

Gwinnett County Government Investment Policy Statement

Defined Contribution Plan 401(a) 457 Deferred Compensation Plan

Gwinnett County sponsors the Gwinnett County Board of Commissioners Defined Contribution Pension Plan and the Gwinnett County Board of Commissioners Deferred Compensation Plan (collectively, the “Plans”). The Plans are participant directed retirement plans maintained to provide retirement income for participants, and to allow participants (beneficiaries, if applicable) to personally direct their investments into one or more of the investment funds that the Plans sponsor offers. The Plans allow each eligible employee to self-direct how his/her contributions and balances in the Plans are invested among a diverse menu of investment options selected by the Investment Committee of the Retirement Plans Management Committee (the “Investment Committee”).

Purpose

The purposes of the Investment Policy Statement are the following:

- To effectively monitor, supervise, and manage the investment of the Plans to ensure that the assets of the Plans are invested with appropriate safeguards and diversification for the exclusive benefit of the participants and beneficiaries.
- To revise or to make changes to reflect changing conditions due to statutory or regulatory law, investment climate or market conditions.
- To identify the categories and asset classes of investment alternatives to be made available to participants.
- To establish investment performance objectives and measurement standards.
- To provide a procedure for the on-going evaluation of the investment options in the Plans.
- To provide guidelines for the addition or replacement of any investment options.
- To evaluate investment consultants, third party service providers, and other professionals whose expertise is deemed by the Investment Committee to be appropriate or necessary.

Responsibility

The Gwinnett County Board of Commissioners (the “Board of Commissioners”) has approved and appointed the Retirement Plans Management Committee (the “RPMC”) to oversee the Plans on behalf of the eligible participants. The Investment Committee of the RPMC will be responsible for reviewing and evaluating on a periodic basis the investment performance of the investment alternatives offered to participants. The RPMC, Investment Committee and Board of Commissioners are not providing investment or tax advice to any participants; and no fiduciary will be responsible for any loss to any participant resulting from the participant’s investment selection or from any action taken in accordance with the participant’s investment direction.

Investment Alternatives

The Investment Committee recognizes that there is investment risk inherent in all investment options. Furthermore, individual participants each have their own level of risk tolerance in anticipation of achieving potentially higher returns. The Investment Committee has provided participants with a broad array of investment choices so that participants will have many alternatives that provide different levels of risk and return. With the exception of the Fixed Income/Stable Value option and Self-Directed Brokerage, the Investment Committee offers a full range of mutual funds or variable annuities.

The following asset classes are permitted as investment options for the Plans:

1. A range of funds which consists of each major asset classes. The following major asset classes will be used, at minimum, defined by Morningstar, (an independent fund evaluation company): Foreign Stock, World Stock, Small-Cap Growth, Small-Cap Value, Small-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Mid Cap-Blend, Large-Cap Growth, Large-Cap Value, Large-Cap Blend, Domestic Hybrid (Balanced), Large Index, High-Yield Bonds, Intermediate-Term Bonds. Plus the flexibility to add any other fund that provides diversification to participants. Each fund is actively managed with an objective of exceeding the return from a stated benchmark index over a full-market cycle (3 to 5 years).
2. A pre-mixed of investment funds, which are professionally managed and rebalanced periodically by the investment manager, to maintain a stated investment policy and a set asset allocation based on the investment managers stated policy and benchmark. The participant can select any of four different funds based on their investment goals and their expected level of risk.

3. A self-directed brokerage window to access any publicly traded security or mutual funds. Plan participants have the flexibility to invest in any securities which fit their investment strategy which are not offered by the plan administrator.
4. A stable value income fund that consists primarily of investment quality securities, priced at book value, and a stable competitive yield with adequate liquidity to allow transfers both in and out of the fund.
5. Participants may combine the asset investment options to capture the risk-reduction benefit that results from diversifying assets while at the same time tailoring portfolios to satisfy their own risk preference.

Selection of Investment Managers and Investment Options

The Investment Committee shall select investment options based on the quantitative and qualitative factors. In reviewing the investment options, the Investment Committee may utilize a consultant and/or record keeper to assist in the evaluation process. The investment selection process would include the same criteria that are used in reviewing and monitoring investment performance.

