



IN THE SPOTLIGHT:

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Current on Currency

Upcoming Seminar

City of Los Angeles Quarterly Newsletter **Summer 2008**



NEW FACES ON THE DEFERRED COMPENSATION BOARD

New representatives have joined the City's Board of Deferred Compensation Administration. This is a result of recent elections and other governance reforms that went into effect for the Plan.

The City Council acted in 2007 to restructure the Board to provide for:

- Expansion of the Board to include the managers of the City's three primary retirement systems; and
- Directly elected representatives from each retirement system, as well as a directly elected retired representative

The restructuring is being phased in. Effective July 1, 2008, the retirement plan managers from LACERS (Sally Choi), Fire/Police Pensions (Michael A. Perez) and the DWP Retirement Plan (Sangeeta Bhatia) joined the Board.

Elections for the DWP representative and retired participant representative will be held next year. Those positions will be seated July 1, 2009.

The intent of these governance reforms is to broaden the depth of experience on the Board and provide for greater accountability through direct elections. Of course, improved representation is only part of making the Plan more successful. As always, it's crucial for participants to play an active role by responding to surveys, submitting suggestions/comments and otherwise staying involved.

The new Board members join the Plan at a time of unprecedented growth. In the past decade, participation has grown by more than 50%, and Plan assets have doubled to approximately \$3 billion. This growth has created new opportunities for expanding the reach of the program and the role it plays for employees in retirement planning.

In the past decade, participation has grown by more than 50%, and Plan assets have doubled to approximately \$3 billion.

Also effective on that date (following the election held in June), directly elected representatives from LACERS and Fire/Police Pensions participants were seated on the Board. Richard Kraus is the elected representative from LACERS and Kurt A. Stabel is the elected representative from Fire/Police Pensions.

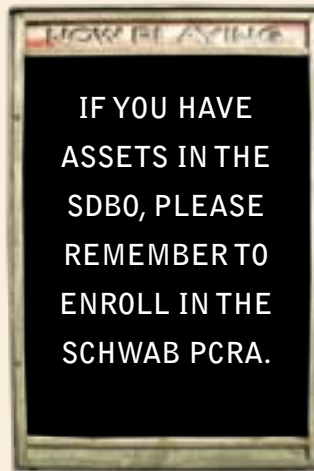
UPDATE:

SELF-DIRECTED BROKERAGE TRANSITION

The self-directed brokerage option provides Plan participants with the ability to invest in additional mutual funds beyond those investment options that comprise the City's core menu.

Transition of the Plan's self-directed brokerage option (SDBO) is expected to finish on schedule, despite a slight delay in the initial setup of accounts. That setup date was pushed back from May 30 to June 16, but all other transition dates remain the same. The transition of assets from the incumbent program, Fiserv's "OptionsPlus," to the new provider, Charles Schwab, began on June 20, 2008. Following a "quiet period," the transition is expected to conclude the first week of August.

If you have assets in the SDBO, please complete your enrollment online by accessing Schwab's Web site at www.schwabpcra.com. ***If you do not do this before the transfers have completed, your account may be restricted at the time of transfer.***



Please remember that during the quiet period, the underlying fund companies are manually re-registering your assets, so some of your holdings may transfer more quickly than others.

As a result, you may see a temporary disparity between the actual balance that Schwab reflects on their system compared to the SDB balance reflected on the Plan's Web site.

Once the transition is completed, any Plan participants who were not previously enrolled in the SDBO on or after August 4, 2008, may open an account with Charles Schwab, if they choose.

The SDBO provides Plan participants with the ability to invest in additional mutual funds beyond those investment options that comprise the City's core menu. For more information regarding the SDBO, go to www.cityofla457.com and click on the Fund Options tab.

CURRENT ON CURRENCY

Fluctuations in the value of the U.S. dollar can have an impact on your finances, both as a consumer and as an investor. Here's a look at how currency values may affect you.

