



IN THE SPOTLIGHT:

Why Are You Saving?

Participant Corner

Cyber Smarts Web Tip: Changing Contributions

Coming Soon! A Redesigned www.cityofla457.com

Retirement Planning Doesn't Have to Be a Puzzle

Contributions Are Heating Up in 2013

Coming Soon - Separate Accounts in SDB Option

City of Los Angeles Quarterly Newsletter January 2013

WHY ARE YOU SAVING?

Which do you think is the most important decision you make when participating in the City's Deferred Compensation Plan?

- Choosing how much I save
- Choosing whether to save pre-tax dollars, post-tax dollars, or both
- Choosing how to invest
- Choosing my goal for saving

If you answered (d), you're correct. Why? Because your goal for saving should drive virtually every other decision you make in the Plan.

If you have a very modest and easily attainable goal (for example, to replace 5% of your working income), it may suggest a certain set of decisions regarding saving, taxes and investing. If you have a more ambitious goal (for example, to have more income in retirement than you had when working), an entirely different set of decisions may be involved.

The more precise you are about your goal, the easier it is to make other decisions. The goal "to save for retirement" is usually too vague, because it lacks clarity about what precisely you plan to use the money for. Often we have multiple goals in mind, and they may not always be reasonable or consistent with one another.

YOUR GOAL FOR SAVING SHOULD DRIVE VIRTUALLY EVERY OTHER DECISION YOU MAKE IN THE PLAN.

For example, you might think at various points in time that you'd like to use your account to supplement your retirement check, buy a vacation home, buy a new car, help pay for a grandchild's college education, and pay for a kitchen remodel. But if it's impossible to pay for all of that, it's crucial to know which is your most important goal and which ones are secondary.

It's particularly important to be clear on this once you hit retirement. If you start taking money out based simply on which expenditure presents itself first, you might find that you've undermined your primary savings goal without having intended to.

Take the time to sit down and list possible goals. Talk to people you trust to get their perspectives. Use a pencil, not a pen. You might find as you play with different ideas

that your priorities change. There's nothing wrong with that.

Your Deferred Compensation Plan account is likely the most important resource for accumulating funds in your lifetime over which you have full discretion and can choose how the funds are spent. It's worth the investment of time to be clear on what you want your investment to do.



This article was prepared by your Plan Sponsor and is being provided to you at the request of your Plan Sponsor. For additional information concerning this material, please contact the City of Los Angeles Deferred Compensation Plan. The City of Los Angeles Deferred Compensation Plan is not affiliated with Great-West Life & Annuity Insurance Company or any of its subsidiaries or affiliates. Neither Great-West Life & Annuity Insurance Company nor any of its subsidiaries or affiliates have reviewed or approved this article or are responsible for providing updated information with respect to this article.

PARTICIPANT CORNER MEET: TIM CAPUTA

Warehouse and Toolroom Worker,
Department of General Services (GSD)



"I want to encourage everyone to join and contribute as much as they can to Deferred Compensation."

Tim Caputa will be celebrating 25 years with the City of Los Angeles in February 2013. And this is what we here at Deferred Compensation like best: He has been contributing to the Deferred Compensation Plan for 24 years! He decided early to begin saving for his retirement and to take advantage of the tax benefits offered by the Plan.

Planning for the Trip

Tim began maximizing his contributions to Deferred Compensation a few years after starting work with the City, gradually adding in pay increases as contribution limits have increased over time. Tim and his wife also implemented other strategies that have helped secure their retirement income. Years ago they bought government bonds which have now paid for their two sons' college educations. Additionally, he and his wife acquired rental property over the years.

Ready to Ride

Tim and his wife plan to enjoy traveling in retirement. Both work for the City. They plan to rely on their pensions and rental property income when they first retire, then use Deferred Compensation as a monthly supplemental retirement stream a little further down the road.

Tim plans on retiring in approximately five years, with 30 years of service. Thank you for sharing your story, Tim, and congratulations!

CYBER SMARTS WEB TIP: HOW TO CHANGE YOUR CONTRIBUTION



You can change your contribution online in just a few quick steps. Follow these simple instructions and you are on your way!

1. Log in to your account at www.cityofla457.com.¹
2. Click on the *Change Account* tab in the top menu.
3. Click on *Change Deferral*.
4. Then, select the type of contribution change you would like to make. The following lists your choices:
 - a) **Ongoing**—Modify your paycheck contribution for all future pay periods.

