



News Bulletin

July 2007

Board of Deferred Compensation Administration Members:

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General Manager
Personnel Department

Bill Stein

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Retired Participant
Representative

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Representative

Rick Rogers

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Retirement System



PLAN ANNOUNCES SIGNIFICANT REDUCTION IN FEES

Message from the Board of Deferred Compensation Administration

The Board of Deferred Compensation Administration is pleased to announce a significant reduction in participant fees. This reduction is the result of strong growth in Plan assets and participation, as well as reduced pricing offered by the Plan Administrator, Great-West Retirement Services®. Lower fees mean that more of your money remains in your account and grows for your future. There are three primary components of this fee reduction.

Elimination of Payroll Fee

Effective in August 2007, the payroll fee of \$0.50 that presently accompanies each contribution to the Plan will be eliminated. The payroll fee has been charged only to participants making contributions to the Plan. The Board believes that eliminating this fee will help make the fee structure more equitable, because retired and noncontributing participants haven't had to pay it.

Administrative Fee Reduction

Effective July 1, 2007, the Plan's administrative fee was reduced from 0.11% to 0.10%. Reducing this fee helps provide participants with the

benefits of the fee reduction offered by Great-West Retirement Services in its recent contract renewal with the City.

Annual Administrative Fee Cap

Effective the third quarter of 2007 (July 1-September 30), an annual administrative fee "cap" of \$125 will be

implemented, so you will never pay more than \$125 annually in administrative fees. Previously, there was no limit on the amount you would pay in administrative fees as your account grew over time. However, with the new cap, you will effectively not pay any administrative fees on Plan assets over \$125,000. In practice, the cap will operate as a quarterly maximum of \$31.25.

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

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Investment Option Returns *as of June 30, 2007*

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month end, please visit www.cityofla457.com. The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost. Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds and/or disclosure documents from your registered representative. Read them carefully before investing.

