

## Memo

**To:** Board of Deferred Compensation Administration  
**Date:** April 7, 2011  
**From:** Devon Muir, CFA  
**Subject:** Follow-up to request for clarification of Mercer 4th Quarter 2010 performance report  
**Copy:** Staff

This correspondence serves as follow up on the items raised by the Board at the March meeting.

- 1) *Mid Cap peer universe median inconsistency:* In the report, we incorrectly benchmarked the Vanguard Mid Cap Index Fund against the Mercer Institutional US Equity Mid Cap Core Universe, a universe comprising gross-of-fees performance for institutional product (i.e., non-mutual funds). The correct universe should have been the same one used for the Lazard US Equity Mid Cap Portfolio Institutional, the Mercer Mutual Fund US Equity Mid Cap Core Universe. We have corrected the performance table and have included it as an addendum to this memo.
- 2) *Investment Expense Analysis amendment:* It was noted at the meeting that our summary expense table did not “net out” revenue sharing recovered by Great-West and rebated back to participants. It also did not account for the per-head charge assessed to participants by Great-West for Plan administrative costs. The result was a slight overstatement in the actual “all-in” cost to participants since revenue sharing received is in excess of Plan administrative costs. We have updated our expense table to include these items, and it also is in the addendum. The result is a reduction in the overall Plan cost figure from approximately 0.31% to 0.29%.
- 3) *5-year performance dispersion between the Profile Portfolios (“Profiles”) and their indices:* For the 5-year period in our performance report, “actual” performance was overstated due to a data entry error. We have rectified this error in our database, and the addendum reflects accurate 5-year performance of the Profiles.
- 4) *Rationale for inclusion of the Current Allocation - Hypothetical benchmark (“Hypothetical Benchmark”):* At the meeting, there was some discussion about the function of the Hypothetical Benchmark. The Hypothetical Benchmark represents the performance of an entirely passive portfolio allocated according to the current asset allocation targets. The only difference between the Hypothetical Benchmark and the Custom Index is that the Hypothetical Benchmark incorporates the mid cap allocation back to the inception of

its track record, while the Custom Index adds the mid cap index allocation effective June 1, 2009, when the asset class was added to the Profiles. We believe the usefulness of the Hypothetical Benchmark is questionable from a benchmarking standpoint, and we recommend discontinuing its use in future performance reports in order to simplify oversight of the Profiles.

- 5) *Projected expenses of the new investment option line-up:* The Board directed Mercer to provide illustration on what the investment fees for the new investment menu would be like. We provide our analysis as a separate addendum to this memo.

**Addendum 1:**  
**Fourth Quarter 2010**  
**Defined Contribution Performance**  
**and Investment Expense Summary (Amended)**

Fourth Quarter 2010

# Defined Contribution Performance and Investment Expense Summary (Amended)

**City of Los Angeles**

City of Los Angeles Deferred Compensation Plan

**MERCER**

*All services provided by Mercer Investment Consulting, Inc.*

## Summary – Performance Summary

Periods ending December 31, 2010

### Cash Equivalents

	Market Value	% of Plan	Recommend
<b>Washington Mutual (Chase) Liquid Savings Account</b>	<b>\$293,350,557</b>	<b>9.3%</b>	<b>Retention</b>
<b>Washington Mutual (Chase) CD's</b>	<b>\$17,777,239</b>	<b>0.6%</b>	<b>Retention</b>

### Stable Value

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>Deferred Compensation Stable Value Fund (Net)<sup>1</sup></b>	<b>\$683,402,620</b>	<b>21.7%</b>	<b>0.9%</b>	<b>3.7%</b>	<b>3.7%</b>	<b>4.2%</b>	<b>4.4%</b>	<b>Retention</b>
3 Yr Constant Maturity Treasury Index + 50 bps			0.3%	1.6%	1.6%	2.1%	3.3%	
iMoneyNet All Taxable+100bps			0.3%	1.0%	1.0%	1.8%	3.3%	
<i> Mercer Stable Value Universe Median</i>			0.9%	3.5%	3.5%	3.9%	4.3%	
<i> Fund Rank in Universe</i>			39	44	44	29	33	

