



News Bulletin

July 2006

Board of Deferred Compensation Administration Members:

Margaret M. Whelan
 Chairperson,
 General Manager
 Personnel Department

Bill Stein
 Vice Chairperson,
 Retired Participant
 Representative

Eugene Canzano
 DWP Retirement

Joya C. De Foor
 City Treasurer

Don Keith
 Fire/Police Pension

Richard Kraus
 Organized Labor
 Representative

Shelley Smith
 Chairperson,
 City Employees
 Retirement System

How Should I Invest My Money?

Most of you have asked this question at one time or another throughout your career. This is the most common question we get as Great-West Retirement Services® representatives in helping City employees figure out the best ways to save for retirement. Hopefully, by following the simple steps below, you will gain the tools necessary to help you decide the best way to invest your money in your deferred compensation plan. The following chart is an overview of the step-by-step process. Go to Page 4 for details on each step.



Read on to find out how to complete each step above.
 (Continued on page 4)

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:¹ www.cityofla457.com
 KeyTalk:¹ (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: September 14, 2006, from 10:00 a.m. to 2:00 p.m.

LAX Airport
 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, Program Manager
 smontagna@per.lacity.org or
 (213) 485-4846
 The Board's Web site:
www.lacity.org/per/Deferred_Comp_Main%20Page.htm

¹ 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. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected. If you don't have a PIN, call the service center and press 0 during business hours and you will be directed to a representative in our National Service Center.

Investment Option Returns *as of June 30, 2006*

Current performance may quoted represents past performance data current investment return and price shares/units may be worth on certain transfers, redem fund's prospectus or other prospectus and/or disclosure Please consider the investment and other important information annuity contract and the registered representative. F (866) 567-8653. Read the

FDIC Insured Savings Account Options	Annualized Yield for Quarter				
	3rd Qtr '06	2nd Qtr '06	1st Qtr '06	4th Qtr '05	3rd Qtr '05
Washington Mutual Liquid Savings Account ²	5.35%	4.84%	4.39%	3.75%	3.26%
Washington Mutual Certificates of Deposit-1 Year ^{2,3,4}	5.48	5.01	4.64	3.98	3.66
Washington Mutual Certificates of Deposit-2 Year ^{2,3,4}	5.43	5.00	4.65	4.08	3.85
Washington Mutual Certificates of Deposit-3 Year ^{2,3,4}	5.42	4.99	4.66	4.13	3.96
Washington Mutual Certificates of Deposit-4 Year ^{2,3,4}	5.43	5.01	4.69	4.19	4.03
Washington Mutual Certificates of Deposit-5 Year ^{2,3,4}	5.45	5.03	4.72	4.24	4.10

Fixed/Stable Value Options	Annualized Yield for Quarter—New Contributions Only				
	3rd Qtr '06	2nd Qtr '06	1st Qtr '06	4th Qtr '05	3rd Qtr '05
Hartford Life General Account ^{2,5,8}	4.10%	4.10%	4.10%	4.30%	4.30%

	YTD	1 Year	Average Annualized as of 06/30/2006 ⁶				2005	2004
			3 Years	5 Years	10 Years	Since Incep		
Galliard Stable Value Fund ²	2.23%	4.49%	4.33%	4.83%	5.54%	6.70%	4.29%	4.15%

