



News Bulletin

January 2007

Board of Deferred Compensation Administration Members:

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General Manager
Personnel Department

Bill Stein

Vice Chairperson,
Retired Participant
Representative

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DWP Retirement

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Fire/Police Pension

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City Treasurer

Richard Kraus

Organized Labor
Representative

Rick Rogers

City Employees
Retirement System

Important News About Your Investment Options

The Board of Deferred Compensation Administration has engaged the services of Mercer Investment Consulting, an independent consultant, to conduct quarterly performance reviews of the investment funds offered in the City's Deferred Compensation Plan. Beginning immediately, the results of those reviews will be included in participant quarterly statements. This will allow you to be aware of performance concerns identified by the consultant.

The consultant's analysis identifies whether a fund's performance has been found to be satisfactory or unsatisfactory. If performance has been found to be unsatisfactory, a fund may be placed on either "Monitor" or "Watch" status, depending on the degree of underperformance. Underperformance is measured by the fund's performance compared to a benchmark like the S&P 500® and other U.S. equity large-cap core funds. Monitor status is given to funds demonstrating relatively modest levels of underperformance. Watch status is given to funds demonstrating more extensive levels of underperformance.

Fund Review Process

A quarterly review of each of the investment options in the Plan is prepared by Mercer Investment Consulting, the Plan's outside consultant. Each investment option in the Plan is reviewed with respect to the following primary factors:

Performance—Measured by benchmarks and universe medians. A benchmark is a standard against which the performance of a fund can be measured. When evaluating the performance of any investment, it is important to compare it against the right benchmark. Universe median is a term used when analyzing the performance of a fund manager. In addition to being compared to a standardized index, such as the S&P 500, the performance of a manager is compared to the performance of others who manage similar funds in terms of asset class, style, etc. The peer group is referred to as the universe. The median performance of this universe is generally used in comparisons.

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 site¹: 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: March 14, 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:

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



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Important News About Your Investment Options (continued)

Investment objectives—The consultant reviews the fund’s prospectus to identify how the fund manager defines the investment objective. The objective is reviewed quarterly. The fund is examined to identify whether the securities held within the fund match the overall investment objective. For example, if a fund states that it invests in large-cap growth stocks, yet the consultant finds that the fund has a substantial percentage invested in small-cap growth stocks, the consultant would find that this fund is not adhering to its own stated objective. This is a challenge because participants are expecting to have one style of fund, but are getting something different, resulting in a different level of risk than expected.

Investment process—Identified by examining the fund’s prospectus and comparing current investment strategies with those indicated in the prospectus. Any substantial differences from the prospectus could result in a different level of risk than the participant expected.

The Board is aware that good managers will occasionally have periods of poor performance. As a result, longer time periods are the focus for evaluating performance. Each of the reviewed funds will have an initial period of four quarters to correct any deficiencies. If deficiencies are not corrected, funds in Monitor status may be moved to Watch status, and funds in Watch status may be eliminated from the Plan.

The evaluation and monitoring process established by the Board is intended to protect your interests in the Plan and ensure that the City provides the best available investment offerings in all its investment categories. The Board recognizes that when evaluating investment managers, the focus should always be on long-term performance, commitment to the manager’s underlying principles and the soundness of the firm’s investment process.

As a result of the review conducted for the quarter ending June 30, 2006, the following funds have been placed on Monitor or Watch status.

Monitor	Watch
Hartford Advisors HLS	Fidelity Magellan
American Funds Investment Company of America A	Lotsoff Small Capital Equity
Hartford Stock HLS	

Please consider the investment objectives, risks, fees and expenses carefully before investing. The prospectus contains this and other information about the investment options. Depending on the investment options offered in your Plan, your registered representative can provide you with prospectuses for any mutual

funds; any applicable annuity contracts and the annuity’s underlying funds; and/or disclosure documents for investment options exempt from SEC registration. Please read them carefully before investing.

