



News Bulletin

October 2007

Board of Deferred Compensation Administration Members:

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General Manager
Personnel Department

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Vice Chairperson,
Retired Participant
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Organized Labor
Representative

Rick Rogers

City Employees
Retirement System

CITY REACHES 60% PARTICIPATION MILESTONE

But Some Groups Still Below 50%

The City's Deferred Compensation Plan (DCP) broke several records over the summer: \$3 billion in assets, the most ever, and more than 38,000 participants, also a new high. One more that we're particularly pleased to announce concerns the Plan's participation rate. A record 60% of employees are now actively contributing to their DCP!

This is a tremendous accomplishment made even better by the fact that the national average participation rate for comparable plans is 35%. It

Departments Above 60%

Department	Participation Rate
Fire (sworn)	82.4%
Controller	77.5
Police (sworn)	77.4
ITA	72.1
CAO	71.3
LACERS	69.6
Planning	65.5
Personnel	65.4
Treasurer	65.0
City Clerk	64.4
Pensions	63.9
DWP	62.5
City Attorney	60.8

is a testament to the unique City family, in which employees have a long history of saving aggressively and encouraging coworkers to do the same.

Milestones are meant to be exceeded, which means it's not time to rest on our laurels. Some City departments and unions have participation rates closer to the national average of 35%. Our goal is to

move all departments and unions to at least a 50% participation rate. And with your help, we can get to that mark.

As a participant in the Plan, your positive experiences go a long way toward encouraging

Departments Below 50%

Department	Participation Rate
CDD	49.7%
Cultural Affairs	49.2
Public Works	48.7
Airports	47.9
Library	45.0
General Services	43.5
L.A. Zoo	41.3
Animal Services	39.5
Recreation & Parks	36.6
Council	27.6
Mayor	20.5

non-participating employees to begin contributing. Many people intend to enroll but never get around to it. A friendly reminder from you might be just the nudge they need to get started.

The Plan has the resources to meet this goal as long as we can get the word out. Call to arrange for us to attend regularly scheduled staff or safety meetings. We can deliver an extended presentation or a short 10-minute overview of the Plan, depending on your time constraints.

To arrange for plan representatives to come to your location, call our Glendale office at (800) 382-8924 or KeyTalk® at (888) 457-9460.†



Investment Option Returns *as of September 30, 2007*

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. Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

