Please Note: The material contained in this newsletter regarding financial planning is merely for informational purposes. The Deferred Compensation Plan is not an investment advisor, and is not holding itself out as such. Any references to rate of return and risk are based on past experience and, as such, there is no guarantee of the rate of return you may actually receive. Therefore, you may wish to consult a professional investment advisor before reaching any investment decisions.

nycdcp

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Mayor
City of New York

James F. Hanley
Commissioner
Office of Labor Relations

Deferred Comp

UPDATE

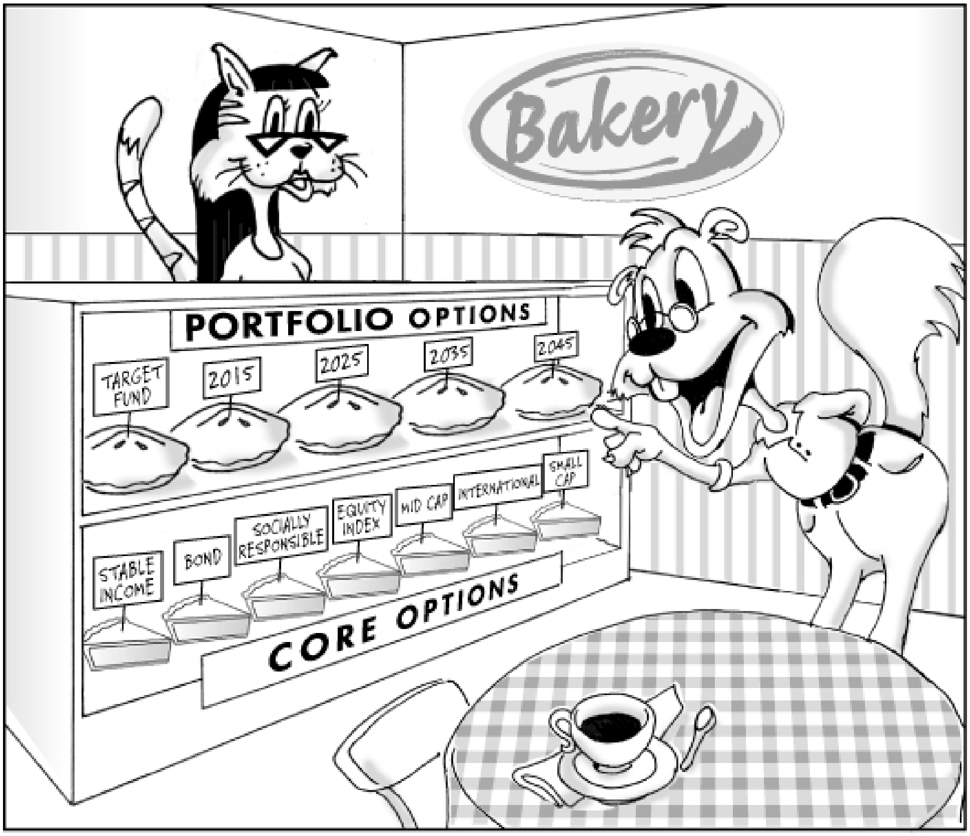
The Plan Newsletter
for the 457 and 401(k)
Quarter Ended
June 30, 2005

In this Issue...

About Your Investments

1985 - 2005
20th
Anniversary
New York City
Deferred Compensation Plan

HUNGRY FOR DIVERSIFICATION? DON'T SETTLE FOR A COUPLE OF "CORE" SLICES, GET THE WHOLE PIE!