### Domestic Fixed

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>Vanguard Total Bond Market Index Fund Inst Plus</b>	<b>\$71,417,287</b>	<b>2.3%</b>	<b>-1.3%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>Retention</b>
Barclays Capital US Aggregate			-1.3%	6.6%	6.6%	5.9%	5.8%	
<i> Mercer Mutual Fund US Fixed Core Universe Median</i>			-0.7%	7.1%	7.1%	5.6%	5.3%	
<i> Fund Rank in Universe</i>			81	66	66	39	32	
<b>PIMCO Total Return Fund Institutional</b>	<b>\$111,548,207</b>	<b>3.5%</b>	<b>-0.9%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>9.1%</b>	<b>8.1%</b>	<b>Retention</b>
Barclays Capital US Aggregate			-1.3%	6.6%	6.6%	5.9%	5.8%	
<i> Mercer Mutual Fund US Fixed Core Universe Median</i>			-0.7%	7.1%	7.1%	5.6%	5.3%	
<i> Fund Rank in Universe</i>			62	24	24	3	2	

<sup>1</sup> The inception date of Galliard Stable Value fund is July 1, 2008. Returns prior to the inception date are linked to the Wells Fargo Stable Return fund.

**Fund:** ■ Outperformed Index ■ Underperformed Index ■ Matched or Tracked Within Fees **Universe Ranking:** ■ 0% - 25% ■ 25% - 50% ■ 50% - 75% ■ 75% - 100%

## Lifecycle<sup>1</sup>

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>Ultra Conservative</b>	<b>\$14,603,031</b>	<b>0.5%</b>	<b>1.2%</b>	<b>7.1%</b>	<b>7.1%</b>	<b>NA</b>	<b>NA</b>	<b>Retention</b>
<b>Ultra Conservative (Current Allocation – Hypothetical)</b>			<b>1.3%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>4.5%</b>	<b>5.3%</b>	
Ultra Conservative Profile Custom Index <sup>1</sup>			1.0%	6.5%	6.5%	3.7%	4.8%	
<b>Conservative Profile</b>	<b>\$38,037,173</b>	<b>1.2%</b>	<b>3.0%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>3.2%</b>	<b>4.9%</b>	<b>Retention</b>
<b>Conservative Profile (Current Allocation – Hypothetical)</b>			<b>3.1%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>3.4%</b>	<b>5.2%</b>	
Conservative Profile Custom Index <sup>2</sup>			3.0%	9.4%	9.4%	3.0%	4.8%	
<b>Moderate Profile</b>	<b>\$134,761,416</b>	<b>4.3%</b>	<b>6.3%</b>	<b>12.6%</b>	<b>12.6%</b>	<b>1.5%</b>	<b>4.5%</b>	<b>Retention</b>
<b>Moderate Profile (Current Allocation – Hypothetical)</b>			<b>6.3%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>1.7%</b>	<b>4.7%</b>	
Moderate Profile Custom Index <sup>3</sup>			6.2%	12.7%	12.7%	1.4%	4.4%	
<b>Aggressive Profile</b>	<b>\$113,266,956</b>	<b>3.6%</b>	<b>8.1%</b>	<b>14.7%</b>	<b>14.7%</b>	<b>-0.4%</b>	<b>3.8%</b>	<b>Retention</b>
<b>Aggressive Profile (Current Allocation – Hypothetical)</b>			<b>8.2%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>0.5%</b>	<b>4.3%</b>	
Aggressive Profile Custom Index <sup>4</sup>			8.2%	14.9%	14.9%	-0.4%	3.8%	
<b>Ultra Aggressive Profile</b>	<b>\$22,716,663</b>	<b>0.7%</b>	<b>10.0%</b>	<b>16.9%</b>	<b>16.9%</b>	<b>NA</b>	<b>NA</b>	<b>Retention</b>
<b>Ultra Aggressive Profile (Current Allocation – Hypothetical)</b>			<b>10.2%</b>	<b>16.9%</b>	<b>16.9%</b>	<b>-0.8%</b>	<b>3.9%</b>	
Ultra Aggressive Profile Custom Index <sup>5</sup>			10.2%	17.0%	17.0%	-2.5%	3.0%	

<sup>1</sup> Allocation to the profile funds changed June 1, 2009 with the inclusion of a US mid cap equity component. Hypothetical performance of the profile funds using the allocation adopted June 1, 2009, for periods before June 1, 2009 is shown at the request of the Board for comparison purposes. The hypothetical performance may not match actual historical performance for periods after June 1, 2009 because of rounding differences or changes in performance share class.

