

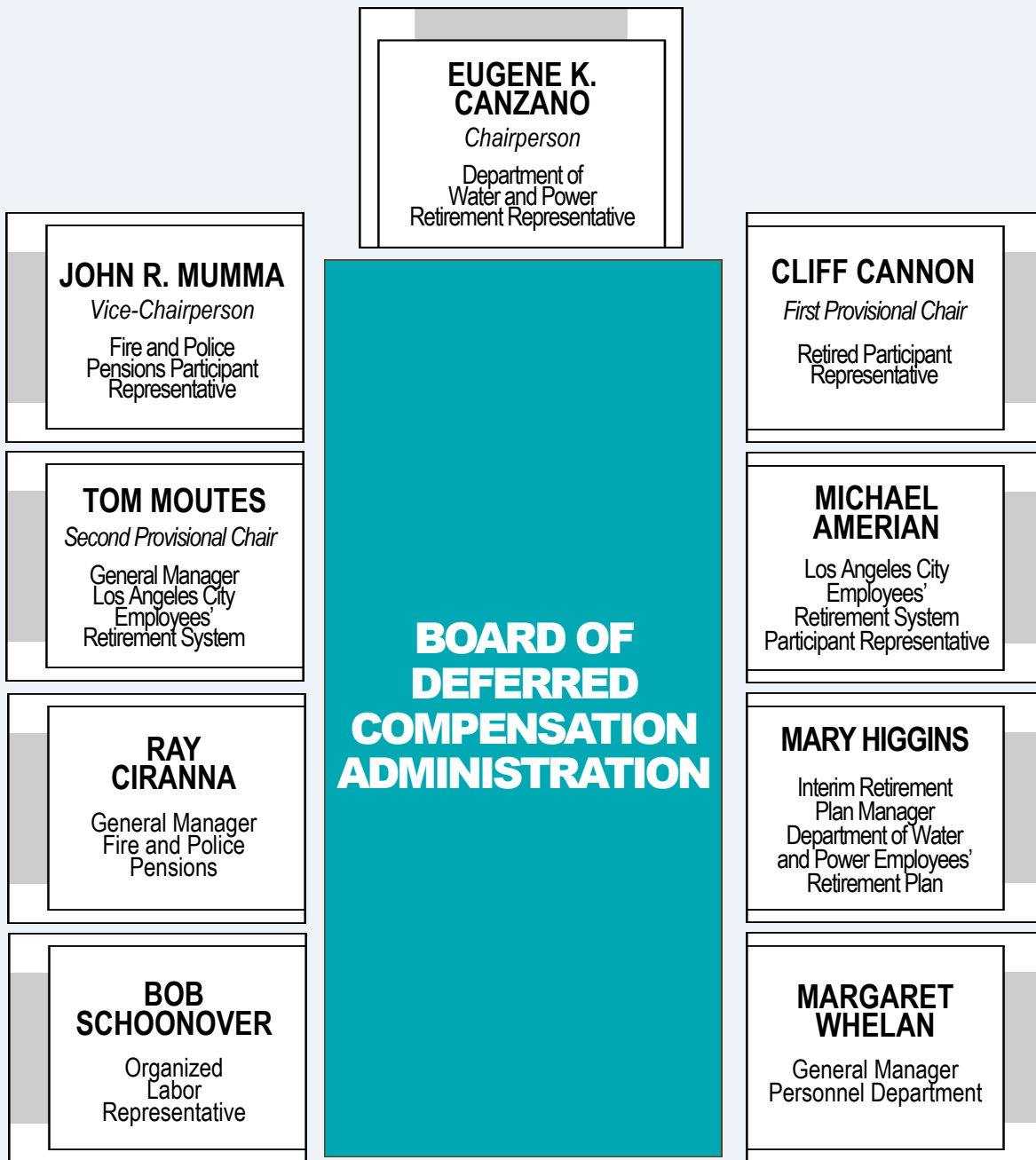


CITY OF **Los Angeles**

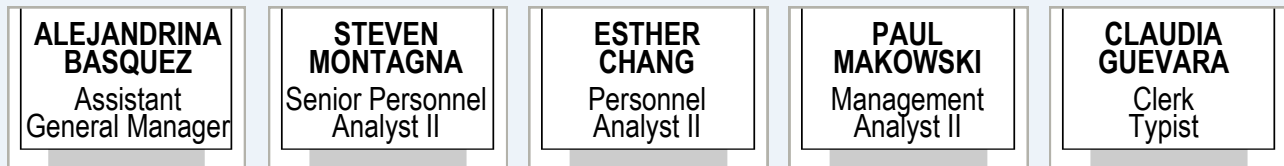


2013

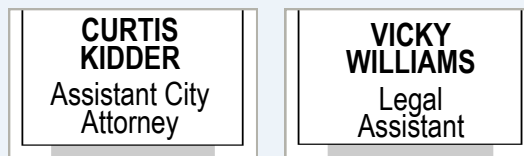
DEFERRED COMPENSATION PLAN
ANNUAL REPORT



PERSONNEL DEPARTMENT STAFF



CITY ATTORNEY STAFF



NOTE: Sangeeta Bhatia, Retirement Plan Manager of the Department of Water and Power, retired in March 2014. Mary Higgins replaced her as Interim Retirement Plan Manager of the Department of Water and Power.



2013 PLAN HIGHLIGHTS

June 1, 2014

The Honorable Eric Garcetti, Mayor
Honorable Council of the City of Los Angeles
Deferred Compensation Plan Participants

On behalf of the Board of Deferred Compensation Administration, it is my pleasure to present the 2013 annual report for the City of Los Angeles Deferred Compensation Plan. This program plays an integral role in helping City employees achieve retirement income security. **With over 40,000 Plan participants and a 68% active employee participation rate, as well as record assets in excess of \$4 billion, 2013 was truly a milestone year.**

The Board and Personnel Department staff, in partnership with our service providers, are focused on continuous enhancement of the services, features, and operation of the Plan. We are also focused on establishing the City's Plan in a leadership role among state and local government defined contribution plans.

In this report we'll highlight key metrics for the 2013 calendar year. Before doing so, we would like to highlight some of the most significant accomplishments and enhancements of the Plan.