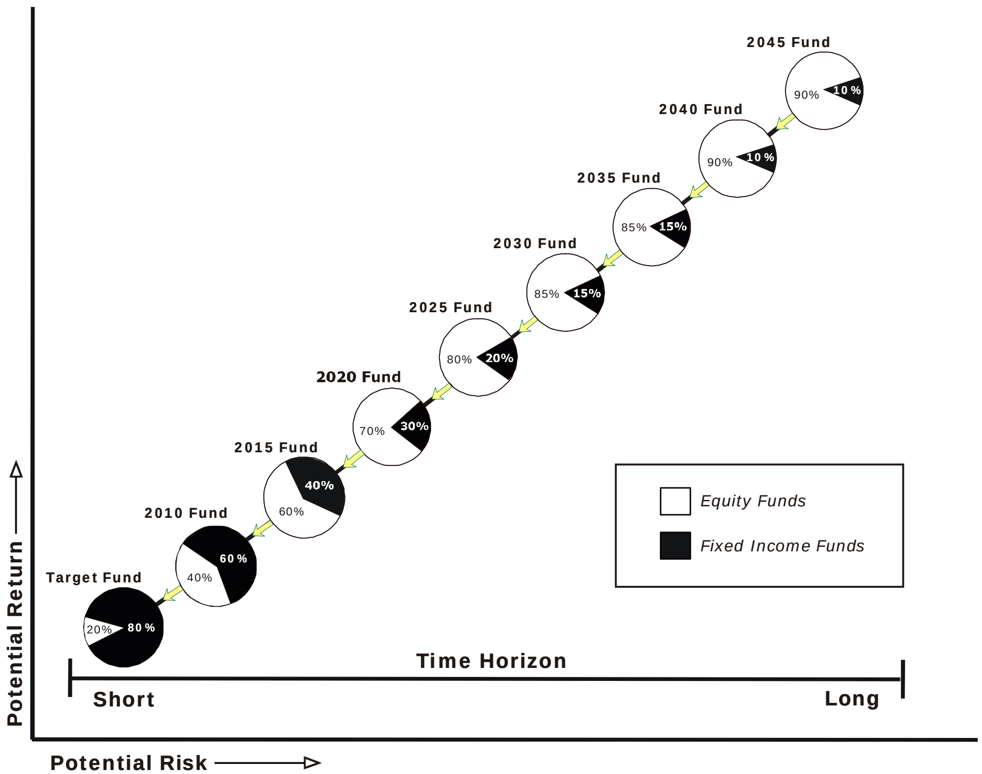
* PICK THE WHOLE PIE THAT'S RIGHT FOR YOU!

For additional information on the portfolios and their fees, please visit the Plan's website at nyc.gov/deferredcomp, or you can obtain investment option fact sheets through the telephone voice response system at (212) 306-7760.

Plan Transitions to Time Based Pre-Arranged Portfolios

In keeping with industry trends, the Deferred Compensation Plan is converting its pre-arranged portfolios to time-based portfolios. The current PAPs, commonly referred to as "risk-based" portfolios, will be changed over to "time-based" portfolios over the course of the next calendar quarter. Risk-based portfolios have names like Conservative, Moderately Conservative, Moderately Aggressive and Aggressive. Time-based portfolios, on the other hand, have names which describe a future year when you will begin receiving payments from the Plan like 2010, 2015, 2020, 2025, or 2030. There will be no change in the underlying managers of the new portfolios as the time-based portfolios will also be made up of the Plan's core investment options.

TIME-BASED PRE-ARRANGED PORTFOLIOS



Reminder

Pre-Arranged Portfolios (PAPs) Get a Face Lift

There are two main differences between the two types of portfolios:

The First Difference Lies in the Selection of the Portfolios

To pick a risk-based portfolio, you need to fill out a risk assessment questionnaire. In this way, you ascertain your ability to accept risk based on factors such as age, years to retirement and your personal attitudes toward risk. You pick the portfolio that most closely resembles your risk profile.

***By contrast*, to pick a time-based portfolio, you only need to find the fund whose date most closely matches the year in which you expect to begin receiving distributions from your account.** *Note: The date you actually start distributions may be later than your retirement date.*

The Second Difference Pertains to the Management of Your Account

With a risk-based portfolio, you need to revisit your selection and risk tolerance and move your assets to a lower and lower risk portfolio as you get closer to retirement.