<sup>1</sup> For periods after June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 5% S&P 500 Index / 2.5% MSCI US Mid Cap 450 Index/ 2.5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 5.0% S&P 500 Index / 5.0% Russell 2000 Index / 5.0% MSCI EAFE (NWHT) Index.

<sup>2</sup> For periods after June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 12.5% S&P 500 Index / 5% MSCI US Mid Cap 450 Index/ 5.0% Russell 2000 Index / 12.5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50% Barclays Capital US Aggregate Index / 25% S&P 500 Index / 5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index.

<sup>3</sup> For periods after June 1, 2009, the following composite index is used: 10.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 30.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 10.0% MSCI US Mid Cap 450 Index/ 10.0% Russell 2000 Index / 15.0% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 35.0% Barclays Capital US Aggregate Index / 40.0% S&P 500 Index / 10.0% Russell 2000 Index / 10.0% MSCI EAFE (NWHT) Index.

<sup>4</sup> For periods after June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 20.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 15.0% MSCI US Mid Cap 450 Index/ 15.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 20% Barclays Capital US Aggregate Index / 50% S&P 500 Index / 15% Russell 2000 Index / 15% MSCI EAFE (NWHT) Index

<sup>5</sup> For periods after June 1, 2009, the following composite index is used: 10.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 20.0% MSCI US Mid Cap 450 Index/ 20.0% Russell 2000 Index / 25.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 60.0% S&P 500 Index / 20.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index.

**Fund:** ■ Outperformed Index ■ Underperformed Index ■ Matched or Tracked Within Fees **Universe Ranking:** ■ 0% - 25% ■ 25% - 50% ■ 50% - 75% ■ 75% - 100%

## Domestic Equity

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>American Funds Investment Co of America A</b> Russell 1000 Value <i>Mercer Mutual Fund US Equity Large Cap Value Universe Median</i> <i>Fund Rank in Universe</i>	\$145,219,177	4.6%	8.7%	10.9%	10.9%	-2.7%	2.5%	Retention
			10.5%	15.5%	15.5%	-4.4%	1.3%	
			10.6%	13.2%	13.2%	-3.9%	1.5%	
			90	84	84	25	25	
<b>Vanguard Institutional Index Fund Inst Plus</b> S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$439,440,096	13.9%	10.8%	15.1%	15.1%	-2.8%	2.3%	Retention
			10.8%	15.1%	15.1%	-2.9%	2.3%	
			10.5%	13.1%	13.1%	-2.9%	2.2%	
			42	21	21	48	45	
<b>Hartford Capital Appreciation HLS IA</b> S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$297,881,205	9.4%	13.0%	16.5%	16.5%	-2.6%	4.7%	Retention
			10.8%	15.1%	15.1%	-2.9%	2.3%	
			10.5%	13.1%	13.1%	-2.9%	2.2%	
			6	9	9	46	8	
<b>American Funds Growth Fund of America A</b> Russell 1000 Growth <i>Mercer Mutual Fund US Eq Large Cap Growth Universe Median</i> <i>Fund Rank in Universe</i>	\$238,888,503	7.6%	10.3%	12.3%	12.3%	-2.7%	2.5%	Monitor
			11.8%	16.7%	16.7%	-0.5%	3.8%	
			11.8%	15.3%	15.3%	-2.2%	2.5%	
			78	73	73	59	52	
<b>Vanguard Mid-Cap Index Fund Institutional<sup>1</sup></b> Vanguard Spliced Mid Cap Index <i>Mercer Mutual Fund US Equity Mid Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$35,099,532	1.1%	13.6%	25.7%	25.7%	0.9%	4.4%	Retention
			13.6%	25.7%	25.7%	0.9%	4.4%	
			13.3%	23.4%	23.4%	0.8%	4.0%	
			44	20	20	45	44	
<b>Lazard US Mid Cap Equity Portfolio Institutional</b> Russell Midcap <i>Mercer Mutual Fund US Equity Mid Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$30,253,236	1.0%	11.4%	23.4%	23.4%	1.8%	3.3%	Terminate
			13.1%	25.5%	25.5%	1.1%	4.7%	
			13.3%	23.4%	23.4%	0.8%	4.0%	
			87	49	49	36	63	

