



# County of Los Angeles Savings Plan

January 2007

## New for 2007... Higher IRS Contribution Limits

The IRS has announced the 2007 calendar year contribution limits for your Savings Plan. Your personal before-tax contribution limit is either the amount listed in the table on your right or 100% of eligible earnings as defined by the Plan, whichever is less.

### 2007 Maximum Contributions

Deferral Limit	\$15,500
Combined Deferral Limit and Age 50+ Catch-Up	\$20,500

## An Enhanced Savings Plan Web site

The Savings Plan Web site ([www.countyla.com](http://www.countyla.com)) serves as a virtual window into your account; providing you with a powerful tool to make transactions and perform general account maintenance on a regular basis to ensure that you stay on track to reach your retirement goals.

Great-West Retirement Services has not only created a new look and feel but has also added some great new features.

- Personal security improvement that eliminates the need for you to use your Social Security number to access the site
- Detailed transaction history such as contributions, transfers and withdrawals conveniently housed on one page
- The ability to download your account activity to the personal finance software programs Quicken® and Microsoft® Money
- A print-friendly feature that is always visible and allows you to easily print a page with a single click of your mouse
- A Change Plan dropdown menu that lets you switch back and forth between different plans in which you participate

Log on and tour your new Savings Plan Web site.

# Investments 101: Bonds and Your Asset Allocation<sup>1</sup>

## Diversifying Your Retirement Portfolio

Because stocks and bonds tend to move in opposite directions, bond funds can improve your portfolio's diversification, and the income they generate can provide a valuable cushion. If you're new to bond funds, or are thinking about buying more, the following facts may help you understand them.

### The Basics

When you buy a bond, you're lending money to an issuer (borrower)—typically the U.S. government, a corporation or a municipality—which pays you interest and repays your principal in the future when the bond matures. The face value of the bond is the amount you receive at maturity—usually \$1,000 for corporate bonds, \$5,000 for municipal bonds and \$10,000 for government bonds.

### Interest Is Everything

Interest rates have the greatest impact on bond prices; however, changes in the issuer's credit quality or financial condition can also affect a bond's value. Generally, when interest rates drop, bond prices rise because new bonds will pay a lower interest rate—making existing bonds more valuable.

When rates rise, the reverse is true: Bond prices fall because new bonds will pay a higher interest rate—making existing bonds less valuable. Of course, you don't lose any money on a bond that declines in value unless you sell it before it matures. If you continue to hold a bond, you receive the same interest rate—regardless of current market interest rates.

### It's a Matter of Maturity

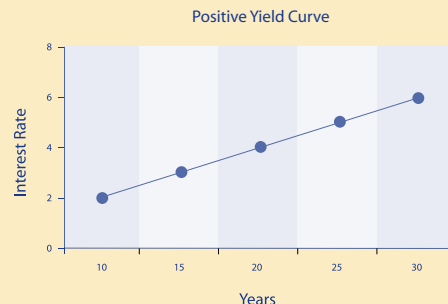
Most bonds fall into three categories: short term (less than five years), intermediate term (five to 10 years) and long term (10 years or longer). Generally, the longer a bond's maturity, the greater its yield—the interest paid by a bond, expressed as an annual percentage. These higher yields compensate investors for longer investment periods and greater price volatility. Typically, mutual funds invest in bonds with different maturities to help shield investors from interest rate risk.

### The Yield Curve: Risk vs. Return

You can use a yield curve—a graph that illustrates the relationship between the interest rates (yields) on short- and long-term bonds of the same quality—to assess risk and reward associated with bonds of various maturities.

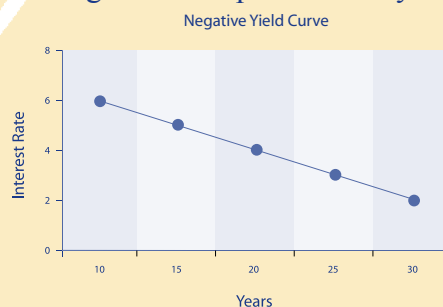
When short-term rates are lower than long-term rates, it's a *positive yield curve*.

When short-term rates are higher than long-term rates, it's a *negative or inverted yield curve*. When there is little or no difference between short-term and long-term rates, it's a *flat yield curve*.



The yield curve tends to be positive, because investors who agree to tie up their money for longer periods are

usually compensated with a higher yield for the extra risk they are taking. A common version of the yield curve plots Treasury securities, showing the range of yields for a three-

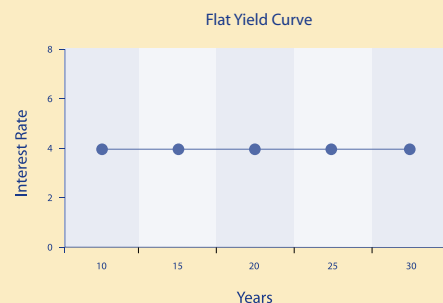


month Treasury bill up to a 20- or 30-year Treasury bond.

Equipped with this knowledge, consider including bond funds in your retirement portfolio. The bond fund investment options available to you are the PIMCO High Yield Fund and the Blackrock Core Bond Portfolio-Institutional.

*Please consider the investment objectives, risks, fees and expenses carefully before investing.*

*For this and other important information you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.*



# Potential Rollover Consequences

As you approach retirement, become eligible for an in-service withdrawal and start to consider your options for your 401(k) Savings Plan, there are many financial advisers who will solicit you for various products. Legislation now allows your 401(k) Savings Plan account to be rolled into an Individual Retirement Account (IRA). In some cases, participants aren't receiving the services or value they expect from rolling their funds into an IRA. However, depending on your unique situation, rolling your funds over to an IRA may be a good option.

