



Your **Horizons** Retirement Plan

Simplified

Simple Steps to Help You Plan for Retirement

As we progress through our lives, we reach many different milestones. More often than not, those milestones are tied to reaching a certain age. At 16, we are allowed to drive; at 18, we are allowed to vote; and at 21, we are allowed to do pretty much anything—except run for president. You'll have to wait until you're 35 to fulfill that political aspiration. But there is one milestone we'll all reach that isn't necessarily related to our age, and that's retirement.

Some people may retire when they're 50, others may stick with the more traditional retirement age of 65, and there are also folks who will work well into their 70s. Regardless of when you plan to retire, there are some simple steps you can and should follow to help you better prepare for that time when you'll be able to enjoy the simple things in life. Here are some easy tips to help you make the transition to retirement a smooth one.

Ten years to retirement and counting...

Around this time, you probably want to start thinking about the lifestyle you plan to lead in retirement. Things like where you'll live and what type of home you'll want will have a significant effect on the amount of money you'll need. This is also a great time to increase your contribution amount to the Horizons Plan, and if you are 50 or older (or will be in 2006), you can even take

advantage of catch-up contributions, which allow you to contribute \$5,000 more to the Plan than the 2006 standard IRS limit of \$15,000. If you think you will contribute the maximum, it's a good idea to spread out your contributions equally throughout the year because if you reach the maximum amount early in the year, you'll no longer receive the 4% match from the County.

It's just five years away...

This is a perfect time to take a good, hard look at your investments. With retirement nearing, it may be a good idea to take a more conservative approach because you'll have less time to recover from any market downturns. You should begin reviewing your LACERA benefits and any Social Security benefits* you may be eligible to receive so you can begin to determine how much income may be available from those resources. This may also be a good time to consider taking advantage of catch-up contributions, which are perfect for employees who are nearing the end of their career. If you are age 50 or older or will turn 50 in 2006, you can contribute an additional \$5,000 to your Plan—above the IRS limit. This amount is expected to increase by \$500 in subsequent years to account for inflation.

Two years to go...

Get ready to make a budget. Knowing whether you'll have enough money in retirement starts with figuring out how much you'll need each month. You'll want to be sure to factor in things like

out-of-pocket healthcare expenses, which have a tendency to go up as we get older. A budget will help you make key decisions and may even cause you to re-evaluate your retirement date. And keep in mind that experts say you'll need to replace 70% to 80% of working income to live a similar lifestyle in retirement.

I can't believe I only have one year left...

So now you can begin to think about how you will take distributions from the Horizons Plan and any other savings you may have. You may discover that it's best to leave the money in the Plan, where it can continue to grow, and instead draw from other sources if you have them. If you have questions about your options, we encourage you to attend a Tuesday morning LACERA seminar. Education representatives from our Plan administrator (Great-West Retirement Services®) attend the Tuesday morning sessions and can answer your questions.¹ One final thing you should do is sign up for Medicare if you're nearing your 65th birthday.

Those are just a few examples of some simple things you can do to prepare. And don't forget to tell your co-workers to start planning your retirement party early, because you'll want it to be a celebration for the ages.

*The Windfall Elimination Provision may have an effect on your Social Security eligibility. Visit www.ssa.gov for more information.



Spotlight on Loans: A Simple Solution for Complex Issues

In a perfect world, none of us would ever need to take out a loan from our Horizons Plan; but in the real world, things can happen that make taking a loan the right thing to do for your unique situation. If something unexpected requires you to take a loan from the Plan, it can be much easier than trying to secure a loan from an alternate financial institution. In other words, you won't have to worry about putting your prized baseball card collection up for collateral.

When you take a loan against your Plan, you are actually selling your investments in the Plan. Because of this, taking a loan against your Horizons account balance can have some potentially negative consequences. Here are a few things you should be aware of before you make the decision to take a loan:

- You lose the benefit of compound growth on the amount you borrow.
- If your investments experience gains, you will miss out on those gains on the money you borrow.
- An immediate loss will happen if your selling price is less than your purchase price.

If you've thought all of that through and still want to proceed with taking a loan, your Plan makes it easy for you.

First, you'll want to call KeyTalk® or visit the Horizons Web site to determine how much money is available to you.² Once you know that, you can continue with the loan process by phone or online. If your loan is approved, you will receive a promissory note and the loan policy document at your home address. It must be signed and returned to Great-West Retirement Services in order for a portion of your funds to be liquidated. After that, a check for the loan amount (minus a \$75 origination fee) will be mailed to you.

