



# County of Los Angeles Savings Plan

August 2009

In this edition of your Savings Plan newsletter, every effort has been made to help you understand how the Savings Stable Value Fund, the Bank Depository Fund and the Savings Bond Fund work. For additional information on these investment options, see your Fund Data Booklet, which is mailed annually and is also available online at [www.countyla.com](http://www.countyla.com).<sup>1</sup> If you have any questions, please call the County of Los Angeles Service Center at (800) 947-0845.

## Savings Stable Value Fund

The Savings Stable Value Fund is one of three fixed income options available in the Plan, the other two being the Bank Depository Fund and the Savings Bond Fund. The Savings Stable Value Fund and Bond Fund are not FDIC-insured.

The Savings Stable Value Fund does provide a relatively stable investment compared to the other asset class and target date funds. The Savings Stable Value Fund has two goals: to preserve capital and to provide you with a competitive crediting rate (the interest rate you receive) with limited volatility of the underlying assets.

### How the Savings Stable Value Fund Works

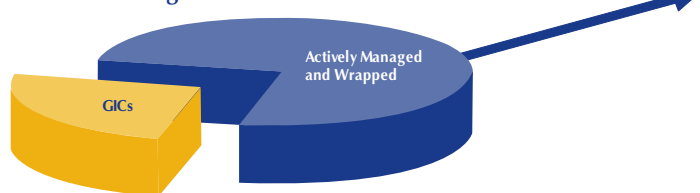
The Savings Stable Value Fund is managed internally by the County<sup>2</sup> with the assistance of an independent professional investment consulting firm. Investment and insurance firms providing the underlying investments in the Savings Stable Value Fund must meet and maintain qualification requirements within the Savings Investment Policy. The fund is diversified between two major categories. Assets are invested in guaranteed interest contracts (GICs) offered by insurance companies and actively managed fixed income funds offered by investment companies.

### Active Management Component

The actively managed component of the Savings Stable Value Fund is comprised of fund managers who specialize in the bond market, which means their performance is subject to daily market changes, albeit, typically not as dramatic as the equity market. However, the Savings Stable Value Fund does provide you with a guaranteed quarterly crediting rate that you will receive during the quarter, regardless of any market volatility. The Savings Stable Value Fund can guarantee the quarterly crediting rate, in part, because of an insurance policy, known as wrap coverage, on the assets managed by each of the fund managers. The wrap coverage guarantees the “book value” of the assets. The book value of the assets is the recorded and promised value of your contributions and earnings. This is different from the “market value,” which is the value of the underlying securities in the Savings Stable Value Fund on the open market.

The wrap insurance would only be provided if the Savings Stable Value Fund had to be liquidated completely to accommodate participant-directed withdrawals, in which case the insurance policy would make up the difference between the higher book value and lower market value.

Savings Stable Value Fund Model



This simplified example illustrates what would happen the day you take money out of the Savings Stable Value Fund. (Assume \$100 of your Savings Stable Value Fund account balance is managed by a “wrapped” fund manager.)

### Actively Managed “Wrap” Insurance Protection

Your Account Balance with the Fund Manager (book value) \$100

Market Condition	Down	Neutral	Up
Market Value	\$95	\$100	\$105
Wrap Insurance Coverage	\$5	—	—
Total Paid out to You	\$100	\$100	\$100

Any gains or losses experienced during the quarter are reamortized into the next quarterly crediting rate.

<sup>1</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.

<sup>2</sup> Savings Plan assets have been placed in trust for the exclusive benefit of participants and their respective beneficiaries. The County and its creditors cannot make a claim on vested Plan assets, excluding the direct County services to the Plan that are paid by you through the County Administrative Fee that is deducted from your account each month.

