



IN THE SPOTLIGHT:

Less Is More – A budget you can live by
Oh, Pioneers!

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Correction of Fund Posting

City of Los Angeles Quarterly Newsletter

January 2009



LESS IS MORE – A BUDGET YOU CAN LIVE BY

Tomorrow. That's when a lot of people say they're going to get serious about saving for retirement, thinking they don't have the money to spare in the short term to get started. Here are four budget-conscious steps you can take to start saving more for your retirement today.

1. GET OUT OF DEBT.

Two key components to reining in your credit card debt are to reduce your interest rates and pay more than the minimum amount due. If you have a \$5,000 credit card balance at an annual percentage rate (APR) of about 13%* and you make only the minimum payment each month (typically the greater of 2.5% of the balance or \$10), it will take you 19 years to pay off that debt. What's more, you'll have paid a total of \$3,645 in interest, money you could have saved for retirement.

2. PAY YOUR BILLS ONLINE.

Many credit card and utility companies offer free electronic payment options. Make instant payments online or have the money automatically deducted from your bank account each month. You'll avoid incurring hefty penalties on late payments. Late fees on credit cards typically range from \$15 to \$35, depending on the size of your balance.

3. TRIM YOUR PHONE BILL.

Are you spending hundreds of dollars on your combined landline and cell phone bills? Re-evaluate your local, long distance and international calling plans to see if they fit your needs. You might decide to switch to a cheaper cell phone provider when your contract expires.

4. SAVE A LITTLE EVERY DAY.

Food is expensive, especially when you're buying lunch every day. How about bringing lunch from home? Start with once or twice a week—then build up to three or four times a week. If your dry cleaning bill tops \$25 a week, try doing some of that laundry yourself. A few bucks here and there add up.

* On October 1, 2008, the average APR was listed at 13.42% on bankrate.com.



OH, PIONEERS!

Did you join the Plan in 1984?

We are approaching the 25th anniversary of the Deferred Compensation Plan. The first contributions to the Plan were made in January 1984. If you were one of the brave souls who was an early entrant into the program and would consider sharing your experience, we would love to hear from you. Retirees are especially encouraged to share their stories. We hope to profile some of our pioneer participants in newsletters this year as part of our celebration of this milestone.

Please take a moment to relate your story in an e-mail to: gary.robison@gwrs.com

INVESTMENT OPTION RETURNS AS OF DECEMBER 31, 2008

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. 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, 2008¹