Because we receive useful feedback from participants who have rolled their money to an IRA, please review the following points if you are considering rolling your money to another provider after retirement.

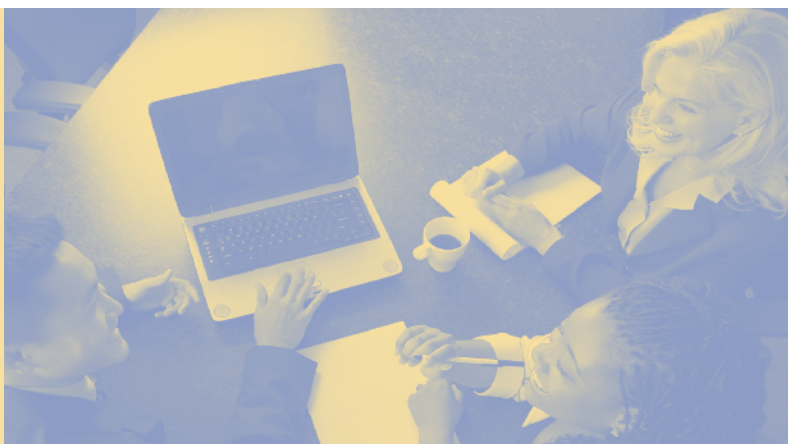
1. Understand what the provider is selling and know what you are buying. It is ultimately your responsibility as the investor to ensure that the investment is suitable for you. If you don't understand the service or product or feel you don't have the proper explanation, ask for more information. And be comfortable with the information you receive. Great-West Retirement Services representatives are salaried employees as required by the County of Los Angeles in the Great-West Retirement Services contract. Great-West Retirement Services representatives do not get any commissions, regardless of your actions with your account. However, many independent brokers are paid commissions based on the investments you

choose and/or the frequency of your trading.

2. You are eligible for an in-service withdrawal of the County matching contributions if you have been in the Plan for 10 years. Once you have been in the Plan for 10 years and reach age 59½, you are eligible to withdraw the entire account balance (even while still working at the County) without being subject to the 10% tax penalty.
3. If you retire with a LACERA pension during the calendar year in which you reach age 55 or later, you can begin taking Savings Plan distributions at age 55 without being subject to the early withdrawal 10% tax penalty.
4. Compare fees, commissions, trading expenses and other transaction costs. In some cases, it may be less expensive to stay in your 401(k) Savings Plan than to roll your money out. Know the personal value of the additional costs.

Ultimately, no one watches your money better than you. While investing can appear complicated, the best approach is to educate yourself on basic investing terms and working with your 401(k) Savings Plan representative or an adviser. You'll be surprised how a little discussion can enhance your investment and retirement planning knowledge. Also, if you are rolling your funds to an IRA, consider leaving a portion in your 401(k) Savings Plan account. This way, if you wish to roll funds back, your account is still open under the Plan.

**Compare fees, commissions, trading expenses and other transaction costs.**





## Administrative Notices:

### Plan Fee Adjustments

Effective July 1, 2006, through June 30, 2007, the monthly County administrative fee for participants in the Savings Plan has decreased from \$5.22 to \$3.69. The Great-West Retirement Services® administrative fee, per contract terms, is now \$4.59, which reflects a \$0.25 Plan subsidy.

Both the County administrative fee and the Great-West Retirement Services third-party administrative fee are deducted each month from your Savings Plan account to pay for direct Plan administrative expenses, including contractor fees and County services. The new rates will be reflected on your fourth quarter statement.

### Termination Pay Program Update: Modified Contribution Mechanism

The County has received official verbal notice from the IRS that an adverse ruling will be made against the existing Termination Pay Program, including the Savings Plan's pick-up of termination pay. Affected participants will receive a separate notice in the mail. Please call the L.A. County Service Center if you have any questions.

## Great-West Retirement Services Customer Service Is There For You

### On-Site Customer Service Locations

#### Martin Luther King/Drew Medical Center

12021 S. Wilmington Ave., Los Angeles  
First and third Monday every month in main lobby

#### LAC/USC Main Hospital

1200 N. State St., Los Angeles  
Second and fourth Friday of each month in cafeteria

#### Kenneth Hahn Hall of Administration

500 W. Temple St., Los Angeles  
Third Thursday of each month, second floor lobby entrance from mall

#### Public Works

900 S. Fremont Ave., Alhambra  
Third Wednesday of each month in cafeteria

#### Health Services

313 N. Figueroa St., Los Angeles  
Fourth Tuesday of each month in the main lobby

#### Olive View Medical Center

14445 Olive View Dr., Sylmar  
Second Wednesday of each month in cafeteria

#### Rancho Los Amigos Rehabilitation Center

7601 E. Imperial Hwy., Downey  
Second Thursday each month in Café Los Amigos cafeteria

#### Harbor/UCLA Medical Center

1000 W. Carson St., Torrance  
Second Thursday of each month in elevator lobby

Note: On rare occasions, a representative may not be available. Representatives also follow the normal holiday schedule.

## How to Reach Us

**On the Internet:**  
**[www.countyla.com](http://www.countyla.com)**<sup>2</sup>

**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.<sup>2</sup> 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.

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.

<sup>1</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>2</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. 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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