Core Bond Fund Replacement

As a result of a consultant review and Board action, the PIMCO Total Return Bond Fund (PIMCO Bond Fund) will be added to the Deferred Compensation Plan investment menu, replacing the MSIF Trust Core Plus Fixed Income Institutional Fund (MSIF Trust). This action was taken after a competitive review process.

The PIMCO Bond Fund will be added to the Plan approximately January 23, 2007. The MSIF Trust fund will be eliminated on July 23, 2007. If you are invested in MSIF Trust, you are not required to take any action. Any assets in MSIF Trust as of the effective date of its elimination will be automatically transferred to the PIMCO Bond Fund. However, if you wish to transfer assets out of MSIF Trust into the PIMCO Bond Fund, or any other investment option available in the Plan, you may do so at any time.

Retiree Corner

Ever wonder how much you should take from your Deferred Compensation Plan account?

In general, a withdrawal rate of 4% to 6% of your annual balance could make your funds last your lifetime. This is a very general rule and there are other important variables to consider such as the following.

How will you invest the money? If you will be more conservative, then the rule of thumb would be a withdrawal rate of 4%. If you will be moderate, then a 5% annual withdrawal strategy may be applicable. For a more aggressive investment strategy, a 6% withdrawal rate may work.

What is your life expectancy? Certainly, the IRS publishes unisex life expectancy tables that will help you determine your own life expectancy, but obviously family history and your own health are the most important indicators.

We are glad to help you by providing illustrations, projections and the benefits of each type of payment method and how they have worked for other retirees. Because your personal financial situation depends on many more issues than just deferred compensation (such as other income and tax deductions), we strongly suggest that you contact a financial planner or tax adviser to provide specific guidance to help you determine the best withdrawal strategy for your situation. But start the basic discussion with us.

City Posts Warning About Financial Planning Solicitations on City Time

The City of Los Angeles Personnel Department and Board of Deferred Compensation Administration recently communicated an advisory to all City departments regarding unsolicited marketing to City employees by financial planning firms. This communication was prompted by a specific case of a financial planning agent inappropriately associating himself with the City's Deferred Compensation Plan.

It is the City's position that it is inappropriate to provide access on City time or in City facilities, outside the City's formal contracting processes, to business entities marketing financial-related products or services. The reason for this is to both protect employees and to observe City contracting rules.

Before an outside entity can be brought in to sell a product/service, a formal decision to offer that product or service needs to be made. Next, the City needs to conduct a competitive bidding process, allowing all interested entities an opportunity to compete and be evaluated. Finally, the City must verify that the selected provider can meet certain general requirements applying to contracts with outside vendors.

The City does not currently offer a discrete financial planning service to its employees. Retirement counseling services are offered through the City's retirement Plans, and investment counseling/retirement counseling services are also made available through the Deferred Compensation Plan and the Board's contracted provider, Great-West Retirement Services.

The Board encourages Plan participants to take advantage of the group enrollment and education services offered by its provider. Great-West Retirement Services' local counselors are salaried, meaning they are not compensated based on any investment decision a participant may make. Thus, they can be relied upon as an impartial, trusted source of information about the Plan. The Board firmly believes that the best protection for Plan participants is information and education.

Borrowing from Yourself—Deferred Compensation Loans Demystified

In 2004, following changes to Internal Revenue Code rules, the City's Deferred Compensation Plan was able to institute a loan program for Plan participants. The loan program allows participants to borrow money from their Deferred Compensation Plan account balances and then pay back

the borrowed amount, with interest, through biweekly payroll deductions.

Here are some of the basics on how loans work. You can borrow up to 50% of your vested account balance or \$50,000, whichever is less. The minimum loan amount is \$1,000, meaning you must have at least \$2,000 in your account to be eligible to take out a loan. The interest rate is set at 2% above the prime lending rate as declared in the *Wall Street Journal* on the first business day of each month. This amount is fixed for the life of the loan. The interest you pay on the loan goes right back into your account; you only pay nominal loan fees to the Plan's administrator, Great-West Retirement Services. You may have only one loan outstanding at any one time. The length of the loan term is up to five years for general purpose loans and up to 15 years for loans used to help purchase a primary residence.