***By contrast*, once you choose a time-based portfolio, you are done! That portfolio will be periodically rebalanced to lower its equity exposure as you near your payout date. Each portfolio's investment mix at any point in time depends upon how many years are left until you begin to receive distributions from your account. For example, the further you are from your payout date, the greater the percentage of equity in the portfolio.**

With the new Portfolios:

- You have more portfolio choices.
- You have fewer headaches because the portfolios will be managed for you.
- There is no change from the current portfolios in the underlying managers.
- There is no change from the current portfolios in the management fees.
- There is a structural equivalent portfolio for each of the current risk-based portfolios.

If you are currently in a Portfolio, what steps should you take?

Please transfer your balance(s) from your risk-based portfolio(s) into the time-based portfolio which is closest to the year in which you expect to begin receiving payouts from the Plan. If you are currently contributing to the Pre-Arranged Portfolios, your allocation for future payroll deductions has already been redirected to the structurally equivalent time-based portfolio.

Any balances remaining in the risk-based portfolios on October 14, 2005 will automatically be transferred on October 14th to the structurally equivalent time-based portfolios as follows:

Portfolio A – Conservative	⇒	Target Fund
Portfolio B – Moderately Conservative	⇒	2010 Fund
Portfolio C – Moderately Aggressive	⇒	2015 Fund
Portfolio D – Aggressive	⇒	2025 Fund

Note: *You may change the direction of your contributions or transfer your balances anytime thereafter.*

IMPORTANT:

- A common mistake participants make is to select several portfolios. If you are in several portfolios, now is the time to analyze your needs and make sure you select only one portfolio that's appropriate for your time horizon. Additionally, make sure you do not have core funds in addition to a time-based portfolio because this could result in over-diversification. Remember that the portfolios are made up of core funds and are designed as single investment vehicles with the benefit of exposure to different asset classes and efficient allocations.
- If you are planning to begin taking distribution in five years or less or are already in payout, you can still take advantage of the time-based portfolios and transfer your assets into the Target Fund. It is an all-in-one solution for the regular income you want during your retirement.

How do I transfer?

You can accomplish your transfer and/or allocation change either through the Plan's Web site at nyc.gov/deferredcomp or through the telephone by calling KeyTalk® at (212) 306-7760. You will need your PIN in order to access your account. If you do not remember your PIN, you can request a reminder PIN through the Web site or KeyTalk®. The PIN will be mailed to you via regular mail.

TIMELINE FOR PORTFOLIO TRANSITION

Beginning June 29, 2005 (New Contributions Transferred)

- Risk-Based Portfolios will be closed to new contributions and transfers in.
- Time-Based Portfolios will receive all new contributions. If you are contributing to a risk-based portfolio, the Plan has automatically redirected your new contributions to the structurally equivalent time-based portfolio. You can change the direction of those contributions through an "allocation change" if you desire.

June 29, 2005 through October 14, 2005

- If you have a balance in a Risk-Based Pre-Arranged Portfolio, you will need to transfer your balances through an "account transfer."

October 14, 2005 (Balances Transferred)

- Risk-Based Pre-Arranged Portfolios will be discontinued. If you do not transfer your balance(s), they will be automatically transferred to the structurally equivalent time-based portfolio.

Please call us at (212) 306-7760 if you have any questions.

If you have never been in a PAP...

Now is the perfect time for you to take advantage of the Plan's portfolios. Time-based portfolios have the following advantages:

Portfolio Diversification - The Plan's time-based funds are made up of the Plan's core investment options and are appropriately diversified for the time horizon specified. Studies show that most participants' portfolios are significantly under diversified. These funds offer the simplicity of a single investment vehicle with the benefit of exposure to different asset classes and efficient allocations.

Risk Management - The Plan's time-based portfolios are designed to meet certain expected rate of return requirements over time horizons, and balances the rate of return needs with the appropriate amount of risk.

