



News Bulletin

January 2008

Board of Deferred Compensation Administration Members:

Margaret M. Whelan

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General Manager
Personnel Department

Bill Stein

Vice Chairperson,
Retired Participant
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DWP Retirement

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Rick Rogers

City Employees
Retirement System

Retirement Savings Tax Credit

Are you aware that the federal tax law offers certain retirement plan participants a tax credit to help save for tomorrow by reducing your taxes today?

Tax credits are designed to directly reduce the amount of federal income tax you have to pay each year. With less money owed to the federal government, there may be room to start saving for retirement—or to increase your current savings efforts.

The amount of credit depends on your adjusted gross income and your filing status (e.g., single, married, head of household). Adjusted gross income is your annual income after before-tax retirement contributions and reduced by certain other items. It is calculated before standard or itemized deductions and personal exemptions.

A quick glance at the table to the right will help you size up your eligibility for the tax credit for 2007.

Single Filer Adjusted Gross Income ¹	Head of Household Adjusted Gross Income ¹	Married, Filing Jointly Adjusted Gross Income ¹	Maximum Tax Credit Rate ²
\$0-\$15,500	\$0-\$23,250	\$0-\$31,000	50%
\$15,501-\$17,000	\$23,251-\$25,500	\$31,001-\$34,000	20%
\$17,001-\$26,000	\$25,501-\$39,000	\$34,001-\$52,000	10%

Figuring Your Tax Credit³

As you can see from the table above, the tax credit is directly related to your income level. For example, Joe is single, earning \$24,000 and saving for retirement. An applicable tax credit rate is 10%.⁴ If he contributed \$2,000 to his plan, the tax credit would be \$200 (10% of \$2,000). Based on this example, the table below shows what Joe's taxes would look like.

How It Works ⁵	
Gross Income	\$24,000
Less Before-Tax Contributions to Retirement Plans	\$2,000
Adjusted Gross Income	\$22,000
Less Exemptions	\$3,300
Less Standard Deductions	\$5,150
Net Taxable Income	\$13,550
Federal Income Tax Due Before Credit	\$2,033
Tax Credit	\$200
Federal Income Tax Due After Credit	\$1,833
Federal Income Tax Deferred or Saved from Tax Deferral and Tax Credit	\$300 + \$200 = \$500

In addition to the \$200 tax credit, Joe saves \$300 in current federal income tax by contributing to his plan. His total amount saved is \$500!

¹ After 2007, adjusted gross income limits are indexed for inflation in \$500 increments.

² This percentage is multiplied by the amount of your annual contribution or \$2,000, whichever is less. The maximum tax credit is \$1,000 for each contributing individual. If you and your spouse both contribute to a retirement plan and you file a joint income tax return, the maximum tax credit is \$2,000.

³ Great-West Retirement Services® does not provide tax or legal advice. Consult your tax professional.

⁴ Joe will not be eligible for a tax credit if he is not 18 years of age or older, is a full-time student, or can be claimed as a dependent on someone else's tax return. Additional limitations and eligibility requirements may apply. Please consult your tax professional.

⁵ For illustrative purposes only. Assumes 15% federal income tax marginal rates, exemptions and standard deduction for 2007.



Investment Option Returns *as of December 31, 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 December 31, 2007⁶