So now that you have the money, how do you pay it back? Yes, unfortunately, it does need to be paid back; but you're really paying it back to yourself, so it's not so bad. Loan payments will be automatically deducted from your paycheck on the 15th of each month until the loan is repaid in full. The payments will be deducted on an after-tax basis. Just be sure you don't miss a loan payment because the IRS will then view the loan as a distribution from your account. That means the remaining loan balance becomes taxable and penalties may apply.

There are many other details you'll want to look into before making this kind of decision. For example, you might be surprised by how much you could get for that Sandy Koufax rookie card by selling it on eBay®. But if you're a true collector and need to take a loan because life throws you a curve ball, the information in this article provides you with what you need to know to get started.





Dodge & Cox: A Simple “How Do You Do?”

On July 1, 2005, we introduced the Dodge & Cox Balanced Fund investment option to the Horizons Plan. As part of that communication, we provided education about the fund to help you decide whether it was a good fit for your investment portfolios. And while it is certainly important to understand the fund and what it intends to accomplish before making a decision, it is also a good idea to get to know the firm behind the fund.

Dodge & Cox has been in business for 75 years, and throughout its history, the firm has remained committed to the ideals that it was founded upon—preserving and growing investments over the long term. Besides its longevity, Dodge & Cox has several traits that make it unique in the industry:

The firm is independently owned by approximately 50 of its employees, which means they hold themselves accountable for its success.

The bulk of the firm’s research is conducted in-house, which allows it to generate ideas internally.

Dodge & Cox strives to keep its administrative fees low.

The firm has very low employee turnover, which contributes to its overall stability and allows employees to form strong and productive working relationships that lead to success.

And in case you are wondering about the fund itself, we can tell you that the Dodge & Cox Balanced Fund had a total return of 6.6% in 2005, compared to a total return of 4.0% for the combined index benchmark.³ Given the firm’s consistency over the years, it should come as no surprise that the fund performed in line with its objectives, which are to invest in stocks that provide enough growth to outpace inflation and to preserve capital by investing in bonds. *Past performance is not a guarantee or prediction of future results.*

Having a stronger comfort level with the firm behind the fund can give you greater confidence when choosing your own investments. If the fund is a good fit for your portfolio and the firm offering the fund has an investment philosophy that matches your investment style, it makes your decision easy.

Thanks for taking the time to get to know Dodge & Cox. We will continue to introduce you to more of your investment options each quarter, so that you can meet the funds to see if they meet your needs.

Fast Facts: Simple Math

Don’t worry, you won’t need your calculator and there won’t be a quiz on these numbers. We do, however, want to share with you some impressive figures from 2005 that are a direct result of Horizons Plan participants taking an active role in planning for retirement.

Last year, 23,341 unique participants took advantage of the KeyTalk call system to make inquiries about their respective accounts. That means approximately 35% of you had at least some level of interaction with your retirement savings,

which is a positive sign that you are paying attention to things like your fund selections, contribution amounts and account balance.

In addition, we had a significant percentage of participants using the Web site to obtain information about or to simply review their account. In 2005, 19,935 unique participants logged in to the site, which equates to 30% of you who are enrolled in the Horizons Plan. We’re very pleased with that percentage because it is well above the 18% average that is attributed to other government plan participants who use our same Plan administrator.

What’s even better news—especially for those 30% using the Web—is that several Web site enhancements are on the way that will make the site a more valuable tool. Some of the improvements you can expect include:

- More security
- More comprehensive transaction history
- Print-friendly option

**It’s simple when you do the math:
Horizons Plan Resources +
Proactive Plan Participants =
A Good Retirement Strategy**

Plan Q&A: Distributions

Horizons Plan Administrative Committee Members

David E. Janssen, *Chair*

Daniel Cohen	J. Tyler McCauley
Floyd "Skip" Henke	Ramon Rubalcava
Michael J. Henry	Mark Saladino
Carolyn Lawson	Richard Tatley



Q. What are my options for receiving my money from my Horizons account once I leave employment with the County?

A. Once you separate from employment with the County—whether you go to work for another employer, retire or die—you or your beneficiaries (upon your death) can take a distribution whenever and however you choose, as long as your account balance (excluding any amount in your rollover account, if any) is greater than \$5,000. You can choose to receive your distributions in one of the following ways:

- Periodic payments made directly from your investment account in monthly, quarterly, semi-annual or annual installments for up to 20 years
- As a life annuity made by an insurance company for the rest of your life or for the lives of your designated beneficiaries
- As a partial lump-sum or full lump-sum payment
- As a combination of the above
- By rolling over your Plan assets into your new employer's plan (if allowed) or to an Individual Retirement Account (IRA)

Since Horizons is subject to Section 457 of the Internal Revenue Code, you can take a distribution upon employment termination regardless of your age without fear of being assessed an "early distribution" penalty. This is unlike 401(k) plans, which would result in a 10% early distribution penalty if you are under age

59½. Note: If you roll over your Horizons account to a 401(k) plan, it will be subject to 401(k) rules.

You can also keep your funds in your Horizons account, delaying distribution for as long as you like or until you reach age 70½, at which time you must start to receive minimum required distributions.

Remember, you can change your distribution election once each calendar year. To do so, you must complete and submit a signed Distribution Request Form, which the Plan Administrative Committee (PAC) must approve.

If your account balance is less than \$5,000 but more than \$1,000, you must take a lump-sum distribution at a time of your choosing. If your account balance is less

than \$1,000, the lump-sum distribution will be automatically sent to you.

1 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.

2 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.

3 The composition of the combined index benchmark is 60% S&P 500/40% Lehman Aggregate Bond. S&P 500® Index is a trademark of The McGraw-Hill Co. and is an unmanaged index considered indicative of the domestic large cap equity market. Lehman Brothers Aggregate Bond Index is an unmanaged index considered indicative of the domestic fixed income market.

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Form# CB1004N-01 (04/15/2006)

Customer Service On-Site 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

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

Investment Option Returns for the Period Ending March 31, 2006

(Investment option returns are published based on the best available data and may be subject to revision.)

VARIABLE INVESTMENT OPTIONS	AVERAGE ANNUAL RETURN AS OF MARCH 31, 2006						CALENDAR YEAR					FUND OPERATING EXPENSES	INCEPTION DATE OF FUND
	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION ⁴	2005	2004	2003	2002	2001		
Small Cap Equity Fund ^{5,6,10} Brandywine Asset Management	8.12%	13.57%	27.90%	16.60%	N/A	15.48%	2.01%	22.89%	41.24%	-3.63%	27.67%	0.51%	11/10/99
International Equity Fund ^{5,7,10} Capital Guardian	7.45%	29.54%	30.51%	9.88%	N/A	6.82%	20.15%	14.53%	36.48%	-15.35%	-16.99%	0.47%	12/01/00
International Equity Account ^{7,10,11} Causeway Capital Management, LLC	8.75%	17.57%	N/A	N/A	N/A	16.32%	N/A	N/A	N/A	N/A	N/A	0.62%	02/01/05
Growth Equity Fund ^{5,10} Denver Investment Advisors, LLC	9.77%	24.26%	22.42%	10.39%	N/A	9.31%	5.68%	13.65%	41.89%	-17.71%	-9.93%	0.45%	12/31/97
Growth Equity Fund ¹⁰ Artisan Partners	7.41%	20.91%	22.31%	8.01%	N/A	18.64%	9.11%	14.66%	31.80%	-24.16%	-3.05%	1.18%	06/27/97
High Yield Fund ^{8,10} PIMCO Institutional Class	2.48%	8.38%	10.79%	7.73%	7.51%	8.78%	4.62%	9.32%	23.70%	-0.85%	4.98%	0.50%	12/15/92
Stock Index Fund ^{5,10} The SSgA S&P 500 Flagship Fund, Series C, State Street Global Advisors	4.20%	11.67%	17.18%	3.94%	N/A	8.51%	4.88%	10.84%	28.60%	-22.08%	-11.91%	0.05%	10/01/96
Balanced Fund ¹⁰ Dodge & Cox	3.54%	10.47%	17.00%	10.27%	11.93%	N/A	6.59%	13.30%	24.44%	-2.89%	10.05%	0.53%	06/26/31
PRE-ASSEMBLED INVESTMENT OPTIONS^{5,9}													
Portfolio E ¹⁰	4.84%	14.45%	17.86%	7.74%	N/A	6.68%	7.78%	11.46%	25.82%	-10.86%	-3.40%	0.27%	05/18/98
Portfolio D ¹⁰	4.17%	12.34%	15.66%	7.31%	N/A	6.51%	6.88%	10.46%	22.56%	-8.49%	-1.46%	0.20%	05/18/98
Portfolio C ¹⁰	3.67%	11.52%	13.84%	6.77%	N/A	6.05%	7.00%	9.23%	19.49%	-6.70%	-1.51%	0.17%	05/18/98
Portfolio B ¹⁰	3.21%	9.96%	11.92%	6.55%	N/A	6.13%	6.22%	8.38%	16.66%	-4.30%	0.64%	0.15%	05/18/98
Portfolio A ¹⁰	2.75%	8.41%	10.02%	6.30%	N/A	6.18%	5.43%	7.53%	13.85%	-1.88%	2.76%	0.12%	05/18/98
FIXED INVESTMENT OPTIONS⁵													
Stable Income Fund	Second Quarter Crediting Rate is 4.90%						First Quarter Crediting Rate was 4.95%					11/30/90	
Bank Depository Fund Washington Mutual Bank	Second Quarter Crediting Rate is 4.84%						First Quarter Crediting Rate was 4.39%					11/30/90	

