City of Seattle
Voluntary Deferred Compensation Plan and Trust
INVESTMENT POLICY
Updated February 14, 2007

Introduction and Purpose

The City of Seattle Voluntary Deferred Compensation Plan and Trust (Plan) was established in 1985 to create a tax-deferred retirement savings vehicle for Plan participants and their beneficiaries. The Plan is designed to qualify in accordance with the requirements of Section 457 of the Internal Revenue Code of 1986 (Code), as amended. Though it understands that the Employees Retirement Income Security Act (ERISA) does not directly apply to the Plan, the Plan Committee (Committee) nevertheless intends to pattern the Plan similar to a "404(c) Plan" within the meaning of the Department of Labor Regulations under Section 404(c) of ERISA.

The Committee adopts this Investment Policy to provide information about the Committee's investment policies, objectives and guidelines.

Investment Policy Review

The Plan is a long-term retirement savings vehicle. This Investment Policy is designed to endure multiple market environments and not to be reactive to what might be considered normal short-term events. The Investment Policy should be reviewed at least annually, or more frequently in the case of a significant change in characteristics to the Plan.

Investment Consultant

The Committee may retain the services of an Investment Consultant to assist with review and administration of this Investment Policy and Supplemental Investment Guidelines (see Exhibit A).

Investment Objectives

The Committee will select an appropriate array of investment options and appropriate funds within those options that will provide choices for participants who have various levels of investment sophistication and varying requirements for risk and return. In addition, the Committee has also chosen to provide index funds, lifestyle funds and a self-directed brokerage option.

Investment Fund Standards

- Investment funds and fund managers must comply with all applicable laws, rules, and regulations.

- All funds must have readily ascertainable market values and be easily marketable. Funds with redemption fees, or front-end or back-end charges will generally be avoided.

- Investment funds will be monitored on at least a semi-annual basis by the Committee, with the assistance of an Investment Consultant, for compliance with the prospectuses, this Investment Policy, and the Supplemental Investment Guidelines. Monitoring will include, but not be limited to, a review of:

    - Portfolios;
    - Investment style;
    - Investment process and philosophy;
    - Investment personnel; and
    - Performance

- Meetings may be held between the Plan's Investment Consultant and representatives of each fund on a periodic basis. Meetings may be held between the Committee and representatives of each fund on a periodic basis.

- The Plan's Investment Consultant will inform the funds that they are expected to notify the Committee if any fund decides to make substantial changes to investment style, personnel, or other material operational practices.

Investment Fund Selection
Before selecting a new investment fund, the Committee will define the investment option category to be filled and the desired fund's performance, quality, and risk characteristics. At a minimum, investment funds under consideration should demonstrate they have met those performance and risk characteristics criteria under live, not modeled, conditions and over an appropriate time period.

Investment Fund Termination
Generally, all investment funds are expected to perform as well as or better than their prescribed performance standards, net of fees. In any case, the Committee reserves the right to terminate investment fund relationships at any time, for any reason. Once the decision to terminate a fund is made, transfer and liquidation should be handled to the best advantage of the Plan's participants and beneficiaries. Barring extreme circumstances, there will be a 60 day period in which participants are able to voluntarily transfer assets out of the terminated fund. After this 60 day period has elapsed all remaining assets in the fund will be automatically transferred to a designated alternative.

Participant Responsibility
The Plan includes several investment funds that cover a broad range of investment risk. The investment fund(s) appropriate for a participant depends upon a combination of factors, including age, current income, length of time to retirement, tolerance for investment risk, income replacement/supplement objectives, and other participant assets.

The Committee conducts administrative oversight of the investment funds; however, the Plan is a "participant-directed account Plan." As such, it is the responsibility of each participant to:

- Determine how much to contribute to the Plan, up to the allowable limit;
- Obtain information about the investment funds;
- Evaluate the investment funds,
- Select the investment funds appropriate to their personal circumstances;
- Monitor their investment funds; and
- Change investment funds if necessary or desirable.

ON BEHALF OF THE CITY OF SEATTLE VOLUNTARY DEFERRED COMPENSATION PLAN AND TRUST, the Plan Committee members have signed below:

Diana Douglas
Union Representative, I.F.P.T.E., Local 17

Carolyn Iblings
Assistant Director, Department of Finance

John Masterjohn
Union Representative, P.S.I.E.

Mark M. McDermott
Personnel Director

4/27/07
Fred Podesta
Acting Department of Executive Administration Director

Rodney Rich
Investment Director

Mel Robertson
Acting Retirement System Executive Director