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MAYOR

January 20, 2012

CHANGES TO DEFERRED COMPENSATION PLAN INVESTMENT MENU

Dear Plan Participant,

As you may have read in our most recent newsletter, the City's Deferred Compensation Plan will be implementing several changes to the Deferred Compensation Plan investment menu. Originally these changes were scheduled to take effect February 24, 2012; we have now moved the effective date to **April 20, 2012**. These changes are part of a broad series of investment menu improvements that we've been implementing over the past several years.

A fundamental responsibility of deferred compensation plan administrators is the ongoing evaluation and modification of plan investment menus. The City's Plan has been making changes to its investment menu since its inception in 1983. The most recent series of changes is intended to create a menu providing premium choices for major asset classes within a simplified menu, while at the same time providing a broad-based self-directed brokerage option to meet the needs of participants who prefer virtually unlimited choice. Additionally, as always, we strive to leverage the size of our Plan to secure competitive pricing from service providers.

We understand that change can sometimes be disruptive, particularly when investment options are being eliminated. We want our participants to know that no change to the investment menu is made lightly. Changes are made only after a rigorous review of alternatives, examination of best practices within the industry, and consideration of recommendations of our staff and consultant.

Most importantly, we listen to input from you, our Plan participants. For example, in 2008 we conducted a survey evaluating the effectiveness of our investment menu. An important finding from that survey was that a majority of participants experienced confusion in understanding the differences between Plan investment choices. Improving on this has been a primary objective of our efforts to improve the investment menu.

We've also considered your ongoing input throughout the 2008-09 financial crisis, the ensuing recession, and ongoing economic challenges. We understand that in addition to a

“user-friendly” investment menu, you value safety and security. As a result, we’ve made efforts to improve our bank deposit account and stable value options.

These ongoing efforts to improve our menu have resulted in the adding, deleting, and restructuring of many investment options. Having implemented most of these changes, and with only a few stages remaining, we wanted to provide the enclosed materials to help you understand not only what will change on April 20, 2012, but how the menu has evolved and what it will look like going forward.

As always, we appreciate your support and input as we refine our Plan in ways that can enhance your retirement security and create opportunities for a bright and prosperous future.

Sincerely,

Eugene K. Canzano, Chairperson
Board of Deferred Compensation Administration

YOUR DEFERRED COMPENSATION PLAN

INVESTMENT MENU

QUALITY, VALUE, CHOICE.

An investment menu is just like a restaurant menu. We search for quality, value, and something to suit our tastes.

We also need the right number of choices. Too few choices means we might not find what we're looking for. Too many choices might leave us bewildered and unsure of what to choose.

The best menus strike the right balance between **quality, value and choice.**

Over the past several years the City's Plan has been working to strengthen its investment menu. We've **added** options, **deleted** others, and **modified** some to make them stronger.

Our goal has been to create a menu that provides **premium** choices for major asset classes within a **simplified menu**, while at the same time providing a **broad-based self-directed brokerage option** to meet the needs of participants who prefer virtually unlimited choice.

As part of our efforts we've worked with expert consultants, reviewed best practices of other plans, and asked for your input via a Plan-wide survey. The changes have been unfolding gradually, and we've been describing them to you as we've gone along. Only a few more remain to complete the process. We'd now like to help you see how all the pieces fit together.

INVESTMENT MENU

PRE-FIXED MENU

ULTRA-CONSERVATIVE ASSET ALLOCATION

CONSERVATIVE ASSET ALLOCATION

MODERATE ASSET ALLOCATION

AGGRESSIVE ASSET ALLOCATION

ULTRA-AGGRESSIVE ASSET ALLOCATION

A LA CARTE MENU

DCP SAVINGS ACCOUNT

DCP STABLE VALUE

DCP BOND FUND

DCP LARGE-CAP BLEND

DCP MID-CAP BLEND

DCP SMALL-CAP BLEND

DCP INTERNATIONAL

SELF-DIRECTED BROKERAGE OPTION

EXPANDED CHOICE by adding an "Ultra-Conservative" and "Ultra-Aggressive" options.