<sup>1</sup> S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index thereafter.

**Fund:** ■ Outperformed Index ■ Underperformed Index ■ Matched or Tracked Within Fees **Universe Ranking:** ■ 0% - 25% ■ 25% - 50% ■ 50% - 75% ■ 75% - 100%

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>SSgA Russell Small Cap Index Non-Lending Series Fund</b>	\$122,152,227	3.9%	16.2%	26.6%	26.6%	2.0%	4.2%	Retention
Russell 2000			16.3%	26.9%	26.9%	2.2%	4.5%	
<i>Mercer Mutual Fund US Equity Small Cap Core Universe Median</i>			15.8%	25.6%	25.6%	2.0%	4.2%	
<i>Fund Rank in Universe</i>			43	41	41	49	51	

### International Equity

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
<b>DWS EAFE Equity Index Fund Institutional<sup>1</sup></b>	\$33,555,758	1.1%	6.2%	7.7%	7.7%	-7.1%	2.2%	Retention
MSCI EAFE NET WHT			6.6%	7.8%	7.8%	-7.0%	2.5%	
<i>Mercer Mutual Fund Intl Equity Universe Median</i>			7.4%	11.5%	11.5%	-6.0%	3.4%	
<i>Fund Rank in Universe</i>			80	78	78	65	69	
<b>Fidelity Diversified International Fund</b>	\$148,931,341	4.7%	8.3%	9.7%	9.7%	-7.5%	2.4%	Monitor
MSCI EAFE NET WHT			6.6%	7.8%	7.8%	-7.0%	2.5%	
<i>Mercer Mutual Fund Intl Equity Universe Median</i>			7.4%	11.5%	11.5%	-6.0%	3.4%	
<i>Fund Rank in Universe</i>			32	64	64	68	65	

### Brokerage Window

	Market Value	% of Plan
<b>Schwab PCRA Self-Directed Brokerage Account Option</b>	\$162,558,687	5.2%

<sup>1</sup> DWS EAFE Equity Index may not track the index because the manager uses fair-value pricing in the calculation of the fund's NAV, while the MSCI EAFE Index uses the closing prices of the securities in their local markets.

**Fund:** ■ Outperformed Index ■ Underperformed Index ■ Matched or Tracked Within Fees **Universe Ranking:** ■ 0% - 25% ■ 25% - 50% ■ 50% - 75% ■ 75% - 100%