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense ²	Inception Date of Option	Separate Account Inception
Bond: Active³								
PIMCO Total Return Fund	4.82%	4.82%	5.94%	5.16%	6.24%	0.49%	5/11/87	N/A
Benchmark Index: Barclays Capital Aggregate Bond	5.24	5.24	5.51	4.65	5.63	N/A	N/A	N/A
Bond: Index³								
Vanguard Total Bond Market Index Fund Inst. ^{4,5,6}	5.19	5.19	5.54	4.70	5.49	0.07	9/18/95	N/A
Benchmark Index: Barclays Capital Aggregate Bond	5.24	5.24	5.51	4.65	5.63	N/A	N/A	N/A
Balanced								
Hartford Advisers HLS ^{7,8}	-31.64	-31.64	-6.90	-2.13	-0.41	0.57	3/31/83	5/4/99
Benchmark Index: S&P 500 [®] 60% / Barclays Bond 40%	-20.10	-20.10	-2.81	0.55	1.42	N/A	N/A	N/A
Large-Cap Stock: Active								
Hartford Stock HLS ^{7,8}	-43.13	-43.13	-11.61	-4.64	-2.99	0.39	8/31/77	5/4/99
Benchmark Index: S&P 500	-37.00	-37.00	-8.36	-2.19	-1.38	N/A	N/A	N/A
Hartford Capital Appreciation HLS ^{7,8}	-45.59	-45.59	-9.50	0.44	5.41	0.59	4/1/84	5/4/99
Benchmark Index: S&P 500	-37.00	-37.00	-8.36	-2.19	-1.38	N/A	N/A	N/A
American Funds Investment Company of Amer A ⁵	-34.73	-34.73	-7.10	-1.22	1.61	0.56	1/2/34	N/A
Benchmark Index: Russell 1000 Value	-36.85	-36.85	-8.32	-0.79	1.36	N/A	N/A	N/A
American Funds Growth Fund of America A ⁵	-39.07	-39.07	-9.14	-0.83	3.16	0.64	11/30/73	N/A
Benchmark Index: Russell 1000 Growth	-38.44	-38.44	-9.11	-3.42	-4.27	N/A	N/A	N/A
Large-Cap Stock: Index								
Vanguard Institutional Index Plus Fund ^{5,6}	-36.94	-36.94	-8.32	-2.16	-1.32	0.025	7/7/97	N/A
Benchmark Index: S&P 500	-37.00	-37.00	-8.36	-2.19	-1.38	N/A	N/A	N/A
Mid-Cap Stock⁹								
Lazard Mid Cap Institutional	-38.33	-38.33	-11.74	-1.32	4.06	0.87	11/3/97	N/A
Benchmark Index: Russell Midcap	-41.46	-41.46	-10.68	-0.71	3.18	N/A	N/A	N/A
Small-Cap Stock: Index¹⁰								
State Street Russell 2000 Index Trust Fund C ⁶	-33.75	-33.75	-8.53	-1.20	2.53	0.20	10/1/96	N/A
Benchmark Index: Russell 2000	-33.79	-33.79	-8.29	-0.93	3.02	N/A	N/A	N/A
International Stock: Active¹¹								
Fidelity Diversified International Fund ⁵	-45.21	-45.21	-7.99	1.79	5.34	0.93	12/27/91	N/A
Benchmark Index: MSCI EAFE	-43.38	-43.38	-7.35	1.66	0.80	N/A	N/A	N/A
International Stock: Index¹¹								
DWS EAFE Equity Index Fund ^{5,6}	-42.46	-42.46	-7.14	1.66	0.48	0.47	1/24/96	N/A
Benchmark Index: MSCI EAFE	-43.38	-43.38	-7.35	1.66	0.80	N/A	N/A	N/A
Profile Portfolios¹²								
Ultra-Conservative	N/A	N/A	N/A	N/A	-1.84	0.14	1/8/08	N/A
Conservative	-11.26	-11.26	0.87	2.77	3.54	0.10	5/1/02	N/A
Moderate	-21.91	-21.91	-2.42	1.35	2.41	0.11	5/1/02	N/A
Aggressive	-29.85	-29.85	-5.15	0.18	1.45	0.13	5/1/02	N/A
Ultra-Aggressive	N/A	N/A	N/A	N/A	-1.84	0.16	1/8/08	N/A
Self-Directed Brokerage Option¹³								
Schwab Personal Choice Retirement Account [®] (PCRA) Self-Directed Brokerage Option	Prospectuses and other important information for all PCRA funds can be obtained on the Web site at www.schwab.com or by calling (888) 393-7272. Read them carefully before investing.							

Annualized Yield for Quarter—New Contributions Only

	1st Qtr '09	4th Qtr '08	3rd Qtr '08	2nd Qtr '08	1st Qtr '08
FDIC Insured Savings Account Options					
Washington Mutual Liquid Savings Account ⁴	1.71%	2.68%	2.68%	2.63%	4.95%
Washington Mutual Certificates of Deposit-1 Year ^{4,14,15}	2.27	2.83	3.54	2.15	4.16
Washington Mutual Certificates of Deposit-2 Year ^{4,14,15}	1.67	2.76	3.73	1.98	3.88
Washington Mutual Certificates of Deposit-3 Year ^{4,14,15}	1.89	3.10	4.08	2.31	3.94
Washington Mutual Certificates of Deposit-4 Year ^{4,14,15}	2.09	3.35	4.29	2.65	4.06
Washington Mutual Certificates of Deposit-5 Year ^{4,14,15}	2.23	3.54	4.43	2.94	4.19
Fixed Option					
Hartford Life General Account ^{4,8,16}	4.00	4.35	4.35	4.35	4.35

