



## Your Horizons Retirement Plan

# Simplified

## Risk vs. Reward: Simplifying Your Investment Decisions

Whether it is something we are born with or learn at an early age, we quickly become aware of the delicate balance between risk and reward. Take, for example, the reward a toddler gets from freely expressing his or her artistic talents—the parents' adoration and awe. Of course, that reward is diminished if the child expresses that talent by coloring on the walls.

As an adult, your risk/reward choices take on more importance. So wouldn't it be great if there was a simple quiz you could take to determine the level of risk you're willing to take in order to potentially receive a reward? Here are a few questions that may help:

- Do you think the posted speed limit is more of a guideline than a law?
- To quench your thirst, are you willing to drink milk after the expiration date?
- Is your idea of a fun day at the beach building sandcastles or surfing the waves?
- Do you really care what a Dodger Dog is made of or just that it tastes good?

If you drive as fast as you want, will consider drinking expired milk, are always in search of the perfect wave and can't get enough Dodger Dogs, you may be a risk taker.

But these questions don't necessarily tell you what kind of risks you're willing to take when it comes to investing, and that is something that will affect the rest

of your life. So we've created a simple quiz for that, too. Just circle the number that describes how strongly you agree or disagree with the following statements.

I am a knowledgeable investor who understands the trade-off between risk and return, and I am willing to accept a greater degree of risk for potentially higher returns.

Disagree (1) (2) (3) (4) (5) Agree

I am willing to invest on a long-term basis.

Disagree (1) (2) (3) (4) (5) Agree

If one of my investments dropped 20% in value over six months due to a stock market fluctuation, I would hold on to that investment, expecting it to recover its value.

Disagree (1) (2) (3) (4) (5) Agree

I have savings vehicles other than the Horizons Plan and LACERA that make me feel secure about my financial future.

Disagree (1) (2) (3) (4) (5) Agree

Now add up the numbers you circled and match your total to the appropriate risk tolerance level.

### 4–8 Points: Conservative

*You're an investor who enjoys safety and stability for your money. But remember: Not having enough money when you retire is a big risk, too! Keep in mind how much time you have until retirement and the effect that inflation may have on your investments.*

### 9–14 Points: Moderate

*You're an investor who prefers some balance between lower-risk investments and higher-risk investments, and you are comfortable with some market volatility. Review your situation at least once a year to make sure you're still comfortable with how you're allocating your money to various investment options.*

### 15–20 Points: Aggressive

*You're an investor who's comfortable with taking on the higher risk associated with the chance for higher returns. You're comfortable knowing that your investments can lose significant value at times as you pursue higher returns over the long term. Review your situation at least once a year, and keep in mind how much time you have until retirement.*

Now that you know your risk tolerance level, it's easy to match your investment style to one of the Pre-Assembled Portfolio options available to you.

Ranging from conservative to aggressive, each Pre-Assembled Portfolio is diversified with a mix of investments covering a variety of asset classes and investment types within the asset classes. The diversification can allow for a more consistent rate of return while helping to reduce portfolio risk and volatility. The investment mix is rebalanced automatically each quarter to maintain the established percentage of each investment option.

Just choose the Pre-Assembled Portfolio that best matches your investor style. It's that easy!

# Los Angeles County Employees in Focus



Can you hear me now? Yes, we can, especially since Great-West Retirement Services®, our Plan services provider, took the time to meet with groups of County employees to learn their thoughts and opinions about the Horizons Plan. Here are some of the common responses that focus group attendees had regarding the following questions that were asked.

**Q: Where or when did you first learn about the Horizons Plan?**

A: While some participants learned about the Horizons Plan from an HR representative or at orientation, most of them said they learned about the Plan from a coworker or supervisor.

**Q: Why did you decide to enroll?**

A: The focus group consensus was that most joined the Plan because someone explained to them the benefits of tax-deferred saving and investing and the 4% County match.

**Q: How do you currently gain information on the Plan?**

A: Among our focus group participants, most noted that they get their information from their statements. However, the statements only contain personal information, not Plan-level information. They also mentioned the newsletter, coworkers and the Web site, which they like and think is easy to use. Many of the participants said they don't gather any information.

**Q: What are your thoughts on the existing communication materials?**

A: Most participants in our focus groups told us that the kit is overwhelming, intimidating, text-heavy and difficult to understand. They felt that the accordion-style pocket folder wasn't really useful. However, of those who read the newsletters, they did concede that they are easy to read and contain good information.

**Q: How comfortable do you feel with your investment knowledge to select your own funds?**

A: Most of our focus group attendees did not feel that they had enough investment knowledge to make the right investment decisions and would welcome any help to better understand how it all works.



**Q: How would you prefer to receive information about the Plan going forward?**

A: The consensus of the focus group was that e-mails are the most desirable method of receiving information, but the following are also acceptable:

- Posters in common areas
- Newsletters—with additional copies possibly left in common areas for reading when convenient
- Hard-copy materials handed out by HR representatives or supervisors
- Direct mail to employee homes
- One-on-one meetings with a financial adviser or Great-West Retirement Services representative

The information gathered was very valuable and will help us explore new ways to ensure that County employees get the tools and information they need to successfully plan for retirement. We appreciate the County employees who took time out of their day to have their voices heard.



