Great Expectations
deferred compensation
Tulare County Deferred Compensation Plan Newsletter

Changes made to Deferred Compensation Investment Choices

In accordance with recent actions by the Tulare County Deferred Compensation Committee, the following changes have been made to the funds available to plan participants:

New Funds

Effective July 31, 2008, the following investment options have been added:

Allianz NFJ Small Cap Value A – This is a small cap equity fund that describes itself as investing at least 80% of the fund's assets in the stocks of smaller sized companies. Generally these companies will have a market capitalization between $100 million and $3.5 billion.

America Funds Fundamental Investors R3 – This fund states that it invests primarily in common stocks or securities convertible into common stocks. It may invest in securities of issuers located outside the United States and Canada that are not included in the S&P500 Composite Index. The fund may also hold cash or money market instruments.

Neuberger Berman Socially Responsible Trust – The fund will mainly invest in common stocks of mid- to large-capitalization companies and seeks to reduce risk by investing in many different industries. The fund states that in reviewing individual companies it looks for solid balance sheets, strong management teams, good cash flow and the prospect for above average-earnings growth, among other valuation–related factors.

Deleted Funds

Due to concerns primarily related to under-performance, the Deferred Comp Committee also approved a motion to delete the following funds:

- Mainstay Small Cap Opportunity I
- AIM Basic Value A
- Ariel
- Legg Mason Value FL

Participants in these funds will have until September 26, 2008 to transfer amounts from each of the deleted funds to another fund. If plan participants take no action by this date, assets will be mapped to open funds as follows:

- Mainstay Small Cap Opportunity I to Allianz NFJ Small Cap Value A
- Aim Basic Value A to American Funds Fundamental Investors R3
- Legg Mason Value FL to American Funds Fundamental Investors R3
- Ariel to Columbia Mid Cap Value Z

September 2008

Deferred Comp Guaranteed Return Funds

With the current turbulence in the investment markets, many Deferred Comp participants are looking to transfer at least a part of their money into one of the guaranteed return funds offered by the Tulare County 457-plan program. Investing in a guaranteed return fund allows the plan participant to receive a steady return on the amounts invested. Investing in these funds can also be an especially effective strategy for those who are close to retirement, for participants who wish to better diversify their investment portfolio and for those who want to reduce their investment risk. There are, however, a few things that plan participants should know about making transfers into and out of the guaranteed return funds.

Transfers may have limitations. Be sure to check the requirements of the individual fund to learn if it carries limits on the percentage available for transferring money out of the fund. For example, the Great-West Guaranteed Government Fund (one of the funds offered through the Tulare County program) states that the percentage available for transferring money out ranges from 10% to 100% (but never less than 10%). This percentage changes from time to time, so a participant needs to contact Great West if considering a transfer of money out of the fund. Other transfer restrictions may apply depending on your balance in the fund and the length of time you have been with the fund.

"Equity Wash". Equity Wash is the term used to describe provisions within the plan that require a participant who is wanting to move funds out of a guaranteed fund to place them in an equity fund for a period of 90 days before re-directing them to another guaranteed return fund. Equity wash provisions allow the guaranteed fund managers to invest in longer duration securities (which are generally more stable and often allow for a steadier stream of returns) without having to sell securities at an inopportune time to cover distributions to participants who wish to take money out of the fund. The equity wash provisions are intended to allow fund managers in all of the guaranteed return options to optimize their investment returns over time for all investors.

On an individual basis, it is important to consider how the equity wash requirements will impact the timing and amount of any transfer you may wish to make into or out of one of the guaranteed return funds.

Risk versus return issues. The use of the guaranteed return funds can be an effective investment tool for plan participants to consider – especially during periods of uncertainty in other areas of the investment markets. However, investors need to make sure that careful consideration is given to their particular long-term needs in planning for retirement. In making a decision to invest in a guaranteed fund (along with how much to invest) be sure to compare the fund's projected guaranteed returns against long-term inflation expectations. Although a guaranteed return fund may be close to a "sure thing" on your investments, the returns achieved may not be enough to keep pace with increases in inflation and may be insufficient to allow you to meet your retirement goals. Your age as an investor, the amount available for you to invest, your target date for retirement and your individual level of "risk tolerance" are all factors that should also be considered in determining the proper use of the guaranteed funds in helping you to achieve your retirement objectives.

Contact Information:
TC Deferred Compensation Plan
www.co.tulare.ca.us/government/auditor/defercomp/default.asp

If you are interested in finding out more about the 457 Deferred Compensation Plan for Tulare County, please contact:

Stephanie Henry
www.gwrs.com Phone: 559-967-2280
stephanie.henry@gwrs.com Fax: 559-622-0407

This newsletter is a product of the Tulare County Deferred Compensation Subcommittee.