To initiate a loan, call KeyTalk at (888) 457-9460 or visit the Plan Web site at www.cityofla457.com. You will need your Personal Identification Number (PIN) to apply.¹ During the application process there is a loan Q&A that discloses all loan fees. The Web site will also provide loan modeling "what-if" scenarios so you can assess the payment associated with a given loan amount.

While it may seem like a great opportunity to "borrow against yourself," there are some cautions to keep in mind:

- It is possible to default on this loan should payments stop before the loan is paid off. While this will not affect your credit rating, the outstanding loan balance will be declared as taxable income to you in the year that the loan defaulted. You may face unwanted tax consequences, such as being pushed into a higher tax bracket.
- Loan repayment amounts will be taken out of your paycheck and you will *not* have the option of voluntarily suspending or discontinuing those repayments, regardless of potential changes to your financial situation.
- Any amounts borrowed from your account won't realize investment gains during the time you are using them for other purposes.
- If taking out a Deferred Compensation Plan loan results in the reduction or elimination of your ongoing contributions to the Plan, your long-term accumulation of assets in the Plan will be negatively affected.

For most participants, the primary consideration in deciding to take a loan is whether the benefits of taking it outweigh both the ongoing burden of repayments and the potential long-term impact on your account. You should carefully weigh all of your unique circumstances before making a decision. For more detailed information about loans, please download the Loan Highlights document from the Web site or call KeyTalk at (888) 457-9460.

Great-West Retirement Services Reselected

The City of Los Angeles and Great-West Retirement Services are pleased to announce the renewal of Great-West Retirement Services' Third-Party Administrative contract for five years, effective January 1, 2007. Great-West Retirement Services was reselected in October 2006 after an extensive bid process. Great-West Retirement Services is the third-party administrator of the Plan, offering communication services locally and nationally through a toll-free phone number and Web site, as well as recordkeeping services.

Contribution Limits Reminder

Your annual maximum contribution limit has increased. In 2007, you can contribute up to \$15,500 on a before-tax basis to your Deferred Compensation Plan account.

Age 50+ Catch-Up

If you are age 50 or will be age 50 in 2007, you can contribute an additional \$5,000 for the total of \$20,500.

Standard Catch-Up

The maximum Standard Catch-Up amount is \$31,000 for which you may be eligible if you are within 3 years of attaining your Normal Retirement Age. Participants may not use both The Age 50+ Catch-Up and Standard Catch-Up in the same year. To make a contribution change, please log on to the Plan's Web site or call KeyTalk.

Quicken®/Money Downloads Now Available

Now you can download your retirement Plan account activity to personal finance programs like Quicken and Microsoft® Money. Depending on the version and year of your program, you may be able to do the following:

- View investment gain(s)/loss(es) both in absolute value and as percent changed
- Chart investment performance against several market indices
- Analyze your current asset allocation against an established goal

This download option is located at the bottom of the Transaction History page in the View Account section of the Web site. Try it today!

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Seminar: Your Plan's Distribution Options

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

This seminar describes the different methods of receiving payments from your Deferred Compensation Plan account when you sever employment or retire.

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St. Los Angeles, CA 90012	February 14, 2007	10:00 a.m. and 1:00 p.m.
Department of Water and Power John Ferraro Building (JFB) San Francisco Room 111 Hope St. Los Angeles, CA 90012	February 20, 2007	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 21, 2007	10:00 a.m.