- b) **Single Payroll**—Schedule a single payroll increase for a single pay period.
 - c) **Scheduled Increase**—Schedule annual increases to your salary reduction amount, up to a maximum amount you specify.
 - d) **Cancel Request**—Cancel future-dated or scheduled salary contribution requests.
 - e) **Stop All Deferrals**—Change all of your paycheck contributions to zero.
5. Enter the paycheck contribution to be deducted from each paycheck.
 6. Confirm the change and click Submit.

You may also call KeyTalk^{®1} at (888) 457-9460 to change your paycheck contribution through the automated voice response system or by speaking to a customer service representative, available Monday through Friday, 6:00 a.m. to 5:00 p.m. PT.

CONTRIBUTIONS ARE HEATING UP IN 2013

ADD SOME EXTRA SIZZLE TO YOUR RETIREMENT SAVINGS

COMING SOON! A REDESIGNED WWW.CITYOFLA457.COM

Your City of Los Angeles Deferred Compensation Plan website is being redesigned with a new look! In the summer of 2013, you'll be introduced to an easier, smarter and more personalized version of www.cityofla457.com. Efficient navigation will

let you manage your account or access information in an instant.

Here's a sneak peek of what your new pre- and post-login pages may look like.



If you'd like your retirement dreams to cook a little faster, try turning up the temperature on your contributions to the City's Deferred Compensation Plan. For participants contributing at maximum levels, limits have increased for 2013 (see below).

But it doesn't matter whether you're contributing the maximum, minimum or somewhere in between. The beginning of a new year is the perfect time to increase biweekly contributions and light a fire under your account.

Remember, you now have the option to save pre-tax dollars, after-tax dollars, or a combination of both. Pre-tax means you defer taxes now and pay them later. After-tax means you pay taxes now so you won't pay them later. Check out the rules for both savings options to help decide what works best for you.

If you'd like to make a change to your contribution election, log in to your account at www.cityofla457.com or call KeyTalk® at (888) 457-9460.

RETIREMENT PLANNING DOESN'T HAVE TO BE A PUZZLE

Your City of Los Angeles Deferred Compensation Plan can make retirement planning less puzzling. But if you're the type who still enjoys a puzzle now and then, see if you can spot the nine retirement-related terms listed below in the puzzle.

HINT: A few of the terms would normally be hyphenated.

CONTRIBUTE	REBALANCE	RISK MANAGEMENT
DIVERSIFY	RETIRE	TAX DEFERRED
PRETAX	RETIREMENT GOAL	SAVINGS

T A L M E F V X O W N X G L P W J
 J A L A R C A I Y T R C A O B I J
 L Q X C I C Q E L D I O J T D E P
 K T P D T U S F I E G N G X E B L
 H Q U Y E Z E V T T S T E M H R R
 T M E Q R F E G N I F R G J D D P
 K I E S V R E E U U F I V Q X Y K
 Q X H R S K M R K S F B U L D E G
 E U E I U E G V R R V U Y Q N L L
 F Y F C R B S I F E E T N W E A E
 W Y S I X V T L W C D E D K B O Z
 I X T E C N A L A B E R F L U I V
 K E T A J W F K F Z L G Y U D H B
 R I S K M A N A G E M E N T A U H
 K G S Z C A X Y U R J U V X O R E
 E F Y C Q I B S A V I N G S K A S



Catch-Up
 \$35,000
 \$1,400 per Payday*

Age 50 or Older
 \$23,000
 \$920 per Payday*

Below Age 50
 \$17,500
 \$700 per Payday*

* Over 25 pay periods ; if you don't start at the higher contribution level with your first paycheck in January, please speak with a Great-West representative for assistance in calculating your specific biweekly deferral amount.

Refer to the disclosures section for the answers.

CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN

INVESTMENT OPTION RETURNS AS OF DECEMBER 31, 2012

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 December 31, 2012¹

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	0.42%	0.42%	0.42%	N/A	0.42%	N/A	9/28/09
Stable Value Option							
Deferred Compensation Stable Value Fund ³	2.88%	2.88%	3.25%	3.75%	4.13%	0.28%	9/1/85
Profile Portfolios⁴							
Ultra-Conservative	6.46%	6.46%	5.99%	N/A	4.94%	0.19%	1/8/08
Conservative	9.30%	9.30%	7.16%	4.36%	6.15%	0.22%	5/1/02
Moderate	12.09%	12.09%	8.37%	3.43%	6.95%	0.18%	5/1/02
Aggressive	13.92%	13.92%	8.95%	2.19%	7.37%	0.18%	5/1/02
Ultra-Aggressive	15.73%	15.73%	9.46%	N/A	1.92%	0.18%	1/8/08
Bond: Active⁵							
DCP Bond Fund ⁶	7.28%	7.28%	6.96%	7.12%	5.97%	0.26%	4/20/12
Benchmark Index: Barclays Capital Aggregate Bond ⁷	4.21%	4.21%	6.19%	5.95%	5.18%	0.00%	
Large-Cap Stock: Index							
DCP Large Cap Fund ⁶	16.00%	16.00%	10.88%	1.72%	7.14%	0.02%	4/20/12
Benchmark Index: S&P 500 ⁹⁷	16.00%	16.00%	10.87%	1.66%	7.10%	0.00%	
Mid-Cap Stock: Index⁸							
DCP Mid Cap Fund ⁶	16.01%	16.01%	12.64%	3.18%	10.07%	0.08%	4/20/12
Benchmark Index: S&P MidCap 400 Index ⁷	17.88%	17.88%	13.62%	5.15%	10.53%	0.00%	
Small-Cap Stock: Index⁹							
SSgA Russell Small Cap Index NL Fund - S ⁷	16.25%	16.25%	12.15%	3.42%	9.37%	0.06%	8/1/99
Benchmark Index: Russell 2000 ⁹⁷	16.35%	16.35%	12.25%	3.56%	9.72%	0.00%	
International Stock: Active¹⁰							
Fidelity Diversified International Fund ¹¹	19.41%	19.41%	4.13%	-4.00%	8.75%	1.01%	12/27/91
Benchmark Index: MSCI [®] EAFE ⁹⁷	17.32%	17.32%	3.56%	-3.69%	8.21%	0.00%	
International Stock: Index¹⁰							
DWS EAFE Equity Index Institutional Fund ^{7,11}	18.35%	18.35%	3.74%	-3.65%	7.90%	0.50%	1/24/96
Benchmark Index: MSCI [®] EAFE ⁹⁷	17.32%	17.32%	3.56%	-3.69%	8.21%	0.00%	

Self-Directed Brokerage Option¹²

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



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

William Raggio
Interim 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 Retirement Services® in any of the following ways:

Website: www.cityofla457.com¹
KeyTalk®: (888) 457-9460¹

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:

NATASHA GAMEROZ
(213) 978-1617
The Board's Website:
http://per.lacity.org/DeferredComp/Deferred_Comp_Main_Page.htm

¹ Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

COMING SOON ...

SEPARATE PRE-TAX AND AFTER-TAX ACCOUNTS IN SELF-DIRECTED BROKERAGE OPTION

In early 2013, the Self-Directed Brokerage Option (SDBO) offered through Charles Schwab will provide for separate pre-tax and after-tax accounts. This change is required by federal regulation and also provides a number of benefits to SDBO participants. Details are as follows:

1. You can establish either a pre-tax or after-tax account, or both, within the SDBO.
2. You will be able to track your after-tax investments and earnings separately.
3. You can invest pre-tax and after-tax dollars more strategically. For example, you could direct after-tax dollars into investments with higher anticipated growth potential and pre-tax dollars into slower growing investments.
4. Upon termination, you have the ability to make "like-kind" transfers of SDBO investment holdings to external providers if you elect to roll funds out of the Plan.

There are no additional fees for these enhancements. However, each SDBO account will incur its own transaction costs under the SDBO fee schedule.

This change will be implemented in two phases. Phase 1 will be for new participants in the SDBO who have after-tax dollars in their accounts, and it is effective January 21, 2013. Phase 2 will be for current SDBO participants with after-tax dollars, and it will become effective approximately second quarter of 2013. A separate communication will be mailed to Phase 2 participants in the coming weeks outlining the upcoming changes and instructions for setting up their new after-tax accounts.

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*.

The Schwab Personal Choice Retirement Account® (PCRA) is for knowledgeable investors who acknowledge and understand the risks associated with many of the investment choices available through the PCRA. By utilizing the PCRA, you acknowledge that none of the available options in the PCRA have been reviewed for suitability by your employer, the City of Los Angeles 457 Deferred Compensation Plan (the Plan), or Great-West Retirement Services® (Great-West), your service provider. You are solely responsible for determining suitability of the options that are available through the PCRA. You agree to fully indemnify and hold harmless your employer, the Plan, Great-West, and any and all service providers to the Plan against any claims, damages or other possible causes of actions resulting from your use of the PCRA.