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense	Inception Date of Option	Separate Account Inception ⁷
Bond: Active⁸								
PIMCO Total Return Fund	9.07%	9.07%	5.28%	5.31%	6.73%	0.43	May-87	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	6.97	6.97	4.56	4.42	5.97	N/A	N/A	N/A
Bond: Index⁸								
Vanguard Total Bond Market Index Fund Inst. ^{9,10,11}	7.05	7.05	4.64	4.48	5.84	0.07	Sep-95	N/A
Benchmark Index: Lehman Brothers Aggregate Bond	6.43	6.43	7.15	9.72	5.31	N/A	N/A	N/A
Balanced^{12,13}								
Hartford Advisers HLS ^{10,14}	6.74	6.74	8.29	9.36	5.86	0.57	Mar-83	May-99
Benchmark Index: S&P 500 [®] 60% / Lehman Bros. Bond 40%	6.08	6.08	7.00	9.47	5.93	N/A	N/A	N/A
Large-Cap Stock: Active								
Capital Guardian U.S. Equity Fund	-0.69	-0.69	5.31	N/A	N/A	0.48	Apr-88	May-03
Benchmark Index: S&P 500	5.49	5.49	8.62	12.83	5.91	N/A	N/A	N/A
Hartford Stock HLS ^{12,13}	6.01	6.01	10.11	12.00	5.76	0.39	Aug-77	May-99
Benchmark Index: S&P 500	5.49	5.49	8.62	12.83	5.91	N/A	N/A	N/A
American Funds Investment Company of Amer A ¹⁰	5.94	5.94	9.49	12.73	8.25	0.57	Jan-34	N/A
Benchmark Index: Russell 1000 Value	-0.17	-0.17	9.32	14.63	7.68	N/A	N/A	N/A
Fidelity Magellan [®] Fund ¹⁰	18.83	18.83	10.68	12.71	6.31	0.54	May-63	N/A
Benchmark Index: S&P 500	5.49	5.49	8.62	12.83	5.91	N/A	N/A	N/A
Hartford Capital Appreciation HLS ^{12,13}	16.94	16.94	16.44	21.87	13.76	0.59	Apr-84	May-99
Benchmark Index: S&P 500	5.49	5.49	8.62	12.83	5.91	N/A	N/A	N/A
American Funds Growth Fund of America A ¹⁰	10.95	10.95	12.03	15.91	11.44	0.64	Dec-73	N/A
Benchmark Index: Russell 1000 Growth	11.81	11.81	8.68	12.11	3.83	N/A	N/A	N/A
Large-Cap Stock: Index¹¹								
Vanguard Institutional Index Plus Fund ^{10,11}	5.50	5.50	8.63	12.84	5.98	0.02	Jul-90	N/A
Benchmark Index: S&P 500	5.49	5.49	8.62	12.83	5.91	N/A	N/A	N/A
Mid-Cap Stock¹⁵								
Lazard Mid Cap Institutional	-2.93	-2.93	6.67	14.38	9.61	0.89	Nov-97	N/A
Benchmark Index: Russell Midcap	5.60	5.60	11.09	18.21	9.91	N/A	N/A	N/A
Small-Cap Stock: Active¹⁴								
Lotsoff Small Capital Equity Fund ¹⁰	-11.41	-11.41	N/A	N/A	N/A	0.95	Jan-93	May-03
Benchmark Index: Russell 2000	-1.57	-1.57	6.80	16.25	7.08	N/A	N/A	N/A
Small-Cap Stock: Index^{11,14}								
State Street Russell 2000 Index Trust Fund C ¹¹	-1.92	-1.92	6.37	15.67	6.47	0.20	Mar-00	N/A
Benchmark Index: Russell 2000	-1.57	-1.57	6.80	16.25	7.08	N/A	N/A	N/A
International Stock: Active¹⁶								
Fidelity Diversified International Fund ¹⁰	16.03	16.03	18.56	23.21	13.39	1.01	Dec-91	N/A
Benchmark Index: MSCI EAFE	11.17	11.17	16.83	21.59	8.66	N/A	N/A	N/A
International Stock: Index^{11,16}								
DWS EAFE Equity Index Fund ^{10,11}	10.71	10.71	16.48	20.83	8.12	0.53	Jan-96	N/A
Benchmark Index: MSCI EAFE	11.17	11.17	16.83	21.59	8.66	N/A	N/A	N/A
Profile Portfolios¹⁷								
Ultra-Conservative	N/A	N/A	N/A	N/A	N/A	0.14	Dec-07	N/A
Conservative	6.11	6.11	6.35	7.97	6.39	0.10	May-02	N/A
Moderate	5.82	5.82	7.64	10.60	7.43	0.11	May-02	N/A
Aggressive	5.48	5.48	8.72	12.82	8.27	0.13	May-02	N/A
Ultra-Aggressive	N/A	N/A	N/A	N/A	N/A	0.16	Dec-07	N/A
Self-Directed Brokerage Option¹⁸								
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