THE MARKET IN CURRENCIES

A European importer might convert euros into dollars to pay for a shipment of American-made computers. An American tourist might exchange dollars for euros to pay for a trip to Paris. Both of them must pay whatever that moment's going rate is to buy the currency each wants. Lately, the U.S. dollar has lost value against other major currencies like the euro, the British pound and the Japanese yen.

MEASURING THE IMPACT AT HOME ...

Because it takes more dollars to buy foreign currencies, travel to many overseas destinations is more costly for Americans. It may take more dollars to buy imported goods, too. But cheaper dollars mean that our products cost less in many foreign markets today, which could help American exports.

... AND IN YOUR RETIREMENT SAVINGS PLAN

A weaker dollar may make U.S. stocks less attractive to foreign investors, possibly leading to smaller gains in your domestic stock funds. On the other hand, some foreign markets may offer the potential for gains, so you might consider balancing your U.S. stock investments with international funds.

FDIC INSURED PRODUCTS OVERVIEW¹⁸

With recent news headlines regarding solvency issues for savings institutions, the City of Los Angeles has received a number of questions from participants regarding the FDIC insured savings options in the Deferred Compensation Plan (the Plan). The City would like to take this opportunity to provide an overview of these options.

WHICH PRODUCTS ARE FDIC INSURED?

The Plan includes two savings options that are insured by the Federal Deposit Insurance Corporation (FDIC):

- Washington Mutual Liquid Savings Account
- Washington Mutual Certificates of Deposit

WHAT IS FDIC INSURANCE?

The FDIC provides insurance for covered deposit products in the event of the failure of the savings institution. This means that in the event of insolvency of the savings institution (Washington Mutual Bank), the participant accounts are insured by the FDIC. The FDIC insurance coverage has limits on the maximum amount covered for each participant.

HOW MUCH COVERAGE IS PROVIDED BY FDIC INSURANCE?

In the Deferred Compensation Plan, combined participant assets in the Washington Mutual Liquid Savings Account and Certificates of Deposit are insured up to \$250,000. This limit is higher than the \$100,000 maximum insured limit in place for regular bank savings accounts, and is applicable to certain retirement savings accounts such as the Deferred Compensation Plan. The \$250,000 insured limit has been in place since 2006, when it was raised from the previous limit of \$100,000.

WHAT ABOUT AMOUNTS WITH WASHINGTON MUTUAL THAT EXCEED THE FDIC INSURANCE LIMITS?

In California, the Local Agency Security Program (LASP) provides for additional protection for covered deposit products on amounts over the FDIC limit. Savings institutions are required to place as collateral with the State a minimum of 110% of amounts that exceed the FDIC limit, in the form of either AAA-rated Municipal Securities or U.S. Treasury obligations.

For instance, in the event Washington Mutual were to become insolvent, for any amount in excess of \$250,000 held in the Washington Mutual Liquid Savings and Certificate of Deposit products, LASP would take assets from the pledged collateral to make the account whole. The LASP coverage applies only to savings invested in the Washington Mutual Liquid Savings and Certificate of Deposit products. Deposits held as an individual (not part of the Deferred Compensation Plan) at Washington Mutual are insured separately from assets held within the Deferred Compensation Plan.

WHO MAY I CONTACT WITH FURTHER QUESTIONS?

Additional information regarding the Washington Mutual Liquid Savings Account and Certificates of Deposit (and all other options in the Plan) is available on the Plan's website, www.cityofla457.com. In addition, participants may contact the call center with questions at 888-457-9460.

¹⁸ This article was created by and are being provided at the request of your Plan Administrator. Great-West has not reviewed this content for legal accuracy.



**Board of
Deferred
Compensation
Administration
Members:**

Eugene K. Canzano
Chairperson
DWP Retirement
Participant Representative

Bill Stein
Vice Chairperson
Retired Participant
Representative

Sangeeta Bhatia
Retirement Plan
Manager
DWP Retirement

Sally Choi
General Manager
L.A. City Employees'
Retirement System

Richard Kraus
L.A. City Employees'
Retirement System
Participant Representative

Michael A. Perez
General Manager
Fire/Police Pensions

Kurt A. Stabel
Fire/Police Pensions
Participant Representative

Margaret M. Whelan
General Manager
Personnel Department

Vacant
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.

