallen sharply over the past six years, they’ve also stayed low for an extraordinary length of time. A few examples:

- In May 2007 the average interest rate on a three-month certificate of deposit in the United States was 5.31%; six years later, in May 2013, the average interest on a similar investment was 0.20%.¹
- In May 2007 a fixed 30-year loan had an average rate of around 6.2%; six years later, in May 2013, the average rate was 3.4%.²

Although no one can predict future rates, it’s helpful for investors to consider how a reversal in this longer term trend might impact them. Here are a few investments in the Deferred Compensation Plan that are sensitive to interest rates and how they would be impacted by a generally rising rate environment.

Bonds/Bond Mutual Funds—Longer term interest rates are primarily driven by the yields paid on government and corporate bonds. When interest rates rise it means bond prices are falling. This means participants invested in bond funds could see fund values decline.

Stable Value Fund—Interest rates on the City’s Stable Value Fund have declined gradually but consistently since the Great Recession. In 2007 the one-year return on the Galliard Stable Value Fund was 4.84%; in 2012 the one-year return on the DCP Stable Value Fund (essentially the same fund and manager, but with a different name) was 2.88%. If interest rates in the United States were to rise generally, this trend should reverse.

FDIC-Insured Bank Deposit Savings Account—Interest rates have fallen most dramatically with savings accounts. As an example, in 2007 the one-year return for the Plan’s Washington Mutual Liquid Account was approximately 5.46%; in 2012 the one-year return for the Plan’s Bank Deposit Savings Account was around 0.26%. Short-term rates are driven more by Federal Reserve policy, so watch for the Federal Reserve to boost lending rates before expecting higher interest rates on savings accounts.

Equity Investments—The relationship of equities to interest rates is more complicated and less predictable. On the one hand, investors might be pleased by higher rates if they signal an economy that is growing more rapidly. On the other hand, they might be displeased if they see higher rates being driven by investor worries about inflation or the ability of governments to make good on their debts.

Overall, it’s prudent for all investors to remember that while a certain set of conditions can remain in place for a long period of time, they cannot do so permanently. Being able to recognize longer term trend shifts as they affect your specific investment goals and risk tolerance is an important part of effectively managing your account. As always, local Plan counselors are available to help you review your investment options and refine your strategies going forward.

¹ Source: Federal Reserve Bank of St. Louis, <http://research.stlouisfed.org/fred2/data/CD3M.txt>

² Source: Federal Home Loan Mortgage Corporation's (Freddie Mac) Weekly Primary Mortgage Market Survey (PMMS), Weekly Average Values. Each week Freddie Mac surveys 125 lenders, and the mix of lender types (thrifts, commercial banks and mortgage lending companies) is roughly proportional to the level of mortgage business that each type commands nationwide.

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ANNOUNCING SELF-DIRECTED BROKERAGE ROLLOVER FLEXIBILITY

Participants in the Plan's Self-Directed Brokerage Option (SDBO) now have the flexibility to transfer their assets to a different provider following a distributable event (such as leaving employment or retirement). To initiate the transfer, you will first need to establish a brokerage account with your new IRA provider, then complete and submit a distribution form to Great-West FinancialSM. Once you log in to your account you can find this form under the Forms tab on www.cityofla457.com.

When Great-West Financial receives the properly completed form, it will work with your designated IRA provider to release the assets from your Schwab account and deposit them into your new account. This transfer option applies *only* to full distributions from your Schwab account.

For more information on the SDBO, log in to your account on the Plan website. Click on the *Fund Options* tab, then *Fund Overview* and *Schwab SDB Securities*.

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.

THE LOWDOWN ON LOANS FROM YOUR DEFERRED COMPENSATION PLAN

If you're considering borrowing money from your Deferred Compensation Plan account—or if you've already borrowed money and are currently making payments—there are a few things you should know about how loan repayments work and how to avoid defaulting on your loan.

First, it's important to remember that even though you are borrowing money from your own account balance, you are still responsible for paying back the loan with interest. All interest goes back to your own account. For active employees, your loan payments will be automatically deducted from your biweekly paycheck. For retirees, your monthly loan payments may be made through either coupon payments or automatic payments from a bank account. You should also keep in mind the following:

- IRS regulations require taxation on all earnings paid to you during each tax year. A loan is not considered a taxable earning IF you do not break the terms of the loan, otherwise known as defaulting on the loan.
- If you go on non-pay or reduced pay status, your repayments will stop and you must submit a Loan Payment Change Form to avoid a default on your loan.
- If your loan does go into default, the government will treat your loan balance as a taxable distribution during that tax year, and you will owe taxes on that distribution. For a defaulted loan from a Roth account, you will owe taxes only on the interest/earnings portion of your loan amount.
- Although a default won't hurt your credit rating, you will lose eligibility for any future loans from the Plan. Participants are responsible for monitoring their loan repayments and ensuring their loans do not go into default.