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 September 30, 2007¹

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense	Inception Date of Option	Separate Account Inception ²
Bond: Active³								
MSIF Trust Core Plus Fixed Income: INST ^{4,5}	3.60%	4.77%	4.58%	4.96%	5.87%	0.44%	Nov-84	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	3.85	5.14	3.86	4.13	5.97	N/A	N/A	N/A
PIMCO Total Return Fund	4.96	5.93	4.42	5.01	6.62	0.43	May-87	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	3.85	5.14	3.86	4.13	5.97	N/A	N/A	N/A
Bond: Index³								
Vanguard Total Bond Market Index Fund Inst. ^{4,5,6}	3.82	5.26	3.92	4.15	5.81	0.07	Sep-95	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	3.85	5.14	3.86	4.13	5.97	N/A	N/A	N/A
Balanced^{7,8}								
Hartford Advisers HLS ^{5,9}	9.19	15.36	10.74	11.14	6.32	0.57	Mar-83	May-99
Benchmark Index: S&P 500 [®] 60% / Lehman Bros. Bond 40%	7.02	11.92	9.43	10.92	2.39	N/A	N/A	N/A
Large-Cap Stock: Active								
Capital Guardian U.S. Equity Fund	8.86	13.86	12.04	N/A	13.97	0.48	Apr-88	May-03
Benchmark Index: S&P 500	9.13	16.44	13.14	15.45	6.57	N/A	N/A	N/A
Hartford Stock HLS ^{7,8}	11.49	20.38	14.35	15.27	6.48	0.39	Aug-77	May-99
Benchmark Index: S&P 500	9.13	16.44	13.14	15.45	6.57	N/A	N/A	N/A
American Funds Investment Company of Amer A ⁵	10.74	16.68	13.89	15.46	8.92	0.57	Jan-34	N/A
Benchmark Index: Russell 1000 Value	5.97	14.45	15.25	18.07	8.80	N/A	N/A	N/A
Fidelity Magellan [®] Fund ⁵	16.85	22.74	12.98	13.97	6.09	0.59	May-63	N/A
Benchmark Index: S&P 500	9.13	16.44	13.14	10.71	7.13	N/A	N/A	N/A
Hartford Capital Appreciation HLS ^{7,8}	17.98	28.67	22.03	24.13	13.11	0.59	Apr-84	May-99
Benchmark Index: S&P 500	9.13	16.44	13.14	15.45	6.57	N/A	N/A	N/A
American Funds Growth Fund of America A ⁵	14.06	21.42	16.58	18.12	11.62	0.65	Dec-73	N/A
Benchmark Index: Russell 1000 Growth	12.68	19.35	12.20	13.84	4.06	N/A	N/A	N/A
Large-Cap Stock: Index⁶								
Vanguard Institutional Index Plus Fund ^{5,6}	9.15	16.46	13.16	15.47	6.65	0.025	Jul-90	N/A
Benchmark Index: S&P 500	9.13	16.44	13.14	15.45	6.57	N/A	N/A	N/A
Mid-Cap Stock¹⁰								
Lazard Mid Cap Institutional	6.09	13.84	14.46	17.89	10.99	0.93	Nov-97	N/A
Benchmark Index: Russell Midcap	12.68	19.35	12.20	12.20	10.43	N/A	N/A	N/A
Small-Cap Stock: Active⁹								
Lotsoff Small Capital Equity Fund ⁵	-2.51	4.63	N/A	N/A	14.63	0.95	Jan-93	May-03
Benchmark Index: Russell 2000	3.16	12.34	13.36	18.75	7.22	N/A	N/A	N/A
Small-Cap Stock: Index^{6,9}								
State Street Russell 2000 Index Trust Fund C ⁶	2.91	12.04	12.91	18.19	8.86	0.20	Mar-00	N/A
Benchmark Index: Russell 2000	3.16	12.34	13.36	18.75	7.22	N/A	N/A	N/A
International Stock: Active¹¹								
Fidelity Diversified International Fund ⁵	16.51	27.92	24.00	24.77	12.94	1.01	Dec-91	N/A
Benchmark Index: MSCI EAFE	13.15	24.86	23.24	23.55	7.97	N/A	N/A	N/A
International Stock: Index^{6,11}								
DWS EAFE Equity Index Fund ^{5,6}	13.27	24.65	22.99	22.93	7.47	0.48	Jan-96	N/A
Benchmark Index: MSCI EAFE	13.15	24.86	23.24	23.55	7.97	N/A	N/A	N/A
Profile Portfolios¹²								
Conservative	5.55	9.23	7.69	8.62	6.60	0.10	May-02	N/A
Moderate	6.79	12.24	10.41	11.91	7.98	0.11	May-02	N/A
Aggressive	7.75	14.70	12.73	14.71	9.11	0.13	May-02	N/A
Self-Directed Brokerage Option¹³								
OptionsPlus Self-Directed Brokerage Option	To obtain the investment company fund prospectus and disclosure documents, you must contact the mutual fund company directly. OptionsPlus does not provide fund fact sheets, fund prospectuses or any investment advice.							

Annualized Yield for Quarter—New Contributions Only

4th Qtr '07 3rd Qtr '07 2nd Qtr '07 1st Qtr '07 4th Qtr '06

FDIC Insured Savings Account Options

Washington Mutual Liquid Savings Account ⁴	5.66%	5.58%	5.30%	5.31%	5.34%
Washington Mutual Certificates of Deposit-1 Year ^{4,14,15}	4.80	4.80	4.98	4.82	5.29
Washington Mutual Certificates of Deposit-2 Year ^{4,14,15}	4.46	5.36	4.79	5.08	5.08
Washington Mutual Certificates of Deposit-3 Year ^{4,14,15}	4.45	5.40	4.73	4.73	5.02
Washington Mutual Certificates of Deposit-4 Year ^{4,14,15}	4.51	5.44	4.72	4.71	5.02
Washington Mutual Certificates of Deposit-5 Year ^{4,14,15}	4.58	5.48	4.75	4.71	5.05

Fixed Option

Hartford Life General Account ^{4,7,16}	4.10	4.10	4.10	4.10	4.10
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Average Annualized Returns as of September 30, 2007¹

	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense	Inception Date of Option	Separate Account Inception
Stable Value Option								
Galliard Stable Value Fund ⁴	3.58%	4.81%	4.53%	4.52%	5.36%	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 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.

³ 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.

⁴ Transfer restrictions may apply. See Fund Data Sheets for more information.

⁵ Mutual fund investment option.

⁶ 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.

⁷ The Option Operating Expense includes an estimated 0.10% Mortality and Expense Risk Charge.

⁸ 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.