Variable Investment Options	YTD	1 Year	Average Annualized as of 06/30/2006 ⁶				2005	2004
			3 Years	5 Years	10 Years	Since Incep		
Bond: Active								
MSIF Trust Core Plus Fixed Income: INST ^{2,7}	-0.08%	1.36%	3.83%	5.34%	6.46%	8.85%	4.81%	4.62%
Bond: Index								
Vanguard Total Bond Market Index Fund Inst. ^{2,7}	-0.87	-0.91	2.03	4.53	6.05	5.91	2.53	4.36
Balanced								
Hartford Advisers HLS ^{8,9}	0.19	6.78	7.08	2.51	7.39	n/a	7.34	3.85
Large-Cap Stock: Active								
Capital Guardian U.S. Equity Fund	2.37	9.83	11.75	n/a	n/a	13.94	6.09	9.48
Hartford Stock HLS ^{8,9}	1.00	11.11	9.99	1.12	7.83	n/a	9.73	4.27
American Funds Investment Company of Amer A ⁷	5.72	12.80	12.71	5.33	10.57	12.81	6.87	9.78
Fidelity Magellan [®] Fund ⁷	1.75	9.61	9.40	0.86	7.32	18.51	6.42	7.49
American Funds Growth Fund of America A ⁷	2.72	15.40	15.16	4.88	13.02	9.56	14.23	11.95
Large-Cap Stock: Index								
Vanguard Institutional Index Fund ⁷	1.75	9.61	9.40	0.86	7.32	18.51	4.90	10.87
Mid-Cap Stock								
Hartford Capital Appreciation HLS ^{8,9}	3.76	21.16	21.43	8.55	13.87	n/a	15.66	19.48
Small-Cap Stock: Active¹¹								
Lotsoff Small Capital Equity Fund ⁷	-1.69	0.06	n/a	n/a	n/a	20.46	-0.65	38.07
Small-Cap Stock: Index¹¹								
State Street Russell 2000 Index Trust Fund C	7.78	13.92	18.25	7.92	N/A	8.73	4.20	18.04
International Stock: Active¹²								
Fidelity Diversified International Fund ⁷	8.27	26.21	24.21	13.51	12.64	11.98	17.23	19.66
International Stock: Index¹²								
DWS EAFE Equity Index Fund ^{7,15}	9.89	27.04	23.12	9.23	5.97	6.28	13.57	19.42
Profile Portfolios¹³								
Conservative	1.50	4.32	6.50	n/a	n/a	5.44	3.99	7.42
Moderate	2.70	7.31	9.50	n/a	n/a	6.42	4.82	9.84
Aggressive	3.87	10.13	12.18	n/a	n/a	7.28	5.64	11.92
Benchmark Indices								
Lehman Brothers Aggregate Bond	--0.72	-0.81	2.05	4.97	6.22	n/a	2.43	4.34
MSCI EAFE	10.16	26.56	23.94	10.02	6.39	n/a	13.54	17.59
Russell 2000	8.21	14.58	18.70	8.50	9.05	n/a	4.55	18.33
Standard & Poor's 500 [®]	2.58	8.49	11.16	2.47	8.30	n/a	4.91	10.87

Self-Directed Brokerage Option¹⁴

OptionsPlus Self-Directed Brokerage Option

Please consider the investment objectives, risks, fees and expenses carefully before investing. For mutual fund prospectuses, to enroll or to speak with a representative at (866) 567-8653. Read them carefully before investing. To make changes to your existing OptionsPlus account, call the PlusLine at (888) 553-5318.

be lower or higher than performance data shown. Performance data is not a guarantee or prediction of future results. For the most recent month end, please visit www.cityofla457.com. The principal value of an investment will fluctuate so that, when redeemed, it may be more or less than their original cost. Funds may impose redemption fees or exchanges if assets are held for less than the period stated in the disclosure documents. For more information, please refer to the fund's disclosure documents.

Investment objectives, risks, fees and expenses carefully before investing. For this information, you may obtain prospectuses for mutual funds, any applicable annuity's underlying funds and/or disclosure documents from your broker or prospectuses on Self-Directed Brokerage, contact First Trust at 1-800-850-3333 before investing.

