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City of Los Angeles Quarterly Newsletter January 2010



## EARLY RETIREMENT INCENTIVE PROGRAM AND DEFERRED COMPENSATION

Retiring from the City under the LACERS Early Retirement Incentive Program (ERIP)?

Here are some planning tips you may find useful:

- ① No action is required of any Plan participant at time of separation from service. Although you are eligible to begin distribution, you are not required to do so. The only exception to this rule applies to participants who are age 70½ or older. For those who fall into this category, a minimum distribution requirement is mandated by federal tax rules.
- ② The Plan offers a wide menu of flexible distribution options, including monthly/quarterly/annual periodic payments, as well as partial or full lump-sum distributions. Participants are eligible to change distribution elections at any time.
- ③ Distributions from your Deferred Compensation Plan account are taxable in the year the distribution is made. The federal government requires mandatory tax withholding of 20% on most distributions; state withholding may apply, as well. You may wish to consult a financial planner and/or tax advisor if you have questions regarding the tax consequences applicable to a distribution you're contemplating.\*
- ④ Under the ERIP, your unused sick time and vacation time cannot be rolled into your Deferred Compensation Plan account. Such rollovers continue to be allowed under regular, non-ERIP retirements.
- ⑤ Any ERIP incentive amounts likewise cannot be rolled into your Deferred Compensation Plan account.

If you have questions regarding the ERIP as it relates to your Deferred Compensation Plan account, please feel free to call (888) 466-0381 or visit the Plan Service Center at 200 N. Spring Street (City Hall), Room 867, Los Angeles, CA 90012, Monday through Friday from 8:30 a.m. to 5:00 p.m.



## TRAVEL THROUGH TIME!

### TAKE THE PLAN'S 25TH ANNIVERSARY FILM QUIZ

To commemorate the Plan's 25th Anniversary, hop on our time traveling spaceship and test your film knowledge for the past 25 years. Visit the Web site at [www.cityofla457.com](http://www.cityofla457.com).



\* 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.



## RESOURCES FOR FINANCIAL DIFFICULTIES

Many Plan participants are struggling financially in this challenging economic environment. If you're experiencing difficulties, keep in mind that you have resources available to you both within and outside the City's Deferred Compensation Plan.

### INSIDE THE PLAN:

#### Options for Taking Funds from Your Account

Active Plan participants have two resources available to them: loans and hardship withdrawals. Loans allow participants to borrow up to 50% of their account up to \$50,000, whichever is less. You must have a minimum of \$2,000 in your account to be eligible for a loan. Borrowed amounts are repaid through payroll deduction. A participant may have up to two loans outstanding at any one time. Loans may be taken for any purpose and, unless the loan is for purchase of a primary residence, may be repaid over one to five years. Home purchase loans may have repayment terms of up to 15 years.

Hardship withdrawals are available if you meet federal eligibility requirements. Generally, those requirements are that you must be experiencing an unforeseen financial emergency that cannot be resolved through other means. Hardship withdrawals are not required to be repaid.

Retired Plan participants are eligible to take taxable distributions from their accounts at any time. Even if you've already set up a periodic payment stream, you can still take out additional amounts to deal with a sudden need through a partial lump-sum distribution. This will require completing a new distribution request form.

For questions on loans, hardship withdrawals or distributions, you can contact Great-West Retirement Services® (Great-West) at (888) 457-9460 or visit the Plan Web site at [www.cityofla457.com](http://www.cityofla457.com).

### OUTSIDE THE PLAN: Counseling Services

Please see the enclosed flier for information regarding counseling services available outside the Plan through the City's Employee Assistance Programs (EAP). Each of these programs provides some type of financial counseling service. You can contact your specific EAP provider to get further details.

### Use All Your Resources

Managing a financial problem is like managing any problem—sometimes it takes more than one resource to work through it. Consider all the available resources, make the best plan you can, then take action. This can help you find a brighter tomorrow.

## FUND CHANGE FOR THE RUSSELL 2000 INDEX OPTION

Effective March 4, 2010, the City will make a change to this Plan investment option, attempting to replicate the return of the Russell 2000 Index Fund, a benchmark for small-company stocks. The Plan's current Russell 2000 Index Non-Lending Series Fund (Class C) will be replaced by the SSgA Russell Small Cap Index Non-Lending Series Fund (Class S). The investment manager (State Street Global Advisors) and investment objective remain the same. The expense ratio of the replacement fund will be 0.06% compared to 0.20% for the prior fund.

*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 related to investments in your Self-Directed Brokerage (SDB) account, contact Schwab PCRA at (888) 393-7272. Read them carefully before investing.*

## 2010 CONTRIBUTION LIMITS

Contribution limits in 2010 are unchanged from the limits which were in effect for 2009. You may contribute, or defer, up to the lesser of the limits or 100% of compensation. In 2010, you are eligible to contribute, or defer, up to \$16,500 annually if you are younger than age 50, and up to \$22,000 if you are age 50 or older.