Average Annualized Returns as of June 30, 2007¹

Variable Investment Options	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense	Inception Date of Option	Separate Account Inception ²
Bond: Active³								
MSIF Trust Core Plus Fixed Income: INST ^{4,5} <i>Benchmark Index: Lehman Brothers Aggregate Bond</i>	1.42% 0.98	5.64% 6.12	4.67% 3.98	4.89% 4.48	5.98% 6.02	0.44% N/A	Nov-84 N/A	N/A N/A
PIMCO Total Return Fund <i>Benchmark Index: Lehman Brothers Aggregate Bond</i>	0.35 0.98	5.21 6.12	3.97 3.98	4.78 4.48	6.51 6.02	0.43 N/A	May-87 N/A	N/A N/A
Bond: Index³								
Vanguard Total Bond Market Index Fund Inst. ^{4,5,6} <i>Benchmark Index: Lehman Brothers Aggregate Bond</i>	0.84 0.98	6.20 6.12	3.97 3.98	4.31 4.48	5.86 6.02	0.07 N/A	Sep-95 N/A	N/A N/A
Balanced^{7,8}								
Hartford Advisers HLS ^{5,9} <i>Benchmark Index: S&P 500[®] 60% / Lehman Bros. Bond 40%</i>	7.40 4.57	18.79 14.80	9.44 8.60	8.55 8.22	6.69 6.69	0.57 N/A	Mar-83 N/A	May-99 N/A
Large-Cap Stock: Active								
Capital Guardian U.S. Equity Fund <i>Benchmark Index: S&P 500</i>	6.67 6.96	15.51 20.59	10.13 11.68	N/A 10.71	10.13 7.13	0.48 N/A	Apr-88 N/A	May-03 N/A
Hartford Stock HLS ^{7,8} <i>Benchmark Index: S&P 500</i>	10.33 6.96	25.38 20.59	12.50 11.68	10.75 10.71	6.97 7.13	0.39 N/A	Aug-77 N/A	May-99 N/A
American Funds Investment Company of Amer A ⁵ <i>Benchmark Index: Russell 1000 Value</i>	8.04 8.77	18.49 25.58	12.91 17.76	11.34 12.51	9.50 10.59	0.57 N/A	Jan-34 N/A	N/A N/A
Fidelity Magellan [®] Fund ⁵ <i>Benchmark Index: S&P 500</i>	10.78 6.96	16.74 20.59	9.96 11.68	8.81 10.71	6.51 7.13	0.59 N/A	May-63 N/A	N/A N/A
Hartford Capital Appreciation HLS ^{7,8} <i>Benchmark Index: S&P 500</i>	11.51 6.96	25.45 20.59	18.52 11.68	19.37 10.71	13.97 7.13	0.59 N/A	Apr-84 N/A	May-99 N/A
American Funds Growth Fund of America A ⁵ <i>Benchmark Index: Russell 1000 Growth</i>	9.22 8.13	17.96 19.04	14.01 8.70	13.72 9.28	12.61 4.39	0.65 N/A	Dec-73 N/A	N/A N/A
Large-Cap Stock: Index⁶								
Vanguard Institutional Index Fund ^{5,6} <i>Benchmark Index: S&P 500</i>	6.94 6.96	20.55 20.59	11.66 11.68	10.72 10.71	7.17 7.13	0.05 N/A	Jul-90 N/A	N/A N/A
Mid-Cap Stock¹⁰								
Lazard Mid Cap Institutional <i>Benchmark Index: Russell Midcap</i>	12.14 9.90	24.83 20.83	16.40 17.16	15.14 16.39	N/A 11.86	0.93 N/A	Nov-97 N/A	N/A N/A
Small-Cap Stock: Active⁹								
Lotsoff Small Capital Equity Fund ⁵ <i>Benchmark Index: Russell 2000</i>	4.48 6.45	8.65 16.43	N/A 13.45	N/A 13.88	N/A 9.06	0.95 N/A	Jan-93 N/A	May-03 N/A
Small-Cap Stock: Index^{6,9}								
State Street Russell 2000 Index Trust Fund C ⁶ <i>Benchmark Index: Russell 2000</i>	6.32 6.45	16.17 16.43	13.02 13.45	13.34 13.88	N/A 9.06	0.20 N/A	Mar-00 N/A	N/A N/A
International Stock: Active¹¹								
Fidelity Diversified International Fund ⁵ <i>Benchmark Index: MSCI EAFE</i>	11.10 10.74	25.72 27.00	22.14 22.24	19.02 17.73	12.78 7.66	1.01 N/A	Dec-91 N/A	N/A N/A
International Stock: Index^{6,11}								
DWS EAFE Equity Index Fund ^{5,6} <i>Benchmark Index: MSCI EAFE</i>	10.47 10.74	26.36 27.00	21.78 22.24	16.96 17.73	7.12 7.66	0.48 N/A	Jan-96 N/A	N/A N/A
Profile Portfolios¹²								
Conservative	3.34	10.99	7.31	7.18	6.49	0.10	May-02	N/A
Moderate	4.86	14.78	9.75	9.22	8.00	0.11	May-02	N/A
Aggressive	6.15	17.84	11.86	10.92	9.25	0.13	May-02	N/A
Self-Directed Brokerage Option¹³								
OptionsPlus Self-Directed Brokerage Option	To obtain the investment company fund prospectus and disclosure documents, you must contact the mutual fund company directly. OptionsPlus does not provide fund fact sheets, fund prospectuses or any investment advice.							

