

**THE MILWAUKEE COUNTY  
PLAN OF DEFERRED COMPENSATION**

**- Statement of Investment Policy -**

# **THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN STATEMENT OF INVESTMENT POLICY**

The purpose of the Milwaukee County Employees 457 Deferred Compensation Program (Plan) is to allow employees to receive federal and state income tax benefits while accumulating additional savings for retirement through payroll reduction. Deferred Compensation is a voluntary, supplemental long-term retirement program for public employees authorized by federal law and created by the County Board of Supervisors in 1984. The program was implemented by Milwaukee County to attract and retain personnel by permitting them to defer payment of a portion of their current compensation until death, disability, retirement, or their termination of employment.

Investment of the Plan assets will be made for the sole interest and exclusive purpose of providing benefits to Plan participants and beneficiaries, and defraying reasonable expenses of administering the Plan. The Plan's assets are to be held in a trust so that all Plan assets are segregated from the County's general assets and are not subject to the claims of the County's creditors. The Plan's assets are to be invested with care, skill, and diligence that a prudent person acting in a like manner would undertake.

The Plan is a "participant-directed account plan" in that it provides individual accounts for Plan participants and permits participants to select how the assets in their accounts are invested. The Plan shall assure that a minimum of three investment categories that are well diversified from each other, with respect to risk exposure and return potential, will be available to participants. Additional funds may be offered at the discretion of the Milwaukee County Select Committee on Deferred Compensation.

The purpose of this policy statement is to establish a clear understanding of the investment objectives of the Plan and the investment policies of the Milwaukee County Select Committee on Deferred Compensation.

## **I. OBJECTIVES**

The Plan will offer a broad range of diversified investments which will enable a participant to construct a portfolio with total (aggregate) risk and return characteristics at any point within the range normally appropriate for the participant. The investments offered should permit the participant the opportunity to diversify his/her account so as to minimize the risk of large losses. Participants should have access to meaningful information about the Plan and fund categories so they can make informed investment choices.

**THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN  
STATEMENT OF INVESTMENT POLICY**

In that regard, the Plan shall be comprised of at least one investment option in each of the following categories:

- Money Market/Stable Value
- Fixed Income
- Asset Allocation (a mix of stocks and fixed income)
- U.S. Stock
- Non-U.S. Stock

Within these categories, the types of options may include active or passive investment options, low- to high-risk options and specialized styles of investment management.

**THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN  
STATEMENT OF INVESTMENT POLICY**

**II. POLICIES AND CONSTRAINTS**

The Select Committee intends to use the following investment policies and constraints as a framework for excessive trading procedures and for selecting and/or guiding the stable value and money market fund investment managers of the Plan. Policies and constraints for the other funds offered in the Plan will be detailed in that fund's prospectus. The most recent fund prospectus can be obtained from Great West or directly from the investment manager.

**A. Excessive Trading Procedures**

Many fund companies have implemented trading restrictions in order to prevent market timing and excessive trading by participants that could be detrimental to long-term shareholders. The Plan's third party administrator will provide participant trading activity to the fund companies in the Plan, as required. If a fund company determines the trading activity constitutes "prohibited trading", as defined by that fund's prospectus, the third party administrator will contact the individual in writing to request that the individual stop prohibited trading immediately (unless the applicable fund requires that restrictions be implemented immediately without warning, in which case the default trading restriction will be implemented immediately and written notice of the same will be provided to the individual and plan, if applicable).

A subsequent report of the individual's trading activity will then be provided to the fund company. If, based on the second report, the fund company determines that the individual has not ceased prohibited trading, and upon the request of the fund company, the third party administrator will inform the individual in writing that they will be prevented from making transfers to the restricted fund(s) via any method (including the web, voice response unit, call center, facsimile or paper forms) for as long as the applicable fund determines. Restricted individuals are permitted to make transfers from the restricted fund(s) to other available investment options.

**B. Stable Value Fund**

The Fund will be invested in either an insurance company separate account fixed annuity or a similarly-oriented mutual fund, or both. The insurance company underwriting the separate account should be rated A+ (superior) by AM. Best Co., AM (Aaa) (highest quality) by Standard & Poor's, Duff & Phelps, or Moody's, and should have no rating below AA- (Aa3) (high quality) from any of the latter three rating services. The account will carry Plan and participant balances at book value and pay Plan benefits at book value. The Fund is expected to pursue fixed income opportunities presented by changes in interest rates, credit ratings, and sector premiums. The manager should invest in domestic debt securities, including corporate and government bonds and mortgages. The weighted average credit rating of the portfolio should be A+ (medium investment grade) or higher and no investments should be made in securities rated below investment grade (BBB-). The effective duration of the portfolio should be

maintained between 2 and 5 years.