# Easing into Retirement

Transitioning into retirement means moving toward life on Easy Street, right? Well, that is the hope for most of us, but before you're able to get comfortable in retirement, you need to make decisions about how you will access the money you have worked so hard to save while you were still working.

You have several different choices when it comes to how you want to begin receiving the money you may have accumulated in the Horizons

cash, this option is fully taxable to you in the year the funds are distributed. You will have 20% federal tax withheld and the state tax withholding will apply at whatever rate (if any) is imposed by the state in which you reside. Your actual tax liability for the year will depend on your total income for the year. This option may make you think back to that whole risk/reward thing.

## Partial Lump-Sum Distribution

You may elect to take a portion of your

be distributed to you in a lump-sum payment.

## By Term

You choose how long you want your payments to last (up to 20 years), and the payment amount will be calculated by dividing your current account balance by the number of remaining payments. If you choose this option, be aware that the amount of each payment will vary because the value of your account will fluctuate due to fund performance.



Plan. The main options you have are outlined below. Keep in mind that you are allowed to change your distribution method once a year, unless you choose the Life Annuity option. For more details on your distribution options, you can call a Great-West Retirement Services representative at (800) 947-0845.

## Defer Distribution

The best thing for you to do may be to do nothing at all. You are not forced out of your Horizons account. You may elect a distribution to begin on the date of your choice. If you choose this option, the balance and any earnings on your account will continue to accumulate tax deferred, and you will continue to be able to transfer balances among the various investment options. All Plan fees will still apply. You must begin receiving your minimum required distribution by April 1 of the year following the year in which you reach age 70½ or sever employment with the County, whichever occurs later.

## Lump-Sum Distribution

If you select a full lump-sum distribution, the full vested value of each investment account will be paid to you in a single sum and you will be sent one check. While you gain immediate access to the

balance as a distribution and save the rest for a rainy day. A single payment, via check, will be made to you directly. The amount you take is fully taxable to you in the year the funds are distributed.

## Rollover

When you leave County employment, you may also roll over your Horizons account balance into another employer's 401(a), 401(k), 403(b), or 457 plan, if allowed by the new plan, or into an Individual Retirement Account (IRA). Provisions also allow rollovers from Horizons to a defined benefit plan, such as LACERA, to purchase service credit or to redeposit funds, if you are eligible. Please keep in mind that, Horizons is one of the lowest cost retirement plans and offers flexible distribution options for both you and your beneficiary(ies).

## Periodic Payment of a Specified Amount

In this case, you designate the dollar amount that you wish to receive on a regular installment basis (monthly, quarterly, semi-annually or annually). Payments to you will continue until your account balance is zero or 20 years have passed, whichever occurs first. Any remaining balance after 20 years will

## Life Annuity

There are a variety of life annuity options. And while they all vary slightly, the basic structure of this option is that you will receive payments from Metropolitan Life Insurance Company or Pacific Life Insurance Company for a selected number of years, for the rest of your life or for the lives of your designated beneficiaries. The number of years you choose may correlate directly with the number of Dodger Dogs you've consumed in your lifetime.

Most distribution options have some sort of death benefit payable to a beneficiary. So, double-check to make sure your beneficiary designation is up to date.



# Registered Domestic Partnerships: IRS Compliance

## 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

Steven Remige



The California Domestic Partner Rights and Responsibilities Act became effective on January 1, 2005. This law extends the rights and duties granted by marriage under California law to individuals registered as domestic partners; however, it does not supersede federal law. Thus, in order for the Horizons Plan to maintain its tax-favored status, the Plan must comply with federal law preventing the application of certain spousal provisions to domestic partners. In light of applicable federal law, the following Horizons Plan policy will be implemented:

- Similar to a spouse, a registered domestic partner will automatically be considered the "default" beneficiary. A notarized consent waiver is required if someone else is to be designated the primary beneficiary.
- A participant may make an emergency or hardship withdrawal with regard to the eligible expenses of a registered domestic partner only if he/she qualifies as a dependent under federal tax law.
- In the case of a dissolution of a registered domestic partnership, a court-ordered domestic relations order (DRO) dividing the account will be honored; however, the following should be taken into consideration
  1. Amounts distributed to a domestic partner under the DRO will be reported on form 1099R as a distribution to the participant and federal income taxes will be withheld accordingly. This means that the Plan participant, not the domestic partner, will be responsible for the federal income

taxes imposed on the distribution, and the domestic partner will receive a distribution less the taxes withheld on behalf of the participant. The domestic partner, however, may be responsible for the state income tax on his or her distribution under the DRO.

2. The assets awarded to the former registered domestic partner under a DRO will be segregated under his/her name, but distribution will be delayed until the participant is eligible for a distribution.
- As a beneficiary upon death or under a DRO, the registered domestic partner cannot roll assets over to or from the Savings Plan.
  - As a beneficiary, the registered domestic partner is subject to the IRS' Required Minimum Distribution Rules for non-spouse beneficiaries.