Investment Option Returns *as of December 31, 2006*

FDIC Insured Savings Account Options	Annualized Yield for Quarter				
	1st Qtr '07	4th Qtr '06	3rd Qtr '06	2nd Qtr '06	1st Qtr '06
Washington Mutual Liquid Savings Account ²	5.31%	5.34%	5.35%	4.84%	4.39%
Washington Mutual Certificates of Deposit-1 Year ^{2,3,4}	5.09%	5.29	5.48	5.01	4.64
Washington Mutual Certificates of Deposit-2 Year ^{2,3,4}	4.82%	5.08	5.43	5.00	4.65
Washington Mutual Certificates of Deposit-3 Year ^{2,3,4}	4.73%	5.02	5.42	4.99	4.66
Washington Mutual Certificates of Deposit-4 Year ^{2,3,4}	4.71%	5.02	5.43	5.01	4.69
Washington Mutual Certificates of Deposit-5 Year ^{2,3,4}	4.71%	5.05	5.45	5.03	4.72

Fixed/Stable Value Options	Annualized Yield for Quarter—New Contributions Only				
	1st Qtr '07	4th Qtr '06	3rd Qtr '06	2nd Qtr '06	1st Qtr '06
Hartford Life General Account ^{2,5,6}	4.10%	4.10%	4.10%	4.10%	4.10%

	Average Annualized as of 12/31/2006 ⁷						Calendar Year ⁷					Option Operating Expense	Inception Date of Option	Separate Account Inception ⁸
	YTD	1 Year	3 Years	5 Years	10 Years	Since Incep	2005	2004	2003	2002	2001			
Galliard Stable Value Fund ²	4.64%	4.64%	4.37%	4.68%	5.46%	6.66%	4.29%	4.15%	4.55%	5.67%	6.33%	0.15%	Sep-85	N/A
Variable Investment Options	Average Annualized as of 12/31/2006 ⁷						Calendar Year ⁷					Option Operating Expense	Inception Date of Option	Separate Account Inception ⁸
	YTD	1 Year	3 Years	5 Years	10 Years	Since Incep	2006	2005	2004	2003	2002			
Bond: Active¹⁵														
MSIF Trust Core Plus Fixed Income: INST ^{2,9}	4.08%	4.08%	4.50%	5.15%	6.24%	8.84%	4.08%	4.81%	4.62%	5.65%	6.63%	0.44%	Nov-84	N/A
Bond: Index¹⁵														
Vanguard Total Bond Market Index Fund Inst. ^{2,9,16}	4.40	4.40	3.76	4.74	6.08	6.13	4.40	2.53	4.36	4.10	8.39	0.07	Sep-95	N/A
Balanced														
Hartford Advisers HLS ^{6,10}	10.81	10.81	7.30	4.80	7.52	N/A	10.81	7.34	3.85	18.37	-13.88	0.57	Mar-83	May-99
Large-Cap Stock: Active														
Capital Guardian U.S. Equity Fund	10.84	10.84	8.78	N/A	N/A	14.39	10.84	6.09	9.48	N/A	N/A	0.48	Apr-88	May-03
Hartford Stock HLS ^{6,10}	14.77	14.77	9.51	4.74	8.06	N/A	14.77	9.73	4.27	26.35	-24.32	0.39	Aug-77	May-99
American Funds Investment Company of Amer A ⁹	15.94	15.94	10.80	8.00	10.47	12.86	15.94	6.87	9.78	26.31	-14.47	0.55	Jan-34	N/A
Fidelity Magellan ⁹ Fund ⁹	7.22	7.22	7.04	3.17	6.99	18.43	7.22	6.42	7.49	24.82	-23.66	0.56	May-63	N/A
American Funds Growth Fund of America A ⁹	10.94	10.94	12.37	8.01	12.94	9.64	10.94	14.23	11.95	32.90	-22.02	0.63	Dec-73	N/A
Large-Cap Stock: Index¹⁶														
Vanguard Institutional Index Fund ^{9,16}	15.78	15.78	10.43	6.20	8.47	11.09	15.78	4.90	10.87	28.66	-22.03	0.05	Jul-90	N/A
Mid-Cap Stock														
Hartford Capital Appreciation HLS ^{6,10}	16.73	16.73	17.28	13.07	14.28	N/A	16.73	15.66	19.48	42.23	-19.78	0.59	Apr-84	May-99
Lazard Mid Cap Institutional	14.85	14.85	16.05	11.52	N/A	11.23	14.85	8.89	24.97	29.03	-14.47	0.93	Nov-97	N/A
Small-Cap Stock: Active¹¹														
Lotsoff Small Capital Equity Fund ⁹	2.23	2.23	N/A	N/A	N/A	18.68	2.23	-7.03	38.07	N/A	N/A	0.95	Jan-93	May-03
Small-Cap Stock: Index^{11,16}														
State Street Russell 2000 Index Trust Fund C ¹⁶	17.77	17.77	13.15	10.87	N/A	9.23	17.77	4.20	18.04	45.75	-20.67	0.20	Mar-00	N/A
International Stock: Active¹²														
Fidelity Diversified International Fund ⁹	22.52	22.52	19.78	17.27	13.16	12.49	22.52	17.23	19.66	42.38	-9.37	1.07	Dec-91	N/A
International Stock: Index^{12,16}														
DWS EAFE Equity Index Fund ^{9,16}	25.69	25.69	19.46	14.16	7.25	7.30	25.69	13.57	19.42	36.45	-16.63	0.40	Jan-96	N/A
Profile Portfolios¹³														
Conservative	9.01	9.01	6.79	N/A	N/A	6.46	9.01	3.99	7.42	13.56	N/A	0.10	May-02	N/A
Moderate	12.43	12.43	8.98	N/A	N/A	7.79	12.43	4.82	9.84	20.83	N/A	0.11	May-02	N/A
Aggressive	15.32	15.32	10.89	N/A	N/A	8.89	15.32	5.64	11.92	27.10	N/A	0.12	May-02	N/A
Benchmark Indices¹⁷														
Lehman Brothers Aggregate Bond	4.33	4.33	3.70	5.06	6.24	N/A	4.33	2.43	4.34	4.11	10.27	N/A	Jan-76	N/A
MSCI EAFE	26.34	26.34	19.93	14.98	7.71	N/A	26.34	13.54	17.59	35.28	-17.52	N/A	Dec-69	N/A
Russell 2000	18.37	18.37	13.56	11.39	9.44	N/A	18.37	4.55	18.33	47.25	-20.48	N/A	Dec-77	N/A
Standard & Poor's 500 ¹	15.78	15.78	10.43	6.19	8.42	N/A	15.78	4.91	10.87	28.67	-22.09	N/A	Dec-27	N/A