1. The Investment Committee will select funds based upon administrative, pricing, and other mutually agreed criteria in conjunction with the Plans record keeper.
2. The expense ratio of the funds, both before and after revenue sharing, must be competitive with other funds with similar objectives.
3. The funds must have at least three years of investment history. Furthermore, the Investment Committee will attempt to choose funds where the investment manager exhibits a consistent style over at least a three-year period of time.
4. The investment manager should have managed this fund or a similar fund with the same investment style for at least two years.
5. The Investment Committee will choose funds that the investment manager exhibits a style consistent with the category against which the fund is being benchmarked.

Monitoring of Investment Alternatives

Performance of the investment alternatives, including any selected investment manager, will be measured and reviewed at least annually. The evaluation will review the following:

1. The performance of each investment alternative as compared to an appropriate index or benchmark, and the performance as compared to a universe of similarly managed investment alternatives.
2. Conformance with the investment objectives, investment style, and expected risk profile.
3. Determination of sufficient investor interest in each investment alternative available under the Plans. Unpopular investment alternatives can be replaced by potentially more attractive investment alternatives.
4. Comparison of investment management fees, relative to similarly managed funds.
5. Significant changes in the management structure, organization, or personnel of each investment alternative.

Investment Performance of Funds

The Investment Committee will review each of the investment options at least annually to evaluate the option's performance. In reviewing the investment options, the Investment Committee may utilize a consultant and/or record keeper to assist in the evaluation process. The investment review will be objective, fair and incorporate statistical analysis provided by an independent third party. The Investment Committee will utilize the following performance benchmarks:

Actively Managed Funds: Each fund shall be benchmarked against their respective peer group as determined by the Morningstar category. The Morningstar category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the trailing 36-month period.

- **Return Composite:** The Return Composite measures the fund's performance relative to its peer group on a net-of-fee basis. It is calculated by taking the equally weighted average of the 3, 5 and 10 year return percentiles.
- **Sharpe Composite:** The Sharpe Composite measures the fund's risk-adjusted performance relative to its peer group. It is calculated by taking the equally weighted average of the 3 and 5 year Sharpe percentiles.
- **Overall Composite:** The average of the **Return Composite** and the **Sharpe Composite** determines the Overall Composite, where an Overall Composite above the 66.67% percentile is considered above benchmark.
- **Morningstar Category Ratings:** The Category Rating is a quantitative measure of risk-adjusted returns. This 3-year rating shows how well a fund has balanced risk and return relative to other funds in the same Morningstar Category. The Morningstar Category Rating is calculated over a 3-year time period on a scale of one through five. A rating of 3, 4 or 5 is considered above benchmark, while a rating of 1 or 2 is below benchmark.
- **Current Quarter Overall Rating:** The matrix below combines the **Overall Composite** with the **Morningstar Rating** to determine whether a fund is Above, Neutral or Below for the most recent quarter end time period.

Overall Composite		Morningstar Category Rating	Current Quarter Overall Rating
> 66.67%	AND	3, 4 or 5	Above Benchmark
> 50.0%	AND	3, 4 or 5	Neutral Rating
<= 50.0%	OR	1 or 2	Below Benchmark
<=25.0%			Below Benchmark

- **Long-Term Rating**

To assess the long-term consistency of performance, the previous 12 quarters are examined, and a **Long-Term Rating** is assigned to each investment option based on the matrix below:

Consecutive Quarters Below Benchmark		Quarters Below out of Trailing 12	Long-Term Rating
< 4 Quarters	AND	< 7	Pass
>= 4 Quarters	OR	>= 7 Quarters	Fail
Overall Composite Rating:<25.0%			Fail

1. **Passively Managed Variable Funds (Index Funds):** The Index Fund will track its respective index within a 25 basis point range, gross-of-fees, as measured on an annual basis. This tracking-error range shall be adjusted upward for International and Extended US Market Index funds.
2. **Fixed Income Fund (Stable Value Fund):** The Fixed Income Fund shall continue to provide participants with book value accounting, allow participants to make transfers without restriction, and is a Fund whose issuer is rated among the top three ratings of at least two of the rating services (S&P, Moody's, Duff & Phelps, Best's).

The Investment Committee recognizes that investment manager's performance can move in cycles over time, and that performance will not always be superior with respect to an investment option. As such, the Investment Committee will generally monitor funds on a periodic basis but not less frequently than annually, and the Investment Committee will give fund managers sufficient time to remedy any under-performance before the investment option is deleted from the Plans.