As with any loan, it's a good idea to understand how the repayment process will work before you apply. The Loan Program Q&A flier available on the Plan website can provide you with all of the details. Log in to your account on the website, click the Loans tab, and select the Q&As About Loans.

WELCOME TO NEW BOARD MEMBER RAY CIRANNA

The Board of Deferred Compensation Administration is pleased to welcome Ray Ciranna as a new member. Mr. Ciranna serves on the Board by virtue of his recent appointment as **General Manager of the Department of Fire and Police Pensions**. Mr. Ciranna is looking forward to working with the Deferred Compensation Plan on behalf of its sworn participants.

The nine-member Board of Deferred Compensation Administration includes the General Manager of the Los Angeles City Employees' Retirement System; General Manager of the Department of Fire and Police Pensions; Plan Manager of the Department of Water and Power Employees' Retirement Plan; three elected employee representatives from each of the aforementioned plans; a Certified Union Representative; a retired participant representative; and the General Manager of the Personnel Department. If you'd like additional information regarding the Board, please visit the Board's website at http://per.lacity.org/DeferredComp/Deferred_Comp_Main_Page.htm. A link to this site is also found on the Great-West Financial website, www.cityofla457.com.

YOUR RETIREE ADVOCATE IS COMING SOON TO LOS ANGELES!

To help you transition from the working world to your “retired” life, your Retiree Advocate, Mr. Ron Nichols, will be in Los Angeles County on November 19 and 20 and in Santa Barbara on November 25 to deliver a free educational seminar. If you are nearing retirement or are already retired, you are encouraged to attend.

Ron will address issues you may face in retirement and ways to take advantage of your Plan’s benefits and features during and after your working years.

About Ron Nichols

A retiree since 2004, Ron is a 40-year veteran of the financial services and retirement plan industry. He built a business focused on public-sector retirement plans, which grew to encompass more than 450 public entities with more than 100,000 participants. He retired in 2004 and since then has worked to develop programs aimed specifically at retired and soon-to-be retired individuals.

Contacting the Retiree Advocate

Ron welcomes your input on issues of concern to you. He may be reached by phone at (800) 878-6723 or via email at ronnie.nichols@greatwest.com.³

Free Educational Seminar

Meet Ron in person when he travels to Los Angeles on November 19 and 20 and Santa Barbara on November 25 to deliver a free educational seminar called “Make the Most of Your Retirement.” He will be discussing the following topics:

- Transitioning to Retirement
- Post-Retirement Options
- Using Your Retirement Plan in Retirement Years
- Your Deferred Compensation Plan
- Plan Fee Comparison
- Other Retirement-Related Concerns, Like Your Pension and Healthcare



“For the past 40 years, the public and private sectors have focused most of their efforts on the accumulation phase of retirement savings. It is now time to focus more attention on the retirement income portion of the market and the unique and growing needs of public sector employees.”

—Ron Nichols, Retiree Advocate

Location	Date	Time
Dept. of Human Services Auditorium 313 N. Figueroa St. Los Angeles, CA 90012	November 19, 2013	2:00 p.m.
Katy Geissert Library, Auditorium 3301 Torrance Blvd. Torrance, CA 90503	November 20, 2013	10:00 a.m.
Planning Commission Hearing Room, 1 st Floor 105 E. Anapamu St. Santa Barbara, CA 93101	November 25, 2013	10:00 a.m.

³ Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

CITY OF LOS ANGELES PREMIERE DEFERRED COMPENSATION PLAN

INVESTMENT OPTION RETURNS AS OF JUNE 30, 2013

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, 2013¹

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	0.22%	0.44%	0.42%	N/A	0.42%	N/A	9/28/09
Stable Value Option							
Deferred Compensation Stable Value Fund ³	1.21%	2.62%	3.05%	3.54%	4.02%	0.28%	9/1/85
Profile Portfolios ⁴							
Ultra-Conservative	0.66%	4.08%	5.42%	5.05%	4.61%	0.26%	1/8/08
Conservative	2.44%	7.57%	7.90%	5.53%	5.73%	0.25%	5/1/02
Moderate	6.27%	12.87%	11.39%	6.06%	6.70%	0.20%	5/1/02
Aggressive	8.23%	16.15%	13.27%	5.74%	7.14%	0.20%	5/1/02
Ultra-Aggressive	10.20%	19.48%	15.15%	5.24%	3.57%	0.19%	1/8/08
Bond: Active ⁵							
DCP Bond Fund ⁶	-2.74%	0.20%	4.06%	6.20%	5.21%	0.26%	4/20/12
Benchmark Index: Barclays Capital Aggregate Bond ⁷	-0.91%	0.91%	4.59%	5.50%	4.66%	0.00%	
Large-Cap Stock: Index							
DCP Large Cap Fund ⁶	13.82%	20.59%	18.45%	7.06%	7.33%	0.02%	4/20/12
Benchmark Index: S&P 500 ^{®7}	15.37%	27.28%	16.87%	5.43%	7.88%	0.00%	
Mid-Cap Stock: Index ⁸							
DCP Mid Cap Fund ⁶	15.56%	25.03%	19.03%	7.96%	10.49%	0.06%	4/20/12
Benchmark Index: CRSP US Mid Cap Index ⁷	16.74%	29.95%	17.50%	7.74%	11.73%	0.00%	
Small-Cap Stock: Index ⁹							
SSgA Russell Small Cap Index NL Fund - S ⁶	15.80%	24.06%	18.57%	8.65%	9.27%	0.06%	8/1/99
Benchmark Index: Russell 2000 ^{®7}	16.45%	31.07%	15.72%	7.15%	9.78%	0.00%	
International Stock: Active ¹⁰							
Fidelity Diversified International Fund ¹¹	4.91%	18.28%	10.92%	-1.09%	7.97%	1.01%	12/27/91
Benchmark Index: MSCI [®] EAFE ^{®7}	7.94%	31.62%	11.00%	-1.60%	8.32%	0.00%	
International Stock: Index ¹⁰							
DWS EAFE Equity Index Institutional Fund ¹¹	3.26%	17.96%	10.17%	-0.74%	7.32%	0.54%	1/24/96
Benchmark Index: MSCI [®] EAFE ^{®7}	7.94%	31.62%	11.00%	-1.60%	8.32%	0.00%	