Portfolio Rebalancing - The Plan's time-based portfolios are professionally rebalanced. The asset mix of the portfolio is looked at relative to the strategic allocations and changed accordingly. This ensures that the risk and expected return characteristics remain consistent with the appropriate time horizon.

Retirement Planning

Do you wish that you had more information as you prepare for retirement?

According to a new study by Fidelity Investments[1], a majority of recent retirees (57%) wish that they had done more to prepare for retirement. The following topped the list of what many recent retirees wish they had done:

- Created a budget (21%)
- Determined an asset allocation strategy (19%)
- Better understood 401(k) plan payout options (19%)
- Developed an income source withdrawal strategy (18%)

The study, which surveyed 755 retirees from large companies within three years of having retired and 749 from large companies within one year of retiring, found that 17% also wished that they had retired later.

The study also found that workers show an inconsistency between confidence in their retirement readiness and the planning actions they have taken. While a vast majority of workers are confident that they will be able to live the lifestyle they want in retirement, 68% have not completed a budget and 74% have not determined an asset allocation strategy.

Personalized Financial Snapshot Software

Personalized Financial Snapshot (PFS) is a retirement planning software tool which was developed to help participants get started in planning for retirement and devising a plan. The software will help you:

- estimate your net worth
- estimate your pension benefits
- estimate your family's educational cost
- create a budget of anticipated retirement income and expenses
- create "what if" screens to calculate alternative solutions to retirement savings shortfalls

Here's what one participant had to say after using PFS during the pilot phase:

"This is wonderful. I am going to recommend this site to everyone that I work with. This information puts you in the KNOW, and knowing is half the battle."