## Performance of New DCP Investment Menu Composite Benchmarks

Periods ending December 31, 2010

	<b>3 Months</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
<b>DCP Bond Fund Index</b> (100% BC Aggregate Bond Index)	<b>-1.3%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>5.9%</b>	<b>5.8%</b>
<b>DCP Large-Cap Stock Fund Index</b> (100% S&P 500 Index)	<b>10.8%</b>	<b>15.1%</b>	<b>15.1%</b>	<b>-2.9%</b>	<b>2.3%</b>
<b>DCP Mid-Cap Stock Fund Composite Index</b>	<b>13.1%</b>	<b>25.5%</b>	<b>25.5%</b>	<b>1.1%</b>	<b>4.6%</b>
<i>Russell Midcap Index (50%)</i>	<i>13.1%</i>	<i>25.5%</i>	<i>25.5%</i>	<i>1.0%</i>	<i>4.7%</i>
<i>Russell Midcap Value Index (25%)</i>	<i>12.2%</i>	<i>24.8%</i>	<i>24.8%</i>	<i>1.0%</i>	<i>4.1%</i>
<i>Russell Midcap Growth Index (25%)</i>	<i>14.0%</i>	<i>26.4%</i>	<i>26.4%</i>	<i>1.0%</i>	<i>4.9%</i>
<b>DCP Small-Cap Stock Fund Composite Index</b>	<b>16.2%</b>	<b>26.8%</b>	<b>26.8%</b>	<b>2.3%</b>	<b>4.5%</b>
<i>Russell 2000 Index (34%)</i>	<i>16.3%</i>	<i>26.9%</i>	<i>26.9%</i>	<i>2.2%</i>	<i>4.5%</i>
<i>Russell 2000 Value Index (33%)</i>	<i>15.4%</i>	<i>24.5%</i>	<i>24.5%</i>	<i>2.2%</i>	<i>3.5%</i>
<i>Russell 2000 Growth Index (33%)</i>	<i>17.1%</i>	<i>29.1%</i>	<i>29.1%</i>	<i>2.2%</i>	<i>5.3%</i>
<b>DCP International Fund Composite Index</b>	<b>7.8%</b>	<b>12.3%</b>	<b>12.3%</b>	<b>-4.7%</b>	<b>4.5%</b>
<i>MSCI EAFE Index (65%)</i>	<i>6.7%</i>	<i>7.8%</i>	<i>7.8%</i>	<i>-7.0%</i>	<i>2.5%</i>
<i>MSCI EM Index (17.5%)</i>	<i>7.8%</i>	<i>19.6%</i>	<i>19.6%</i>	<i>0.1%</i>	<i>13.2%</i>
<i>MSCI EAFE Small Cap Index (17.5%)</i>	<i>11.8%</i>	<i>22.1%</i>	<i>22.1%</i>	<i>-1.7%</i>	<i>2.8%</i>

## Summary – Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Expense Ratio	Median Net Expense Ratio	Net Expense Diff.	Revenue Sharing	(Net of Revenue Sharing) Expense Ratio
Deferred Compensation Stable Value Fund (Net)	Stable Value	\$683,402,620	\$615,062	0.09%**	0.30%	-0.21%	0.00%	0.09%
Vanguard Total Bond Market Index Fund Inst Plus	US Fixed	\$71,417,287	\$35,709	0.05%	0.24%	-0.19%	0.00%	0.05%
PIMCO Total Return Fund Institutional	US Fixed	\$111,548,207	\$524,277	0.47%	0.57%	-0.10%	0.00%	0.47%
Ultra Conservative	Lifecycle	\$14,603,031	\$13,143	0.09%	0.85%	-0.76%	0.00%	0.09%
Conservative Profile	Lifecycle	\$38,037,173	\$41,841	0.11%	0.85%	-0.74%	0.00%	0.11%
Moderate Profile	Lifecycle	\$134,761,416	\$161,714	0.12%	0.92%	-0.80%	0.00%	0.12%
Aggressive Profile	Lifecycle	\$113,266,956	\$158,574	0.14%	0.97%	-0.83%	0.00%	0.14%
Ultra Aggressive Profile	Lifecycle	\$22,716,663	\$38,618	0.17%	0.97%	-0.80%	0.00%	0.17%
American Funds Investment Co of America A	US Large Cap Equity	\$145,219,177	\$958,447	0.66%	0.80%	-0.14%	0.30%	0.36%
Vanguard Institutional Index Fund Inst Plus	US Large Cap Equity	\$439,440,096	\$109,860	0.025%	0.21%	-0.19%	0.00%	0.03%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	\$297,881,205	\$1,995,804	0.67%	0.82%	-0.15%	0.15%	0.52%
American Funds Growth Fund of America A	US Large Cap Equity	\$238,888,503	\$1,648,331	0.69%	0.90%	-0.21%	0.30%	0.39%
Vanguard Mid-Cap Index Fund Institutional	US Mid Cap Equity	\$35,099,532	\$28,080	0.08%	0.30%	-0.22%	0.00%	0.08%
Lazard US Mid Cap Equity Portfolio Institutional	US Mid Cap Equity	\$30,253,236	\$275,304	0.91%	0.98%	-0.07%	0.10%	0.81%
SSgA Russell Small Cap Index Non-Lending Series	US Small Cap Equity	\$122,152,227	\$73,291	0.06%	0.30%	-0.24%	0.00%	0.06%
DWS EAFE Equity Index Fund Institutional	International Equity	\$33,555,758	\$174,490	0.52%	0.48%	0.04%	0.00%	0.52%
Fidelity Diversified International Fund	International Equity	\$148,931,341	\$1,429,741	0.96%	1.07%	-0.11%	0.25%	0.71%
<b>Total***</b>		<b>\$2,681,174,428</b>	<b>\$8,282,285</b>	<b>0.31%</b>	<b>0.56%</b>	<b>-0.25%</b>	<b>0.07%</b>	<b>0.29%****</b>