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

FDIC Insured Savings Account Options

Washington Mutual Liquid Savings Account ⁹	4.95%	5.66%	5.58%	5.30%	5.31%
Washington Mutual Certificates of Deposit-1 Year ^{9,19,20}	4.16	4.80	5.30	4.98	5.09
Washington Mutual Certificates of Deposit-2 Year ^{9,19,20}	3.88	4.46	5.36	4.79	4.82
Washington Mutual Certificates of Deposit-3 Year ^{9,19,20}	3.94	4.45	5.40	4.73	4.73
Washington Mutual Certificates of Deposit-4 Year ^{9,19,20}	4.06	4.51	5.44	4.72	4.71
Washington Mutual Certificates of Deposit-5 Year ^{9,19,20}	4.19	4.58	5.48	4.75	4.71

Fixed Option

Hartford Life General Account ^{9,12,21}	4.35	4.10	4.10	4.10	4.10
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Average Annualized Returns as of December 31, 2007⁶

	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 ⁹	4.84%	4.84%	4.59%	4.51%	5.32%	0.15%	Sep-85	N/A

⁶ 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.

⁷ 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.

⁸ 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.

⁹ Transfer restrictions may apply. See Fund Data Sheets for more information.

¹⁰ Mutual fund investment option.

¹¹ 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.

¹² The Option Operating Expense includes an estimated 0.10% Mortality and Expense Risk Charge.

¹³ 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.

¹⁴ Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

¹⁵ Medium-sized companies may suffer more significant losses, as well as realize more substantial growth, than larger capitalized, more established issuers.

¹⁶ Foreign investments involve special risks, including currency fluctuations and political developments.

¹⁷ 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.

¹⁸ 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.

¹⁹ Minimum investment of \$1,000 is required; early withdrawal penalty may apply.

²⁰ 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.

²¹ 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.

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Important Information for Retirees— Understanding the Required Minimum Distribution (RMD)

If you've participated in your employer-sponsored retirement plan for any length of time, you've probably noticed that putting money into your account has become a habit. What you might not realize is that eventually you'll need to make a new habit of taking money out of your account.

Generally, unless your plan provides otherwise, you are required to begin taking RMDs no later than April 1 of the calendar year following the later of:

1 The year in which you turn 70½

Or

2 The year in which you retire from the employer sponsoring the plan

Except for the first payment, you must take your annual RMD by December 31. If you postpone taking your first RMD until April 1, you will be required to take another RMD by December 31 of the same year. If you don't take your RMD or you take less than required, you'll pay a stiff penalty—50% of the amount you were required to withdraw.

The amount of each withdrawal depends on several factors, including your life expectancy (as determined by IRS life expectancy tables), age, account balance, and whether your spouse is your sole beneficiary and is more than 10 years younger than you.

For example: Let's say you have \$100,000 in your account as of December 31 of the year prior to your distribution year. You will be 71 years old by December 31 of the distribution year, and your spouse is 65 and your only designated beneficiary. The first year, you are required to withdraw at least \$3,774. The next year (assuming the rate of return on your account is 5%), you must withdraw a minimum of \$3,954.*

Remember, the IRS doesn't require you to spend the money. You're only obligated to make a withdrawal. You're free to use that money in any way you wish. You can even invest it another way, if you like. For questions regarding your specific situation or calculating your RMD, please consult your financial adviser or tax professional.