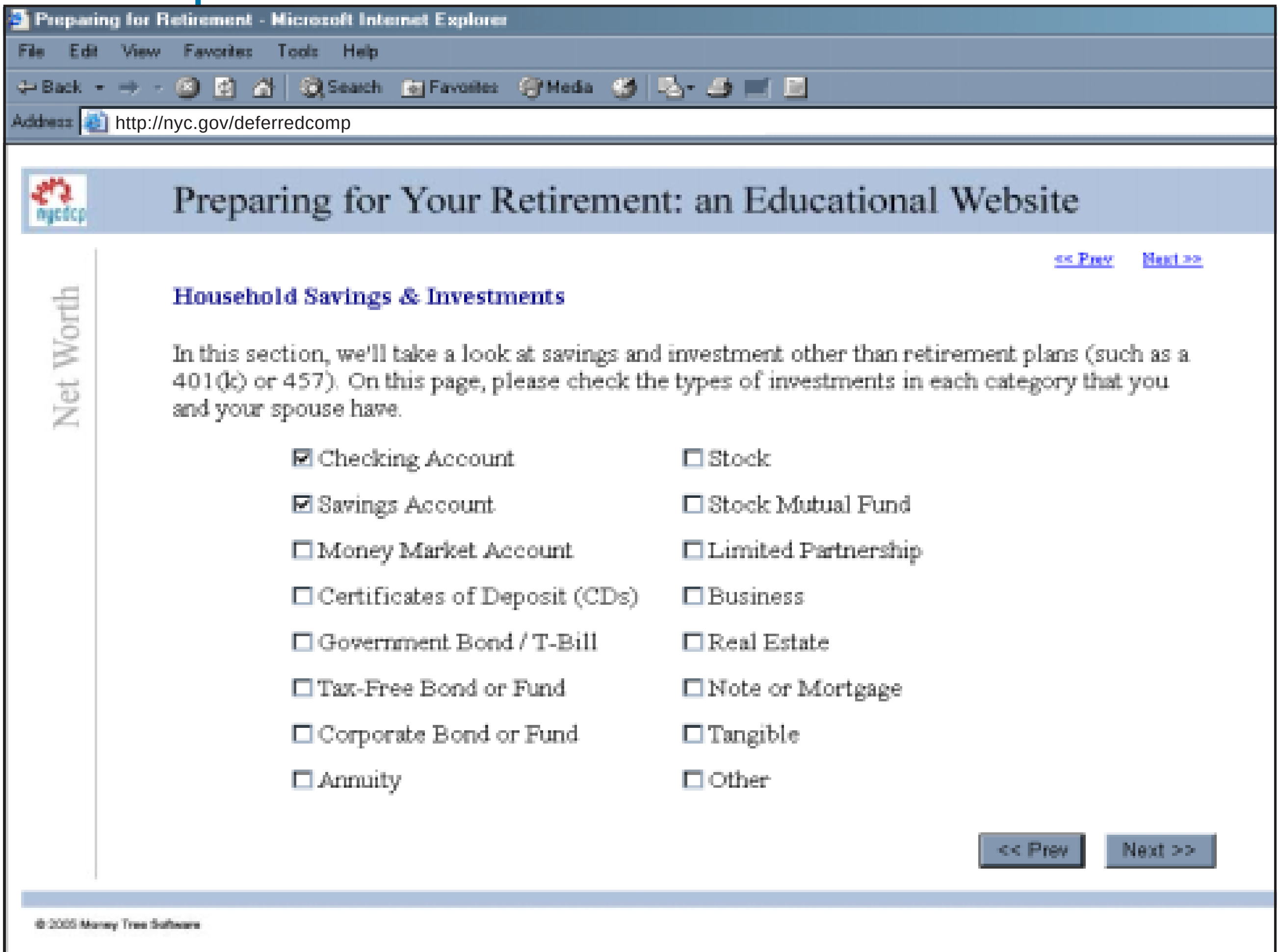
Kim Spivey
Community Coordinator, NYCHA

The Plan is pleased to expand PFS to all Deferred Compensation Plan participants. You can access the software from the Plan's website at nyc.gov/deferredcomp. Links are