



Your **Horizons** Retirement Plan

# Simplified

## Visit the New Horizons Web Site and Enjoy the Views

The Horizons Web site ([www.countyla.com](http://www.countyla.com)) serves as a virtual window into your account.<sup>1</sup> With a new design and enhanced features, the Web site provides 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 reaching your retirement goals. As you navigate your way through the site, be sure to stop and enjoy the views.

### New enhancements to the Horizons Web site include:

- Personal security improvement that eliminates the need for you to use your Social Security number to access the site
- Detailed transaction history for contributions, transfers and withdrawals conveniently housed on one page
- The ability to download your account activity to Quicken® and Microsoft® Money personal finance software programs<sup>2</sup>
- 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 drop-down menu that allows you to switch back and forth between the different Plans in which you participate

<sup>1</sup> Access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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### Consistently Building for the Future

Your Horizons Plan is always on the lookout to provide the latest tools to help you make educated decisions so you can reach your retirement goals. The next time you log in, please take a moment to complete the online survey in the News section to let us know your opinion on the latest Web site enhancements and any additional recommendations.

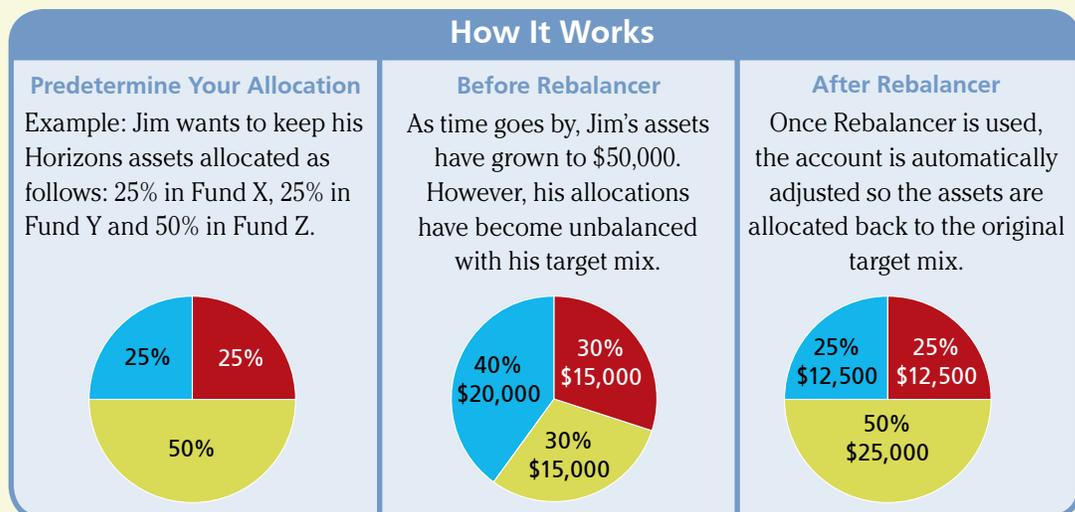


## The Best Carpenters Still Use the Simplest Tools

Now that you've read the article about the enhanced Web site, take the time to consider a couple of different tools that are offered to help you successfully navigate your course to retirement, especially if you've chosen the Advanced investment route. The Rebalancer and Dollar Cost Averaging features can help keep you on the right path.

### Rebalancer<sup>3</sup>

The Rebalancer feature, found on the Horizons Web site, allows you to rebalance the asset allocation mix of the assets in your account. It brings your investment allocation mix back to the original target mix that you determined and allows you to maintain the target mix to meet your long-term objectives—automatically and at a frequency that you select.



### Dollar Cost Averaging<sup>3</sup>

Dollar Cost Averaging is a technique that allows investors to contribute money regularly over time to help avoid timing risk (i.e., trying to pick just the right day when prices are low so you can buy more shares). Dollar Cost Averaging may help reduce the timing risk of entering the stock market and is a simple, systematic investment approach in which a fixed dollar amount is invested at regular

intervals. By regularly investing a fixed dollar amount, more shares are purchased when prices are low, while fewer shares are purchased when prices are high. Typically, your average cost per share will be lower than your average price per share. You can take advantage of this technique by making regular payroll contributions to Horizons.