You can also find more information at www.irs.gov.²²

*These calculations were made using the IRS Regulations and IRS life expectancy tables finalized in 2002. This hypothetical example is for illustrative purposes only.



Fund Additions

The City's Board of Deferred Compensation, in consultation with its staff and investment consultant, has decided to add two new asset allocation, or "profile," funds. They include an "ultra-conservative" strategy and an "ultra-aggressive" strategy. Like the City's three other asset allocation strategies (conservative, moderate and aggressive), these funds will be built from the Plan's lower-cost passively managed options. These new allocation funds will become available starting on January 8, 2008.

22 Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Great-West Retirement Services is not responsible for and does not endorse the content contained in the additional Web sites provided. These Web sites are for general education and information only and are provided as a benefit to the users of the sites.

Powers of One (Percent)

A small change can make for big returns.

Imagine receiving a \$50,000 bonus check upon your retirement. Your employer may be generous, but he or she probably won't be able to offer you a retirement bonus of that magnitude, no matter how successful your organization has been.

But you can still retire \$50,000 richer—if you can improve the rate of return on your investments by as little as 1%. Suppose you contribute \$150 to your plan each month, and your savings earn 8% for 30 years. At retirement, you'd have \$223,554. But if you took on a little more risk and increased your average return to 9%, then you'd retire with \$274,612. That one little percent could earn you more than \$50,000 worth of additional security!

Even if you only have 15 years until retirement, 1% can still make a difference. Using the same \$150 per month and 8% annual return, your total nest egg would grow to \$51,905. With a 9% average return, you'd have an additional \$4,855.

One way to potentially boost earnings is to increase your exposure to stock funds, which have historically offered greater returns than bond funds or cash equivalents.

Remember that greater rewards usually come with additional risks. With careful planning, you could begin your golden years with a hefty nest egg.

Another way to boost earnings is by keeping the fees low on your investments. The City's plan, with almost \$3 billion in assets, receives very favorable pricing from the investment companies in the plan. For instance, if you invest on your

own outside the plan, you might pay an average operating expense on a mutual fund of around 1.5%. There also might be sales charges and other fees, as well. In the City's plan, the average operating expense is less than 0.5%, that's more than 1% lower, and the Profile Portfolios are 0.10% to 0.13%. Generally speaking, lower fees mean you keep more of the investment earnings in your account.



How Much Will I Need?

Find the answer with a savings calculator.

Most of us dream of retirement, but only 43% of Americans know how much it will cost us.²³ For an idea of how much you may need, start by thinking about how you'll spend your time—and money—in retirement.

If you plan to travel, for example, you'll likely spend more than if you stay close to home. Also, consider your current expenses. Some of them, like your mortgage and insurance costs, may remain constant. Count on some variable expenses, for things like hobbies and medical care.

Use the savings calculator at smartmoney.com/retirement/planning to learn how much you'll need.²² If you find that your savings fall short of your goal, consider increasing your monthly plan contributions.

²³ Employee Benefit Research Institute, 2007.

2008 IRS Contribution Limits

The IRS has announced the 2008 calendar year contribution limits for your Deferred Compensation Plan.

Deferral Limit	\$15,500
With Age 50+ Catch-Up	\$20,500
With Standard Catch-Up	\$31,000

If you are eligible for both catch-up options, you may not contribute to both in the same year.

Seminar: Asset Allocation: Diversify Your Investments

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

This seminar provides a comprehensive overview of the influence asset allocation can have in the reduction of risk associated with investment performance. We'll review the three asset classes—stocks, bonds and cash equivalents—along with the benefits and risks associated with each. The seminar will also explore strategies behind developing your own asset allocation by following specific steps.

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St. Los Angeles, CA 90012	February 13, 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	February 19, 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	February 26, 2008	10:00 a.m.
Playa Vista Library Meeting Room 6400 Playa Vista Dr. Los Angeles, CA 90094	February 27, 2008	10:15 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: March 13, 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:

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.