Annualized Yield for Quarter—New Contributions Only

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

FDIC Insured Savings Account Options

Washington Mutual Liquid Savings Account ⁴	5.58%	5.30%	5.31%	5.34%	5.35%
Washington Mutual Certificates of Deposit-1 Year ^{4,14,15}	5.30	4.98	5.09	5.29	5.48
Washington Mutual Certificates of Deposit-2 Year ^{4,14,15}	5.36	4.79	4.82	5.08	5.43
Washington Mutual Certificates of Deposit-3 Year ^{4,14,15}	5.40	4.73	4.73	5.02	5.42
Washington Mutual Certificates of Deposit-4 Year ^{4,14,15}	5.44	4.72	4.71	5.02	5.43
Washington Mutual Certificates of Deposit-5 Year ^{4,14,15}	5.48	4.75	4.71	5.05	5.45

Fixed Option

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

	YTD	1 Year	3 Years	5 Years	10 Years/ Since Incep	Option Operating Expense	Inception Date of Option	Separate Account Inception
Stable Value Option								
Galliard Stable Value Fund ⁴	2.38%	4.79%	4.47%	4.56%	5.39%	0.15%	Sep-85	N/A

¹ The average annual and calendar year returns for the funds reflect actual total returns for each fund, net of fund operating expenses. Any administrative fees or expenses charged will reduce the overall rate of return.

² Standardized returns date from the inception of the separate account in which the underlying assets are held. Separate account 457 was established by Hartford Financial Services Group, Inc. on May 4, 1999. All calendar year returns prior to the separate account inception date are computed using hypothetical unit values that are based on the underlying fund's performance less separate account charges and assume the investment option was available as of the inception date of the underlying fund for the periods indicated. The performance shown is calculated based upon an investment-only contract and does not reflect charges of any other service provider.

³ A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

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

⁵ Mutual fund investment option.

⁶ An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

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

⁸ The underlying securities in the portfolio and the composition of the respective securities are subject to change. Investment options are available under a fixed or variable contract issued by Hartford Life Insurance Company and are principally underwritten by Hartford Securities Distribution Company, Inc. and subadvised by Wellington Management Company, LLP.

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

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

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

¹² The asset allocation options made available to you through your Plan include investment options made up of a mix of your Plan's individual investment options. With each quarterly statement, you are able to determine the value of your account allocated to an individual investment option as of the rebalancing date of the asset allocation option by multiplying the value of your account allocated to the asset allocation option by the percentage of the allocation option in the individual investment option. For example, if you have \$500 in Allocation Option 1 and 10% of Allocation Option 1 is represented by the ABC Fund, you would multiply \$500 by 10% to determine that \$50 of your account value in Allocation Option 1 is invested in ABC Fund as of that date. In order to determine the number of shares of the individual investment option, you may divide the portion of your account value represented by the ABC Fund (\$50 in the above example) by the daily share price of

the ABC Fund. For more information about the Profile Portfolio options, including specific underlying funds used, please log on to the Web site or call a local service center representative at (888) 457-9460.

¹³ Participants choosing the OptionsPlus Self-Directed Brokerage option will be charged an additional annual administrative fee of \$75 per year. There are no per-transaction fees. Available through Fiserv Trust Company Corporation; call (866) 567-8653 for more information about this option. OptionsPlus securities are not offered through GWFS Equities, Inc.

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

¹⁵ Certificates of deposit are insured and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

¹⁶ Rate guaranteed for new deposits made during this quarter only.

Transfer Restrictions

Transfers out of the Galliard Stable Value Fund must be invested in a variable investment option for a minimum of 90 days prior to investing any funds in the Hartford Life General Account or the Washington Mutual Liquid Savings Account. Transfers may not be made directly from the Galliard Stable Value Fund to the Hartford Life General Account or the Washington Mutual Liquid Savings Account.

Transfers out of the Hartford Life General Account must be invested in a noncompeting variable investment option for a minimum of 90 days prior to investing any funds in the Galliard Stable Value Fund, Washington Mutual Liquid Savings Account, Washington Mutual CDs, Vanguard Total Bond Market Index Fund or MSIF Trust Fixed Income Portfolio. Transfers may not be made directly from the Hartford Life General Account to the Galliard Stable Value Fund, Washington Mutual Liquid Savings Account, Washington Mutual CDs, Vanguard Total Bond Market Index Fund or MSIF Trust Fixed Income Portfolio.