# Savings Stable Value Fund *continued*

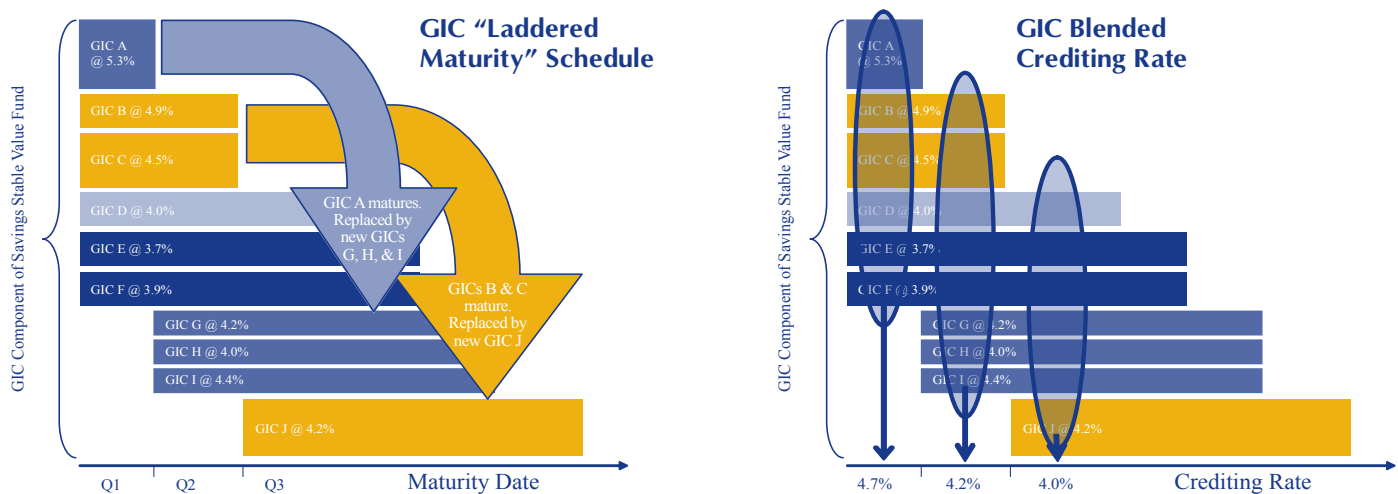
## GIC Component

A GIC is essentially a loan made to an insurance company for a set duration with a fixed interest rate to be paid to the Savings Stable Value Fund.

There are GICs from a number of insurance companies at any given time within the Savings Stable Value Fund. In order to provide you with a relatively

stable crediting rate, the GICs have different maturity dates corresponding to a “laddered maturity” schedule. This means that when a GIC matures and the insurance company repays the loan with interest, the cash received is used to issue a new GIC. The new GIC that is selected provides an interest rate that is competitive at the current market

conditions. Therefore, the interest rate for the maturing GIC that was made several years ago may be significantly different from the new GIC that will assume the maturing assets. The Savings Stable Value Fund’s crediting rate is then adjusted to reflect the difference between the old and new GIC interest rates. This process is repeated each calendar quarter.



FOR ILLUSTRATIVE PURPOSES ONLY. These hypothetical illustrations intend to show that GICs have different maturity dates corresponding to a “laddered maturity” schedule. As GICs mature, a search is conducted to find new GICs. The fund provides a blended rate of interest, which changes quarterly. The blended rate reflects the dollar-weighted average of the interest rates, net of any fees, applicable to each investment held by the fund.

## Things to know about GICs

### How a GIC Becomes Part of the Fund

To be considered for the Savings Stable Value Fund, the insurance companies providing the GICs must be rated “superior” or “excellent” by at least two of the major rating services, such as Moody’s and Standard & Poor’s. In addition, the company must have at least \$2 billion of invested assets with at least \$200 million in adjusted capital and surplus, which is

its net worth. The financial strength of each company is monitored on an ongoing basis; if it falls below the criteria, the contract is removed from the fund. The average duration of a GIC is between three and five years.

### GICs Are Unique

After reading this article, you may think that GICs are similar to bonds. After all, both promise to pay a set amount

of interest over a certain period of time for the use of an investor’s money. But the key difference is that GICs, like certificates of deposit<sup>3</sup>, are not subject to market or interest rate volatility when interest rates rise or fall—but bonds are. With GICs, the interest rate on each contract will not change before the contract’s maturity.

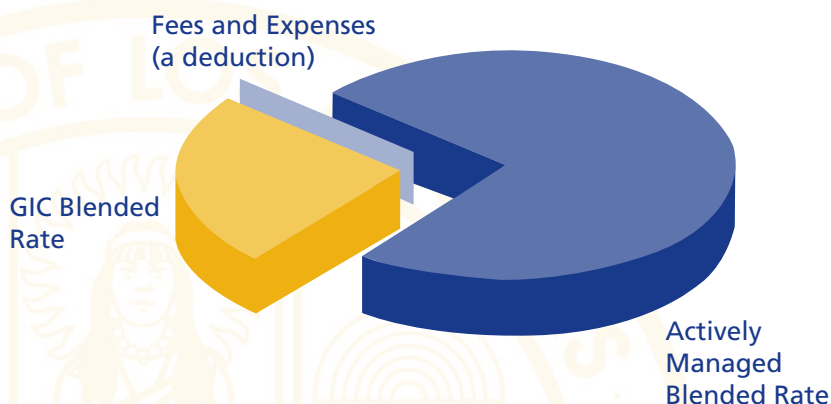
<sup>3</sup> Certificates of deposit are insured by the FDIC for up to \$250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

# Savings Stable Value Fund *continued*

## Calculating the Savings Stable Value Fund Crediting Rate

The Savings Stable Value Fund crediting rate is determined using a number of factors. As previously mentioned, the GIC maturity ladder schedule is a major component of the rate, as is an estimate of the actively managed component's performance. Expenses are then deducted, including fees for the investment consultant, any costs associated with County staff overseeing the fund, the individual fund manager's investment operating expense, and the wrap insurance fee. The result is a "dollar-weighted average" for each of these factors, which contributes to the blended crediting rate.

