

EL DORADO COUNTY
457 DEFERRED COMPENSATION PLAN

INVESTMENT POLICY

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INTRODUCTION AND PURPOSE

This statement is set forth to provide a clear understanding of the investment policies and objectives related to the administration of the El Dorado County 457 Deferred Compensation Plan (the EDCDC PLAN). El Dorado County (Employer) headed by the Board of Supervisors has overall responsibility for administering and overseeing the EDCDC PLAN.

To assist in implementing its responsibilities and carrying out some administrative duties and oversight, the Board considers recommendations from an adhoc deferred compensation committee. From time to time it enters into contracted arrangements with independent third party administrators to assume administrative duties and oversight of parts of the EDCDC PLAN.

The County, its officers, employees, agents, Deferred Compensation Committee and members are all referenced in this policy as the “Administrator”. The EDCDC PLAN is a voluntary, salary deferral retirement plan available to eligible El Dorado County employees who are interested in saving for retirement on a tax-deferred basis. The EDCDC PLAN’s purpose is to provide a vehicle for and to encourage additional retirement savings to supplement the retirement benefits provided to County employees.

USE OF INDEPENDENT INVESTMENT CONSULTANT

An independent investment consultant (Consultant) may be retained to assist in carrying out the duties and responsibilities hereunder. Such Consultant must be registered with either state or federal securities regulators pursuant to the Investment Advisors Act of 1940. The services of the Consultant will be set forth in a separate agreement.

DEFINITION OF TERMS

Investment Manager or Manager – a non-County entity that manages assets for the EDCDC PLAN. Examples of investment products managed by an Investment Manager may include mutual funds, commingled trust funds and separate accounts. Where the context requires it, the term Investment Manager or Manager includes the offering of investment products under the direct control of the Investment Manager.

Investment Provider – a non-County entity that provides any combination of services to the EDCDC PLAN including investment management, custody of plan assets, and plan administration.

GENERAL COMPLIANCE

The EDCDC PLAN is designed to meet the requirements of Section 457 of the Internal Revenue Code of 1986 (the Code), as amended. The

EDCDC PLAN's investment policies shall be reviewed on an annual basis by the Deferred Compensation Committee for modifications, as needed, but may be modified at any time as deemed necessary by the Deferred Compensation Committee. Though the Employee Retirement Income Security Act (ERISA) does not apply to the EDCDC PLAN, the Board nevertheless intends to structure the EDCDC PLAN to contain certain features of a "404(c) Plan" within the meaning of the Department of Labor Regulations under Section 404(c) of ERISA and California Code Section 53213.5.

- A. In keeping with the statutory framework of the Department of Labor regulations under ERISA Section 404(c), at a minimum, it is intended that plan participants shall be provided with the following opportunities: Choose from a minimum of three diverse investment categories, each with materially different risk and return characteristics. At least one of the categories will provide for a high degree of safety and capital preservation.
- B. Make and/or modify investment decisions at least quarterly.
- C. Receive or have access to the following information, as updated:
 - A description of the investment alternatives available under the EDCDC PLAN including a general description of the investment objectives, risk and return characteristics, and type and diversification of assets comprising each alternative;
 - Identification of the designated Investment Managers and investment products;
 - A description of any transaction fees or expenses charged to the EDCDC PLAN participant's account, and information on costs and fees for an investment product that reduces the rate of return to EDCDC PLAN participants (expense ratios); and
 - Prospectuses, annual reports, and semi-annual reports on investment products, if available.

GENERAL INVESTMENT POLICY, OBJECTIVES AND STANDARDS

It is the policy of the EDCDC PLAN to foster an investment environment that encourages and facilitates participant efforts to supplement other sources of retirement income. The EDCDC PLAN will be structured in an attempt to provide EDCDC PLAN participants with an array of investment options with an objective of minimizing fund fees, expenses, and administrative fees normally associated with these investments. Participants in the EDCDC PLAN are solely responsible for their own investment decisions and bear the risks and assume responsibility for the results of the investment options that they select. The Administrator makes no representations, promises, or warranties regarding the suitability of EDCDC PLAN participation for any participant's individual investment or retirement needs. Additionally, the Administrator makes no representations, promises or warranties about the performance of the EDCDC PLAN or the EDCDC PLAN's investments. The Administrator

makes no representations, promises or warranties about any investment advice provided through any affiliate partner.