⁹ Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

¹⁰ Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.

¹¹ Foreign investments involve special risks, including currency fluctuations and political developments.

¹² 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.

¹³ 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 Fiserv Trust Company Corporation; call (866) 567-8653 for more information about this option. OptionsPlus securities are not offered through GWFS Equities, Inc.

¹⁴ Minimum investment of \$1,000 is required; early withdrawal penalty may apply.

¹⁵ 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.

¹⁶ 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.

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 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®, KeyTalk® and Invest in Your DreamsSM are service marks of Great-West Life & Annuity Insurance Company. Not intended for use in New York.

Form# CB1003N (10/15/07) PT# 50013

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SET IT AND FORGET IT

New Features Allow You to Automate and Preset Contribution Changes

The DCP is pleased to introduce an exciting new feature allowing you to automate future contribution increases. In addition, participants will now be able to designate future-dated and single-paycheck contribution changes. These changes will become effective November 1, 2007. Here are the details.

Automatic Deferral Increases

One of the keys to building retirement wealth is steadily increasing the amount you save over time. As your income rises, so should your contributions. To make this job easier, we've introduced a feature that allows you to automatically increase your contributions by an amount and at intervals you determine.

This is a powerful tool that allows you to "set it and forget it." You could plan to increase your deferral amount by a modest amount when you receive a raise, at the beginning of the year, at tax filing time, etc.

Here's one example of how this could work: Let's say your goal is to contribute \$300 a month to the Plan, but right now you can only afford to contribute \$25. To meet your contribution goal, you could elect \$25 as the initial deferral amount and \$300 as the maximum deferral amount, then opt for an automatic deferral increase of \$25 every year on January 1. You would still retain the ability to make changes to this contribution schedule at any time you wish.

Single Paycheck Contribution Change

This feature enables you to increase your contribution amount for a single paycheck and then resume your regular contribution rate for future paychecks.

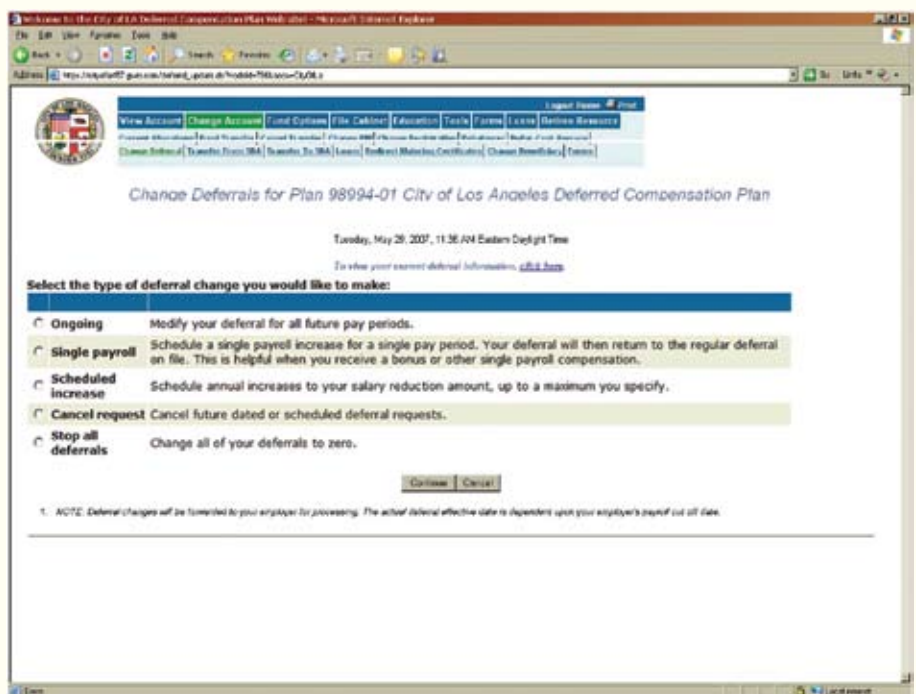
For example, let's say you normally contribute \$25 from each paycheck to the Plan. However, you know you're going to receive some overtime pay on the first paycheck in January, and you'd like to contribute an additional amount. You can increase the contribution rate to the amount you choose for that January payroll only. Future contributions would revert back to your initial contribution amount—\$25 in this example.

Future-Dated Contribution Change

When you change your contribution rate today, the change automatically takes effect for next month's payroll period. Now you have the ability to specify an effective date for the contribution change.