Average Annualized Returns as of December 31, 2008¹

	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense ²	Inception Date of Option
Stable Value Option							
Galliard Stable Value Fund ⁴	4.82%	4.82%	4.77%	4.56%	5.17%	0.13%	9/1/85

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 Actual fund operating expenses may be less if the fund currently offers a waiver or reimbursement of a portion of this expense.

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. Check the Fund Fact Sheet for further 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 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.

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

¹⁰ Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

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

¹² 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.

¹³ 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.

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

¹⁵ Certificates of deposit are FDIC insured and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions. Please note: On September 25, 2008, Washington Mutual's banking operations were acquired by JPMorgan Chase & Co.

¹⁶ Hartford Life General Account rate applies only to deposits made in the current quarter.

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 Bond Index Fund and PIMCO Total Return Fund. 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 and the PIMCO Total Return Fund.

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

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Fund Managers Spotlight

THIS QUARTER: PIMCO

(MANAGER OF THE PIMCO TOTAL RETURN FUND)

HOW HAS THE CURRENT ECONOMIC CRISIS AFFECTED THE BOND MARKET?

The current economic crisis has had a massive effect on all sectors of the bond market. So far in 2008 it appears to have benefited debt issued by the U.S. Treasury and Government Agencies and hurt most other bond market areas. We can trace the current crisis back to the summer of 2007 with subprime mortgages in the United States mortgage market. The issues within the subprime mortgage market then spread into the broader credit markets through early 2008 and morphed into a broad crisis of the financial system as a whole that has caused a negative impact on the value of risk-based assets. All of these issues have amounted to a massive flight to quality into U.S. Treasury bonds across the yield curve, a broad-reaching policy response from the Treasury Department and dramatic easing by the Federal Reserve. It was not so long ago, in September 2007, that the Federal Reserve target rate was at 5.25%. It is now a 0.25% target rate. We also recently witnessed the passage of TARP, meant to stabilize a weakening domestic banking sector. A host of other government programs have been passed as well in 2008, mainly aimed at unlocking credit and stabilizing prices in certain sectors of the bond market, such as mortgage and asset-backed securities and commercial paper.

The economic environment that has ensued has not been good for asset prices as a whole, whether they be equities or areas of the fixed income market aside from government debt.

In 2008, fear has gripped the bond markets, sending prices of even high quality fixed income debt down and their yields up.

Investment grade and high-yield fixed income have fallen broadly in value, as well as some municipal bonds, Treasury Inflation Protected Securities (TIPS), emerging market country debt and convertible bonds. As the Co-Chief Investment Officer of PIMCO, Mohamed El-Erian states, "This has turned into a crisis of the system, with no quick reboot." We are seeing in 2008 what we call "deleveraging" in the markets, where investors broadly sell assets to take risk off of their balance sheets or raise cash for a variety of reasons, causing asset prices to become depressed.

We have arrived here based upon prior years of a financed-based economy once dominated by little regulation, leverage, cheap financing and low corporate tax rates. We are now seeing a broad and drastic unwind. This unwind has been reflected in asset prices across the globe. We at PIMCO, in terms of investment strategy, feel it is prudent at this point to invest under what we call the government umbrella, and close to the handle of that umbrella. These would be assets such as Government-Sponsored Entities, Agency mortgage-backed securities, and some of the financial institutions that the U.S. Treasury has taken equity stakes in via the recently announced TARP. The bond market of 2008 will not be soon forgotten by either investors or market participants.