STRENGTHENED the Plan's savings options by creating a blended Deferred Compensation Plan (DCP) FDIC-Insured Savings option with three underlying providers to expand FDIC insurance and increase stability/security for savers; and by consolidating stable value assets with a single provider.

EXPANDED CHOICE by changing the Self-Directed Brokerage Option (SDBO) providers and adding stocks, bonds, and more mutual funds to the SDBO trading menu.

SIMPLIFIED by eliminating five investment funds from the Plan's menu for performance reasons and phasing out the Plan's Certificates of Deposit.

SIMPLIFIED by establishing new funds branded by major asset classes so participants can easily understand choices, replacing existing investment options within these categories.

Bond, Large-Cap, Mid Cap to be implemented **APRIL 20, 2012**.

Small-Cap, International to be implemented in approximately **9-12 months**.

INVESTMENT MENU CHANGE FAQ

Q: Why is this information being provided to me?

A: This information is being provided in order to (a) provide notice of certain investment menu changes occurring on April 20, 2012, as well as (b) provide a summary of all the investment menu changes that have occurred over recent years and will conclude in 2012.

Q: Which changes are happening on April 20, 2012?

A: On April 20, 2012, certain new investment options will be established and/or will change names, and certain fund managers will be eliminated from the City's investment menu. These changes are summarized as follows:

IF I'M INVESTED IN THE:	MY ASSET CLASS IS:	MY ASSETS IN THIS FUND WILL BE: ¹	THE REPLACEMENT OR RENAMED FUND WILL BE CALLED: ²	THE REPLACEMENT OR RENAMED FUND IS MANAGED BY: ³
Hartford Capital Appreciation Fund	Large Company Stocks	Transferred	DCP LARGE-CAP FUND	Vanguard Institutional Index Fund (100%)
Growth Fund of America	Large Company Stocks	Transferred	DCP LARGE-CAP FUND	
Investment Company of America	Large Company Stocks	Transferred	DCP LARGE-CAP FUND	
Vanguard Institutional Index Fund	Large Company Stocks	Retained but Renamed	DCP LARGE-CAP FUND	
Lazard Mid-Cap Fund	Mid-Cap Stocks	Transferred	DCP MID-CAP FUND	Vanguard Mid-Cap Index Fund (100%)
Vanguard Mid-Cap Index Fund	Mid-Cap Stocks	Retained but Renamed	DCP MID-CAP FUND	
Vanguard Total Bond Market Index Fund	Bonds	Retained but Renamed	DCP BOND FUND	Vanguard Total Bond Market Index (50%) & PIMCO Total Return Fund (50%) ⁴
PIMCO Total Return Fund	Bonds	Retained but Renamed	DCP BOND FUND	

1. The Hartford Capital Appreciation Fund, Growth Fund of America, Investment Company of America, and Lazard Mid-Cap Fund will be eliminated from the City's Deferred Compensation Plan investment menu. Assets in the Hartford Capital Appreciation Fund, Growth Fund of America and Investment Company of America will be transferred, or "mapped," into the Deferred Compensation Plan Large-Cap Stock Fund. Assets in the Lazard Mid-Cap Fund will be transferred, or "mapped," into the Deferred Compensation Plan Mid-Cap Stock Fund.

2. The City's Plan will establish three new investment options: the Deferred Compensation Plan Large-Cap Fund; the Deferred Compensation Plan Mid-Cap Fund; and the Deferred Compensation Plan Bond Fund.

3. The underlying investment fund for the Deferred Compensation Plan Large-Cap Fund will be the Vanguard Institutional Index Fund (100%). The underlying investment fund for the Deferred Compensation Plan Mid-Cap Fund will be the Vanguard Mid-Cap Index Fund (100%). The underlying investment funds for the Deferred Compensation Plan Bond Fund will be the Vanguard Total Bond Index Fund (50%) and the PIMCO Total Return Fund (50%).

