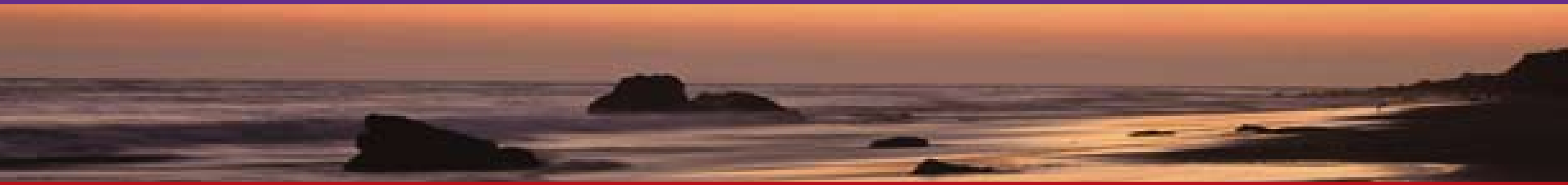
County of Los Angeles
Deferred Compensation and Thrift Plan

Spring 2007
Focus On: Getting the Most Out of Horizons



Your Horizons Retirement Plan

Simplified

Participating in Horizons: Share the Wealth

Congratulations! As a participant of the Horizons Plan, you are taking advantage of one of the best employee benefits offered to you. But not all of your coworkers are taking advantage of Horizons. When you go into work tomorrow, be sure to ask your coworkers if they're in Horizons. If the answer is no, then take the time to tell him or her the top three reasons to participate.

Free Money.
Seriously, does anyone need a better reason? Just for participating in the Horizons Plan, you receive a dollar-for-dollar County match on your contribution for up to 4% of your regular earnings. Chances are, the match is why you ultimately decided to join Horizons. Saying "yes" to free money is probably one of the simplest decisions a person can make!

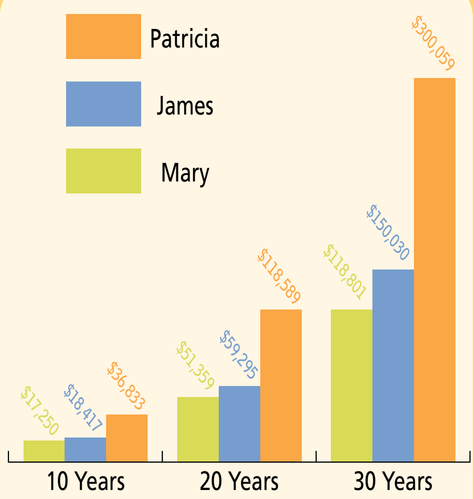
Tax-Deferred Contributions and Accumulation.
This means your contributions are made to the Horizons Plan before current federal and state income taxes are deducted; you will be taxed on that money only when you take a distribution. In fact, you end up paying less in current income taxes—which is good news.

Immediate 100% Vesting of Matching Contributions.
Vesting refers to the percentage of your account that you are entitled to receive upon distribution. You are always fully and immediately vested in your employee and matched contributions, even if you leave employment with the County.

Just how powerful are these benefits? Let's compare three different retirement scenarios. James, Mary and Patricia are all full-time employees of the County. They each earn $30,000 annually and want to put $100 (4%) a month toward their retirement. Here is how each of them chooses to invest:

- Mary contacts a financial adviser from the phone book. The financial adviser invests her in retail mutual funds and stocks. Both her contributions and investment growth are taxable.
- James has a friend who is a broker and who invests him in an Individual Retirement Account (IRA). While James' account will grow tax deferred, he's not going to collect on the employer match.
- Patricia decides to contribute to the Horizons Plan and receives the County's 4%, dollar-for-dollar match of her regular earnings and watches her earnings grow tax deferred.

The graph to the right illustrates the three retirement investing scenarios.



Source: Great-West Retirement Services®, 2007. FOR ILLUSTRATION PURPOSES ONLY. These hypothetical illustrations do not represent the performance of any investment options. They assume a monthly employee contribution of $100 for Mary, James and Patricia, as well as an additional $100 monthly employer match contribution for Patricia, an 8% rate of return, a 15% federal income tax bracket, and reinvestment of earnings, with no withdrawals. These illustrations do not account for state income taxes. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

In just 30 years, Patricia has accumulated more than $300,000 by participating in the Horizons Plan. That's about double what James has saved and $181,258 more than Mary, with the exact same contribution amount!