National Leadership Role

Our program manager is a member of a national board representing the interests of state and local government defined contribution plan sponsors. This organization, the National Association of Government Defined Contribution Administrators (NAGDCA) meets annually with elected and appointed Federal officials to advocate for legislative and regulatory benefits for participants in these programs. NAGDCA also provides educational benefits to its membership. **Representation on this Board helps the City's Plan play a leadership role with Federal government officials and with our state and local government peers.**

MISSION

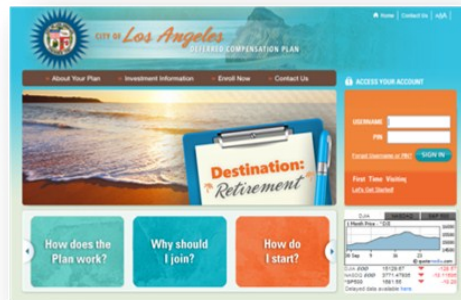
The mission of the Deferred Compensation Plan is to provide active and retired City employees with opportunities for enhancing retirement and financial security.

VISION

The Board's vision is to establish the City's Plan as a premier governmental retirement savings program dedicated to diligent, forward-thinking Plan administration guided solely by what is in the best interests of Plan participants.

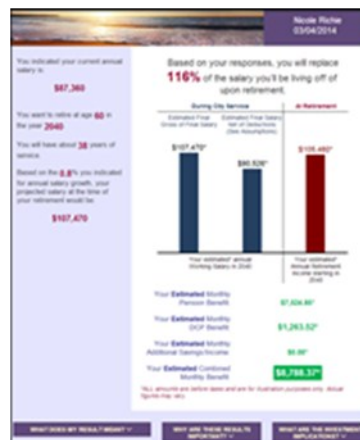
New Participant Website

In October 2013 the Plan introduced a **new participant website**. The new website moved to a more visual, tile-driven format allowing participants to easily identify the most important features for reviewing and managing their accounts. The website is a key engagement tool. In the first quarter of its introduction, web traffic jumped by 6% compared to the prior quarter.



Retirement Security Web Tools

Also in October 2013 we introduced a powerful new online tool called the **Retirement Income Projection Calculator**. This tool allows participants to project their post-retirement income relative to their income at time of retirement. Unlike many “off-the-shelf” retirement calculators, ours is highly customized by (a) incorporating the unique rules relating to the City’s three primary retirement plans and (b) solving for replacement of “lifestyle” income - the amount of salary an employee is actually living off of, as opposed to one’s nominal salary. The calculator has been extremely successful as an education and engagement tool. **Since inception, over 6,500 participants have used the calculator**, which represents approximately half the participants who use the website to manage their account.



A related tool we introduced at the same time is a “**How Am I Doing**” interactive web tool providing a simple means for participants to check in periodically on the essential factors driving success with one’s account. This tool is also quite popular, with almost 4,000 participants having used it since inception.



Strategic Planning/Goals/Metrics

In 2013 the Board conducted a Strategic Planning process to define broad goals and metrics for measuring the success of the Deferred Compensation Plan. **Measuring success involves four primary areas: Plan Outcomes, Participant Engagement, Participant Awareness and Participant Satisfaction.** The goals of the Plan are to provide (1) effective communication/education/customer service; (2) quality investment choices; (3) excellent Plan administration; (4) diligence in Plan governance, procurement and contracting; (5) effective management of Plan resources; and (6) effective development of intellectual resources.

Best Practices

Many of the Plan's service, investment, administrative and governance features represent best practices within the defined contribution universe. We have both learned from our peers as well as led the way in important aspects affecting the Plan, including the following:

- ▶ Being the first in the nation to offer retiree loans
- ▶ Offering a streamlined core investment menu
- ▶ Providing powerful new tools for retirement planning such as the retirement income projection calculator
- ▶ Offering a constellation of Plan governance documents (Plan Document, Investment Policy, Bylaws, and Strategic Planning).

We search for best practices because we recognize that they help us fulfill our core mission to enhance the retirement security of City employees. That search is ongoing and we look forward to future accomplishments and improvements in 2014 and beyond.

Eugene K. Canzano, Chairperson

Board of Deferred Compensation Administration

PLAN OVERVIEW

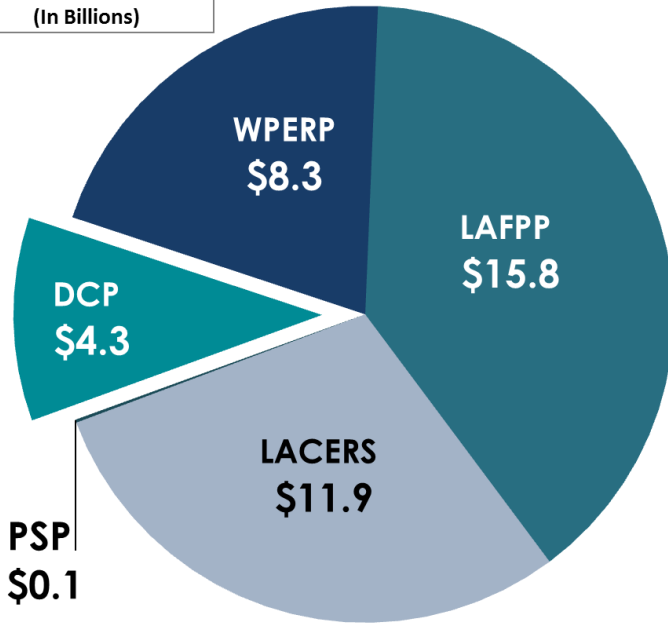
The City of Los Angeles Deferred Compensation Plan is a tax-advantaged supplemental retirement savings program established in 1983 under Internal Revenue Code (IRC) Section 457 and by City of Los Angeles Administrative Code, Division 4, Chapter 14. Section 457 plans were created by Congress specifically for state and local government entities. All Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.



PLAN REVIEW: ASSETS

Plan Assets

(In Billions)



City employees accumulated over \$4.2 billion in assets by the end of 2013, a record for the Plan. These funds represent a significant portion of the overall retirement assets held in the City's primary retirement savings plans.

Retirement benefits for City employees are provided as follows: the Los Angeles City Employees' Retirement System (**LACERS**) is for full-time civilian employees; the Los Angeles Fire and Police Pensions (**LAFPP**) is for full-time sworn employees; the Water and Power Employees' Retirement Plan (**WPERP**) is for full-time Department of Water and Power employees; the Deferred Compensation Plan (**DCP**) is for any employee who is also a member of LACERS, LAFPP, or WPERP; and the Pensions Savings Plan (**PSP**) is for part-time, temporary, and seasonal employees.