Visit the Horizons Plan Web site at [www.countyla.com](http://www.countyla.com) to learn more about how to take advantage of these features.<sup>1</sup>

### How It Works

Jennifer wants to invest a lump sum of \$2,400 in the market over four months.

Month	Amount Invested	Price per Share	Number of Shares	
January	\$600	\$20	30	<b>Average Price per Share:</b> Sum of Prices \$114 Number of Purchases 4 <b>Average Price per Share \$28.50</b>  <b>Average Cost per Share:</b> Total Amount Invested \$2,400 Number of Purchases 90 <b>Average Cost per Share \$26.67</b>
February	\$600	\$24	25	
March	\$600	\$30	20	
April	\$600	\$40	15	
<b>Total</b>	<b>\$2,400</b>	<b>\$114</b>	<b>90</b>	

<sup>3</sup> Rebalancer and Dollar Cost Averaging do not assure a profit and do not protect against loss in declining markets. Investors should consider their financial ability to continue a rebalancing and/or dollar cost averaging plan during periods of fluctuating price levels.

# Fast Facts: Plan Benefits and Features

## 2007 IRS Contribution Limits

The IRS has announced the 2007 calendar year contribution limits for your Horizons Plan.

Deferral Limit	\$15,500
With Age 50+ Catch-Up	\$20,500
With Standard Catch-Up	\$31,000

If you are eligible for both catch-up options, you may not contribute to both in the same year.

## Plan Fee Reduction

For the period of July 1, 2006, through June 30, 2007, the total annual cost for participating in the Horizons Plan will decrease from \$83.28 to \$64.82!<sup>4</sup>

Fee	Monthly Amount	Services Provided
Third-party administrator (TPA)	\$3.74 (including a \$0.50 Plan subsidy)	Recordkeeping, marketing and other services provided by Great-West Retirement Services®
County	\$1.28	County and contractor services

<sup>4</sup> Due to a delay in establishing the 2006/2007 rates, the 2005/2006 rates continued to be applied from July through September 2006. As a result, the monthly fees were adjusted for the remainder of the 2006 calendar year.

## Termination Pay Program Update

The County has received official verbal notice from the IRS that an adverse ruling will be made against the existing Termination Pay Program. Affected participants will receive a separate notice in the mail.

## Retirement Savings Tax Credit

Are you aware that the federal tax law offers certain retirement plan participants a tax credit to help save for tomorrow by reducing your taxes today?

Tax credits are designed to directly reduce the amount of federal income tax you have to pay each year. With less money owed to the federal government, there may be room to start saving for retirement—or to increase your current savings efforts.

The amount of credit depends on your adjusted gross income and your filing status (e.g., single, married, head of household).

Adjusted gross income is your annual income after before-tax retirement contributions and certain other items are removed. It is calculated before standard or itemized deductions and personal exemptions.

A quick glance at the table to the right will help you size up your eligibility for the tax credit for 2006.

Single Filer Adjusted Gross Income <sup>5</sup>	Head of Household Adjusted Gross Income <sup>5</sup>	Married, Filing Jointly Adjusted Gross Income <sup>5</sup>	Maximum Tax Credit Rate <sup>6</sup>
\$0-\$15,000	\$0-\$22,500	\$0-\$30,000	50%
\$15,000-\$16,250	\$22,500-\$24,375	\$30,000-\$32,500	20%
\$16,250-\$25,000	\$24,375-\$37,500	\$32,500-\$50,000	10%

## Figuring Your Tax Credit<sup>7</sup>

As you can see from the table above, the tax credit is directly related to your income level. For example, Joe is single, earning \$24,000 and saving for retirement. An applicable tax credit rate is 10%.<sup>8</sup> If he contributed \$2,000 to his plan, the tax credit would be \$200 (10% of \$2,000). Based on this example, the table below shows what Joe's taxes would look like.

### How It Works<sup>9</sup>

Gross Income	\$24,000
Less Before-Tax Contributions to Retirement Plans	\$2,000
<b>Adjusted Gross Income</b>	<b>\$22,000</b>
Less Exemptions	\$3,300
Less Standard Deductions	\$5,510
Net Taxable Income	\$13,550
Federal Income Tax Due Before Credit	\$2,033
<b>Tax Credit</b>	<b>\$200</b>
Federal Income Tax Due After Credit	\$1,833
Federal Income Tax Deferred or Saved From Tax Deferral and Tax Credit	\$300 + \$200 = <b>\$500</b>

In addition to the \$200 tax credit, Joe saves \$300 in current federal income tax by contributing to his plan. His total amount saved is \$500!