Higher contribution limits may apply for those eligible for "Catch-Up." Catch-Up allows participants in the three calendar years prior to normal retirement age to contribute more to the Plan (up to double the below-age 50 contribution limit—\$33,000 in 2010). The additional amount that you may be able to contribute under Catch-Up will depend upon the amounts that you were able to contribute in previous years but did not.

You can change your contribution amount by calling KeyTalk® at (888) 457-9460 or by logging on to the Web site at [www.cityofla457.com](http://www.cityofla457.com).†

If you wish to participate in Catch-Up, you can enroll through a local Plan representative by calling (888) 466-0381 or visiting the Plan Service Center at 200 N. Spring Street (City Hall), Room 867, Los Angeles, CA 90012, Monday through Friday from 8:30 a.m. to 5:00 p.m.

† 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.

### 2010 CONTRIBUTION LIMITS

Under Age 50	\$16,500
Age 50 or Older	\$22,000
Catch-Up	\$33,000

## UPDATE: TAX WITHHOLDING FROM CERTAIN ROLLOVER ACCOUNTS

Have you rolled in money from other pre-tax sources, such as an IRA, 401(k) or the Fire/Police DROP program? If so, you may want to note a change in how certain distributions from these accounts are handled on tax forms at year-end.

### Specifically, if you:

- Retire during the year in which you reach the age of 55 or older;
- Receive a distribution from a rollover account such as an IRA, 401(k) or the Fire/Police DROP program; and
- Take a distribution between the ages of 55 and 59½; then

- Great-West will not apply the under-age 59½ special excise tax penalty to your 1099R tax form that may otherwise apply to certain other under-age distributions.

This change is based on a revised understanding of Internal Revenue Service (IRS) requirements. However, each participant's circumstances are unique. Great-West's application or non-application of the penalty is not the final determinant of any participant's actual tax liability, and neither Great-West nor any other Plan representative can provide tax advice. Participants are encouraged to consult with a tax and/or financial planning professional to ensure they are paying tax in accordance with IRS requirements as applicable to their unique circumstances.



# CITY OF LOS ANGELES PREMIERE DEFERRED COMPENSATION PLAN

## INVESTMENT OPTION RETURNS AS OF DECEMBER 31, 2009

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or a prediction of future results. For performance data current to the most recent month-end, please visit [www.cityofla457.com](http://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.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative. For prospectuses on Self-Directed Brokerage, contact Schwab PCRA at (888) 393-7272. Read them carefully before investing.