While the primary analysis of the investment option will be quantitative, the Investment Committee does reserve the right to make decisions regarding the investment option on other criteria that it believes will be in the best interest of the Plans and the participants.

Within the guidelines set forth above, the Investment Committee will evaluate funds with the assistance of the consultant/record keeper. Funds that do not perform at or above their benchmark will be subject to the Plans' policies regarding under-performing funds.

Underperforming Funds:

Criteria for Watch List

The Investment Committee may take the following steps for funds that are rated "Below" for the current quarter:

1. If the Investment Committee has determined that a fund has performed Below its benchmarks for the current quarter, or subsequent quarters then the fund will be placed on a "Watch List". While a fund is on "watch" no action will be taken, and additional information will be gathered as to why the fund is under performing. The RPMC or the Investment Committee may disclose the funds on the Watch List to participants.
2. Should a fund that was on the "Watch List" subsequently exceed its benchmark for four quarters in a row or seven out of twelve quarters, it will be taken off the "Watch List" and the fund will be again in "good standing".

Criteria For Removal

If the fund's performance continues "Below" its benchmarks for four consecutive quarters or seven out of the trailing twelve, and or has an overall composite rating of less than 25%, then the fund has "Failed" the Long-Term Rating. The Investment Committee shall terminate the fund and transfer its assets or designate an existing fund or a new fund to receive the assets. Additionally, the Investment Committee may choose to offer a new fund in the same asset class.

Proxy Voting

To the extent that the responsibility for voting proxies of securities held in an investment option is not the responsibility of an investment manager, the Investment Committee will determine the proper voting of proxies related to the investment option. Because the investment options are prudently selected and monitored, and underperforming investment options are removed when necessary, the Investment Committee will usually vote in support of the management proposals in the proxies. However, the Investment Committee will review the proxy statements for proposals which could be detrimental to the best interests of the Plan and its members and will vote the Plan's shares against those proposals. For example, the Investment Committee will generally vote against proposals which:

1. Increase the expenses of the investment option.
2. Increase the risk of the investments in the investment option.
3. Would result in a change to an investment style inconsistent with the objective and targeted asset class for which the investment option was chosen.

Replacement of Investment Managers and Investment Options

The Investment Committee may place an investment manager and/or an investment option under formal review; or immediately terminate an investment manager or option, for any reason including, but not limited to, the following:

1. Failure to exceed performance of the appropriate market index or benchmark over a 3-to 5-year period.
2. Failure to exceed the median performance results of a universe of comparably managed investment alternatives over a 3 to 5 year period.
3. Significant organizational events, such as a change in the investment manager, changes in investment style, changes in firm ownership, etc.
4. The identification by the Investment Committee of more suitable investment alternatives.
5. The investment alternative has changed its investment mandate or has experienced a style drift, departing from the investment objectives or parameters in its prospectus.
6. Any other circumstance regarding the investment option that the Investment Committee determines is in conflict with this Investment Policy Statement.
7. Any fund or fund complex that has been involved in a scandal or regulatory violation.

Self-Directed Brokerage

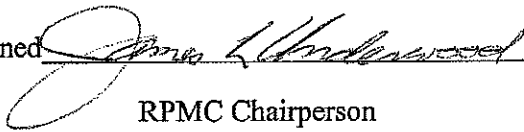
Provided that the Plan document allows such an option, the Named Fiduciary will permit each eligible Plan member to transfer a portion (or all) of their retirement account balance into a brokerage account and direct the purchase and sale of securities from his/her account. The Named Fiduciary shall be responsible for adopting, customizing, and monitoring the self-directed brokerage account feature in accordance with the Self-Directed Brokerage Account Agreement. The responsibility for voting proxies of securities held in a Self Directed Brokerage Account lies exclusively with the Plan member.

Review of this Policy

The Investment Committee shall perform an annual review of this Investment Policy Statement, and if appropriate, amend it to reflect changes in the market, participant objectives, and other factors relevant to the Plans.

Agreement:

This Investment Policy Statement was recommended for approval by the RPMC on May 27, 2010, supersedes any previous Investment Policy Statements for the Plans, and should remain in force until amended or revoked.

Signed  _____
RPMC Chairperson

9/7/10
Date