The primary investment objective of the EDCDC PLAN is to present participants with a range of investment options which give participants an opportunity to increase the value of their investment assets in a manner consistent with varying levels of participant risk/reward tolerances and investment decision making skills. While the EDCDC PLAN cannot meet all plan participant investment preferences and attitudes, the EDCDC PLAN attempts to provide investment vehicles for participants at various levels of investment sophistication and with varying requirements for risk and return.

Information that may be used to select which investment products to offer include but are not limited to, the following:

- Age, income and other demographic data on EDCDC PLAN participants
- Liquidity and administrative constraints imposed on the EDCDC PLAN by service providers
- Development of new investment products in the marketplace
- Level of participant usage of investment products
- Past performance of investment products
- Expenses of investment products

To enable participants to establish different investment strategies, the EDCDC PLAN will offer investment categories that have varying return and volatility characteristics. It is the responsibility of each participant to evaluate the investment options and to select an appropriate mix.

In addition to providing a range of investment options, the EDCDC PLAN seeks to provide investment options that are competitive in terms of performance relative to appropriate investment performance and risk benchmarks. The performance and risk relationships of the EDCDC PLAN's investment options will be reviewed periodically. Investment options should generally be given a full market cycle to achieve stated objectives (market cycles normally occur over 3-5 year time periods). Investment options are expected to meet or exceed their pre-determined benchmark index net of fees. Where peer groups are definable, investment options are expected to perform within the upper half of a sample of same style peers net of fees. In addition to net investment performance, the funds' risk characteristics will also be reviewed. The risk associated with an investment option generally should be similar to the same-style peer group.

INVESTMENTS

Investment options offered by the EDCDC PLAN will be categorized or grouped by similarities in investment objectives, style and risk. The EDCDC PLAN will assist participants in meeting their long-term investment objectives by providing investment options within the following

permitted investment categories (these categories are further explained in pages 7 through 12 of this document):

A. Category 1: Age-Based and/or Risk-Based Premixed Funds

- a. Conservative
- b. Moderate
- c. Aggressive

B. Category 2: Asset Class Funds

- FDIC Insured Savings
- Fixed Stable Value/GIC
- Intermediate Term Bond
- U.S. Large-Size Company Equity
- U.S. Mid-Size Company Equity
- U.S. Small-Size Company Equity
- U.S. Small/Micro-Size Company Equity
- International Equity

C. Category 3: Self-Directed Brokerage

Investment options and categories may be added or deleted as deemed necessary. At least one investment option shall be available within each investment category.

The following table outlines the objectives and performance benchmarks for each of the EDCDC PLAN's investment options. The risk associated with an investment option will be compared to appropriate risk benchmarks or measures for a same-style group of peer funds, where definable.

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>AGE-BASED AND/OR RISK-BASED PREMIXED</p> <p>PORTFOLIO FUNDS</p> <ul style="list-style-type: none"> ▪ Provide different levels of income and capital growth dependent upon an individual participant's specific target retirement date, withdrawal date or risk tolerance. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement date, withdrawal date or risk tolerance that is selected. The portfolio will be well diversified including U.S. fixed income securities, and U.S. and international equities. Stocks generally will range from 20%-90% of the total portfolio as merited by time horizon or risk tolerance. 	<p>Custom Blended Index</p>	<p>Balanced</p>
<p>FDIC INSURED SAVINGS</p> <ul style="list-style-type: none"> ▪ Provides a federally-insured interest yielding savings account or a federally-insured term certificate account. This is not a mutual fund. 	<p>N/A</p>	<p>N/A</p>

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>FIXED STABLE VALUE/GIC</p> <ul style="list-style-type: none"> Provide high relative current income and a high degree of investment safety without fluctuation of principal. Investment returns are derived primarily from interest income, with the possibility of some capital appreciation (or depreciation) of the underlying investment instruments. Generally this fund will be invested in guaranteed investment contracts (GICs) and/or “synthetic” portfolios, each comprised of investments generally maturing in one to seven years, and which provide for a reasonable degree of liquidity. The weighted-average maturity generally will be between two to four years. Products from different issuers are permitted within the fund, but generally, no single issuer of a contract, among all those held by the fund, shall comprise more than 20% of the fund’s total assets, 5% when the assets of the contract are part of the issuer’s “general account.” The overall weighted credit-quality rating of the fund shall be the equivalent of Aa2 (Moody) or higher. The rating must be obtained from at least one credit rating agency such as Moody, S&P or Duff & Phelps. If the fund’s weighted rating declines below Aa2, the fund will be evaluated for corrective action. 	<p>90-Day T-Bills</p>	<p>Stable Value/GIC Funds</p>