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/or disclosure documents from your registered representative. Read them carefully before investing.

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.countyla.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.

The returns shown above reflect fund operating expenses, but do not include current administrative fees of \$6.94 per month per account. For example, if you had a balance of \$10,000 in any one fund and the administrative fee was deducted entirely from that one fund, the performance return for that fund would be reduced on an annualized basis by 0.821%. The impact of this fee decreases as the account grows. For more information on how these administrative fees are assessed to your account, please refer to the Schedule of Participant Fees in the Fund Data Booklet in your Horizons Enrollment Kit.

⁴ **Since Inception** is not applicable for funds more than 10 years old.

⁵ **Registration** with the Securities and Exchange Commission is not required for these investment options.

⁶ **Equity securities** of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

⁷ **Foreign investments** involve special risks, including currency fluctuations and political developments.

⁸ **About the High Yield Fund**

Investments in debt instruments, such as notes and bonds, are subject to credit risk, which is the possibility that the issuers of the instruments will be unable to meet interest payments or repay principal. **Funds that invest a significant portion of their assets in “high yield” bonds (bonds rated below investment grade) have the potential for a higher rate of return than funds holding primarily government or investment grade corporate bonds, but are also subject to significantly greater credit risk and experience greater volatility.**

⁹ **About the Pre-assembled Portfolios**

Account balances in the Pre-assembled Portfolios will be automatically rebalanced quarterly to reflect the established portfolio model percentages. Please request a Fund Data Booklet for the composition of the Pre-assembled Portfolios by contacting the Horizons Participant Service Center at (800) 947-0845.

¹⁰ **Transfer Restrictions**

Transfers of \$10,000 or more into an investment option on a single day must remain invested in that option for a minimum of 10 business days. The last assets transferred into an investment option will be the first assets transferred out of the investment option. After any transfer of assets out of an investment option, no assets may be transferred into that investment option for 30 calendar days. Non-compliant transactions may result in the restriction of a participant’s ability to make transfers. Additional information is available on the Horizons Web site (www.countyla.com).

¹¹ **About Separately Managed Funds/Accounts**

Because this is a separately managed fund/account for Horizons Plan participants only, performance data is based only on Horizons assets.

About the Investment Options

Investment options have been selected by the Plan Administrative Committee and are a combination of mutual funds and commingled trust accounts. Securities are offered by GWFS Equities, Inc., a Great-West Company and NASD member firm.

Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the funds’ prospectuses or other disclosure documents. For more information, please refer to the funds’ prospectuses and/or disclosure documents.

TRANSFER INFORMATION

A transfer fee equal to 5% of the transferred amount will be deducted from your Horizons account when the following transfers take place:

5% TRANSFER CHARGE WHEN YOU	
TRANSFER FROM:	TRANSFER TO:
Stable Income Fund	Bank Depository Fund
Stock Index Fund	
Growth Equity Fund (2)	
International Equity Fund	
International Equity Account	
Small Cap Equity Fund	
Balanced Fund	
High Yield Bond Fund	
Pre-assembled Portfolios	