C. Money Market Fund

The fund will be a benefit responsive bank deposit which is insured for up to \$100,000 per participant account by the FDIC. The bank issuing the product must be "well capitalized" as defined by the FDIC. The interest rate paid by the Fund will be indexed to a publicly available benchmark, and the rate crediting formula must be fully disclosed.

**THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN  
STATEMENT OF INVESTMENT POLICY**

**III. MONITORING**

The Select Committee will review the investment options of the plan on a quarterly basis. The purpose of the review is to determine whether each fund has adequately met its investment objectives. Each investment option shall be reviewed for:

- Investment performance compared to reasonable benchmarks on a net-of-fee basis, and ranked in a suitable universe (if available). The period for the assessment of Plan performance relative to the objectives will be over intermediate and full market cycle periods. The intermediate-term performance reviewed will include trends over quarterly periods, as well as trailing one-, three-, and five-year periods. A full market cycle has historically been 5 to 7 years.
- Material changes in investment diversification and style-consistency
- Material changes in the fund management and ownership including, but not limited to, changes in managers, analysts, assets under management, and expenses

**THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN  
STATEMENT OF INVESTMENT POLICY**

**IV. PERIODIC EVALUATION**

In addition, to quarterly monitoring the performance of the Plan's investment options against the criteria set forth above, the Select Committee will periodically (every 3 to 5 years) conduct an in-depth review of the Funds. This evaluation will be used to determine the continued suitability of the Funds based on a variety of criteria, including overall performance, investment style and philosophy, size, manager turnover, etc.

**V. INDIVIDUAL PARTICIPANT RESPONSIBILITY**

The Plan is a "participant-directed account plan" and it shall be the responsibility of each individual participant to choose investment options that are suitable to his/her life situation.

C:\MyDocuments\Deferred Compensation\StatementofinvestmentPolicy.doc Adopted J.P.  
052093  
050393SeiCom  
SCODC amended 12/15/98 per Ennis, Knupp & Associates recommendations (Vote 5-0) Updated  
per Ennis Knupp Feb 1999 report. (SCDC approved 3/16/99 (Vote 4-0)  
Updated per Ennis Knupp Recommendations, approved by SCDC 2/13/06 (Vote 5-0)

**THE MILWAUKEE COUNTY  
PLAN OF DEFERRED COMPENSATION**

**-Investment Guidelines -**

# THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN

## INVESTMENT MANAGER GUIDELINES FOR THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN (Adopted February 13, 2006)

These investment guidelines extend the “Statement of Investment Policy for the Milwaukee County Deferred Compensation Plan Updated February 13, 2006.”

### Guidelines

1. Plan assets will be invested in the Plan options listed below as directed by Plan participants.
2. Options shall be diversified in a manner that is at the discretion of the portfolio manager. The investment restrictions and guidelines of each mutual fund are outlined in the most recent fund prospectus, available from Great West or directly from the investment manager. The investment restrictions for the Stable Value and Money Market Funds are included as part of this document.
3. Options are expected to achieve the performance objectives listed below.

### Fixed Income/Asset Allocation Funds

<b>Plan Option</b>	<b>Investment Manager</b>	<b>Performance Benchmark</b>	<b>Performance Objective</b>
North Shore Savings Fund	North Shore Bank	iMoney Net Money Fund Average	Outperform its benchmark
Stable Value Fund	Great West	EnnisKnupp GIC Index	Outperform its benchmark
PIMCO Total Return Fund	PIMCO	Lehman Brothers Aggregate Bond Index	Outperform its benchmark
T. Rowe Price Personal Strategy Income Funds	T. Rowe Price	Custom Benchmarks	Outperform its benchmark