If you have any questions, please contact a Client Services Representative at (800) 947-0845.



## Mail and Pay Stub Correspondence

The Horizons Plan and the County often notify participants/employees of important issues through the mail or pay stubs—be sure to read these items because they likely affect YOU. Shortly to arrive in your mailbox is the annual *Fund Data Booklet*, a useful tool to help you reevaluate your investment allocations.

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## 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 June 30, 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 JUNE 30, 2006						CALENDAR YEAR					FUND OPERATING EXPENSES	INCEPTION DATE OF FUND
	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION <sup>1</sup>	2005	2004	2003	2002	2001		
<b>SIMPLIFIED INVESTMENT MENU<sup>2,4,8</sup></b>													
Pre-Assembled Portfolio A	2.81%	6.98%	7.70%	5.65%	N/A	5.99%	5.43%	7.53%	13.85%	-1.88%	2.76%	0.12%	05/18/98
Pre-Assembled Portfolio B	3.03%	8.36%	8.93%	5.81%	N/A	5.92%	6.22%	8.38%	16.66%	-4.30%	0.64%	0.15%	05/18/98
Pre-Assembled Portfolio C	3.25%	9.76%	10.16%	5.94%	N/A	5.81%	7.00%	9.23%	19.49%	-6.70%	-1.51%	0.17%	05/18/98
Pre-Assembled Portfolio D	3.40%	10.03%	11.15%	6.21%	N/A	6.21%	6.88%	10.46%	22.56%	-8.49%	-1.46%	0.20%	05/18/98
Pre-Assembled Portfolio E	3.60%	11.62%	12.51%	6.44%	N/A	6.31%	7.78%	11.46%	25.82%	-10.86%	-3.40%	0.27%	05/18/98
<b>ADVANCED INVESTMENT MENU<sup>4</sup></b>													
PIMCO High Yield Fund – Institutional <sup>7</sup>	1.64%	4.05%	7.62%	7.81%	7.29%	8.55%	4.62%	9.32%	23.70%	-0.85%	4.98%	0.50%	12/15/92
Dodge & Cox Balanced Fund	4.09%	9.88%	12.76%	9.27%	11.75%	N/A	6.59%	13.30%	24.44%	-2.89%	10.05%	0.53%	06/26/31
SSGA S&P 500 Flagship Series Fund C <sup>2</sup>	2.70%	8.59%	11.17%	2.47%	N/A	8.12%	4.88%	10.84%	28.60%	-22.08%	-11.91%	0.05%	10/01/96
Artisan Mid Cap Fund	2.20%	11.92%	14.76%	4.52%	N/A	17.43%	9.11%	14.66%	31.80%	-24.16%	-3.05%	1.18%	06/27/97
DIA Medium Size Company Fund <sup>2</sup>	2.73%	12.68%	12.54%	6.60%	N/A	8.13%	5.68%	13.65%	41.89%	-17.71%	-9.93%	0.45%	12/31/97
Small Cap Equity Managed by Brandywine <sup>2,3</sup>	5.17%	6.16%	17.51%	12.35%	N/A	14.38%	2.01%	22.89%	41.24%	-3.63%	27.67%	0.51%	11/10/99
Capital Guardian International Equity Fund <sup>2,5</sup>	6.97%	30.35%	22.72%	9.64%	N/A	6.35%	20.15%	14.53%	36.48%	-15.35%	-16.99%	0.47%	12/01/00
Causeway International Value Equity Fund <sup>5,6</sup>	11.67%	21.08%	N/A	N/A	N/A	15.40%	N/A	N/A	N/A	N/A	N/A	0.62%	02/01/05
<b>FIXED INVESTMENT OPTIONS<sup>2</sup></b>													
LA County Stable Income Fund	Third Quarter Crediting Rate Is 4.77%						Second Quarter Crediting Rate Was 4.90%						11/30/90
Washington Mutual Bank Fund	Third Quarter Crediting Rate Is 5.35%						Second Quarter Crediting Rate Was 4.84%						11/30/90
<p><i>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.</i></p> <p><i>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 <a href="http://www.countyla.com">www.countyla.com</a>. 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.</i></p>													

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.



<sup>1</sup> **Since Inception** is not applicable for funds more than 10 years old.

<sup>2</sup> **Registration** with the Securities and Exchange Commission is not required for these investment options.

<sup>3</sup> **Equity securities** of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

<sup>4</sup> **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](http://www.countyla.com)).

<sup>5</sup> **Foreign investments** involve special risks, including currency fluctuations and political developments.

<sup>6</sup> **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.

<sup>7</sup> **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.

<sup>8</sup> **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.

**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, 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 <sup>2</sup>	
Small Cap Equity Managed by Brandywine	
Capital Guardian International Equity Fund	
Causeway International Value Equity Fund	
Pre-Assembled Portfolios	