Figures for LACERS, LAFPP, & WPERP are from each organization's annual report for fiscal year ending 6/30/13. PSP and DCP figures are as of 12/31/13.

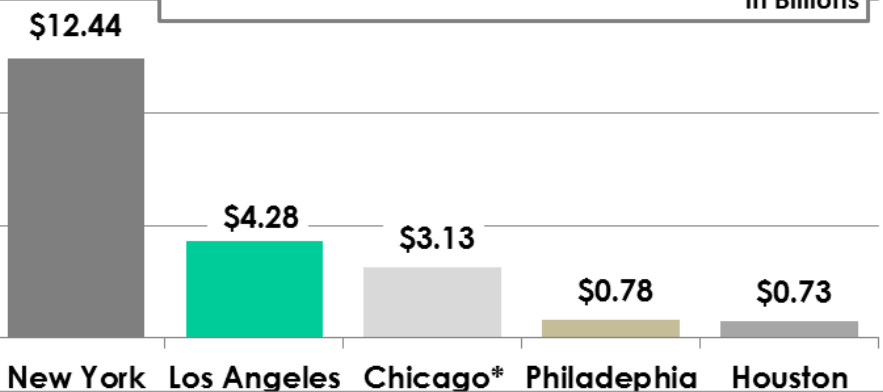
PLAN ADMINISTRATION

The Los Angeles City Council established the Board of Deferred Compensation Administration to provide administrative oversight of the Plan. In support of its fiduciary obligations, the Board administers the Plan, contracts with service providers, and operates the Plan in compliance with applicable Federal/State law. The Personnel Department is responsible for day-to-day management/administration of the Plan.

Measured in assets, the City's Plan is the second largest among the five largest cities (by population) in the United States.

DC Plan Assets for Major US Cities

in Billions

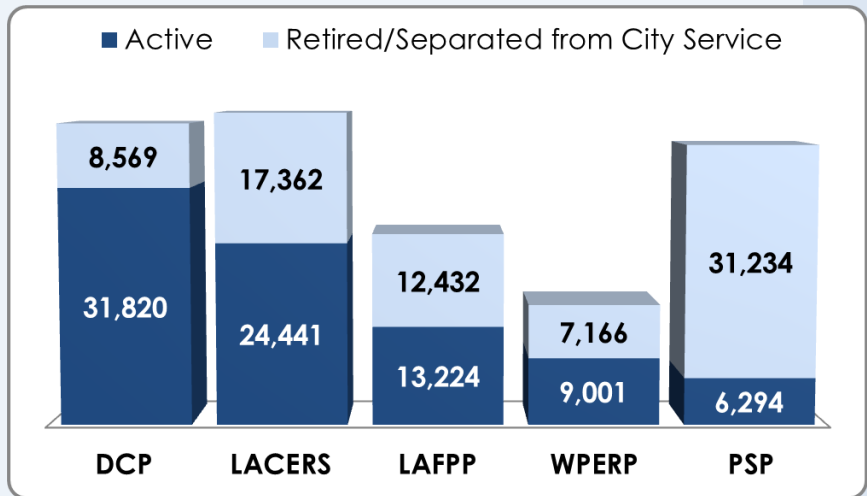


*Plan Assets for each City are as reported by each municipality as of 12/31/13 except for the City of Chicago, which has data as of 9/30/13.



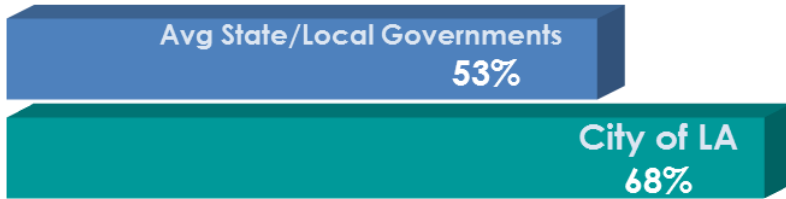
PLAN REVIEW: PARTICIPATION

As a voluntary plan, the Deferred Compensation Plan relies on its marketing and outreach efforts to encourage City employees to participate. In this area the Plan has experienced tremendous success. At 40,389 participants, the Plan is the second largest of the City's retirement/pension plans.



Figures for LACERS, LAFPP, & WPERP are from each organizations' annual report for fiscal year ending 6/30/13. The Pension Savings Plan (PSP) and Deferred Compensation Plan (DCP) figures are as of 12/31/13.

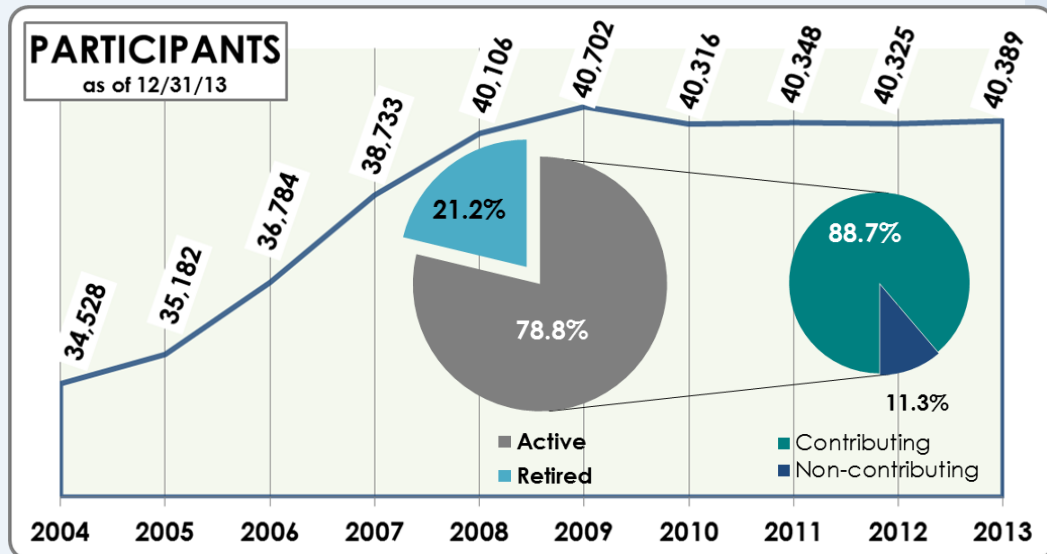
Active Employee Participation Rate Comparison to National Average: State/Local Governments



State/local average derived from National Association of Government Defined Contribution Administrators (NAGDCA) 2014 annual survey

ELIGIBILITY

Any active employee who is a contributing member of one of the City's three primary defined benefit retirement plans is eligible to join the Plan.