Calendar Year ⁶	Option Operating Expense	Inception Date of Option	Separate Account Inception ¹⁰
2003	2002	2001	
4.55%	5.67%	6.33%	0.15%
			Sep-85
			n/a
5.65%	6.63%	10.35%	0.45%
			Nov-84
			n/a
4.10	8.30	8.45	0.07
			Sep-95
			n/a
18.37	-13.88	-4.74	0.57 ⁸
			Mar-83
			May-99
n/a	n/a	n/a	0.48
			Apr-88
			May-03
26.35	-24.32	-12.32	0.39 ⁸
			Aug-77
			May-99
26.31	-14.47	-4.59	0.55
			Jan-34
			n/a
24.82	-23.66	-11.65	0.62
			May-63
			n/a
32.90	-22.02	-12.28	0.66
			Dec-73
			n/a
28.66	-22.03	-11.93	0.05
			Jul-90
			n/a
42.23	-19.78	-7.03	0.59 ⁸
			Apr-84
			May-99
n/a	n/a	n/a	0.95
			Jan-93
			May-03
45.75	-20.67	1.65	0.20
			Mar-00
			n/a
42.38	-9.37	-12.99	1.07
			Dec-91
			n/a
36.45	-16.63	-21.75	0.35
			Jan-96
			n/a
13.56	n/a	n/a	0.10
			May-02
			n/a
20.83	n/a	n/a	0.11
			May-02
			n/a
27.10	n/a	n/a	0.12
			May-02
			n/a
4.11	10.27	8.42	n/a
			Jan-76
			n/a
35.28	-17.52	-22.61	n/a
			Dec-69
			n/a
47.25	-20.48	2.49	n/a
			Dec-77
			n/a
28.67	-22.09	-11.88	n/a
			Dec-27
			n/a

representative for the Self-Directed Brokerage option, please call First Trust

- Transfer restrictions may apply. See Fund Data Sheets for more information.
- Minimum investment of \$1,000 is required; early withdrawal penalty may apply.
- Certificates of deposit are insured and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.
- Rate guaranteed for new deposits made during this quarter only.
- 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.
- Mutual fund investment option.
- 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 sub-advised by Wellington Management Company, LLP.
- The Option Operating Expense includes an estimated 0.10% Mortality and Expense Risk Charge.
- 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.
- Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- Foreign investments involve special risks, including currency fluctuations and political developments.
- 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 percent 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 x 10% to determine that \$5 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 (\$5 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.
- Participants choosing the OptionsPlus Self-Directed Brokerage option will be charged an additional annual administrative fee of \$75 per year. There are no per-transaction fees. Available through First Trust Corporation; call (866) 567-8653 for more information about this option. OptionsPlus securities are not offered through GWFS Equities, Inc.
- Formerly Scudder EAFE Equity Index Fund.

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 non-competing 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.

Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. 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. 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 sub-advised by Wellington Management Company, LLP. Great-West Retirement Services[®], KeyTalk[®] and Invest in Your DreamsSM are service marks of Great-West Life & Annuity Insurance Company. All rights reserved. Not intended for use in New York. Form# CB1003N (07/15/06)

How Should I Invest My Money? (continued from page 1)

Step 1: Determine What Type of Investor You Are

How do you know whether you should be a conservative, moderate or aggressive investor? Simply circle the number that describes how strongly you agree or disagree with the following statements:

I am a knowledgeable investor who understands the trade-off between risk and return, and I am willing to accept a greater degree of risk for potentially higher returns.						
Disagree	1	2	3	4	5	Agree
I am willing to invest on a long-term basis.						
Disagree	1	2	3	4	5	Agree
If one of my investments dropped 20% in value over six months due to a stock market fluctuation, I would hold on to that investment, expecting it to recover its value.						
Disagree	1	2	3	4	5	Agree
I have savings vehicles other than the Deferred Compensation Plan and the City's Retirement that make me feel secure about my financial future.						
Disagree	1	2	3	4	5	Agree

Step 2: Calculate Your Score

Add up the numbers you circled in the quiz and match the total with the appropriate investor type below.

4–8 Points: Conservative

You're an investor who enjoys safety and stability for your money. But remember: Not having enough money when you retire is a big risk, too! Keep in mind how much time you have until retirement and the effect that inflation may have on your investments.

9–14 Points: Moderate

You're an investor who prefers some balance between lower-risk investments and higher-risk investments, and you are comfortable with some market volatility. Review your situation at least once a year to make sure you're still comfortable with how you're allocating your money to various investment options.

15–20 Points: Aggressive

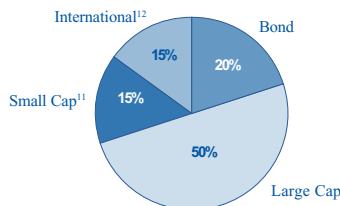
You're an investor who's comfortable with taking on the higher risk associated with the chance for higher returns. You're comfortable knowing that your investments can lose significant value at times as you pursue higher returns over the long term. Review your situation at least once a year, and keep in mind how much time you have until retirement.