\* Median institutional share class net expense ratio as defined by the respective Mercer Mutual Fund Universe and Lipper institutional share class categorizations. Median stable value management fee derived by screening Mercer's proprietary Global Investment Manager Database (GIMD) for stable value fund fees. Profile funds are compared to the median institutional expense ratio of the corresponding Mercer Mutual Fund Target Risk universe.

\*\* Management fee.

\*\*\* Total excludes assets in the FDIC Insured Savings Account Option, Washington Mutual (Chase) CD options and Schwab PCRA Self-Directed Brokerage Account.

\*\*\*\* Net of Revenue Expense Ratio includes a \$39.75 per participant fee (\$1.6 million or 0.06%) charged by Great-West

## Appendix B

### Disclosures

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**Addendum 2:  
New Investment Menu Expense Illustration**

<b>Fund</b>	<b>Style</b>	<b>Fund Balance</b>	<b>New Menu Projected Expense Ratio (Median)*</b>	<b>New Menu Projected Expense Ratio (Top Decile)*</b>	<b>City of LA Plan's current comparable option(s) fees</b>
Deferred Compensation Stable Value Fund (Net)	Stable Value	\$683,402,620	0.09%	0.09%	0.09%
DCP Bond Fund (50% Passive)	US Fixed	\$182,965,494	0.26%	0.26%	0.05% - 0.47%
Ultra Conservative	Lifecycle	\$14,603,031	0.25%	0.23%	0.09%
Conservative Profile	Lifecycle	\$38,037,173	0.35%	0.29%	0.09%
Moderate Profile	Lifecycle	\$134,761,416	0.39%	0.31%	0.09%
Aggressive Profile	Lifecycle	\$113,266,956	0.48%	0.36%	0.09%
Ultra Aggressive Profile	Lifecycle	\$22,716,663	0.57%	0.42%	0.09%
DCP Large-Cap Stock Fund (100% Passive)	US Large Cap Equity	\$1,121,428,981	0.025%	0.025%	0.025% - 0.69%
DCP Mid-Cap Stock Fund (50% Active)	US Mid Cap Equity	\$65,352,768	0.53%	0.43%	0.08% - 0.91%
DCP Small-Cap Stock Fund (66% Active)	US Small Cap Equity	\$122,152,227	0.75%	0.59%	0.06%
DCP International Fund (100% Active)	International Equity	\$182,487,099	1.11%	0.74%	0.52% - 0.96%
<b>Total</b>		<b>\$2,681,174,428</b>	<b>0.22%</b>	<b>0.18%</b>	

Estimated range

*Notes*

- ◆ Expenses represent a blended average expense based on the underlying components of each fund-of-funds
- ◆ The median and top decile institutional mutual fund expense ratios for each category's universe are used, with the latter being representative of the fee structure we believe the Plan will attain, and the former being a more conservative scenario of negotiating higher fees
- ◆ We did not use separate account or commingled fund pricing since we believe the published fee schedules are higher than what the Plan will be able to negotiate
- ◆ Fees of the current funds that will be retained are used instead of the respective fees of the universe median/top-decile
- ◆ Total excludes assets in the FDIC Insured Savings Account Option, Washington Mutual (Chase) CD options and Schwab PCRA Self-Directed Brokerage Account
- ◆ Fees are exclusively investment management fees and do not include administrative and custody costs