located on the homepage and in the Planning Tools section of the Plan's website.

Personalized Financial Snapshot: A New Plan Service

[1] Source: www.fidelity.com

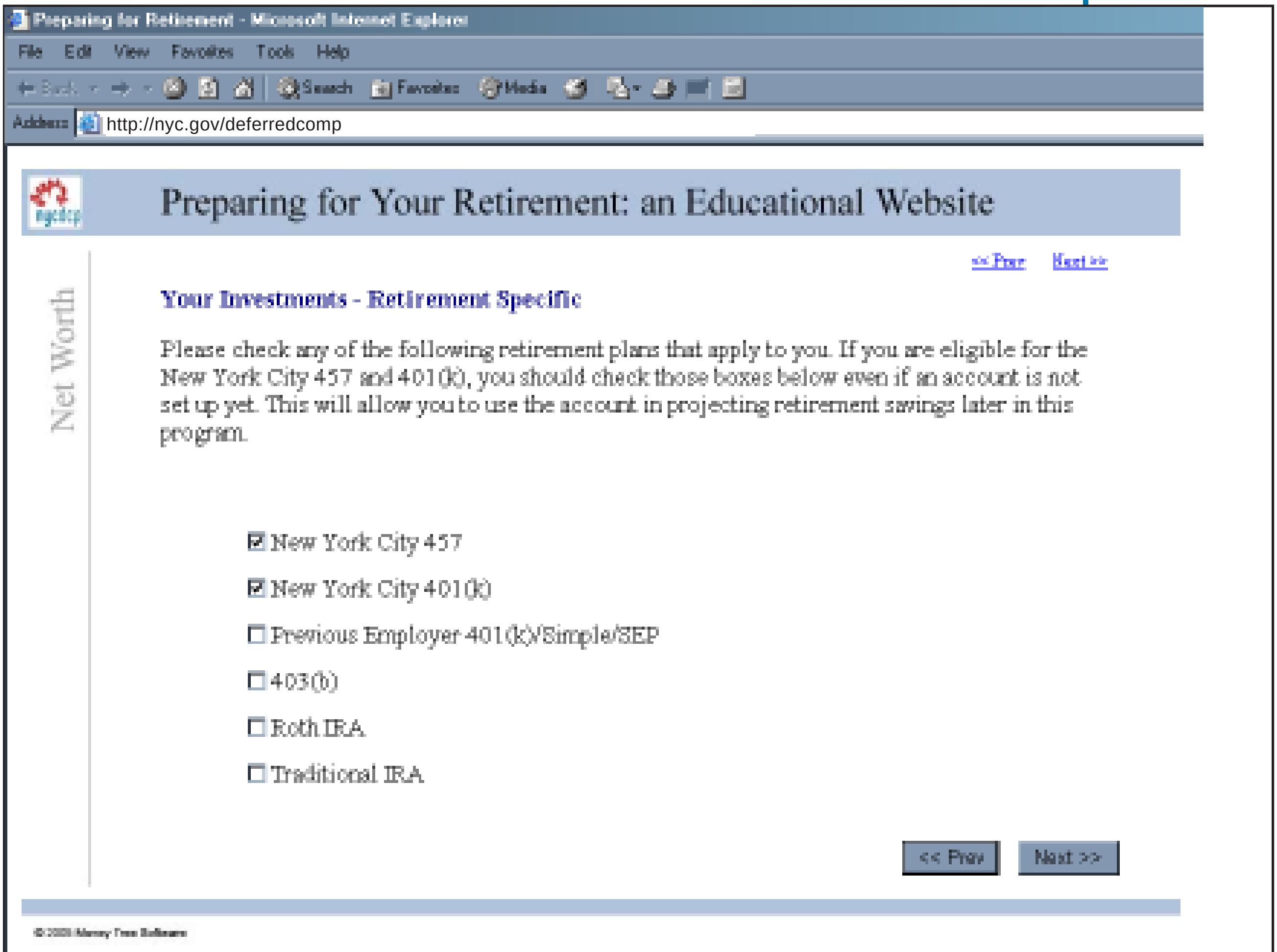
Example of Personalized Financial Snapshot Screen