Step 3: Choose the Appropriate Profile Portfolio

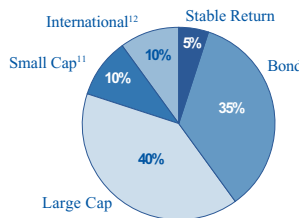
Now that you know what kind of investor you are, you can choose a Profile Portfolio to match your investor style or you can choose to create your own portfolio. If you would like to create your own portfolio and need help, please call (888) 457-9460 and press 6 to speak to a local service center representative.

Building and managing a portfolio of individual investment options is not for everyone. If you don't have the time or desire to select individual investment options and make sure that your investment mix suits your needs over time, consider the Profile Portfolios.

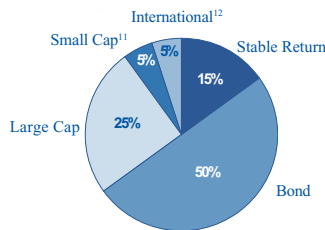
Ranging from conservative to aggressive in risk versus return potential, the Profile Portfolios are three distinct pre-mixed investment portfolios. While you can invest in any of your Plan's other investment options at the same time, selecting just one Profile Portfolio may be all you really need or want. Choose the appropriate Profile Portfolio below based on your risk tolerance score.



Aggressive Profile Portfolio



Moderate Profile Portfolio



Conservative Profile Portfolio

See page 6 for step-by-step instructions for making changes to your account. (Continued on page 6)

Fund Focus

Each quarter we highlight two funds that are available in the Plan. Additional information is available through the Web site. If you don't have Web access, you may request the information via mail or by calling KeyTalk and speaking with a local representative.¹

Hartford Stock HLS

Inception: August 1977

Objective

The Hartford Stock HLS seeks long-term capital growth with income as a secondary consideration. The account invests primarily in high-quality growth stocks.

Who Might Choose This Investment?

This investment may be most appropriate for someone willing to accept market fluctuations in return for long-term capital growth. Stock investments tend to be more volatile than bond or money market investments.

Portfolio Information as of December 31, 2005

This information is unaudited. Current or future holdings may change.

Total Net Assets	Operating Expenses
\$5.6 billion	0.39%

Asset Allocation

Equities	99.0%
Cash	1.0%

Diversification

Financials	22.0%
Information Technology	18.0%
Consumer Discretionary	15.0%
Health	14.0%
Industrials	9.0%
Energy	7.0%
Consumer Staples	5.0%
Telecommunication Services	5.0%
Materials	3.0%
Utilities	2.0%

Top 10 Holdings

General Electric Co.	4.2%
Microsoft Corp.	3.2%
American Int'l Group, Inc.	2.9%
Eli Lilly & Co.	2.6%
Citigroup, Inc.	2.5%
Sprint Nextel Corp.	2.5%
ExxonMobil Corp.	2.1%
UBS AG	2.0%
Procter & Gamble Co.	2.0%
Medtronic, Inc.	1.9%

Fidelity Magellan® Fund

Inception: May 1963

Objective

The Fidelity Magellan® Fund seeks capital appreciation by investing in securities of domestic, foreign, and multi-national issuers. The fund normally invests primarily in common stocks and securities convertible into common stock. The fund may invest a portion of its assets in debt securities of all types, qualities and maturities issued by domestic and foreign issuers, if the manager believes that doing so will result in capital appreciation.

Who Might Choose This Investment?

This investment may be most appropriate for someone willing to accept market fluctuations in return for long-term capital growth. Stock investments tend to be more volatile than bond or money market investments.

Portfolio Information as of December 31, 2005

This information is unaudited. Current or future holdings may change.

Total Net Assets	Operating Expenses
\$51.2 billion	0.62%

Asset Allocation

Equities	97.6%
Cash and Other	2.4%

Diversification

Information Technology	25.8%
Financials	17.5%
Healthcare	14.4%
Consumer Discretionary	13.3%
Energy	11.8%
Industrials	8.7%
Consumer Staples	2.5%
Materials	1.3%

Top 10 Holdings

General Electric Co.
Nokia Corp. Spon ADR
UnitedHealth Group, Inc.
Schlumberger LTD
Google, Inc. A
Genentech, Inc.
Symantec Corp.
Yahoo Japan Corp.
Nomura Holdings, Inc.
Mitsubishi UFJ Finl Grp., Inc.