4. Assets in the Vanguard Total Bond Index Fund and the PIMCO Total Return Fund will be blended into the new Deferred Compensation Plan Bond Fund, with each investment manager 50% of the assets.

INVESTMENT MENU CHANGE FAQ CONTINUED

Q: Why are investment options being eliminated or renamed?

A: Over the past several years, the City's Plan has been working to strengthen its investment menu. The goal has been to create a menu that provides premium choices for major asset classes within a simplified menu. All of these changes are consistent with that goal.

Q: If I'm invested in one of the named funds, is there any action I need to take?

A: No. The renaming or mapping of the large-cap, mid-cap, and bond funds will occur automatically. After this date, the Plan website and your statements will reflect applicable balances under the new DCP Fund.

Q: What are the fees for the new funds?

A: The fees for the new funds are provided in the enclosed Fund Fact sheets.

Q: Are there additional changes that will be occurring at a later date?

A: Yes. In approximately 9-12 months, the Plan will be establishing the DCP Small-Cap Stock Fund and the DCP International Fund to complete the new investment menu. Decisions regarding which firms will manage these funds have not yet been made. Additionally, further modifications may be made to the DCP Mid-Cap Stock Fund as the City completes a selection process for additional fund managers. Details regarding these changes will be communicated separately as the implementation date draws closer.



Q: What if I want to keep my assets in one of the eliminated investment options?

A: The same or alternate share classes of each of the eliminated investment options is expected to be available in the Plan's self-directed brokerage option through Charles Schwab. If you wish to continue to invest in these funds, you will need to establish a Schwab Personal Choice Retirement Account (PCRA). The PCRA offers access to approximately 4,700 mutual funds, more than 2,700 of which are offered as no-load, no-transaction fee funds through Schwab's mutual fund OneSource program. Keep in mind that the PCRA is for knowledgeable investors who acknowledge and understand the risks associated with investment choices available through the PCRA, that additional fees will apply (\$50 per year in addition to possible transactional fees, assessed by Schwab), and that you will need to liquidate your shares in the eliminated funds and repurchase them in your Schwab PCRA. You can find more information on the PCRA online at www.cityofla457.com – click on the *Fund Options* tab and then the *Fund Overview* link. **See enclosure for additional information.**

For information about the Plan and/or access to your account, contact Great-West Retirement Services by calling **(888) 457-9460** or access your account online at: **www.cityofla457.com**.

You can also come in and speak with a representative at the following times and locations:

City Hall, Room 867

Monday – Friday, 8:00am – 4:00pm

DWP - JFB Main Office Building (Level A area)

1st and 3rd Tuesday of each month, 8:00am – 4:00pm

For information about the Board, decisions made by the Plan and investment selection, please call **(213) 978-1617**.

You can also view the Board's website at:

<http://www.lacity.org/per/deferredcomp/DeferredComp.htm>.



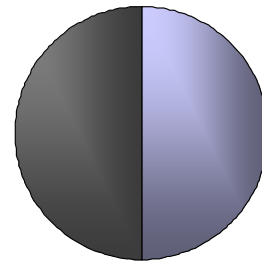
DEFERRED COMPENSATION PLAN BOND FUND

OBJECTIVE

The investment objective of the Fund is to seek total return consisting of income and capital appreciation from a broadly diversified bond portfolio. The Fund seeks to achieve its investment objective by investing its total assets in a diversified portfolio of fixed income instruments of varying maturities. The Fund invests primarily in investment grade debt, though opportunistically it may have exposure to high-yield bonds, emerging market debt, and other non-investment-grade securities. The Fund's underlying allocation is distributed between two underlying mutual funds, the PIMCO Total Return Fund Institutional, an actively managed bond fund, and the Vanguard Total Bond Market Index Fund Institutional Plus, a passively managed fund that aims to track the Barclays Capital US Aggregate Float Adjusted Bond Index.