For example, say you would like to increase your ongoing contribution rate to coincide with a raise you know you will receive the second payday in March. Rather than having to remember to increase your contribution at that time, you can set the increase now to take effect for that specific payday.

These deferral enhancements provide you with additional tools to help you save more and make your retirement dreams a reality. You can find each of these great new features on the Plan Web site at www.cityofla457.com under the Change Account tab. You can also increase, decrease or stop your contribution at any time via the Web site or KeyTalk at (888) 457-9460.[†]



Magellan and Lotsoff Funds to Be Removed from Plan

The Fidelity Magellan Fund and Lotsoff Small Capital Equity Fund are scheduled to be removed from the DCP investment lineup in Spring 2008. This is a result of both funds having substantially and chronically underperformed their benchmark indices and peer groups over three- and five-year periods. Both funds have been on “Watch” status for some time, as noted in prior quarterly newsletters. The Plan will issue a separate communication to participants providing the actual elimination date for these funds.

A decision to eliminate a Plan investment offering is not made lightly. The Plan maintains high standards for all of its fund offerings and the City’s Board of Deferred Compensation Administration has a fiduciary obligation to eliminate underperforming investment managers. The Board acted based on the recommendation of its investment consultant, which has been closely evaluating both funds.

Both funds may still accept contributions and transfers up through the termination date. Any remaining contribution allocations and asset balances will be mapped as shown in the chart below.

Old Fund		Mapped to Fund
Fidelity Magellan Fund	➔	Vanguard Institutional Index Fund
Lotsoff Small Capital Equity Fund	➔	State Street Russell 2000 Index Trust Fund C ^{6,9}

The Board is not contemplating adding replacements for these funds as it attempts to streamline the Plan’s core investment menu. Research shows that participants in plans with large numbers of investment options are more likely to invest in only a single fund,* resulting in poor diversification. This is because too many investment options causes an information overload for participants.

The Fidelity Magellan Fund is a large-company stock fund, and the Plan already has six other funds in this category. As a result, the Board believes there is no need to add a replacement fund.

The actively managed Lotsoff Small Capital Equity Fund is presently one of two funds invested in small-company stocks (the other being the State Street Russell 2000 Index Fund). Given the difficulty active managers have in beating the benchmark index in the small-cap arena, the Board does not see the necessity of adding a replacement fund in this category. However, because this category does not have the level of redundancy found in the Plan’s large-cap category, the Board is reserving the right to delay or reverse its decision regarding Lotsoff if exceptional outperformance is exhibited between now and the termination date.

For those participants interested in more choices among large-company stock funds or small-company stock funds, the Plan’s self-directed brokerage option, OptionsPlus, provides access to approximately 2,000 additional funds. For more information about OptionsPlus, please call (888) 466-0381 to request an enrollment package.

* Source: Julie Agnew & Lisa Szykman (William and Mary School of Business) 2004 “Asset Allocation and Information Overload,” Center for Retirement Research at Boston College.



The Plan maintains high standards for all of its fund offerings and the City’s Board of Deferred Compensation Administration has a fiduciary obligation to eliminate underperforming investment managers.

Fee Reduction Reminder

The City's DCP is now a better deal than ever. For those of you who missed it, last quarter we announced several components of a major fee reduction for Plan participants. The \$0.50 payroll fee that previously accompanied each contribution to the Plan was eliminated in August. In addition, effective July 1, the Plan's administrative fee was reduced from 0.11% to 0.10% and an annual administrative fee "cap" was implemented, meaning that you will never pay more than \$125 annually in administrative fees.

Studies have found that fees can have a significant impact on the growth of a participant's account over time. When comparing different provider options for retirement investing, don't forget to compare the costs of investing. The Board has worked hard, and will continue to work hard, to ensure that your Plan's administrative and investment management costs are among the most competitive nationwide.

Seminar: Approaching Retirement

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

This seminar is ideal for the employee who is approximately 10 years from retirement. We will quickly review your Plan and then cover a pre-retirement strategy, including savings goals, retirement horizon and risk tolerance.

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St. Los Angeles, CA 90012	November 7, 2007	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	November 9, 2007	10:00 a.m.
Playa Vista Library (Meeting Room) 6400 Playa Vista Dr. Los Angeles, CA 90094	November 28, 2007	10:15 a.m.
Marvin Braude Constituent Center (Van Nuys City Hall) Conference Room 1B, 1st Floor 6262 Van Nuys Blvd. Van Nuys, CA 91401	November 29, 2007	10:00 a.m.

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: December 13, 2007,
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:

Natasha Zuvich

(213) 978-1617
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.