<sup>5</sup> Adjusted gross income limits are indexed for inflation in \$500 increments beginning in 2007.

<sup>6</sup> This percentage is multiplied by the amount of your annual contribution or \$2,000, whichever is less. The maximum tax credit is \$1,000 for each contributing individual. If you and your spouse both contribute to a retirement plan and you file a joint income tax return, the maximum tax credit is \$2,000.

<sup>7</sup> Great-West Retirement Services does not provide tax or legal advice. Consult your tax professional.

<sup>8</sup> Joe will not be eligible for a tax credit if he is not 18 years of age or older, is a full-time student, or if he can be claimed as a dependent on someone else's tax return. Additional limitations and eligibility requirements may apply. Please consult your tax professional.

<sup>9</sup> For illustration purposes only. Assumes 15% federal income tax marginal rates, exemptions and standard deduction for 2007.

# Committee in Action: Monitoring Investment Options

## Horizons Plan Administrative Committee Members

David E. Janssen, *Chair*

Daniel Cohen

J. Tyler McCauley

William Pryor

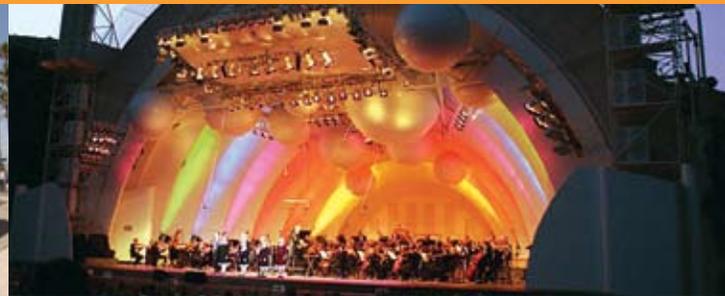
Ramon Rubalcava

Michael J. Henry

Mark Saladino

Carolyn Lawson

Steven Remige



The Horizons PAC is responsible for monitoring the investment options (funds) available to you, including the following characteristics of each fund:

- **Return on investment.** Is it making money for investors? How does it compare to similar funds?
- **Investment strategy.** Do the underlying investments follow the fund's stated investment strategy? Are market conditions favorable? Is the fund altering its investment strategy to chase current "hot stocks"?
- **Governance.** Is fund management stable? How will any management changes affect the fund's performance? Are there any pending or ongoing regulatory investigations or lawsuits?
- **Overall performance.** Is the fund performing as expected? Can improvements be made? Should the fund be placed on watch status or terminated?

As with most major pension funds, the PAC hires a qualified independent investment consultant to assist with and share in the fiduciary responsibility in meeting these complicated investment requirements. The consultant includes all of the aforementioned information in a comprehensive quarterly investment report provided to the PAC for review and consideration.

If necessary, specific fund managers could be asked to appear before the PAC to report on the current status of their funds and respond to any questions regarding governance or performance. Otherwise, each quarter the fund managers rotate providing the PAC with an annual fund update presentation in person. Underlying this investment monitoring process is the Horizons Investment Policy, which was developed to provide disciplined, Plan-specific guidelines on fund selection, investment strategy and fund termination.

The PAC is responsible for providing a selection of qualified investment options, as detailed in the Horizons Investment Policy. The PAC is not responsible for providing "name brand" funds, the latest "hot fund" or "superstar" investment options, nor will it ever be in the business of chasing the latest investment trends. Imagine the catastrophe if the PAC had followed the tech buzz and offered only tech funds just before that bubble burst!

In addition to reviewing individual fund performance, the PAC also reviews the associated costs of providing qualified investment options. We'll get into this topic in our next edition of your Horizons newsletter.

