County of Los Angeles
Savings Plan

October 2006

Retirement Planning Edition

In addition to your LACERA pension, your Savings Plan provides you with an opportunity to build a supplemental retirement nest egg. These quarterly newsletters are designed to provide you with information to help you invest wisely. This edition is dedicated to the additional planning needed outside of LACERA and the Savings Plan to prepare for a financially solid and secure retirement.

Why You May Need a Will

A little planning now can protect your family's future

If you have a family and a home, you should consider having a will, living trust or other legal document as appropriate to your specific circumstance. A will is your chance to say who gets what in your estate when you pass away—including your house and possibly some of your investments. Without a will, state law will determine how your assets are distributed and who will take care of your children. And those decisions may not be what you want. A will can be drawn up quickly and easily by a lawyer, at a typical cost of between $500 and $1,000.

Choose an Executor

First, decide who you want to be the executor of your estate. He/she is the one who will be responsible for filing your will in probate court. The executor is often a spouse or partner, but you can—and should—name an alternate, in case the executor dies before you or can't handle the responsibility for some reason.

Look After the Kids

Second, name a guardian for your children if they are under 18 or if you have adult children with special needs. This is important because if you and your spouse perish at the same time—unlikely as that may seem—a judge would decide who will take care of them unless you have a will. Consider naming an alternate guardian, as well. Be sure to discuss your decision and its potential personal and economic consequences with your children (depending on their age) and your potential guardian.

Divide Your Estate

Next, decide how you want your assets to be distributed to your loved ones and make sure your specific desires are stated clearly.

Make Sure It's Timely

Finally, once you have a will, remember to update it whenever there is a significant change in your family's circumstances—like a new job or a significant inheritance. Although establishing a will may seem like a chore now, it will help your loved ones tremendously down the road.

Summer Newsletter Correction

In the July 2006 issue of the County's 401(k) Savings Plan newsletter, the article titled "Rev Up Your Retirement Plan Account" implied that LACERA could not be relied upon for a secure retirement. The intention of this statement was to say that Social Security could not be relied upon. LACERA is the foundation of your retirement assets and is a secure pension plan. Social Security may be offset because of your government pension and therefore you may be eligible for a lesser amount than you expect. Your 401(k) enhances your retirement benefit from LACERA. We apologize for any confusion this misstatement may have caused.

Brief Notes:

One-Step Loans

In order to simplify the loan process, we have enhanced your system to accommodate one-step loans. It can all be done online at **www.countyla.com**. If your loan is approved, a check along with a promissory note and loan policy will be mailed to you at your address on record. By signing the back of the check, you are agreeing to the terms of the promissory note and loan policy.

Contribution Maximum for 2007

We will not find out if the federal government will be increasing the maximum limits for 2007 until late November or early December. The current limit is $15,000, or $20,000 for the Age 50+ Catch-Up. If the federal government does increase the limits and you plan to take advantage of the higher maximums, you will need to change your contribution percentage in November for the change to take effect on your first paycheck in January 2007.

Expanded Direct Deposit Capabilities for Retirees

Great-West Retirement Services is pleased to announce the extension of direct deposit (also known as electronic funds transfer "EFT" or "ACH" deposit) to partial and full distributions. Previously, direct deposit was only available for periodic payments. This service will give you the option of having your one-time payment direct deposited to your checking or savings account for an additional charge of $15 per withdrawal. You can avoid the extra charge by receiving the payment by check. Direct deposit for periodic payments continues to be offered without additional charge.

For more information on loans, contribution limits and direct deposit please contact a CSR at (800) 947-0845.

Are All Your Documents Current?

As your life changes, the papers in your file cabinet should, too

Your will isn't the only important document that needs to be brought up to date as your circumstances change. Healthcare proxies, insurance and retirement Savings Plan beneficiary forms may also require attention if you get married, divorced or have a baby. Note: The beneficiaries designated on your retirement Savings Plan beneficiary form generally take precedence over those designated in your will as beneficiaries of your estate. This may also apply to trusts, bank accounts, deeds, any mortgage/loans/liens and partnership interests. Be sure to discuss any changes you make with loved ones, and remind them where these documents are filed so they're readily accessible in case of an emergency.

Decoding RMDs

When years of saving pay off

The term "RMD" stands for required minimum distribution. The Internal Revenue Service (IRS) requires that you must generally start taking RMDs—and paying taxes on them—from your Savings Plan when you turn 70½.

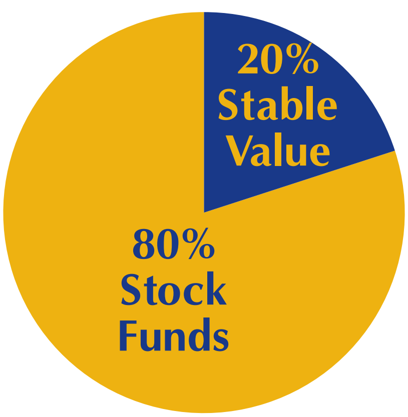
Your first distribution must be taken by April 1 of the year after you turn 70½, unless you are still actively employed, in which case you do not have to take a Savings Plan distribution. Each withdrawal may be subject to income taxes at your current ordinary income rate. The required minimum you must withdraw is based on your life expectancy and/or that of your spouse or other beneficiary. You don't have to guess at your life expectancy; the IRS has tables that calculate it for you. For more information, contact the IRS at (800) 829-4933 or **www.irs.gov**.