FUND STRUCTURE

50% PIMCO Total Return Fund Institutional



50% Vanguard Total Bond Market Index Institutional Plus

WHO MIGHT CHOOSE THIS INVESTMENT

This investment may be most appropriate for someone seeking potential returns primarily in the form of interest dividends or high level of income. The investor may desire to diversify and equity portfolio with a more conservative option.

PORTFOLIO INFORMATION

This information is pending.

TOTAL NET ASSETS

-

ASSET ALLOCATION

-

DIVERSIFICATION

-

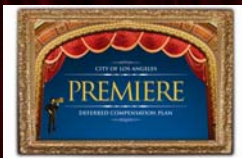
TOP HOLDINGS

-

ESTIMATED OPERATING EXPENSE

0.26% *

** Derived by applying 50% weight to each underlying mutual fund's operating expense ratio. Actual expense may vary slightly due to market fluctuations.*



DEFERRED COMPENSATION PLAN MID-CAP FUND

OBJECTIVE

The Fund currently seeks to track the investment performance of the MSCI US Mid Cap 450 Index by investing entirely in the Vanguard Mid-Cap Index Fund Institutional which comprises stocks of medium-sized U.S. firms. Using full replication, Vanguard holds all stocks in the same capitalization weighting as the index. In late 2012, the DCP Mid Cap Stock Fund will incorporate actively managed components into its allocation. Target allocations will be 50% Vanguard Mid-Cap Index Fund, 25% actively managed mid cap value (manager to be determined), and 25% actively managed mid cap growth (manager to be determined).

WHO MIGHT CHOOSE THIS INVESTMENT

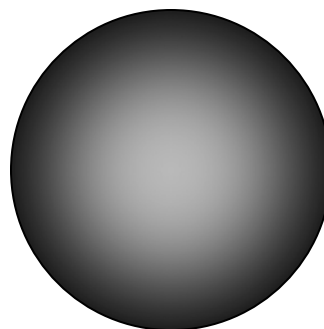
This investment may be most appropriate for someone seeking higher potential returns over time and willing to weather market downturns. Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies. Stock investments tend to be more volatile than bond or money market investments.

ESTIMATED OPERATING EXPENSE

0.08%

FUND STRUCTURE

100% Vanguard Mid-Cap Index Fund Institutional



PORTFOLIO INFORMATION

This information is pending.

TOTAL NET ASSETS

-

ASSET ALLOCATION

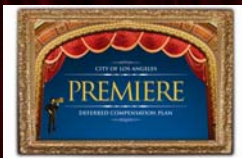
-

DIVERSIFICATION

-

TOP HOLDINGS

-



DEFERRED COMPENSATION PLAN LARGE-CAP FUND

OBJECTIVE

The Fund seeks to track the investment performance of the Standard & Poor's 500 Index which emphasizes stocks of large U.S. companies. Its exclusive investment is in the Vanguard Institutional Index Fund Institutional Plus. Using full replication, this Fund holds all stocks in the same capitalization weighting as the S&P 500 Index.

WHO MIGHT CHOOSE THIS INVESTMENT

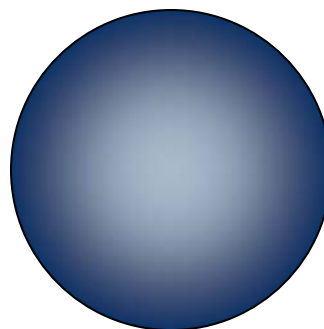
This investment may be most appropriate for someone willing to accept market fluctuations in return for long-term capital growth. Stock investments tend to be more volatile than bond or money market investments.