Self-Directed Brokerage Option¹²

Schwab Personal Choice Retirement Account® (PCRA) Self-Directed Brokerage Option

CITY OF LOS ANGELES 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).
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.
CRSP US Mid Cap Index	CRSP Indices capture broad U.S. equity market coverage and include securities traded on NYSE, AMEX, NASDAQ or ARCA. Nearly 4,000 constituents across mega, large, mid, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market, comprise the market cap indices.
S&P MidCap 400®	S&P MidCap 400® Index is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990.
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.
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.

DISCLOSURES

¹ The 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).

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

³ Transfer restrictions may apply. Check the Fund Fact Sheet for further information. Formerly the Galliard Stable Value Fund.

⁴ The Profiles include investment options not 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. Asset 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. For more information, please refer to the fund prospectus.

⁵ A 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.

⁶ Mutual fund investment option. Refer to the Fund Fact Sheet for information about the fund's underlying provider.

⁷ A 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.

⁸ Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies.

⁹ Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.

¹⁰ Foreign investments involve special risks, including currency fluctuations and political developments.

¹¹ Mutual fund investment option.

¹² Participants 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.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.

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**Board of Deferred
Compensation
Administration
Members:**

Eugene K. Canzano
Chairperson
DWP Participant
Representative

John R. Mumma
Vice-Chairperson
Fire/Police Pension
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

Ray Ciranna
General Manager
Fire/Police Pensions

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 FinancialSM in any of the following ways:

Website: www.cityofla457.com⁴
KeyTalk®: (888) 457-9460⁴

CITY HALL

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

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:

PERSONNEL/EMPLOYEE
BENEFITS DIVISION
(213) 978-1586

The Board's Website:
[http://per.lacity.org/DeferredComp/
Deferred_Comp_Main_Page.htm](http://per.lacity.org/DeferredComp/Deferred_Comp_Main_Page.htm)

PARTICIPANT CORNER

MEET: KELLIE CASTILLO

Police Sergeant, Los Angeles Police Department

Kellie has a target window for retirement and plans to depart from active City employment in about three years. She isn't quite sure how she'll decide to use the balance of her Deferred Compensation Plan account, but she sees her account as a financial cushion that brings additional peace of mind for whatever retirement brings her way.

Once she departs City service, Kellie will have the option to take a full withdrawal, multiple partial lump-sum distributions, or periodic payments based on the balance of her account until the balance is depleted.

Starting the Journey

Kellie is pleased with how her account has grown, but getting here was a long journey. Kellie has been contributing to her account for the majority of her City career and credits her training officer, Guy Smith, for getting her started. As a new probationer, Guy actually handed her the phone to make an appointment for a Deferred Compensation consultation.

Like many other newcomers to the Plan, she started off with small payroll contributions. Over time, she increased her contributions, and she advises other employees to do the same. Kellie also plans to use the catch-up feature of the Plan. If you started off with smaller contributions, or have years where you didn't contribute the maximum amount, you can use the catch-up provision to put more into the Plan when you are close to retirement.

Notice to Other Travelers

Kellie says the perfect time to increase your contributions is when you get a cost of living pay increase. You can put your entire pay increase into your account before you get used to spending it.

To people who say they can't afford to contribute, Kellie replies that you can't afford not to contribute! By passing on the advice that Guy Smith gave her when she first started, Kellie says just about everyone can afford a small \$25 contribution. Then you can add to it over time, especially when you get a pay raise.

Congratulations to Kellie for her dedicated service and her success in the Deferred Compensation Plan.



*"Put your pay increase
into your Deferred
Compensation account!"*

⁴ Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.