LACERA and Horizons: Putting It All Together

What thoughts pop into your head when the word "retirement" is mentioned? Are you going to travel? Spend more time with grandkids? Start up a new business? Maybe the thought of retirement makes you nervous because you're currently living paycheck to paycheck and aren't sure how you can retire on the percentage of your income that LACERA offers.

Regardless of what visions retirement conjures up in your head, your guaranteed LACERA pension will likely be your primary source of retirement income for the rest of your life. Whether the amount of income that LACERA offers will be enough to live on in retirement is entirely up to you. Most people would probably prefer to retire with a level of income that closely matches their income while working. So just how could you get your post-retirement income closer to 100% of your pre-retirement income? The answer is simple—Horizons.

Your Horizons Plan assets have the potential to provide additional retirement income to replace the lost income when you retire and start collecting your LACERA pension. The amount of replacement Horizons affords you depends on a number of factors, including market conditions, your contributions, your asset allocation and your investing time frame, to name a few.

Control what you can for retirement

While you can't control the stock market or the formula that calculates your LACERA benefits, you can control some of the choices that follow to help you get the most out of your Horizons Plan. *Always* consider your personal circumstances before making any investment decisions.

Simplified *Fact:*

So just how could you get your post-retirement income closer to 100% of your pre-retirement income? The answer is simple—Horizons.

- **Deferral Amount.** At a minimum, you should make sure that you are contributing at least 4% of your regular earnings to take full advantage of the County match.[*]
- **Asset Allocation.** Diversify your assets among the different asset classes to help shield them from periods of extreme market volatility. If you're unsure how to do this, then consider using one of the Pre-assembled Portfolio options available in your plan.
- **Investing Time Frame.** The longer your assets stay in the Horizons Plan, the longer taxes are deferred and growth compounds. Many retirees don't touch their Horizons assets for years after they actually retire.[¥]

Changing your deferral amount and asset allocation is as easy as logging on to **www.countyla.com** and selecting the *Change Account* tab.

Remember that Horizons is designed to be a long-term retirement savings account that supplements your LACERA pension. If used and managed properly, you have the opportunity to retire with more income than when you were actually working—so take control of your retirement today!

* Participating may not be advantageous if you are experiencing financial difficulties, have excessive debt, do not have an adequate emergency fund (typically in an easy-to-access account), or if you expect to be in a higher tax bracket during your retirement.

¥ Please note that you must start taking required minimum distributions at age 70½.

Feeling Behind with Retirement? Then Catch Up!

If you're nearing retirement and feel like you're not where you should be with your retirement savings, there's some good news. You have two Plan provisions available to you that allow you to make up for lost time by making additional "catch-up" contributions to your Horizons Plan. These contributions are called "catch-up contributions."

To take advantage of these catch-up provisions, you first need to max out the regular before-tax contribution limit. In 2007, the regular before-tax contribution limit is $15,500. After you have maxed out your regular contributions, you can add a catch-up contribution.

Option 1: Age 50+ Catch-Up

If you are age 50 or older in the 2007 calendar year, you can make additional annual catch-up contributions to your Horizons Plan account—up to $5,000 a year.

Basic Annual Limit	$15,500
Age 50+ Catch-Up	$5,000
Total Potential Contribution	$20,500

Option 2: Standard Catch-Up

This one is a real beauty, because it's only available to governmental 457(b) plans, like Horizons. The Standard Catch-Up can be referred to as the "three-year catch-up" or "Special Section 457 Catch-Up." This provision allows you to double the basic annual contribution limit if you are within three years of your normal retirement age as defined by LACERA and under contributed in prior years.

Basic Annual Limit	$15,500
Standard Catch-Up	$15,500
Total Potential Contribution	$31,000

It's important to note that you cannot use both the Age 50+ Catch-Up and Standard Catch-Up in the same calendar year.

To enroll in one of the catch-up provisions, contact the County of Los Angeles Service Center at (800) 947-0845 and press "4" to be connected with the local Glendale office. You will need to fill out a separate form to initiate your catch-up provision.

It's never too late to ramp up your retirement savings. If you haven't saved as much as you'd like, now's your chance to catch up!

Fast Facts: Plan Notifications

Termination Pay Program

On January 26, 2007, the Plan Administrative Committees (PACs) of the 401(k) Savings Plan and 401(a) Termination Pay Pick-Up Plan ceased accepting before-tax termination pay contributions to their respective Plans. This action was necessary as a result of official notification from the Internal Revenue Service (IRS) that before-tax termination pay contributions, as currently structured in the Plans, are impermissible under recent federal tax guidance.

If you are part of the Termination Pay Program or have a pending contract, you will receive a separate mailing explaining further action to be taken in regards to your account.