Through a series of simple questions, Personalized Financial Snapshot offers you an introduction to retirement planning and your very own printable retirement report. Based on your answers to simple financial and retirement questions, the program will provide an estimate of how close you are to meeting your goals and help you explore your options.

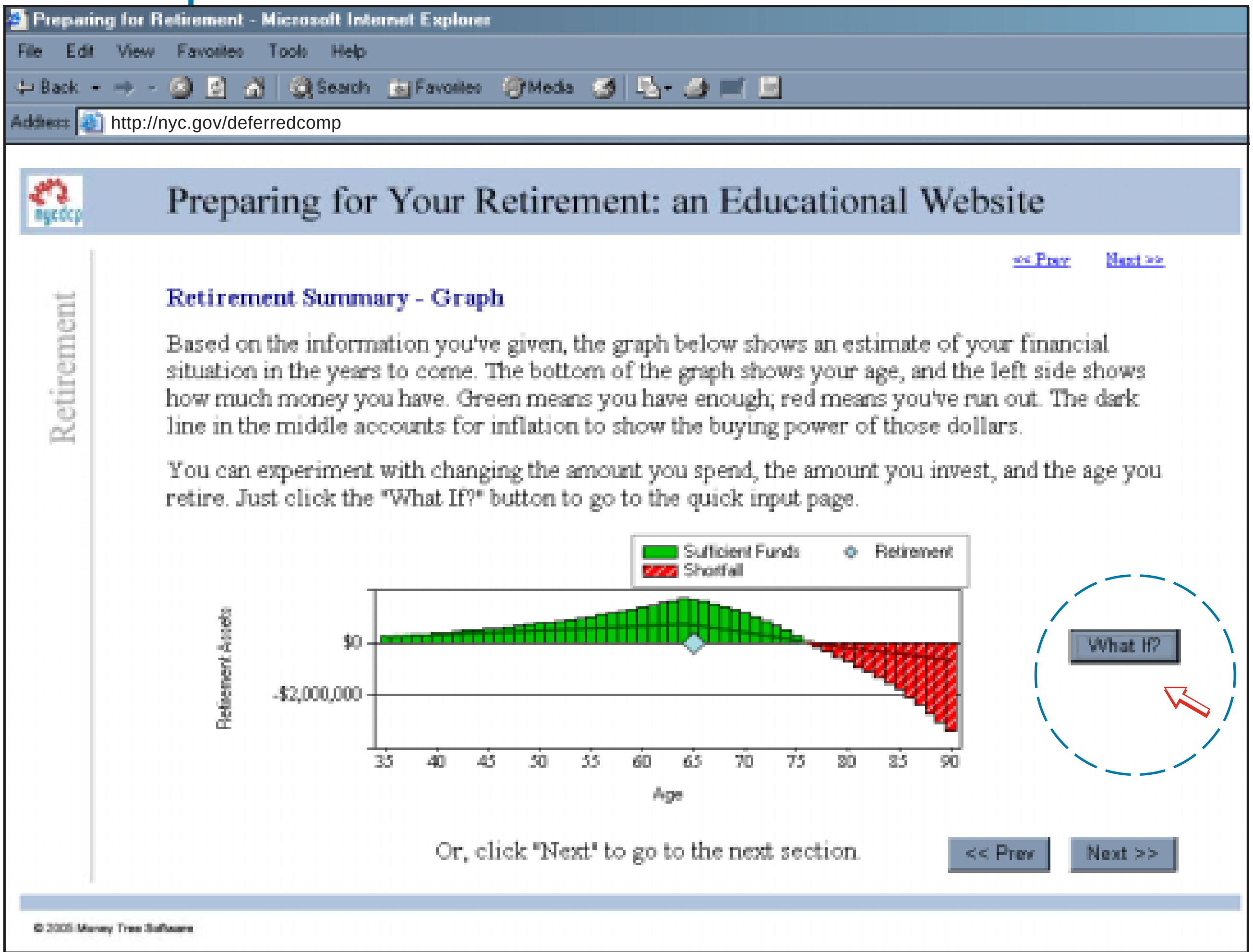
As you can see from the screenshot of the tool above, Personalized Financial Snapshot takes into consideration a myriad of investments to determine your net worth. This particular page would only apply to your non-retirement investments and savings.

Example of Personalized Financial Snapshot Screen



Personalized Financial Snapshot also allows you to calculate your net worth by taking into consideration all your investments. On your screenshot above, you can see that the Retirement Specific page allows you to enter your New York City Deferred Compensation Plan amounts as well as other qualified plan options for you and your spouse, if applicable.