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Form# CB1004-01 (1/20/2007)

## 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  
Second 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 Tuesday 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 December 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 DECEMBER 31, 2006						CALENDAR YEAR					FUND OPERATING EXPENSES	INCEPTION DATE OF FUND
	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION <sup>10</sup>	2006	2005	2004	2003	2002		
<b>SIMPLIFIED INVESTMENT MENU<sup>11,12,13</sup></b>													
Pre-Assembled Portfolio A	8.43%	8.43%	7.12%	6.55%	N/A	6.29%	8.43%	5.43%	7.53%	13.85%	-1.88%	0.12%	05/18/98
Pre-Assembled Portfolio B	9.73%	9.73%	8.10%	7.12%	N/A	6.34%	9.73%	6.22%	8.38%	16.66%	-4.30%	0.15%	05/18/98
Pre-Assembled Portfolio C	11.05%	11.05%	9.08%	7.67%	N/A	6.36%	11.05%	7.00%	9.23%	19.49%	-6.70%	0.17%	05/18/98
Pre-Assembled Portfolio D	12.21%	12.21%	9.83%	8.24%	N/A	6.85%	12.21%	6.88%	10.46%	22.56%	-8.49%	0.20%	05/18/98
Pre-Assembled Portfolio E	13.33%	13.33%	10.84%	8.84%	N/A	7.04%	13.33%	7.78%	11.46%	25.82%	-10.86%	0.27%	05/18/98
<b>ADVANCED INVESTMENT MENU<sup>12</sup></b>													
PIMCO High Yield Fund – Institutional <sup>13</sup>	9.44%	9.44%	7.77%	8.95%	7.12%	8.81%	9.44%	4.62%	9.32%	23.70%	-0.85%	0.50%	12/15/92
Dodge & Cox Balanced Fund	13.86%	13.86%	11.20%	10.68%	11.79%	N/A	13.86%	6.59%	13.30%	24.44%	-2.89%	0.53%	06/26/31
SSGA S&P 500 Flagship Series Fund C <sup>11</sup>	15.75%	15.75%	10.40%	6.16%	8.34%	8.97%	15.75%	4.88%	10.84%	28.60%	-22.08%	0.05%	10/01/96
Artisan Mid Cap Fund <sup>15</sup>	9.65%	9.65%	11.11%	6.52%	N/A	17.31%	9.65%	9.11%	14.66%	31.80%	-24.16%	1.18%	06/27/97
DIA Medium Size Company Fund <sup>11,15</sup>	13.70%	13.70%	10.94%	9.78%	N/A	8.87%	13.70%	5.68%	13.65%	41.89%	-17.71%	0.45%	12/31/97
Small Cap Equity Managed by Brandywine <sup>11,16</sup>	17.61%	17.61%	14.21%	15.18%	N/A	15.61%	17.61%	2.01%	22.89%	41.24%	-3.63%	0.51%	11/10/99
Capital Guardian International Equity Fund <sup>11,17</sup>	20.50%	20.50%	18.36%	13.88%	N/A	7.97%	20.50%	20.15%	14.53%	36.48%	-15.35%	0.51%	12/01/00
Causeway International Value Equity Fund <sup>17,18</sup>	27.66%	27.66%	N/A	N/A	N/A	19.18%	27.66%	N/A	N/A	N/A	N/A	0.62%	02/01/05
<b>FIXED INVESTMENT OPTIONS<sup>8</sup></b>													
LA County Stable Income Fund	First Quarter Crediting Rate is 5.00%						Fourth Quarter Crediting Rate was 4.89%					11/30/90	
Washington Mutual Bank Fund	First Quarter Crediting Rate is 5.31%						Fourth Quarter Crediting Rate was 5.34%					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 net returns shown above reflect fund operating expenses, but do not include current administrative fees of \$5.02 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 0.602%. 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>10</sup>**Since Inception** is not applicable for funds more than 10 years old.

<sup>11</sup>**Registration** with the Securities and Exchange Commission is not required for these investment options.

<sup>12</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. 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](http://www.countyla.com)).

<sup>13</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 Los Angeles County Service Center at **(800) 947-0845**.

<sup>14</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>15</sup>**Medium sized companies** may suffer more significant losses as well as realize more substantial growth than larger capitalized, more established issuers.

<sup>16</sup>**Equity securities** of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

<sup>17</sup>**Foreign investments** involve special risks, including currency fluctuations and political developments.

<sup>18</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.

**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	