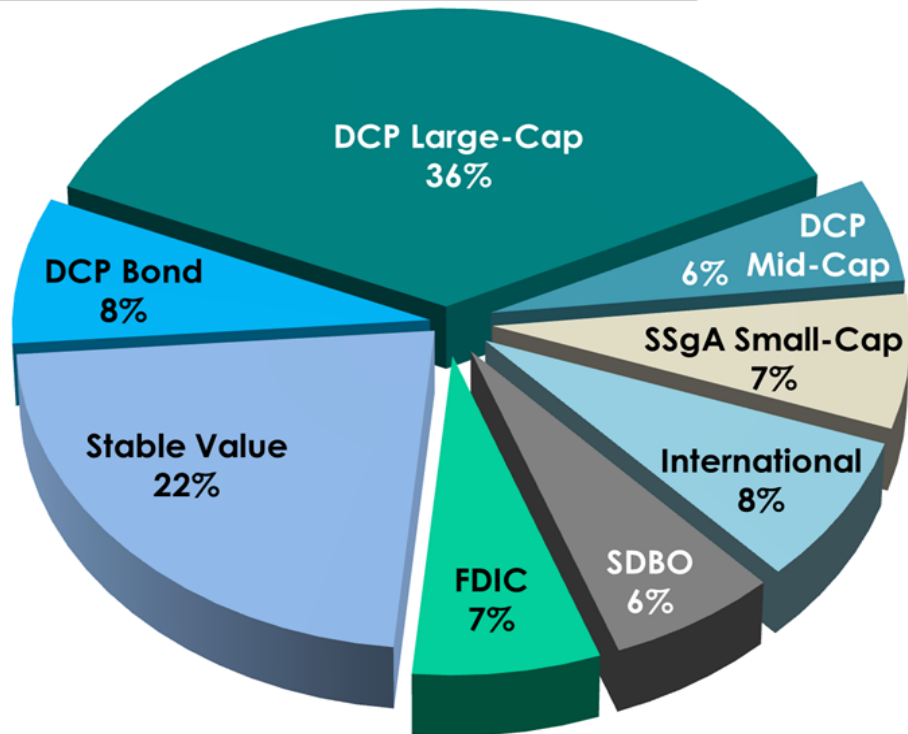


PLAN REVIEW: INVESTMENTS

The City's Plan includes twelve investment options along with a Self-Directed Brokerage Option (SDBO). The chart below shows participant holdings on an aggregate basis.

ASSET ALLOCATION HOLDINGS - 2013

■ FDIC	\$ 302,244,452
■ Stable Value	\$ 952,530,691
■ DCP Bond	\$ 329,413,084
■ DCP Large-Cap	\$ 1,555,288,389
■ DCP Mid-Cap	\$ 233,980,614
■ SSgA Small-Cap	\$ 301,120,031
■ International	\$ 329,050,817
■ SDBO	\$ 273,333,415
<hr/>	
	\$ 4,276,961,492



On a whole, the participant net return for the Plan in 2013 was **16.15%**. Individual investment option performance for Calendar Year 2013 is available in the Appendix.

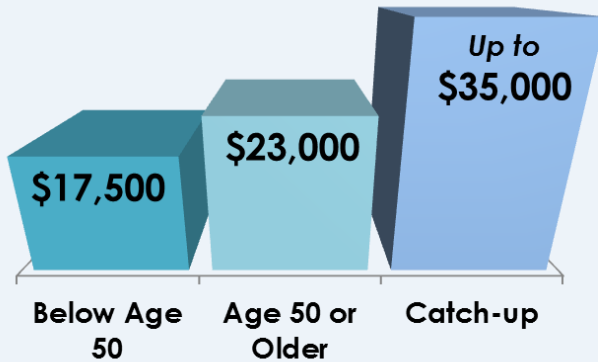
INVESTMENTS

Participants may choose from risk-based asset-allocation funds, principal-guaranteed options, bond/equity funds, and a Self-Directed Brokerage Option.



PLAN REVIEW: CONTRIBUTIONS

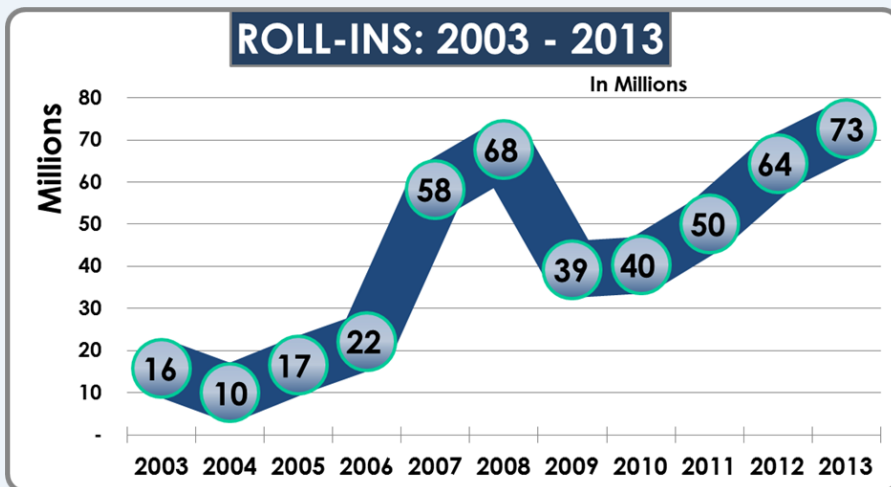
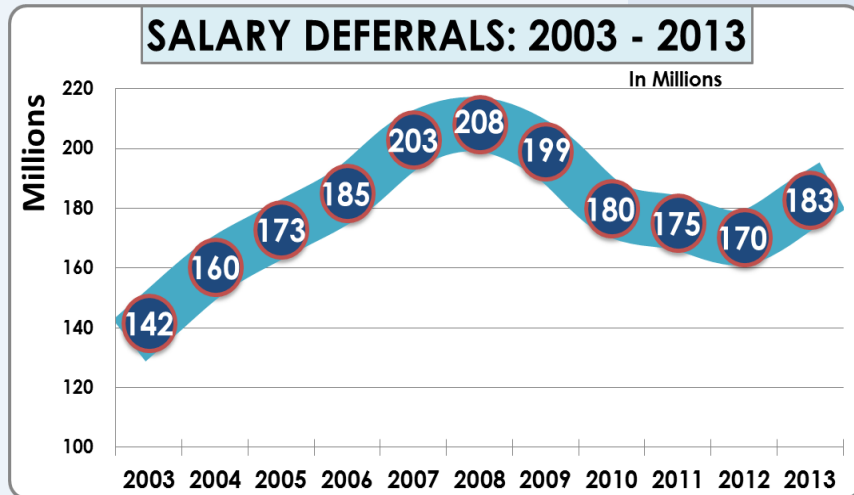
City employees may contribute up to Federal contribution limits. There are three contribution limits that apply for 2013:



CONTRIBUTIONS

Contributions may be made through payroll deduction on either a tax-advantaged pre-tax or after-tax ("Roth") basis, subject to maximum annual limits as provided for under the Internal Revenue Code.

Employees deferred \$182,957,416 from their paychecks into the Plan in 2013. In addition, employees rolled in \$72,630,088 of assets.





PLAN REVIEW: LOANS & HARDSHIPS

LOAN PROGRAM

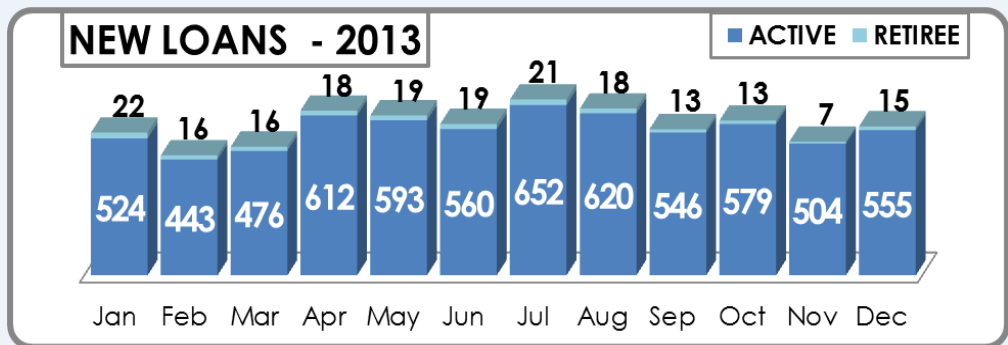
The City's Plan offers a loan program allowing participants to borrow funds from their individual accounts and then repay those amounts, with interest. All interest is credited back to the participant's account. Two loan types/terms are permitted: General Purpose (up to 5 years) and Principal Residence (up to 15 years). A participant may have up to two loans outstanding at any given time.

The Loan Program greatly expands the utility of the Plan for participants. Participants can use the funds to help with important items such as home purchase, funding a child's college education, debt consolidation, etc. Because borrowed amounts must be repaid, they are still ultimately retained for the long-term objective of the account, which is retirement income security.

Loans are widely used by Plan participants. As of 12/31/13, 12,440 Plan participants had 19,328 loans outstanding.

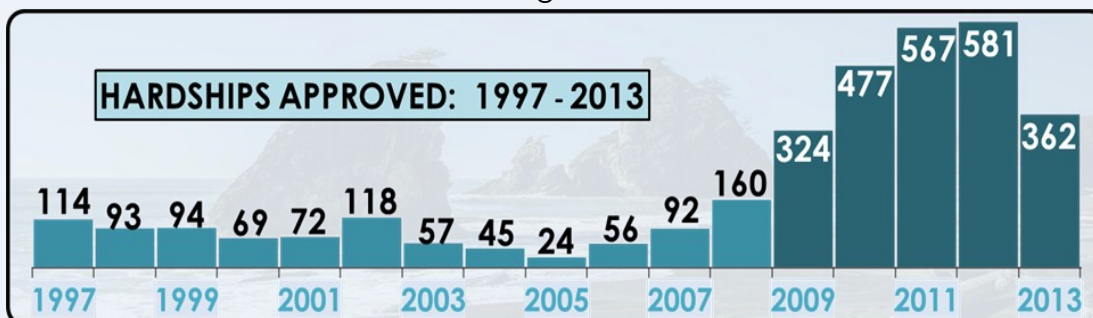
The City's Plan introduced a plan design innovation in 2012 by creating a "Retired Participant Loan Program."

This program allows retirees to take loans just as active participants can.



HARDSHIP WITHDRAWAL PROGRAM

The City's Plan also permits hardship withdrawals for participants who are experiencing financial emergencies as defined under Federal guidelines. Most hardship withdrawals are used to prevent eviction or foreclosure. Hardship activity increased markedly following the 2008 financial crisis and remains at high levels.

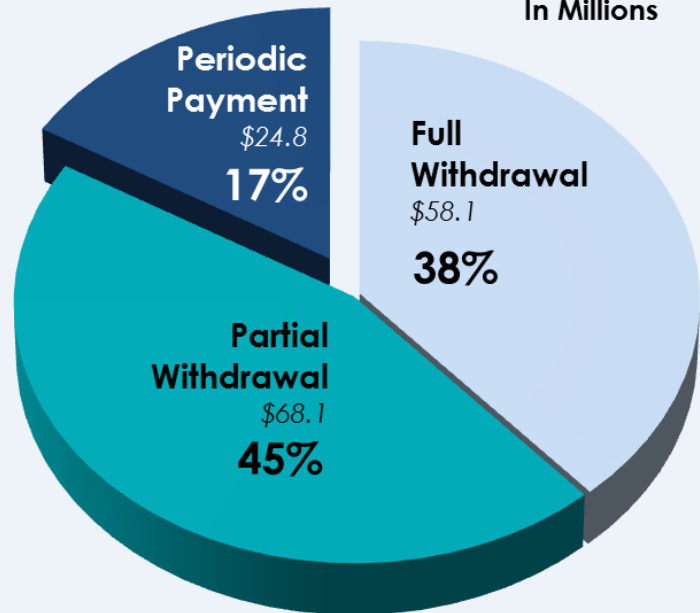




PLAN REVIEW: DISTRIBUTIONS

Upon separation from service, participants have a range of options with respect to their accounts. They can leave their funds in the Plan; begin receiving some form of installment payment; take periodic lump sum withdrawals; or roll their accounts over to another tax-advantaged retirement savings plan. Periodic payments are optimal, as they indicate funds are being used to promote long-term retirement income security.