Web site: www.cityofla457.com
KeyTalk®: (888) 457-9460

CITY HALL

200 N. Spring Street, Room 867
Office hours: 8:30 a.m. to 5:00 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 8:30 a.m. to 2:00 p.m.

VAN NUYS CITY HALL

Marvin Braude Constituent
Center, Conference Room 1B
6262 Van Nuys Boulevard
Office hours:
Beginning September 11, 2008, from
10:00 a.m. to 2:00 p.m.

LAX AIRPORT

Generally, the third Wednesday
of every month. Call the local
service center to confirm locations
and times for office hours.

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

STEVEN MONTAGNA
(213) 485-4846

The Board's Web site:
[http://www.lacity.org/per/
deferredcomp/DeferredComp.htm](http://www.lacity.org/per/deferredcomp/DeferredComp.htm)

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.

**SEMINAR: THE RETIREMENT BOOM: GOOD NEWS AND
BAD NEWS FOR BOOMERS NEARING RETIREMENT AGE**



This seminar will help educate you about why it's important to invest in your retirement, especially the baby boomer generation. We will examine the steps to take to prepare now, so you can have a comfortable retirement. We will explore how work, health and home all play an important role in your retirement picture. Finally, we will go over why you should evaluate the investment options in your portfolio.

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St. Los Angeles, CA 90012	August 12, 2008	10:00 a.m. and 1:00 p.m.
Department of Water and Power John Ferraro Building (JFB) San Francisco Room 111 N. Hope St. Los Angeles, CA 90012	August 21, 2008	10:00 a.m.
Marvin Braude Constituent Center (Van Nuys City Hall) Conference Room 1B, 1st Floor 6262 Van Nuys Blvd. Van Nuys, CA 91401	August 26, 2008	10:00 a.m.
Playa Vista Library Meeting Room 6400 Playa Vista Dr. Los Angeles, CA 90094	August 27, 2008	10:15 a.m.

Duration: one hour. Please note that any parking fees are at your own cost.

INVESTMENT OPTION RETURNS AS OF JUNE 30, 2008

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or 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. Read them carefully before investing.