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AVOID IDENTITY THEFT



Does your credit card bill show purchases you didn't make? Are there mysterious loans in your credit report? Has someone emptied your bank account?

Answer yes to any of those questions and you're one of an estimated 44 million Americans who say they're victims of identity theft.* While you can't completely eliminate your risk of unlawful use of your personal information, you can make yourself a difficult target.

- Safeguard your Social Security number. Don't carry your card around in your wallet. If your employer or health plan ID card has the number on it, request that they replace it with a different "identifier."
- Shred revealing documents—charge receipts, insurance forms, checks, bank statements, etc.—anything containing personal information.
- Request password protection for your credit card and all bank accounts—including online and teller transactions.
- Check your credit reports for suspicious activity. Under federal law, you're entitled to a free credit report annually from each of the three big credit-reporting bureaus (for details, see "What's Your Score?" below). Stagger your requests so you get one report every four months.
- Stop dangerous junk mail by "opting out" of receiving pre-approved credit offers. To get off such marketing lists, call (888) 567-8688. Tell your credit card companies to not mail "convenience checks."

If you discover you're an ID-theft victim, immediately alert your creditors, the credit-reporting agencies, the police and the Federal Trade Commission (toll free at (877) 438-4338, or consumer.gov/idtheft).

WHAT'S YOUR SCORE? A HEALTHY CREDIT HISTORY CAN MAKE A DIFFERENCE

From lenders to employers, anyone has access to your credit history—so keep it clean. Black marks on your credit report can undermine your credit score, a three-digit number that reflects your history of making debt payments on time. Scores range from 300 to 850 points—the higher the score, the better your credit quality. Here are some steps you can take to improve your credit score.

Fix errors

If you find a mistake on your report, notify a credit bureau (see "Keep score"). The lender in question will be contacted and if the information cannot be verified, it is removed from your file.

Pay down your debt and stay current

Lenders look at how close you are to the limits on your various cards, how much you owe in proportion to the credit you have available, the number of accounts with balances you have, and frequency of late fees. Also, don't open too many credit card accounts—it could create the impression of greater risk, especially for people who don't have a long-established credit history.

Keep score

Any of the three major credit bureaus can provide you with copies of your credit report: Equifax at (800) 997-2493, www.equifax.com; Experian at (888) 397-3742, www.experian.com; and TransUnion at (800) 888-4213, www.transunion.com.†

* "2005 ID Theft Survey and Trend Report," Privacy and American Business, June 2005.

† Great-West Retirement Services® is not responsible for, nor does it 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.



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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 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
(213) 485-4846

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.

SEMINAR: UNDERSTANDING YOUR DISTRIBUTION OPTIONS

This seminar discusses important issues, including matching retirement income needs with an appropriate distribution option and evaluating tax alternatives. An overview of the options for payout of account assets when a participant retires will be provided. Topics include a retirement timeline, minimum distribution rules and taxes.

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St., Los Angeles	February 10, 2009	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	February 17, 2009	10:00 a.m.
Marvin Braude Constituent Center (Van Nuys City Hall) Conference Room 1B, 1st Floor 6262 Van Nuys Blvd., Van Nuys	February 24, 2009	10:00 a.m. and 2:00 p.m. Office hours will be between presentations
Playa Vista Library Meeting Room 6400 Playa Vista Dr., Los Angeles	February 25, 2009	10:15 a.m.

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

CORRECTION OF FUND POSTING

Some participants reviewing their accounts online may have observed a credit to the Vanguard Institutional Index Fund effective December 1, 2008 which was subsequently removed. This was the result of a posting error for the discontinued Lotsoff Small Cap Equity Fund, and no such credit to the Vanguard Institutional Index Fund should have been made. If you were formerly invested in the Lotsoff Small Cap Equity Fund (at the time of its closure), the appropriate credit was posted to your State Street Russell 2000 Index Series C Fund in the fourth quarter of 2008 and is reflected on your December 31, 2008 statement.