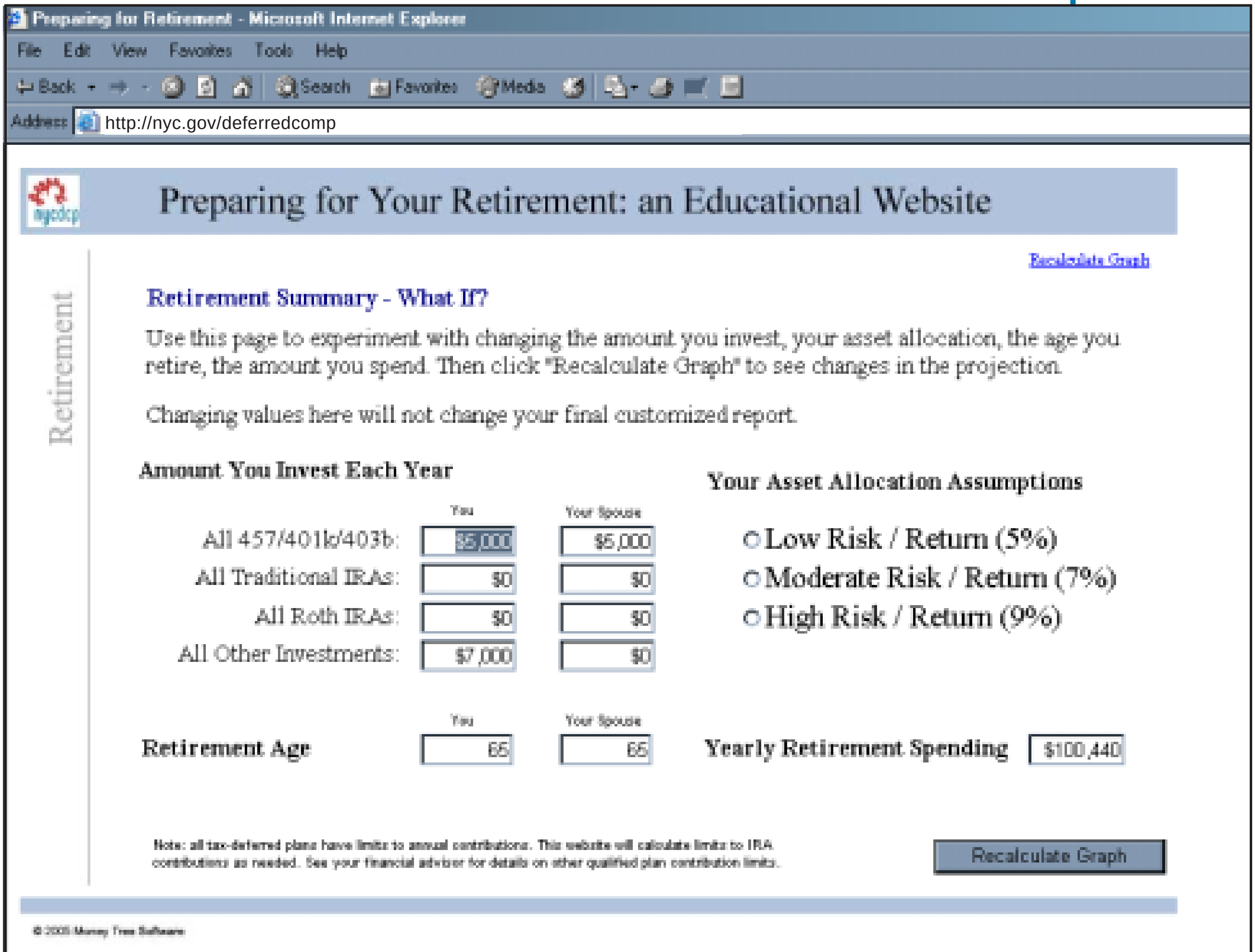
Example of Personalized Financial Snapshot Screen



On this page, you can see a graphic presentation of your retirement situation. Personalized Financial Snapshot illustrates your retirement needs and goals, showing you if your retirement savings will carry you through retirement or if you will have a short fall (as in this example).

One of the most helpful aspects of the retirement planning tool is the “What If?” page, as shown on page 11. If you are curious to see how the financial picture would change if you chose to do certain things a bit differently, you can click on the “What If?” button.

Example of Personalized Financial Snapshot Screen



The “What If?” button brings you to the “What If?” page, where you can change certain choices you made earlier in the program that may or may not have an impact on your retirement summary. For example, by postponing retirement for 2 years or changing your contribution amount, you may see some exciting alternative scenarios to your retirement summary.

Try out Personalized Financial Snapshot today!

The Bond Fund

A Look at What's Happening

Last quarter, the Bond Fund was expanded to include a new fund manager, ING Investment Management Company. ING adds diversification to the fund and is a compliment to the Plan's long-standing Bond Fund manager, Pacific Investment Management Company (PIMCo).

This completes the Plan's transition from single manager to multi-manager investment options. The Bond Fund is the fifth of the Plan's funds to be constructed in this way, i.e. blending managers and management styles together with the objective of creating style neutral funds.

All the Plan's five actively managed funds are now style-neutral, and the two single manager funds, the Equity Index Fund and the Socially Responsible Fund are passively managed to indexes.