## Stable Fund Crediting Rate – Blending of All Components



## Bank Depository Fund

The Bank Depository Fund is the only Savings Plan investment option currently insured by the Federal Deposit Insurance Corporation (FDIC). Your investment in the Bank Depository Fund is insured dollar-for-dollar up to \$250,000. City National Bank is the underlying FDIC-insured bank in the Savings Bank Depository Fund.

The \$250,000 FDIC coverage for your assets in the Bank Depository Fund is separate and apart from the \$250,000 FDIC coverage for your personal retail bank account. However, the FDIC does require that all retirement accounts you may have in the same FDIC-insured bank must be added together for a total insured amount of \$250,000. Retirement accounts include all types of IRAs, 457 plans, 401(k) plans and Keogh plans.

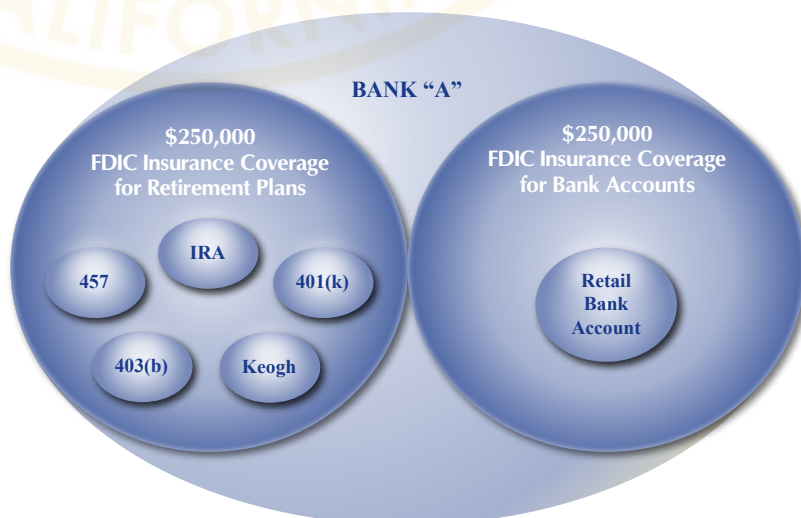
For more information on the FDIC insurance limits, please visit: <http://www.fdic.gov/deposit/Deposits/insured/basics.html>.

### 5% Bank Transfer Fee

Transfers may be made from the Bank Depository Fund to the other funds without a transfer charge; however, a transfer fee equal to 5% of the transferred amount will be deducted from your account if you transfer out of any other fund into the Bank Depository Fund. Payroll contributions into the Bank Depository Fund are exempt from the 5% bank transfer fee.

## Payroll System Changes

In 2010, the Countywide payroll system is scheduled to be replaced. The County is looking for opportunities to simplify your Savings Plan experience. Details about these changes will be provided in upcoming newsletters. Stay tuned.



# Savings Bond Fund

In addition to the Savings Stable Value Fund and Bank Depository Fund, the Savings Plan offers a third fixed income investment option—the Savings Bond Fund<sup>4</sup>. The Savings Bond Fund is not FDIC-insured and is subject to market fluctuations.

## How Bonds Work

In very simple terms, when you buy a bond or invest in a bond fund, you're lending your money to a company or government entity. The bond issuer promises to repay that loan on a certain date, with interest. In the meantime, you receive regular interest payments, often called "income."

## Savings Bond Fund Objective

The fund's objective is to seek high total investment return through a combination of current income and capital appreciation. This fund invests primarily in investment-grade fixed income securities.

## Who Is Most Likely to Choose a Bond Investment?

Bond investments may be most appropriate for someone seeking an investment vehicle with higher income potential than a money market or stable value investment. If your portfolio contains more aggressive investments, such as equities, you may want to balance your portfolio with an option providing potentially steady income, such as a bond fund.

*An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.*

4 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.

# Great-West Retirement Services<sup>®</sup> Customer Service Is There for You On-Site Customer Service Locations

## Martin Luther King/Drew Medical Center

12021 S. Wilmington Ave., Los Angeles  
First Monday every even-numbered 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

## Hall of Records

320 W. Temple St., Los Angeles  
Fourth Thursday of every odd-numbered month in the main lobby

## Health Services

313 N. Figueroa St., Los Angeles  
Fourth Thursday of every even-numbered month in the main lobby

## Olive View Medical Center

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

## Rancho Los Amigos Rehabilitation Center

7601 E. Imperial Hwy., Downey  
Second Thursday each month in Jacquelyn Perry Clinic lobby

## 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>1</sup>**

**By Phone:**  
**(800) 947-0845<sup>1</sup>**

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