## Equity Funds

<b>Plan Option</b>	<b>Investment Manager</b>	<b>Performance Benchmark</b>	<b>Performance Objective</b>
Ariel Appreciation Fund	Ariel	Russell 2500 Index	Outperform its benchmark
EuroPacific Growth Fund	American Funds	MSCI All Country World Ex-U.S. Index	Outperform its benchmark
Growth Fund of America	American Funds	Russell 1000 Growth index	Outperform its benchmark
Heartland Value	Heartland	Russell 2000 Value Index	Outperform its benchmark
J.P. Morgan Capital Growth Fund	J.P. Morgan	Russell MidCap Growth Index	Outperform its benchmark
Lord Abbett Developing Growth	Lord Abbett	Russell 2000 Growth Index	Outperform its benchmark
Vanguard Institutional Index Fund	Vanguard	S&P 500 Index	Approximate its benchmark
Vanguard Small Cap Index Fund	Vanguard	MSCI U.S. 1750 Small Cap Index	Approximate its benchmark
Vanguard Total Stock Market Index Fund	Vanguard	MSCI U.S. Broad Market Index	Approximate its benchmark
Vanguard Total International Stock Market Index Fund	Vanguard	MSCI All Country World Ex-U.S. Index	Approximate its benchmark
Washington Mutual Investors Fund	American Funds	Russell 1000 Value Index	Outperform its benchmark

**SAVINGS FUND INVESTMENT MANGER  
GUIDELINES NORTH SHORE SAVINGS FUND**

(Adopted March 16, 1999)

These investment guidelines extend the "Milwaukee County Deferred Compensation Program Statement of "Investment Policy" dated May 20, 1993 and as amended through March 16, 1999.

The investment portfolio managed by North Shore Savings (the manager) on behalf of the Milwaukee County Deferred Compensation Plan (the Plan) shall be subject to the restrictions and guidelines set forth in this document

**Investment Guidelines ~ Savings Fund Investments**

The savings fund investments shall be invested in the North Shore Savings Fund, such that the portfolio's main objective is to preserve principal and supply current income while providing for a high level of liquidity.

This objective is fulfilled through an account which provides FDIC insurance for up to \$100,000 per participant. The fund is expected to provide a yield which is competitive with medium-term (two to four year) certificates of deposit

**Liquidity**

A Plan representative will inform the manager of the need to withdraw assets periodically, if necessary, for the payment of pension benefits.

**Investment Objectives and Performance Evaluation**

The investment objective of this portfolio is to achieve a rate of return consistent with the investment guidelines stated above. Over reasonable measurement periods, the rate of total return (net of investment management fees) should approximate or exceed the return of the iMoneyNet Money Fund Average.

# THE MILWAUKEE COUNTY DEFERRED COMPENSATION PLAN

## STABLE VALUE MANAGER GUIDELINES GREAT-WEST STABLE VALUE FUND

(Adopted March 16, 1999)

These investment guidelines extend the "Milwaukee County Deferred Compensation Program Statement of "Investment Policy" dated May 20, 1993 and as amended through March 16, 1999.

The investment portfolio managed by Great-West (the manager) on behalf of the Milwaukee County Deferred Compensation Plan (the Plan) shall be subject to the restrictions and guidelines set forth in this document.

### **Investment Guidelines -- Stable Value Investments**

The objective of the Great-West Stable Value Fund is to provide a stable rate of return through current income while preserving capital. The fund invests in fixed income securities of high quality or issued by the U.S. government and its agencies. The Fund will be invested in either an insurance company separate account fixed annuity or a similarly oriented mutual fund, or both. The insurance company underwriting the separate account should be rated A+ (superior) by: AM. Best Co., AAA (Aaa) (highest quality) by Standard & Poor's, Duff & Phelps, or Moody's, and should have no rating below M- (Aa3) (high quality) from any of the latter three rating services. The account will carry Plan and participant balances at book value and pay Plan benefits at book value.

The Fund is expected to pursue fixed income opportunities presented by changes in interest rates, credit ratings, and sector premiums. The manager should invest in domestic debt securities, including corporate and government bonds and mortgages. The weighted average credit rating of the portfolio should be A+ (medium investment grade) or higher and no investments should be made in securities rated below investment grade (BBB-). The effective duration of the portfolio should be maintained between 2 and 5 years.

### **Diversification**

The Select Committee expects the Great-West Stable Value Fund to be well diversified in order to minimize the impact of large losses in individual securities on the total portfolio.

### **Liquidity**

A Plan representative will inform the manager of the need to withdraw assets periodically, if necessary.

### **Investment Objectives and Performance Evaluation**

The investment objective of this portfolio is to achieve a rate of return consistent with the investment guidelines stated above. Over reasonable measurement periods, the rate of total return (net of investment management fees) should approximate or exceed:

1. The return of the EnnisKnupp GIC Index, the average of the 1-,2-,3-,4- and 5-year GICs as surveyed by T. Rowe Price.