Average Annualized Returns as of June 30, 2008¹

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense ²	Inception Date of Option	Separate Account Inception ³
Bond: Active⁴								
PIMCO Total Return Fund	1.97%	10.83%	4.97%	4.70%	6.50%	0.43	May-87	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	1.13	7.12	4.09	3.85	5.68	N/A	N/A	N/A
Bond: Index⁴								
Vanguard Total Bond Market Index Fund Inst. ^{5,6,7}	1.13	7.35	4.15	3.90	5.54	0.07	Sep-95	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	1.13	7.12	4.09	3.85	5.68	N/A	N/A	N/A
Balanced^{8,9}								
Hartford Advisers HLS ^{6,10}	-9.46	-10.02	4.50	5.59	3.32	0.57	Mar-83	May-99
Benchmark Index: S&P 500 [®] 60% / Lehman Bros. Bond 40%	-6.69	-5.02	4.28	6.09	4.00	N/A	N/A	N/A
Large-Cap Stock: Active								
Hartford Stock HLS ^{8,9}	-14.24	-17.60	4.71	6.57	2.14	0.39	Aug-77	May-99
Benchmark Index: S&P 500	-11.91	-13.12	4.41	7.58	2.88	N/A	N/A	N/A
Hartford Capital Appreciation HLS ^{8,9}	-8.97	-4.53	13.21	16.49	11.44	0.56	Jan-34	N/A
Benchmark Index: S&P 500	-11.91	-13.12	4.41	7.58	2.88	N/A	N/A	N/A
American Funds Investment Company of Amer A ⁶	-11.45	-13.17	5.09	8.06	5.63	0.59	Apr-84	May-99
Benchmark Index: Russell 1000 Value	-13.57	-18.78	3.53	8.92	4.91	N/A	N/A	N/A
American Funds Growth Fund of America A ⁶	-6.73	-5.25	8.85	11.29	9.18	0.64	Dec-73	N/A
Benchmark Index: Russell 1000 Growth	-9.06	-5.96	5.91	7.32	0.96	N/A	N/A	N/A
Large-Cap Stock: Index⁷								
Vanguard Institutional Index Plus Fund ^{6,7}	-11.91	-13.10	4.41	7.59	2.95	0.03	Jul-90	N/A
Benchmark Index: S&P 500	-11.91	-13.12	4.41	7.58	2.88	N/A	N/A	N/A
Mid-Cap Stock¹¹								
Lazard Mid Cap Institutional	-8.99	-21.23	2.76	10.08	7.93	0.89	Nov-97	N/A
Benchmark Index: Russell Midcap	-7.57	-11.19	6.84	13.07	8.10	N/A	N/A	N/A
Small-Cap Stock: Index^{7,10}								
State Street Russell 2000 Index Trust Fund C ⁷	-9.54	-16.54	3.37	9.90	4.98	0.20	Mar-00	N/A
Benchmark Index: Russell 2000	-9.37	-16.19	3.79	10.29	5.53	N/A	N/A	N/A
International Stock: Active¹²								
Fidelity Diversified International Fund ⁶	-9.67	-5.66	14.39	17.85	10.58	0.93	Dec-91	N/A
Benchmark Index: MSCI EAFE	-10.96	-10.61	12.84	16.67	5.83	N/A	N/A	N/A
International Stock: Index^{7,12}								
DWS EAFE Equity Index Fund ^{6,7}	-11.01	-10.82	12.70	16.03	5.28	0.53	Jan-96	N/A
Benchmark Index: MSCI EAFE	-10.96	-10.61	12.84	16.67	5.83	N/A	N/A	N/A
Profile Portfolios¹³								
Ultra-Conservative	N/A	N/A	N/A	N/A	0.04	0.14	Jan-08	N/A
Conservative	-3.10	-0.51	4.83	5.93	5.32	0.10	May-02	N/A
Moderate	-6.31	-5.45	5.21	7.34	5.69	0.11	May-02	N/A
Aggressive	-8.80	-9.37	5.56	8.56	5.99	0.13	May-02	N/A
Ultra-Aggressive	N/A	N/A	N/A	N/A	-6.14	0.16	Jan-08	N/A

Self-Directed Brokerage Option¹⁴

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

Prospectuses and other important information, for all PCRA funds, can be obtained on the Web site at www.schwab.com or by calling (888) 393-7272. Read them carefully before investing.

Annualized Yield for Quarter—New Contributions Only

3rd Qtr '08 2nd Qtr '08 1st Qtr '08 4th Qtr '07 3rd Qtr '07

FDIC Insured Savings Account Options

Washington Mutual Liquid Savings Account ⁵	2.68%	2.63%	4.95%	5.66%	5.58%
Washington Mutual Certificates of Deposit-1 Year ^{5,15,16}	3.54	2.15	4.16	4.80	5.30
Washington Mutual Certificates of Deposit-2 Year ^{5,15,16}	3.73	1.98	3.88	4.46	5.36
Washington Mutual Certificates of Deposit-3 Year ^{5,15,16}	4.08	2.31	3.94	4.45	5.40
Washington Mutual Certificates of Deposit-4 Year ^{5,15,16}	4.29	2.65	4.06	4.51	5.44
Washington Mutual Certificates of Deposit-5 Year ^{5,15,16}	4.43	2.94	4.19	4.58	5.48

Fixed Option

Hartford Life General Account ^{5,8,17}	4.35	4.35	4.35	4.10	4.10
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Average Annualized Returns as of June 30, 2008¹

	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense ²	Inception Date of Option	Separate Account Inception
Stable Value Option								
Galliard Stable Value Fund ⁵	2.27%	4.73%	4.67%	4.50%	5.23%	0.15%	Sep-85	N/A

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.