2013 Distribution by Dollar* In Millions



2013 Distribution By Participants

- ▶ 40% of partial withdrawals taken were partial rollovers.*
- ▶ 87% of full withdrawals taken were full rollovers.*
- ▶ 44% of those retired/separated from City service did not take a withdrawal.
- ▶ 2,206 participants are taking a regular periodic payment for their distribution.

**Distribution figures reflected here are limited by withdrawal type for 2013 only. They do not include retiree loan figures, hardship withdrawals, distributions made due to death/beneficiary or QDRO, or rollovers to purchase annuities.*

SERVICE PROVIDERS

The Board contracts with a third-party-administrator to provide recordkeeping, enrollment, communications, administrative and trustee services; an investment consultant for investment review and monitoring; investment providers for certain investment options; and other consultants for administrative, regulatory, and communications services.



PLAN METRICS: OUTCOMES

Key metrics for participant outcomes include the following:

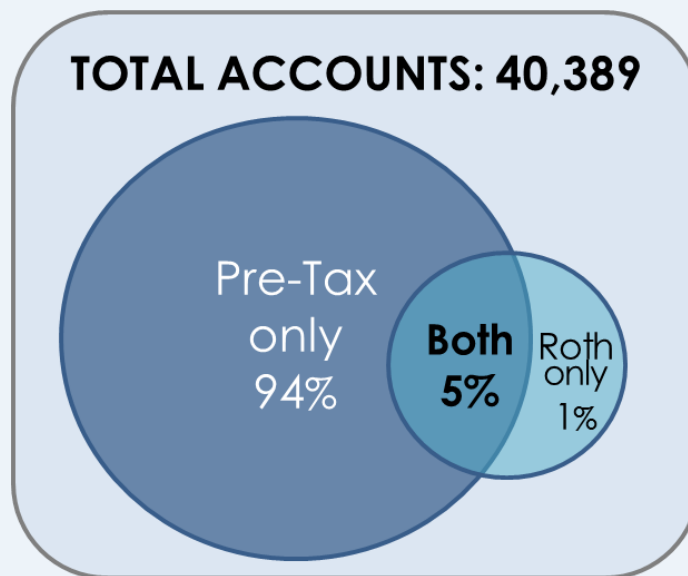
Participation Rate (active employees)	68%
Average Account Balance	\$105,875
Average Annual Contribution Amount	\$6,370
Periodic Payment Elections	2,206

2013 Roll Overs



Net Change: \$(3,280,333)

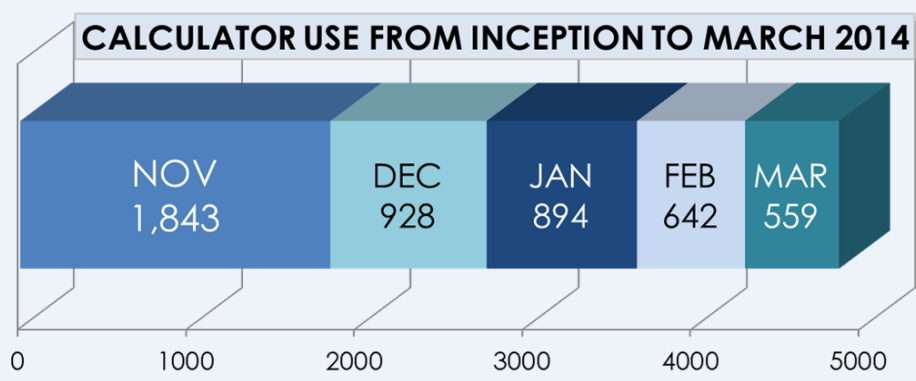
TOTAL ACCOUNTS: 40,389



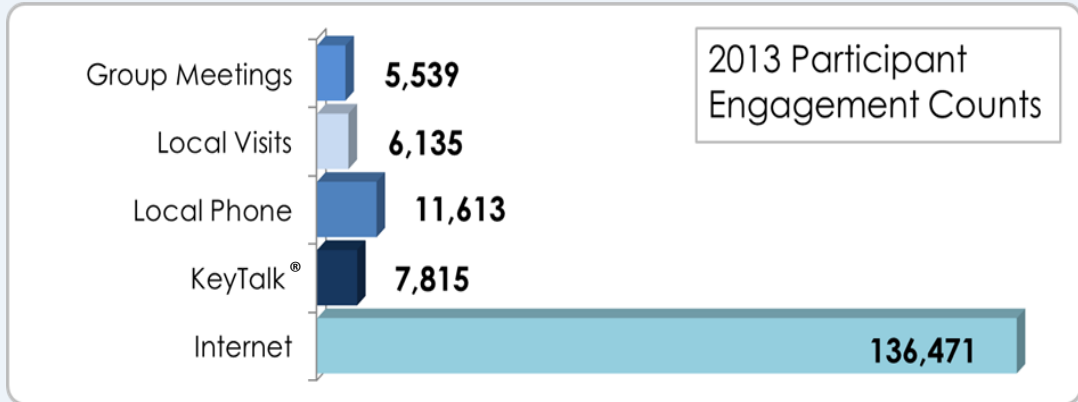


PLAN METRICS: ENGAGEMENT

In 2013 the Plan launched a powerful new tool for Plan participants called the "Retirement Income Projection Calculator." This tool allows participants to input their personal data across various income and savings sources to identify their projected retirement income replacement percentage upon retirement. Over 4,800 individuals used the calculator from October 30, 2013 to March 31, 2014 to get their final result percentage.



Engagement is an important metric of Plan success. Whenever a participant engages with the Plan, for whatever purpose, it provides an opportunity for them to engage with the concept of retirement income security more broadly. Key measures of engagement can be found in how often participants are using the automated phone system (KeyTalk®), the Plan website, interacting with our local counselors, and attending meetings.