Great-West Retirement Services[®] refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Core securities (except OptionsPlus), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company, 8525 East Orchard Road, Greenwood Village, CO 80111, (888) 457-9460. Core investment options are through collective trusts, mutual funds and a group fixed and variable deferred annuity underwritten by Hartford Securities Distribution Company, Inc. and subadvised by Wellington Management Company, LLP. GWFS Equities, Inc., or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services. Great-West Retirement Services[®], KeyTalk[®] and Invest in Your DreamsSM are service marks of Great-West Life & Annuity Insurance Company. Not intended for use in New York. Form# CB1003N (7/15/07) PT# 45787

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City of LA Makes News

We are very proud to announce that the City of LA made news recently in a retirement industry periodical. The June 1, 2007, issue of *Defined Contribution & Savings Plan Alert* reviewed the City's recent efforts to raise awareness among Plan participants about the potentially higher costs associated with retail accounts available outside of the Deferred Compensation Plan. An excerpt from the article has been reprinted below.

Not So Fast— Los Angeles Issues Rollover Fee Warnings

06/01/2007

The City of Los Angeles Deferred Compensation Plan has begun a campaign to keep its participants from rolling over their savings to higher fee retail accounts. Steven Montagna, program manager, said the effort is a response to advisors who have been poaching participants from the plan, advising them to roll their assets into an individual retirement account. He said participants were unaware that fees in the city's plan could be lower and the goal is simply to make sure they know the difference.

"We noticed more aggressive marketing from broker-dealers and sales people to get participants to roll money out when they retire," said Montagna. "The investment advisory or sales fees that participants could have to pay are substantially higher than if they remained in the plan."

He said the city believes it has begun seeing increased levels of rollover activity in the past few months, but did not have definitive figures yet. Los Angeles charges a 10 basis points administrative fee on its accounts and its funds carry expense ratios[‡] ranging from 2.5 basis points to 101 basis points (bps)[¥]. Its target-risk funds, which are a collection of index funds, charge between 10 and 14 basis points. Some advisors will charge anywhere from 100 bps to 150 bps on top of the expense ratios of the funds they recommend.

The city began a series of seminars on rollovers last month and its April newsletter to participants focused on the potential drawbacks to leaving the plan for an IRA. Articles on fees have also been published by the police and fire departments.

Los Angeles is preparing an educational brochure that deals with the various fees charged by mutual funds, such as investment management, administrative and entry and exit sales charges. The city wants participants to be able to translate expense ratios into dollars when approached by an advisor. Montagna said the city is also looking at adding more information about fees in its basic enrollment materials.

Steve Charlton, managing partner at New England Pension Consultants*, said the city's effort is uncommon among both public and private sector sponsors. But, he said, generally participants who move assets from a large retirement plan to an advisor could see costs double. Los Angeles' 457 plan has \$2.7 billion under management.

‡ A mutual fund's expense ratio represents the recurring management fees that a fund company charges its fund holders each year (expressed in terms of a percentage of the fund's assets).

¥ The term basis point refers to the fees associated with an investment account. One basis point is equal to 1/100 of a percentage point (1 bp equals 0.01%).

* GWFS Equities, Inc. is not affiliated with New England Pension Consultants.

Frequently Asked Questions

The following Q&A is intended to provide you with some general information and to answer some questions you may have stored in the back of your mind about the City of Los Angeles Deferred Compensation Plan.

Q: I have recently moved. How do I change my address?

A: You can call KeyTalk® at (888) 457-9460, option 0, to speak with a Great-West Retirement Services representative, or you may fill out a Personal Information Change form available on the Web site under Forms.

Q: How do I make sure I have updated my beneficiary or find out if I have one designated?

A: You can perform this inquiry by visiting the Plan's Web site at www.cityofla457.com. Click View Account and then View Beneficiary, or click Change Account and then Change Beneficiary to make the necessary changes online. You can also fill out a Beneficiary Designation Change form.

Q: Who are the decision makers for the City's Deferred Compensation Plan?