ESTIMATED OPERATING EXPENSE

0.02%

FUND STRUCTURE

100% Vanguard Institutional Index Inst. Plus



PORTFOLIO INFORMATION

This information is pending.

TOTAL NET ASSETS

-

ASSET ALLOCATION

-

DIVERSIFICATION

-

TOP HOLDINGS

-



CHARLES SCHWAB PCRA SELF-DIRECTED BROKERAGE OPTION

WHAT IS THE PCRA?

The Schwab Personal Choice Retirement Account® (PCRA) is a self-directed brokerage (SDB) option offered through Charles Schwab & Co., Inc. (Member SIPC). With the Schwab PCRA, you will have access to numerous additional mutual funds (many of which are offered as no-load, no-transaction fee funds) through Schwab's Mutual Fund OneSource program. You will also have access to individual securities that include (but are not limited to) equities, bonds, exchange-traded funds and certificates of deposit.

FOR WHOM IS THIS INVESTMENT OPTION APPROPRIATE?

The Schwab PCRA is for **knowledgeable investors** who acknowledge and understand the risks associated with many of the investment choices available through the PCRA.

By utilizing the PCRA, you acknowledge that **none** of the available options in the PCRA have been reviewed for suitability by your employer, the City of Los Angeles 457 Deferred Compensation Plan (the Plan) or Great-West Retirement Services® (Great-West), your service provider.

You are solely responsible for determining suitability of the options that are available through the PCRA. You agree to fully indemnify and hold harmless your employer, the Plan, Great-West, and any and all service providers to the Plan against any claims, damages or other possible causes of actions resulting from your use of the PCRA.

IS THERE A FEE TO PARTICIPATE?

Yes; participants in the Schwab PCRA pay an additional \$50 per year, which is deducted from your core investment options pro rata on a quarterly basis. Schwab PCRA transactional fees will also apply.

HOW DO I GET STARTED?

You can open an account by logging on to your Plan's website¹ at www.cityofla457.com and clicking on the "Change Account" tab at the top of the page, then "Manage Your Self-Directed Brokerage Account." From there, click on the "Enroll" icon to complete the online enrollment process.

All agreement forms must be completed and electronically signed. Schwab will establish the PCRA account immediately on the website. Once Schwab has approved your PCRA application, you will receive a PCRA Welcome Kit in the mail with more information about services, as well as an account verification letter confirming your account number.

Once your account has been opened, you may transfer money from your core account to your Schwab PCRA. Your Schwab PCRA can only be funded through transfers from your core investments.

In order to access your PCRA online, you will first need to Web-activate the account on www.schwab.com. You'll need your new account number that was provided to you during the enrollment process (and also in your Welcome Kit), as well as your Social Security number, home phone number and date of birth.

HOW DO I FUND MY SELF-DIRECTED ACCOUNT?

You may transfer money from your core investments to the Schwab PCRA, or you may allocate your payroll deferrals directly to the Schwab PCRA. Please keep in mind, you must maintain a minimum balance of \$2,500 in the Plan's core options.

To initiate transfers into the self-directed option, go to www.cityofla457.com. Click on the "Change Account" tab at the top of the page. Then, select "Manage Your Self-Directed Brokerage Account" and click on the "Transfer Into" link. Monies transferred into the Schwab PCRA must first be invested in the Schwab SDB Money Market Fund. Once you see the transferred money in your Schwab SDB Money Market Fund, you may then purchase securities in your PCRA.

If you transfer more than one contribution type to the Schwab PCRA, earnings (or losses) that accrue in the Schwab PCRA will be allocated proportionately to each contribution type. When an amount is transferred back from the Schwab PCRA, earnings (or losses) that accrued in the Schwab PCRA will be allocated proportionately into the core investment options based upon the contribution types in the Schwab PCRA prior to the returning transfer, regardless of whether such earnings (or losses) are attributable to investments in the Schwab PCRA that were purchased with amounts originally transferred to the Schwab PCRA from such contribution type. This may include a contribution type subject to a vesting schedule under the Plan, if applicable, if assets from that contribution type were invested in the Schwab PCRA.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

Direct transfers into the Schwab PCRA will be subject to a \$1,000 minimum transfer restriction. If your transfer request does not meet the minimum amount, your transfer will not be completed.