Life-Stage Investing

Asset allocation at every age

When the stock market experiences a downturn, many people become extremely nervous—and retirement plan investors are no exception. Should you change your investment strategy in an attempt to protect your retirement Plan assets? It depends. You've allocated your assets based on your age, the time you have until you retire and your tolerance for risk. Generally, the ups and downs of the market are not reason enough to change. Time is on your side. But if your time horizon is short, fine-tuning your Plan may be a smart thing to do.

Let's follow Carolyn, a hypothetical investor in her 50s, to see how she allocated the investments in her retirement plan throughout her working years, and what she's doing now to help protect her hard-earned retirement dollars.[1]



A Head Start

When Carolyn was in her early 30s, she had already been investing for several years. She still had more than 30 years to invest for her retirement, so she took advantage of her retirement plan and contributed as much as she could—with a goal to maximize the benefits of compounding in her account. She had enough time to make up for the inevitable gains and losses in the market, so she went for growth and allocated 80% of her money to stock funds and 20% to bond and stable value funds.

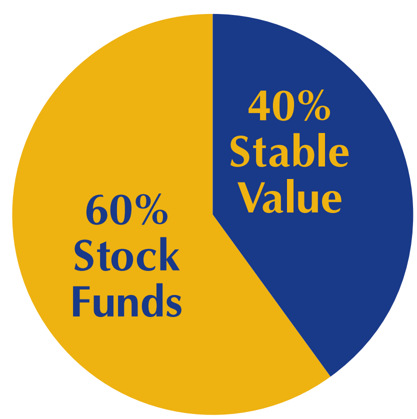
It's All Tied Together

Regardless of your current age, you should take some time to review your Savings Plan performance. An excellent time is when you receive your quarterly statements. You don't have to be an investment expert to see if your investments have gained or lost ground. But before you take any action, be sure to take a look at the bigger picture. First, consider your personal circumstances: risk tolerance, years until retirement and life events. Next, find out what's happening in the world: How is the economy faring? Are certain national/world events affecting the market? What are the experts' forecasts? Although the latter is not the most reliable source of future performance, take all the information you just collected and ask yourself:

1) *Is the performance within my long-term investment expectations?*
2) *Does my performance reflect the global markets?*

Your answers to these two questions and how they weigh against each other should help you make your next investment decision.

Growing a Nest Egg



In her 40s, Carolyn was earning more money, but also paying college bills and a mortgage. Because she wanted to help protect her money from short-term market swings when she had

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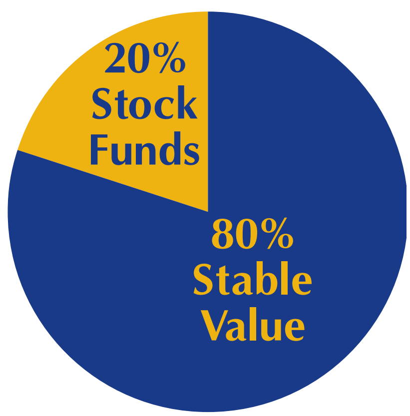
such big expenses, she moved about 20% more of her assets into bond and stable value funds, for a total allocation of 40%. She still invested as much as she could during these years and continued going for growth by keeping approximately 60% of her assets in stock funds.

The Home Stretch

Now in her 50s, Carolyn wants to protect her retirement dollars. She only has about 10 years left until she retires and is now more concerned about investment risk. She decided to allocate 60% of her assets into bond and stable value funds, leaving only 40% in stock funds.

Retirement

Carolyn worries about having enough money to live on when she's retired, and she's afraid that higher inflation could eat away at the value of her assets. She tries to safeguard her assets by allocating 80% of her money to bond and stable value funds, keeping 20% in stock funds as a potential hedge against inflation.



Remember:

Just because you're retired doesn't mean you should become an ultraconservative investor. Your retirement account has to continue working for you (generating interest) to provide benefits that last you a lifetime.

1 This is a hypothetical illustration that is not meant to represent the experiences of any individual. Should you wish to apply this information to your individual circumstances, please take into account any assets, income or investments you may have in addition to your interests in the retirement Savings Plan.

How to Reach Us

On the Internet:
www.countyla.com*

By Phone:
(800) 947-0845

Call the L.A. County Service Center toll free and choose "1" from the menu of options you hear to obtain information or make changes to your account. You will be connected to KeyTalk®, an automated service available 24 hours a day, seven days a week.* Once you enter your Social Security number and Personal Identification Number (PIN), you can retrieve personal account information and make changes to your account.

In Person:
The L.A. County Service Center

Located at 500 N. Central Ave., Suite 220, Glendale, CA 91203. Office hours are Monday through Friday, 8:30 a.m. to 5:00 p.m. Pacific Time. Call (800) 947-0845 and choose "4" from the menu to schedule an appointment.

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*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.
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