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City of Los Angeles Quarterly Newsletter

July 2009



PENNY-WISE? THE LONG-TERM IMPACT OF DECREASING CONTRIBUTIONS

Many City employees are wondering how to make ends meet with the uncertainties of higher living expenses and potential reductions in household income. You may be considering reducing or halting your contributions to the Deferred Compensation Plan as one way of coping with these uncertainties. Before doing so, however, you may want to consider the long-term impact of that decision.

TAX IMPACT

Remember that reducing your contributions means increasing the total amount of federal/state tax withholding. For example, if you reduce your annual contribution by \$1,000, the amount of tax withheld from your paycheck (assuming approximately 20% withholding) would rise by \$200. You'll still have more money in your paycheck, but a significant portion will go to the tax collection agencies—not to you.

OPPORTUNITY COST

If you reduce your contributions to the Plan by \$1,000, the amount you are giving up over the long term (what is referred to as your "opportunity cost") increases with each year that goes by. For example, \$1,000 invested today and earning an average 7% per year would grow to \$4,047 over 20 years. Thus, the 20-year opportunity cost to your account of not contributing that \$1,000 is \$4,047. This cost will continue to rise over time until you reach the point you would have otherwise withdrawn the funds from your account and spent them.

Reducing your contributions may be unavoidable, but as you weigh your options consider the tax and opportunity cost impact as part of your decision-making process. Remember, you always want to make choices that take into account both your immediate and long-term best interests.

Important Note About the Investment Option Returns:

Due to the recent fund changes and enhancements, the June 30, 2009, investment option returns are included as a separate insert with your statement. This change only applies to this quarter.

PLAN PARTICIPANTS ELECT RETIRED & DWP REPRESENTATIVES

Elections were recently held for two seats on the Board of Deferred Compensation Administration: Retired Participant Representative and Department of Water and Power (DWP) Participant Representative.

Cliff Cannon won the Retired Representative seat and Eugene K. Canzano won the DWP Representative seat.

Mr. Cannon is retired from the City Controller's Office and worked for the City for 31 years. He serves on the Board of Directors for the Los Angeles Federal Credit Union and served on the selection committee for the original award of the Deferred

Compensation Plan's administrative services contract. This was the first direct election of a retired representative by retired participants. Mr. Cannon will serve three years in this position.

Mr. Canzano has served on the Board since 2005 and is the current Chairperson of the Board. He also chairs the Board's Plan Governance and Administrative Issues Committee. This was the first direct election of a DWP representative by DWP participants. Mr. Canzano will also serve three years in this position.

RECAP OF INVESTMENT OPTION CHANGES

As mentioned in the April 2009 newsletter and a recent mailing, investment option changes and enhancements to the Deferred Compensation Plan are under way.

The following is a recap of what has occurred as of June 30, 2009.

DATE	INVESTMENT OPTION CHANGE/ENHANCEMENT	DESCRIPTION
June 1, 2009	Profile Funds Enhancements	Each of the five Profile Funds (Ultra-Conservative, Conservative, Moderate, Aggressive and Ultra-Aggressive) was adjusted. A new mid-cap index fund was added to provide exposure to midsize-company stocks, and each Profile Fund was restructured with new asset allocation targets.
June 1, 2009	New Vanguard Mid-Capitalization Index Institutional Fund	This fund was added to the core investment menu and will provide an additional passively managed investment choice within the universe of medium-sized company stocks.
June 26, 2009	No New Contributions into the Washington Mutual CDs	Existing assets in the CDs will continue until their full maturity. The CD option will not be replaced through another provider.
June 26, 2009, through mid-day June 29, 2009	Hartford Variable Investment Option Changes	The Hartford Advisers HLS, Hartford Stock HLS and Hartford Capital Appreciation HLS were converted from variable annuity options to retail investment options. This is a technical modification that will not affect the fees, investment objectives or management of the funds.
June 29, 2009	New City of L.A. Deferred Compensation Plan Stable Value Fund	The Hartford General Account and Galliard Stable Value Fund were consolidated into this new fund (managed by Galliard Capital Management). This change will enhance the security of the underlying assets, reduce the applicability of transfer restrictions, and reduce investment management costs.