To allocate your payroll contribution directly into the self-directed option, go to www.cityofla457.com.¹ Click on the "Change Account" tab at the top of the page. Then, select "Current Allocation" and enter the desired percentage into the Schwab SDB Money Market Fund. Payroll contributions directly allocated to your SDB account are not subject to the \$1,000 minimum transfer restriction, but you must still maintain the \$2,500 core minimum.

HOW DO I MAKE CHANGES TO MY SELF-DIRECTED ACCOUNT?

Visit the Schwab website at www.schwab.com; use Schwab's touch-tone telephone service, Telebroker®, or voice-activated telephone service, Schwab by Phone™, at (888) 393-7272; or call the dedicated PCRA Call Center at (888) 393-7272 to change your investments in the PCRA.

HOW DO I TRANSFER MONEY FROM THE PCRA BACK TO MY PLAN'S CORE FUNDS?

To transfer money from the Schwab PCRA back to your core funds, you will need to:

1. Visit either the Schwab website at www.schwab.com or use Telebroker or Schwab by Phone at (888) 393-7272 and instruct them to liquidate the mutual funds in your PCRA.
2. Wait for the proceeds to settle and be invested in your Schwab SDB Money Market Fund.
3. Log in to the www.cityofla457.com website or call KeyTalk® at (888) 457-9460¹ to transfer assets from your Schwab SDB Money Market Fund to a fund in your core Plan.

Direct distributions from your PCRA are not permitted.

- Partial transfers from your Schwab SDB Money Market Fund will be allocated to the core fund you have indicated within approximately two business days.

- For full liquidation of your Schwab Money Market Fund, use the "Transfer All" button on your www.cityofla457.com¹ website. Money transferred into a core fund you select will be allocated to that fund within approximately four business days. Additional time is needed for this transaction in order to transfer any accrued interest or dividends.

HOW CAN I MANAGE MY SELF-DIRECTED ACCOUNT BALANCE?

Visit www.schwab.com or call Telebroker or Schwab by Phone at (888) 393-7272 to access your account.

WHAT DO I DO IF I WANT TO MAKE A WITHDRAWAL?

If you are requesting a payout option, you must transfer money from your Schwab PCRA back to your Plan's core options. If you have requested a voluntary payout but have insufficient money in your Plan's core options, the request will be cancelled. If the payout is due to a required distribution, such as a required minimum distribution, and you have insufficient money in your Plan's core options, your PCRA may be liquidated and the account closed. You will be responsible for any losses or expenses associated with the liquidation.

WHO SENDS ME STATEMENTS?

Great-West sends quarterly statements that reflect the core security assets in your Plan account. Schwab sends you a monthly statement reflecting only those assets in the Schwab PCRA.

Note: The account balance on your Great-West and Schwab statements may be slightly different due to different period-ending dates (for example, one may be as of the last day of the quarter while the other may be as of the last business day).

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, prospectuses for all PCRA funds can be obtained on the website at www.schwab.com or by calling (888) 393-7272. Read them carefully before investing.

¹ Access to KeyTalk and your Plan's website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or KeyTalk received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

Core securities (except those offered through the SDB option), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Great-West Retirement Services® and KeyTalk® are registered trademarks of Great-West Life & Annuity Insurance Company. Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling Charles Schwab at (888) 393-7272. Charles Schwab & Co., Inc. and Great-West Retirement Services are separate and unaffiliated companies. Not intended for Plan Sponsors whose situs is in New York. All rights reserved. ©2011 Great-West Life & Annuity Insurance Company. Form# CB1003SDBFS (2/11) PT 121089