Exciting Upcoming Plan Changes!

The PAC, with the assistance of an outside consultant, has completed a thorough review of the investment options offered in the Horizons Plan. In light of this review, some upcoming changes will be

implemented to provide you with the opportunity to better diversify and simplify your investment choices in the Plan. Be on the lookout for additional communications regarding the upcoming changes.

Committee in Action:
Delivering a Cost-Effective Retirement Plan

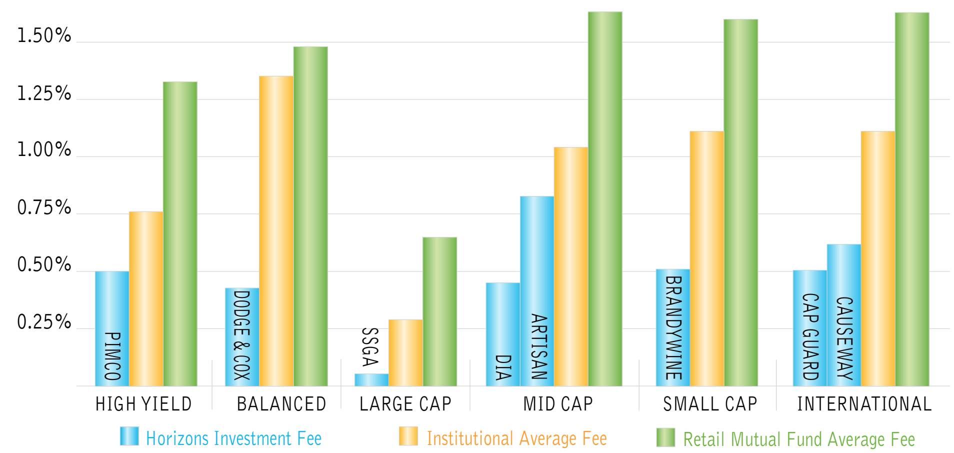
The County has designed your Horizons Plan to be among the leading government retirement plans in the nation providing participants with cost-effective services. This is accomplished by structuring Horizons as an "unbundled" retirement Plan, which means the contractors and fund managers are hired and paid independent of each other. The monthly County administrative fee and TPA fee are the only compensation contractors receive. Any cost-sharing arrangements between contractors and fund managers must be disclosed and are not permitted. Taking this approach allows the PAC to control costs by contracting for specific services, identifying expenses directly to those services and deterring the potential for conflicts of interest.

In addition, Horizons has approximately $4.4 billion in participant assets as of March 31, 2007, which provides the PAC with leverage during contract negotiations to lower costs. This is especially true with the investment firms that have various levels of fees depending on how much money is to be invested. Typically, individual investors are limited to retail mutual funds, which include other expenses in addition to the cost of managing the investment, such as marketing fees, which are known as 12b-1 fees. With the ability to invest millions at a time, Horizons is considered an institutional client and is able to negotiate a lower management fee. In instances where 12b-1 fees are accessed, Horizons can enter a cost sharing arrangement.

This cost savings enhances portfolio performance and any 12b-1 fees are returned by investment managers and "rebated" back to your account.‡

In summary, the PAC uses all available leverage to get you the best services at the lowest reasonable cost and

Comparison of Investment Management Fees



Source: County of Los Angeles, 2007. The above graph shows the net operating expense fees associated with each variable investment option offered in the plan. This graph is intended to illustrate the expenses paid on investment options in your plan versus the average fees for each respective fund type. For the gross investment operating expenses please refer to the investment returns.

requires contractors to fully disclose any Plan-related revenue, direct or indirect. There are no hidden fees.

‡ Each fund has its own fund operating expenses, which may or may not have a 12b-1 fee. The fund operating expense varies depending on the investment options you select.

Investment options have been selected by the Plan Administrative Committee. Securities are offered through GWFS Equities, Inc., a Great-West Company and NASD member firm. 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.

Account Management Tools

You can make changes to your account, research investment options and stay updated on Plan changes using either of the two convenient methods available to you.