For more detailed information about each of these changes, visit the Web site at www.cityofla457.com.

REFUND OF FEE ASSESSMENT TO OPTIONSPLUS PARTICIPANTS



Great-West Retirement Services® recently discovered that the former Self-Directed Brokerage provider, OptionsPlus, inadvertently overcharged some participants after the Deferred Compensation

Plan's new fee cap was instituted on July 1, 2007. Prior to that date, in addition to its \$75 fee, OptionsPlus also collected the 11 basis point (0.11%) Plan administrative fee that was assessed on each participant's total account balance. After the fee reduction, that fee was lowered to 10 basis points (0.10%) and capped at the \$125,000 account balance level. OptionsPlus did not "cap" the fees at \$125 annually, the new maximum. Participants who had balances in OptionsPlus at that time and who were assessed fee amounts in excess of \$125 will see a fee expense credit on their June 30, 2009, statement.

This was a unique situation resulting from the recordkeeping limitations of OptionsPlus. Great-West Retirement Services regrets this error and will continue to ensure that participant fees are appropriately charged and, if an error occurs, that corrections are swiftly implemented.

REMINDER OF UPCOMING INVESTMENT OPTION CHANGES

In an effort to streamline the Deferred Compensation Plan's core investment menu, two additional investment option changes are coming this fall.

New City of Los Angeles FDIC-Insured Savings Account—September 2009

The Washington Mutual Liquid Account will be replaced by a new City of Los Angeles FDIC-Insured Savings Option. This new savings option will include three underlying providers, thereby expanding the total amount of FDIC insurance available to \$750,000. This is an increase of \$500,000 from the current FDIC insurance provided today.

In addition to expanding FDIC insurance, the City's Plan will have greater latitude to more readily transfer assets among the underlying providers in the event the Board becomes concerned with the financial strength of a particular banking institution.

Hartford Stock HLS and Hartford Advisers HLS Funds Closing—November 2009

These two funds will be eliminated from the City's Plan due to underperformance. These funds will accept contributions and transfers up through the termination date of November 2, 2009. Any remaining contribution allocations and asset balances will be mapped as shown below.

CLOSING FUND	MAPS TO	NEW FUND
Hartford Stock HLS	⇒	Moderate Profile Portfolio
Hartford Advisers HLS	⇒	Vanguard Institutional Index Fund

For more detailed information about these changes, visit the Web site at www.cityofla457.com.

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.



Board of Deferred Compensation Administration Members:

Eugene K. Canzano
Chairperson
DWP Participant Representative

Cliff Cannon
Retirement 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

Shelley Smith
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.

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

NATASHA ZUVICH
(213) 978-1617
The Board's Web site:
<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 discusses issues facing the wave of baby boomers nearing retirement age, including trends in retirement planning, Social Security benefits, working in retirement, and more.

Location	Date	Time
City Hall, Room 1070, 10th Floor 200 N. Spring St., Los Angeles	August 11, 2009	10:00 a.m. and 1:00 p.m. (could be pre-empted by City Council Meeting)
Playa Vista Library, Meeting Room 6400 Playa Vista Dr., Los Angeles	August 12, 2009	10:15 a.m.
Los Angeles World Airports, H R Room 131, 7303 World Way West, Los Angeles	August 13, 2009	10:00 a.m.
Harbor Department, Board Room 425 Palos Verdes St., San Pedro	August 20, 2009	10:00 a.m.
Marvin Braude Constituent Center Conference Room 1B, 1st Floor 6262 Van Nuys Blvd., Van Nuys	August 26, 2009	10:00 a.m. and 2:00 p.m. (office hours in between the presentation times)
Department of Water and Power John Ferraro Building (JFB), San Francisco Room 111 N. Hope St., Los Angeles	September 3, 2009	10:00 a.m.

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

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