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

³ Standardized returns date from the inception of the separate account in which the underlying assets are held. Separate account 457 was established by Hartford Financial Services Group, Inc. on May 4, 1999. All calendar year returns prior to the separate account inception date are computed using hypothetical unit values that are based on the underlying fund's performance less separate account charges and assume the investment option was available as of the inception date of the underlying fund for the periods indicated. The performance shown is calculated based upon an investment-only contract and does not reflect charges of any other service provider.

⁴ 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.

⁵ Transfer restrictions may apply. See Fund Data Sheets for more information.

⁶ Mutual fund investment option.

⁷ An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

⁸ The Option Operating Expense includes an estimated 0.10% Mortality and Expense Risk Charge.

⁹ The underlying securities in the portfolio and the composition of the respective securities are subject to change. Investment options are available under a fixed or variable contract issued by Hartford Life Insurance Company and are principally underwritten by Hartford Securities Distribution Company, Inc. and subadvised by Wellington Management Company, LLP.

¹⁰ Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

¹¹ Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.

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

¹³ The asset allocation options made available to you through your Plan include investment options made up of a mix of your Plan's individual investment options. With each quarterly statement, you are able to determine the value of your account allocated to an individual investment option as of the rebalancing date of the asset allocation option by multiplying the value of your account allocated to the asset allocation option by the percentage of the allocation option in the individual investment option. For example, if you have \$500 in Allocation Option 1 and 10% of Allocation Option 1 is represented by the ABC Fund, you would multiply \$500 by 10% to determine that \$50 of your account value in Allocation

Option 1 is invested in ABC Fund as of that date. In order to determine the number of shares of the individual investment option, you may divide the portion of your account value represented by the ABC Fund (\$50 in the above example) by the daily share price of the ABC Fund. For more information about the Profile Portfolio options, including specific underlying funds used, please log on to the Web site or call a local service center representative at (888) 457-9460.

¹⁴ Participants choosing the Schwab PCRA Self-Directed Account will be charged an additional annual administrative fee of \$50. Securities available through the self-directed brokerage account are offered through Schwab PCRA. Prospectuses can be obtained by calling (888) 393-7272. Schwab PCRA securities are not offered through GWFS Equities, Inc.

¹⁵ Minimum investment of \$1,000 is required; early withdrawal penalty may apply.

¹⁶ Certificates of deposit are FDIC insured and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

¹⁷ Rate guaranteed for new deposits made during this quarter only.

Transfer Restrictions

Transfers out of the Galliard Stable Value Fund must be invested in a variable investment option for a minimum of 90 days prior to investing any funds in the Hartford Life General Account or the Washington Mutual Liquid Savings Account. Transfers may not be made directly from the Galliard Stable Value Fund to the Hartford Life General Account or the Washington Mutual Liquid Savings Account.

Transfers out of the Hartford Life General Account must be invested in a noncompeting variable investment option for a minimum of 90 days prior to investing any funds in the Galliard Stable Value Fund, Washington Mutual Liquid Savings Account, Washington Mutual CDs, Vanguard Total Bond Market Index Fund or MSIF Trust Fixed Income Portfolio. Transfers may not be made directly from the Hartford Life General Account to the Galliard Stable Value Fund, Washington Mutual Liquid Savings Account, Washington Mutual CDs, Vanguard Total Bond Market Index Fund or MSIF Trust Fixed Income Portfolio.

Core securities (except OptionsPlus), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company, 8525 East Orchard Road, Greenwood Village, CO 80111, (888) 457-9460.

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 collective trusts, mutual funds and a group fixed and variable deferred annuity underwritten by Hartford Securities Distribution Company, Inc. and subadvised by Wellington Management Company, LLP. 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. Great-West Retirement Services® and KeyTalk® are service marks of Great-West Life & Annuity Insurance Company. Not intended for use in New York. ©2008 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1003N (07/08) PT# 64636