Average Annualized Returns as of December 31, 2009<sup>1</sup>

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Yrs/Since Inception	Expense Ratio <sup>2</sup>	Inception Date
<b>Bond: Active<sup>3</sup></b>							
PIMCO Total Return Fund <sup>4</sup>	13.83%	13.83%	9.18%	6.85%	7.65%	0.64%	5/11/87
Benchmark Index: Barclays Capital Aggregate Bond	5.93%	5.93%	6.04%	4.97%	6.33%		
<b>Bond: Index<sup>3</sup></b>							
Vanguard Total Bond Market Index Fund Inst. <sup>4,5,6</sup>	6.09%	6.09%	6.11%	5.04%	6.19%	0.08%	9/18/95
Benchmark Index: Barclays Capital Aggregate Bond	5.93%	5.93%	6.04%	4.97%	6.33%		
<b>Large-Cap Stock: Active</b>							
Hartford Capital Appreciation HLS - CI IA <sup>4</sup>	45.67%	45.67%	-2.53%	4.52%	6.02%	0.67%	4/2/84
Benchmark Index: S&P 500 <sup>9</sup>	26.46%	26.46%	-5.63%	0.42%	-0.95%		
American Funds Investment Company of Amer A <sup>4</sup>	27.18%	27.18%	-4.20%	1.73%	2.50%	0.59%	1/2/34
Benchmark Index: Russell 1000 <sup>9</sup> Value	19.69%	19.69%	-8.96%	-0.25%	2.47%		
American Funds Growth Fund of America A <sup>4</sup>	34.48%	34.48%	-3.13%	2.87%	2.34%	0.76%	11/30/73
Benchmark Index: Russell 1000 <sup>9</sup> Growth	37.21%	37.21%	-1.89%	1.63%	-3.99%		
<b>Large-Cap Stock: Index</b>							
Vanguard Institutional Index Plus Fund <sup>4,6</sup>	26.66%	26.66%	-5.55%	0.48%	-0.89%	0.03%	7/7/97
Benchmark Index: S&P 500 <sup>9</sup>	26.46%	26.46%	-5.63%	0.42%	-0.95%		
<b>Mid-Cap Stock: Index<sup>7</sup></b>							
Vanguard Mid Cap Index Institutional <sup>4,6</sup>	40.51%	40.51%	-4.56%	2.45%	6.30%	0.09%	5/21/98
Benchmark Index: MSCI <sup>9</sup> US Mid Cap 450	38.11%	38.11%	-6.12%	0.85%	2.28%		
<b>Mid-Cap Stock: Active<sup>7</sup></b>							
Lazard Mid Cap Institutional <sup>4</sup>	38.49%	38.49%	-6.06%	0.72%	7.05%	0.89%	11/3/97
Benchmark Index: Russell Midcap <sup>9</sup>	40.48%	40.48%	-4.59%	2.43%	4.98%		
<b>Small-Cap Stock: Index<sup>8</sup></b>							
State Street Russell 2000 Index Trust Fund C <sup>6</sup>	26.57%	26.57%	-6.31%	0.19%	3.05%	0.20%	10/1/96
Benchmark Index: Russell 2000 <sup>9</sup>	27.17%	27.17%	-6.07%	0.51%	3.51%		
<b>International Stock: Active<sup>9</sup></b>							
Fidelity Diversified International Fund <sup>4</sup>	31.78%	31.78%	-5.73%	3.77%	3.94%	1.01%	12/27/91
Benchmark Index: MSCI <sup>9</sup> EAFE <sup>9</sup>	31.78%	31.78%	-6.04%	3.54%	1.17%		
<b>International Stock: Index<sup>9</sup></b>							
DWS EAFE Equity Index Institutional Fund <sup>4,6</sup>	29.27%	29.27%	-6.27%	3.29%	0.58%	0.52%	1/24/96
Benchmark Index: MSCI <sup>9</sup> EAFE <sup>9</sup>	31.78%	31.78%	-6.04%	3.54%	1.17%		
<b>Profile Portfolios<sup>10</sup></b>							
Ultra-Conservative	8.81%	8.81%	N/A	N/A	3.38%	0.11%	1/8/08
Conservative	13.37%	13.37%	2.20%	3.89%	4.77%	0.14%	5/1/02
Moderate	19.06%	19.06%	-0.54%	3.00%	4.44%	0.15%	5/1/02
Aggressive	22.82%	22.82%	-3.14%	2.06%	4.01%	0.18%	5/1/02
Ultra-Aggressive	26.49%	26.49%	N/A	N/A	-8.52%	0.20%	1/8/08
<b>Stable Value Option</b>							
Deferred Compensation Stable Value Fund <sup>5,11</sup>	4.19%	4.19%	4.62%	4.56%	4.98%	0.09%	9/1/85
<b>FDIC Insured Savings Option</b>							
FDIC - Insured Savings Account <sup>†</sup>	N/A	N/A	N/A	N/A	0.11%	N/A	9/28/09

<sup>†</sup>As of September, 28 2009, the FDIC - Insured Savings Account option is new to your Plan. The 3 month return as of December 31, 2009 was 0.10%.

### Self-Directed Brokerage Option<sup>12</sup>

Schwab Personal Choice Retirement Account<sup>®</sup> (PCRA) Self-Directed Brokerage Option

# CITY OF LOS ANGELES PREMIERE DEFERRED COMPENSATION PLAN

## DISCLOSURES

### Benchmark Indices

Barclays Capital Aggregate Bond	An unmanaged index considered indicative of the broad fixed income market in general (formerly the Lehman Brothers Aggregate Bond Index).
MSCI® EAFE®	The MSCI® EAFE® Index is a trademark of Morgan Stanley Capital International Inc., and is an unmanaged index considered indicative of foreign equity markets in general.
MSCI® US Mid Cap 450	The MSCI® US Mid Cap 450 Index represents the universe of medium capitalization companies in the US equity market. MSCI® is a trademark of Morgan Stanley Capital International Inc.
Russell 2000®	The Russell 2000® is a trademark of the Frank Russell Company and measures the performance of the smallest 2,000 companies in the Russell 3000 Index (the 3000 largest U.S. companies by market capitalization), representing about 7% of the Russell 3000 total market capitalization.
Russell Mid Cap®	The Russell MidCap® is a trademark of the Frank Russell Company and measures the performance of approximately 800 of the smallest securities in the Russell 1000® Index. The Russell MidCap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.
Russell 1000® Value	The Russell 1000® Value Index is a trademark of the Frank Russell Company and is considered indicative of the domestic large-cap equity value market.
Russell 1000® Growth	The Russell 1000® Growth Index is a trademark of the Frank Russell Company and is considered indicative of the domestic large-cap equity growth market.
Standard & Poor's 500®	The S&P 500® is a trademark of the McGraw-Hill Co., and consists of 500 stocks chosen for market size, liquidity and industry group representation. It is one of the most widely used benchmarks of U.S. equity performance, and is considered indicative of the domestic large-cap equity market.