A: The Board of Deferred Compensation Administration provides oversight of the City Plan. The Board members are

listed on the front page of the newsletter. The Board is fully responsible for all aspects of Plan design and administration, including establishing the Plan's administrative and investment service contracts, reviewing requests for hardship withdrawal, adopting policies for Plan administration and reviewing potential changes/enhancements to the program. The Board generally meets the third Tuesday of every month at 9:00 a.m. in the Personnel Building (700 E. Temple Street, Room 350) and welcomes members of the public.

The Plan's Web site at www.cityofla457.com has a wealth of information about the investments available in the Plan. The City also has a site that covers the administration of the Plan from the City's perspective. Please visit the Board portion of this site at www.lacity.org/per/deferredcomp/DeferredComp.htm.

While neither Great-West Retirement Services or City representatives can give investment advice, we can provide guidance, education or even just lend an ear. We also offer educational seminars each quarter, which are listed in this newsletter.

Board Takes Steps to Improve Plan's Fixed-Interest Options

The Board of Deferred Compensation Administration has taken steps that should result in improved rates of return over the near term for the City's two fixed-account investment options, the Hartford General Account and the Galliard Stable Value Fund. Currently, the City Plan's assets with both Hartford and Galliard are part of larger "pooled" accounts, in which the City's assets are commingled with those from other investors. The Board has taken steps to begin transitioning the City's assets out of these pooled structures into "separate" accounts where the City's assets would no longer be commingled with other assets.

Taking this step will provide several benefits. First, it will allow the City's Plan more flexibility in future years to search for

competitive providers of such investments. Second, given the current interest rate environment, it is likely to provide an immediate improvement in yield for both funds. Finally, it will help pave the way for the Plan to consolidate both accounts under a single provider several years down the road, which would eliminate the transfer restrictions that presently exist between the two funds.

The transition from pooled to separate accounts is a process that will not affect how these options appear within the Plan to participants. The transition process will happen "in the background" and will affect only how the funds are held, not what they are invested in. The process is tentatively scheduled to begin October 1, 2007.

Fund Updates

As a reminder, the MSIF Trust Core Plus Fixed Income Institutional Fund (MSIF Trust) will be eliminated on July 23, 2007. Any assets in MSIF Trust as of the effective date of its elimination will be automatically transferred to the PIMCO Bond Fund.

Also, as of June 7, 2007, current Vanguard Institutional Index Fund shares were exchanged for shares in the Vanguard Institutional Index Fund Institutional Plus Shares (ticker symbol: VIIIX). This fund change took place as the result of a fee reduction from the 0.05% operating expense for the Vanguard Institutional Index Fund to 0.025%. For investors in this fund, you will see the change in your account showing the transfer of shares and assets from the higher expense fund to the lower expense fund.

Seminar: Financially Fit

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

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

Location	Date	Time
City Hall Room 1070, 10th Floor 200 N. Spring St. Los Angeles, CA 90012	August 15, 2007	10:00 a.m. and 1:00 p.m.
Department of Water and Power John Ferraro Building (JFB) San Francisco Room 111 N. Hope St. Los Angeles, CA 90012	August 24, 2007	10:00 a.m.
Westchester-Loyola Library Meeting Room 7114 Manchester Ave. Los Angeles, CA 90045	August 29, 2007	10:15 a.m.
Marvin Braude Constituent Center (Van Nuys City Hall) Conference Room 1B, 1st Floor 6262 Van Nuys Blvd. Van Nuys, CA 91401	August 30, 2007	10:00 a.m.

Have Questions? Need Information?

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

Web site: www.cityofla457.com

KeyTalk: (888) 457-9460

City Hall

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

DWP

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

Van Nuys City Hall

Marvin Braude Constituent
Center, Conference Room 1B
6262 Van Nuys Boulevard
Office hours: September 13, 2007,
from 10:00 a.m. to 2:00 p.m.

LAX Airport

Generally, the third Wednesday of
every month. Call the local service
center to confirm locations and
times for office hours.

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

Steven Montagna

Program Manager

steven.montagna@lacity.org or
(213) 485-4846

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.