Web: www.countyla.com

Phone: (800) 947-0845

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

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

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

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

Harbor/UCLA Medical Center
1000 W. Carson St., Torrance
Second Thursday of each month in elevator lobby

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

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

Investment Option Returns for the Period Ending March 31, 2007

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

	AVERAGE ANNUAL RETURN AS OF MARCH 31, 2007							CALENDAR YEAR						
VARIABLE INVESTMENT OPTIONS	Last 3 Months	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION[1]	2006	2005	2004	2003	2002	FUND OPERATING EXPENSES	INCEPTION DATE OF FUND
SIMPLIFIED INVESTMENT MENU[2,3,4]														
Pre-Assembled Portfolio A	1.37%	1.37%	6.97%	6.96%	6.46%	N/A	6.27%	8.43%	5.43%	7.53%	13.85%	-1.88%	0.12%	05/18/98
Pre-Assembled Portfolio B	1.45%	1.45%	7.87%	7.90%	7.06%	N/A	6.33%	9.73%	6.22%	8.38%	16.66%	-4.30%	0.15%	05/18/98
Pre-Assembled Portfolio C	1.54%	1.54%	8.76%	8.83%	7.63%	N/A	6.35%	11.05%	7.00%	9.23%	19.49%	-6.70%	0.17%	05/18/98
Pre-Assembled Portfolio D	1.51%	1.51%	9.35%	9.45%	8.08%	N/A	6.83%	12.21%	6.88%	10.46%	22.56%	-8.49%	0.20%	05/18/98
Pre-Assembled Portfolio E	1.69%	1.69%	9.92%	10.39%	8.72%	N/A	7.04%	13.33%	7.78%	11.46%	25.82%	-10.86%	0.27%	05/18/98
ADVANCED INVESTMENT MENU[3]														
PIMCO High Yield Fund – Institutional[5]	2.25%	2.25%	9.19%	8.29%	9.44%	7.19%	8.79%	9.44%	4.62%	9.32%	23.70%	-0.85%	0.50%	12/15/92
Dodge & Cox Balanced Fund	1.62%	1.62%	11.74%	10.33%	10.32%	11.85%	Not Available	13.86%	6.59%	13.30%	24.44%	-2.89%	0.52%	06/26/31
SSGA S&P 500 Flagship Series Fund C[2,6]	0.64%	0.64%	11.81%	10.04%	6.24%	8.14%	8.87%	15.75%	4.88%	10.84%	28.60%	-22.08%	0.05%	10/01/96
Artisan Mid Cap Fund[7]	3.02%	3.02%	5.17%	10.39%	7.60%	N/A	17.19%	9.65%	9.11%	14.66%	31.80%	-24.16%	1.18%	06/27/97
DIA Medium Size Company Fund[2,7,10]	2.18%	2.18%	5.83%	9.93%	9.59%	N/A	8.88%	13.70%	5.68%	13.65%	41.89%	-17.71%	0.45%	12/31/97
Small Cap Equity Managed by Brandywine[2,8,10]	1.24%	1.24%	9.56%	11.38%	12.02%	N/A	14.66%	17.61%	2.01%	22.89%	41.24%	-3.63%	0.51%	11/10/99
Capital Guardian International Equity Fund[2,9]	3.51%	3.51%	16.08%	18.07%	14.27%	N/A	8.24%	20.50%	20.15%	14.53%	36.48%	-15.35%	0.51%	12/01/00
Causeway International Value Equity Fund[9,10]	3.31%	3.31%	21.27%	N/A	N/A	N/A	18.59%	27.66%	N/A	N/A	N/A	N/A	0.62%	02/01/05
FIXED INVESTMENT OPTIONS[2]														
LA County Stable Income Fund	Second Quarter Crediting Rate is 5.10%							First Quarter Crediting Rate was 5.00%						11/30/90
Washington Mutual Bank Fund	Second Quarter Crediting Rate is 5.30%							First Quarter Crediting Rate was 5.31%						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 net returns shown above reflect fund operating expenses, but do not include current administrative fees of $5.02 per month per account. 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* or visit the Web site at **www.countyla.com**.

[1] **Since Inception** is not applicable for funds more than 10 years old.

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

[3] **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. Noncompliant 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**).

[4] **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 Los Angeles County Service Center at **(800) 947-0845**.

[5] **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.

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

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

[9] **Foreign investments** involve special risks, including currency fluctuations and political developments.

[10] **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 separately managed institutional accounts. Securities are offered through GWFS Equities, Inc., a Great-West Company and NASD member firm.

Funds may impose redemption fees and/or transfer restrictions 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:**
LA County Stable Income Fund	Washington Mutual Bank Fund
PIMCO High Yield Fund – Institutional	
Dodge & Cox Balanced Fund	
SSGA S&P 500 Flagship Series Fund C	
Artisan Mid Cap Fund	
DIA Medium Size Company Fund	
Small Cap Equity Managed by Brandywine	
Capital Guardian International Equity Fund	
Causeway International Value Equity Fund	
Pre-Assembled Portfolios