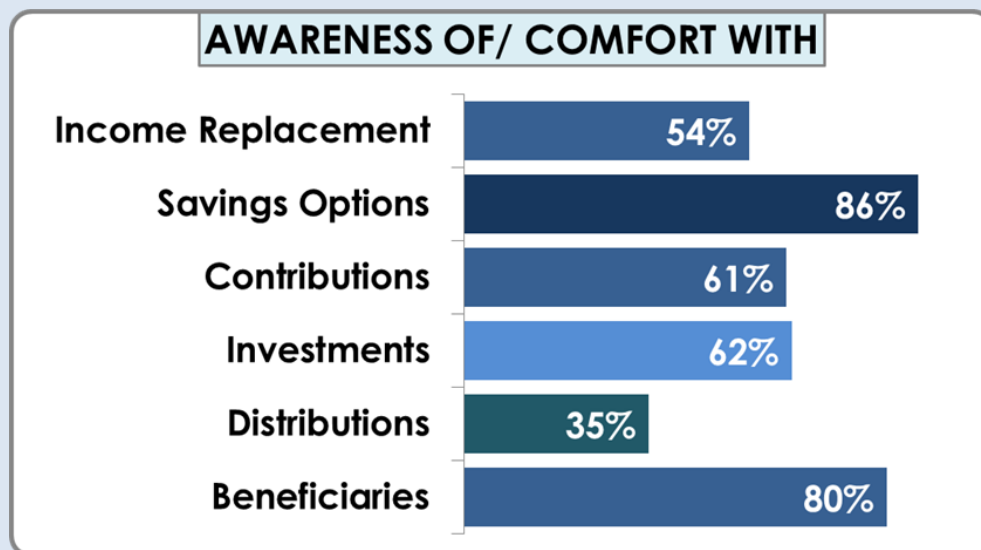
Total 2013 Engagements: 167,573



PLAN METRICS: AWARENESS

To be successful in achieving retirement income security participants need to be aware of the most important information impacting their success. The Plan began the process of measuring this by implementing an online survey, which it will repeat annually, to measure participant awareness of what it has defined as the key factors for success:

- (1) Awareness of one's projected retirement income replacement percentage
- (2) Awareness of pre-tax/after-tax savings options
- (3) Comfort level with current contribution amount
- (4) Comfort level with current investment allocation
- (5) Awareness of options/plan for taking distribution upon retirement
- (6) Awareness of beneficiary designation



**Chart above shows results of a November 2013 survey in which 772 participants responded.*



APPENDIX

Cost of Administration

DEFERRED COMPENSATION PLAN YEARLY BUDGET REVIEW	
ADMINISTRATIVE AND OPERATING EXPENSES	
YEAR ENDING 12/31/13	
STARTING BALANCE	
Payroll Fee Trust Fund Ending Balance - 12/31/12	\$ 18,441
Administrative Fee Reserve Fund Balance - 12/31/12	\$ 2,628,075
Total	\$ 2,646,516
REVENUES/FEES	
Interest Earnings on Payroll Fee Trust Fund	\$ 475
Payroll Fee Trust Fund Deposit: Travel	\$ 47,725
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 626,834
Interest Earnings on Administrative Fee Reserve Fund	\$ 54,863
Revenue from Fees Deducted from Participant Accounts	\$ 2,359,530
Miscellaneous Credits	\$ 198,653
Total Revenue/Fees	\$ 3,288,080
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 5,934,596
EXPENDITURES	
Participant Administrative Fees Paid to Great-West	\$ (1,493,450)
2130 Travel/Training/Education	\$ (24,041)
4160 Governmental Meetings	\$ -
6010 Office and Administrative	\$ -
7300 Office Furniture & Equipment	\$ -
Unforeseen Emergency Withdrawal Service	\$ (102,500)
Prior Quarter Departmental Staffing Reimbursements	\$ (627,434)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$ (49,228)
Consulting Costs	\$ (139,584)
Special Mailing/Marketing Expenses	\$ (15,000)
GWRS Quarterly Fee - Asset Allocation Fund Management	\$ (57,000)
Wells Fargo Custodial Fees	\$ (5,000)
TOTAL EXPENDITURES	\$ (2,513,237)
ENDING BALANCE	
Actual Payroll Fee Trust Fund Ending Balance (12/31/13)	\$ 202,456
Actual Administrative Fee Reserve Fund Ending Balance (12/31/13)	\$ 2,751,928
Actual Total Balance as of 12/31/13	\$ 2,954,384
Encumbrances/Liabilities	
Departmental Staffing Reimbursements: 09/30/13	\$ 197,061
Departmental Staffing Reimbursements: 12/31/13	\$ 172,710
Total Liabilities	\$ 369,771
ACTUAL TOTAL BALANCE AS OF 12/31/13	\$ 2,584,614

Historical Revenues & Expenditures

	Year Ending				
	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Starting Balance					
Payroll Fee Trust Fund Balance	292,827	214,597	28,537	134,375	527,626
Administrative Fee Reserve Fund Balance	3,542,891	3,582,738	3,473,506	3,778,355	2,820,011
Total Starting Balance	3,835,718	3,797,335	3,502,043	3,912,730	3,347,637
Revenues/Fees					
Interest	180,021	138,786	111,652	91,235	76,090
Revenue from Fees Deducted from Participant Accounts	1,899,355	1,892,270	2,075,698	2,158,756	2,222,921
Credits and Adjustments	103,248	128,960	46,791	105,787	52,643
Total Revenues/Fees	2,182,624	2,160,017	2,234,141	2,355,778	2,351,654
TOTAL ASSETS (Starting Balance + Revenues/Fees)	6,018,342	5,957,352	5,736,184	6,268,508	5,699,291
Expenditures					
Participant Admin Fees Paid to GWRS	(1,560,833)	(1,604,608)	(1,609,935)	(1,602,739)	(1,518,543)
2130 Travel/Training/Education	(26,663)	(18,004)	(27,030)	(23,281)	(20,980)
4160 Governmental Meetings	0	0	0	0	0
6010 Office and Administrative	(2,146)	(585)	0	(600)	(6,482)
Staffing Reimbursements	(304,683)	(668,889)	(301,098)	(644,053)	(564,975)
Consultant Costs	(103,341)	(116,327)	(24,431)	(165,017)	(71,951)
Election Administration and Special Marketing	(17,612)	(9,201)	0	(25,690)	(8,253)
GWRS Asset Allocation Fund Management	(24,000)	(31,500)	(36,000)	(36,000)	(75,404)
GWRS Hardship Admin (aka Unforeseen Emergency Withdrawal Service)	(46,750)	(81,000)	(103,250)	(113,750)	(123,500)
Wells Fargo Custodial Fees	-	-	-	-	(8,250)
Total Expenditures	(2,086,028)	(2,530,114)	(2,101,743)	(2,611,130)	(2,398,338)
Ending Balance					
Actual Payroll Fee Trust Fund Ending Balance	214,597	28,537	134,375	527,626	18,441
Actual Admin Fee Reserve Fund Ending Balance	3,582,738	3,473,506	3,778,355	2,820,011	2,632,208
Total Ending Balance	3,797,335	3,502,043	3,912,730	3,347,637	2,650,649
Encumbrances/Liabilities					
Staffing Requirements	(364,430)	(277,287)	(514,971)	(277,272)	(303,378)
Total Assets Less Liabilities	3,567,883	3,149,951	3,119,470	3,380,106	2,997,575