<sup>1</sup> 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.

<sup>2</sup> Actual fund expense ratio may be less if the fund currently offers a waiver or reimbursement of a portion of this expense.

<sup>3</sup> 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.

<sup>4</sup> Mutual fund investment option.

<sup>5</sup> Transfer restrictions may apply. Check the Fund Fact Sheet for further information.

<sup>6</sup> A benchmark 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 a benchmark index.

<sup>7</sup> Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies.

<sup>8</sup> Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.

<sup>9</sup> Foreign investments involve special risks, including currency fluctuations and political developments.

<sup>10</sup> The Profiles include investment options directly available to your Plan. For more information about the Profiles, including the eligible underlying portfolios, review the Fund Data Sheets or contact your registered representative.

<sup>11</sup> Formerly the Galliard Stable Value Fund.

<sup>12</sup> Participants choosing the Schwab PCRA Self-Directed Account will be charged an additional annual administrative fee of \$50. These securities are not offered through GWFS Equities, Inc.

### Transfer Restrictions

Transfers out of the Deferred Compensation Stable Value Fund must be invested in a variable investment option for a minimum of 90 days prior to investing any funds in the FDIC - Insured Savings Account. Transfers may not be made directly from the Deferred Compensation Stable Value Fund to the FDIC - Insured Savings Account.

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

Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Core investment options are through separately managed accounts and mutual funds. 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. Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc., State Street Global Advisors and GWFS Equities, Inc. are separate and unaffiliated. Great-West Retirement Services® and KeyTalk® are registered service marks of Great-West Life & Annuity Insurance Company. Not intended for use in New York. ©2010 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1003N (1/10) PT96419



**Board of Deferred Compensation Administration Members:**

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Chairperson  
DWP Participant Representative  
**Richard Kraus**  
Vice Chairperson  
L.A. City Employees' Retirement System Participant Representative

**Cliff Cannon**  
Retired Participant Representative  
**Sangeeta Bhatia**  
Retirement Plan Manager  
DWP Retirement

**Sally Choi**  
General Manager  
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**Michael A. Perez**  
General Manager  
Fire/Police Pensions

**Margaret M. Whelan**  
General Manager  
Personnel Department  
**Shelley Smith**  
Organized Labor Representative

**HAVE QUESTIONS?  
NEED INFORMATION?**

For information about the Plan and/or access to your account, contact Great-West Retirement Services in any of the following ways.

Web site: [www.cityofla457.com](http://www.cityofla457.com)<sup>†</sup>  
KeyTalk®: (888) 457-9460<sup>†</sup>

**CITY HALL**

200 N. Spring Street, Room 867  
Office hours: 8:30 a.m. to 5:00 p.m.

**DWP**

JFB Main Office Building  
111 N. Hope Street, Level A area  
Office hours: First and third Tuesday of each month, usually from 8:30 a.m. to 2:00 p.m.

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

**NATASHA GAMEROZ**  
(213) 978-1617  
The Board's Web site:  
<http://www.lacity.org/per/deferredcomp/DeferredComp.htm>

<sup>†</sup> Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

**SEMINAR:  
Understanding Your Distribution Options**

When you become eligible to withdraw from your Plan, you have several important decisions to make about what to do with your retirement savings. This seminar will help you determine your retirement needs, learn what options are available to meet those needs, determine the tax consequences of the various options and explore some techniques that could help you turn your investments into income during retirement.

If you are also considering the ERIP, attend one of these meetings to learn more about ERIP and your Deferred Compensation Plan options.

LOCATION	DATE	TIME
City Hall, Room 1070, 10th Floor 200 N. Spring St., Los Angeles	February 9, 2010	10:00 a.m. and 1:00 p.m.
Harbor Department, Board Room 425 Palos Verdes St., San Pedro	February 11, 2010	10:00 a.m.
Department of Water and Power John Ferraro Building (JFB), Auditorium 111 N. Hope St., Los Angeles	February 16, 2010	10:00 a.m.
Marvin Braude Constituent Center Conference Room 1B, 1st Floor 6262 Van Nuys Blvd., Van Nuys	February 17, 2010	10:00 a.m. (office hours commence after the presentation until 2:00 p.m.)
Los Angeles World Airports HR Room 131 7303 World Way West, Los Angeles	February 18, 2010	10:00 a.m.
Playa Vista Library, Meeting Room 6400 Playa Vista Dr., Los Angeles	February 24, 2010	10:15 a.m.