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 for the Self-Directed Brokerage option, please call Fiserv Trust Company at (866) 567-8653. Read them carefully before investing. To make changes to your existing OptionsPlus account, call the PlusLine at (888) 553-5318.

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.cityoffla457.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. For prospectuses on Self-Directed Brokerage, contact Fiserv Trust Company at (866) 567-8653. Read them carefully before investing.

- 2 Transfer restrictions may apply. See Fund Data Sheets for more information.
- 3 Minimum investment of \$1,000 is required; early withdrawal penalty may apply.
- 4 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.
- 5 Rate guaranteed for new deposits made during this quarter only.
- 6 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.
- 7 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.
- 8 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.
- 9 Mutual fund investment option.
- 10 The Option Operating Expense includes an estimated 0.10% Mortality and Expense Risk Charge.
- 11 Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- 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 \$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.
- 14 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.
- 15 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.
- 16 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.
- 17 MSCI EAFE[®] Index is a trademark of Morgan Stanley Capital International. Inc. and is an unmanaged index considered indicative of the International equity market. S&P 500[®] Index is a trademark of the McGraw-Hill Co. and is an unmanaged index considered indicative of the domestic Large-Cap equity market. Russell 2000[®] Index is a trademark of the Frank Russell Company and is an unmanaged index considered indicative of the domestic Small-Cap equity market. Lehman Brothers Aggregate Bond Index is an unmanaged index considered indicative of the domestic Fixed Income Market.

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. Not intended for use in New York. Form# CB1003N (1/15/07) ©2006 Great-West Life & Annuity Insurance Company. All rights reserved.