2013 Annual Returns

Average Annualized Returns as of December 31, 2013					
Variable Investment Option	YTD/ 1-Year	3 Year	5 Year	10 Yrs/Since Inception	Expense Ratio
FDIC-Insured Savings Option	0.44%	0.42%	N/A	0.42%	N/A
DCP Stable Value Option	2.25%	2.78%	3.24%	3.90%	0.28%
Profile Portfolios					
Ultra-Conservative	3.97%	4.94%	6.14%	4.78%	0.26%
Conservative	9.10%	7.06%	8.77%	5.73%	0.25%
Moderate	17.57%	9.95%	12.25%	6.66%	0.20%
Aggressive	22.59%	11.38%	14.26%	6.98%	0.20%
Ultra-Aggressive	27.76%	12.76%	16.21%	5.84%	0.19%
DCP Bond	-2.02%	3.64%	5.66%	5.26%	0.26%
DCP Large-Cap	32.37%	16.18%	17.98%	7.44%	0.02%
DCP Mid-Cap	35.21%	15.45%	22.13%	10.14%	0.06%
SSgA Small Cap	38.73%	15.61%	19.89%	8.83%	0.06%
Fidelity International Fund	25.19%	8.83%	13.25%	7.36%	0.95%
DWS EAFE International Fund	21.56%	8.02%	11.9%	6.66%	0.54%

Participation By Department (currently contributing only)

Department Name	Eligible 1/13	Contrib. 1/13	Contrib. % 1/13	Current Eligible 1/14	Current Contrib. 1/14	Contrib. % 1/14	% Change	# Change
AIRPORTS	3,368	1,613	47.89%	3,402	1,739	51.12%	3.23%	126
ANIMAL SERVICES	299	132	44.15%	324	153	47.22%	3.08%	21
AGING	38	27	71.05%	38	24	63.16%	-7.89%	-3
BUILDING & SAFETY	739	376	50.88%	763	414	54.26%	3.38%	38
CAO	104	76	73.08%	107	78	72.90%	-0.18%	2
CITY ATTORNEY	830	511	61.57%	824	536	65.05%	3.48%	25
CITY CLERK	100	66	66.00%	106	68	64.15%	-1.85%	2
CITY ETHICS	19	12	63.16%	21	14	66.67%	3.51%	2
CDD	265	133	50.19%	-	-	-	N/A	N/A
COLISEUM	28	10	35.71%	-	-	-	N/A	N/A
CONTROLLER	146	116	79.45%	144	114	79.17%	-0.29%	-2
CONVENTION CENTER	138	63	45.65%	13	9	69.23%	23.58%	-54
COUNCIL	337	89	26.41%	349	78	22.35%	-4.06%	-11
CULTURAL AFFAIRS	46	20	43.48%	47	20	42.55%	-0.93%	0
DEPT ON DISABILITY	15	7	46.67%	17	7	41.18%	-5.49%	0
DWP	8,876	5,688	64.08%	8,913	5,670	63.61%	-0.47%	-18
ECONOMIC & WORKFORCE DEVELOPMENT	-	-	-	164	90	54.90%	N/A	N/A
EL PBLO LA HIST MNT AUT	16	5	31.25%	16	4	25.00%	-6.25%	-1
EMERGENCY MGMT. DEPT	22	14	63.64%	21	14	66.67%	3.03%	0
EMPLOYEE RELATIONS	3	1	33.33%	3	1	33.33%	0.00%	0
FINANCE	336	203	60.42%	333	224	67.27%	6.85%	21
FIRE - FIREFIGHTERS	3,168	2,707	85.45%	3,148	2,830	89.90%	4.45%	123
FIRE CIVILIAN	299	163	54.52%	295	171	57.97%	3.45%	8
GENERAL SERVICES	1,512	656	43.39%	1,427	609	42.68%	-0.71%	-47
HARBOR	949	586	61.75%	943	605	64.16%	2.41%	19
HOUSING	525	312	59.43%	-	-	-	N/A	N/A
HOUSING & COMMUNITY INVESTMENT	-	-	-	599	363	60.60%	N/A	N/A
ITA	475	325	68.42%	467	334	71.52%	3.10%	9
LACERS	124	89	71.77%	126	100	79.37%	7.59%	11
LIBRARY	951	311	32.70%	1,047	323	30.85%	-1.85%	12
MAYOR	171	41	23.98%	148	29	19.59%	-4.38%	-12
NEIGHBORHOOD EMPOWER.	25	11	44.00%	24	14	58.33%	14.33%	3
PENSIONS	106	70	66.04%	108	73	67.59%	1.55%	3
PERSONNEL	429	294	68.53%	460	324	70.43%	1.90%	30
PLANNING	235	143	60.85%	243	160	65.84%	4.99%	17
POLICE OFFICERS	9,718	7,698	79.21%	9,693	8,235	84.96%	5.74%	537
POLICE CIVILIAN	2,880	1,735	60.24%	2,943	1,909	64.87%	4.62%	174
PUBLIC WORKS	4,513	2,362	52.34%	4,599	2,447	53.21%	0.87%	85
RECREATION & PARKS	2,955	623	21.08%	3,099	674	21.75%	0.67%	51
TRANSPORTATION	1,494	723	48.39%	1,616	787	48.70%	0.31%	64
LOS ANGELES ZOO	225	86	38.22%	218	85	38.99%	0.77%	-1
TOTALS--->	46,479	28,097	60.45%	46,808	29,329	62.66%	2.21%	1,232

GREEN indicates new department. RED indicates closed or former department.

Plan participation rate of 68% is higher than the contribution rate of 63% because the former number includes all current employees with accounts



Board of Deferred Compensation Administration
Personnel Department—Employee Benefits Division
200 North Spring Street, Room 867
Los Angeles, CA 90012