FUNDS ARE NOT FDIC INSURED – MAY LOSE VALUE – NO BANK GUARANTEE.

Although data is gathered from reliable sources, we cannot guarantee completeness or accuracy of the data shown.

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.

(continued from page 4)

Step 4: Make Changes to Your Account

Now that you have decided which asset allocation is right for you, the last step is to make the changes to your account. There are three ways to make the changes: Via the Web site (which requires a Username and PIN), via the automated telephone system, KeyTalk (requires your Social Security number (SSN) and PIN), or through a Great-West Retirement Services service center representative during business hours (requires your SSN, birthday and address verification).¹⁷ The steps for each method are listed below.

Web Site—Change Your Allocation (ie. ongoing payroll contribution investment)

Note: This transaction only affects the direction of future contributions and does not affect your balances.

1. Log on to the Web site at www.cityofla457.com with your Username and PIN. If you don't know your Username or PIN, click on "Forgot your Username?" or "Forgot your PIN?" on the left-hand side of the home page and follow the directions.
2. Click on "Change Account."
3. Click on "Current Allocations" and then click "Continue."
4. Click in the box labeled "Enter Percentage" of the first investment option to which you wish to direct your contributions/deferrals.
5. Enter the percentage to be contributed to that investment option.
6. Continue to click in the "Enter Percentage" boxes for the rest of the investment options to which you are directing contributions until you reach a total allocation equal to 100%. You can also use the Tab key to move from box to box.
7. Click "Continue" at the bottom of the screen and wait for confirmation of your changes.
8. Click "Submit" to confirm your changes. Your change will be in effect within one business day of making the change.

9. Make note of your confirmation number and verify it against the written confirmation you will receive approximately 10 business days after you submit the changes.

KeyTalk—Change Your Allocation (ie. ongoing payroll contribution investment)

1. Call (888) 457-9460 and press 1 to enter KeyTalk.
2. You will be prompted to enter your SSN and PIN. If you do not know your PIN, don't press anything and remain on the line to speak to a retirement plan specialist.
3. Press 3 to make changes to your account.
4. Press 1 for "Future Contribution Information."
5. Press 1 to Change the Allocation of Future Contributions.
6. Follow the prompt in entering the percentage you wish to direct to your selected investment options. Your new allocations must total 100%. Note: If you are increasing your contribution amount and are also changing your allocation, consider the new contribution amount as one "bucket" that should be 100% allocated. You are not able to apportion the additional contribution and allocate just that amount. You must re-allocate the entire new contribution amount.
7. Press 1 to confirm the changes or press the star key (*) to cancel. Your change will be in effect within one business day. Make note of the confirmation number and compare it to the written confirmation you will receive in the mail within 10 business days of making the changes.

We hope this simplified approach helps you determine the right investment option allocations for you. The above changes only affect the investment direction of your future payroll contributions. We also suggest you consider transferring your existing balances to your new investment strategy to match your ongoing contribution investment strategy. We will cover this topic in the next newsletter. However, if you wish to discuss transferring your existing balance, please call us at (888) 457-9460.

¹⁷ The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.

Seminar: Investment Fundamentals

Learn about stocks, bonds and cash equivalents, how they work, their advantages and disadvantages and the risks involved. We'll cover proven investment concepts and steps that can help you get started designing a sound investment strategy.

Location	Day	Time
Dept. of Water & Power (DWP)	August 15	10:00 a.m.
City Hall	August 16	10:00 a.m. and 1:00 p.m.
Marvin Braude Constituent Center	August 23	10:00 a.m.

City Hall

200 N. Spring St.
Los Angeles, CA 90012
10th Floor, Room 1070

Department of Water & Power (DWP)

John Ferraro Building (JFB)
111 N. Hope St.
Los Angeles, CA 90012
San Francisco Room

Marvin Braude Constituent Center

(Van Nuys City Hall)
6262 Van Nuys Blvd.
Van Nuys, CA 91401
Conference Room 1B,
First Floor