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>INTERMEDIATE TERM BOND</p> <ul style="list-style-type: none"> ▪ Provide capital appreciation and income through a diversified, fixed income portfolio. The expected duration for the portfolio will average 5 years, with durations of 3-7 years possible at times. Average credit quality will be investment grade. The fixed income portfolio will normally be comprised of money market instruments and U.S. Government and Agency bonds, mortgage-backed securities, and corporate bonds (including convertibles). Foreign holdings may be included up to 20% of the portfolio value, as well as corporate securities less than investment grade up to 20% of the portfolio value. 	<p>Lehman Brothers Aggregate Bond Index</p>	<p>U.S. Core Fixed Income</p>
<p>U.S. LARGE COMPANY EQUITY</p> <ul style="list-style-type: none"> ▪ Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization greater than \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, not to exceed 20% of the large cap stock portfolio. 	<ol style="list-style-type: none"> 1. Standard & Poor's 500 Index 2. Russell 1000 Growth Index 3. Russell 1000 Value Index 	<ol style="list-style-type: none"> 1. U.S. Large Company Equity 2. U.S. Large Growth 3. U.S. Large Value

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>U.S. MID-SIZE COMPANY EQUITY</p> <ul style="list-style-type: none"> ▪ Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization between \$2 billion and \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, not to exceed 20% of the mid cap stock portfolio. 	<ol style="list-style-type: none"> 1. Russell Mid-cap Index 2. Russell Mid-cap Growth Index 3. Russell Mid-cap Value Index 	<ol style="list-style-type: none"> 1. U.S. Mid Company Equity 2. U.S. Mid Growth 3. U.S. Mid Value
<p>U.S. SMALL COMPANY EQUITY</p> <ul style="list-style-type: none"> ▪ Provide long-term capital appreciation through a diversified common stock portfolio with the average market capitalization between \$500 million and \$2 billion. Stocks of foreign companies that are traded in the U.S. may also be included; however, their use generally should not exceed 20% of the portfolio. 	<ol style="list-style-type: none"> 1. Russell 2000 Index 2. Russell 2000 Growth Index 3. Russell 2000 Value Index 	<ol style="list-style-type: none"> 1. U.S. Small Company Equity 2. U.S. Small Growth 3. U.S. Small Value
<p>U.S. SMALL/MICRO COMPANY EQUITY</p> <ul style="list-style-type: none"> ▪ Provide long-term capital appreciation through a diversified common stock portfolio with the average market capitalization between \$250 million and \$2 billion. Stocks of foreign companies that are traded in the U.S. may also be included; however, their use generally should not exceed 20% of the portfolio. 	<ol style="list-style-type: none"> 4. Russell 2000 Index 5. Russell 2000 Growth Index 6. Russell 2000 Value Index 	<ol style="list-style-type: none"> 4. U.S. Small Company Equity 5. U.S. Small Growth 6. U.S. Small Value

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>INTERNATIONAL EQUITY</p> <ul style="list-style-type: none"> ▪ Provide long-term capital appreciation through a diversified, actively managed portfolio of international equities. Stocks of emerging countries may be used at the discretion of the manager, but such use is not to exceed 30% of the international stock portfolio. 	<ol style="list-style-type: none"> 1. MSCI All Country World Index Free ex-U.S. 2. MSCI All Country World Index Free ex-U.S. Growth 3. MSCI All Country World Index Free ex-U.S. Value 	<p>Non-U.S. Equity</p>

INVESTMENT OBJECTIVES	BENCHMARKS	PEER GROUP
<p>SELF-DIRECTED BROKERAGE (SDB)</p> <ul style="list-style-type: none"> ▪ For EDCDC PLAN participants who consider themselves to be knowledgeable about investment principles, the EDCDC PLAN may offer a self-directed brokerage account option (SDBO). Such option may be provided through one or more broker-dealers, as defined and regulated by the National Association of Securities Dealers, Securities Exchange Commission or State Securities Departments. <p>Assets held in an SDBO will be maintained in the name of the Plan Trustee or custodian for the benefit of the participant who established the account. Permissible investments for an SDBO may include registered mutual funds, stocks and fixed income securities. Futures and options are not permitted. Neither are any publicly traded securities offered by the Board or its affiliates permitted. It is the SDBO account holder’s responsibility to adhere to these and any other restrictions placed on him or her by the Board, broker-dealer or regulatory body. It is also the account holder’s responsibility not to engage in transactions prohibited by statute or any regulatory entity. The Board may further restrict permissible investments available in the SDBO. Each SDBO account holder will be responsible for his or her own commissions, fees or loads applicable to individual securities or mutual fund transactions for the account.</p>	N/A	N/A