

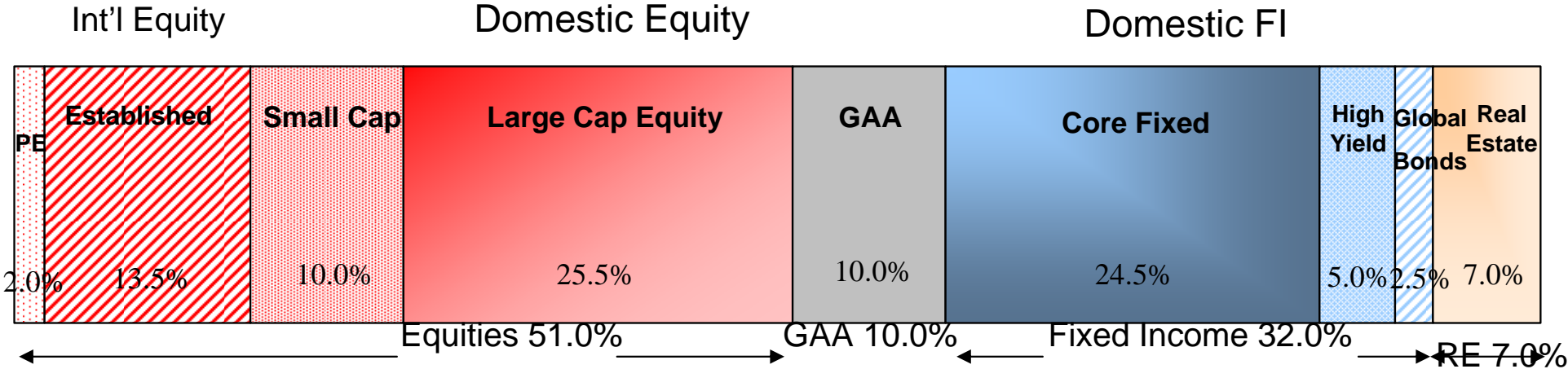
# Vermont Municipal Employees' Retirement System



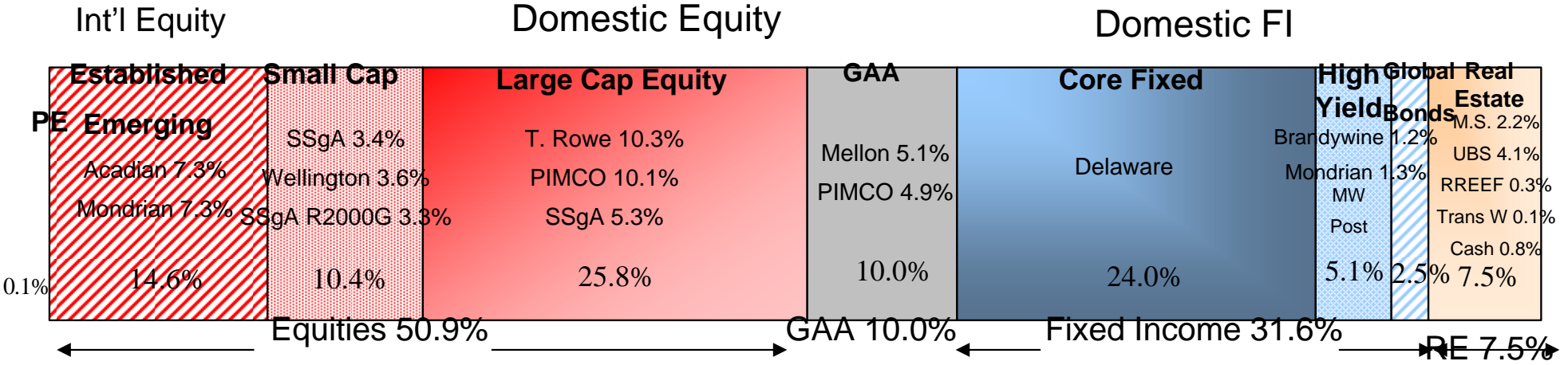
# Plan Asset Allocation

As of March 31, 2007

## Target Asset Allocation



## Current Asset Allocation



# Asset Breakdown

	Dom Large Cap	Dom Small Core	Dom Small Value	Dom Small Growth	Core Fixed	High Yield	Int'l Equity	Global Bonds	Real Estate	Private Investment	Alt Invest	Cash	Total
<b>Composite</b>	\$82,515	\$10,983	\$11,658	\$10,644	\$76,840	\$16,215	\$46,846	\$7,908	\$23,835	\$474	\$32,161	\$69	\$320,148
T. Rowe	33,128	0	0	0	0	0	0	0	0	0	0	0	\$33,128
PIMCO	32,455	0	0	0	0	0	0	0	0	0	0	0	\$32,455
SSgA Equal Wgt	16,932	0	0	0	0	0	0	0	0	0	0	0	\$16,932
SSgA R-2000 Growth	0	0	0	10,644	0	0	0	0	0	0	0	0	\$10,644
SSgA R-2500	0	10,983	0	0	0	0	0	0	0	0	0	0	\$10,983
Wellington	0	0	11,658	0	0	0	0	0	0	0	0	0	\$11,658
Acadian	0	0	0	0	0	0	23,460	0	0	0	0	0	\$23,460
Mondrian	0	0	0	0	0	0	23,386	0	0	0	0	0	\$23,386
Delaware	0	0	0	0	76,836	0	0	0	0	0	0	0	\$76,836
MW Post	0	0	0	0	0	16,215	0	0	0	0	0	0	\$16,215
Brandywine	0	0	0	0	0	0	0	3,765	0	0	0	0	\$3,765
Mondrian	0	0	0	0	0	0	0	4,143	0	0	0	0	\$4,143
Morgan Stanely	0	0	0	0	0	0	0	0	6,997	0	0	0	\$6,997
UBS Realty	0	0	0	0	0	0	0	0	13,155	0	0	0	\$13,155
RREEF	0	0	0	0	0	0	0	0	1,022	0	0	0	\$1,022
Transwestern	0	0	0	0	0	0	0	0	254	0	0	0	\$254
Real Estate Cash	0	0	0	0	0	0	0	0	2,407	0	0	0	\$2,407
Mellon GAA	0	0	0	0	0	0	0	0	0	0	16,451	0	\$16,451
PIMCO AA	0	0	0	0	0	0	0	0	0	0	15,710	0	\$15,710
Vermont Cash	0	0	0	0	4	0	0	0	0	0	0	69	\$73
Alt. Assets	0	0	0	0	0	0	0	0	0	474	0	0	\$474

(Dollars in 000's)

# Total Fund Asset Growth Summary

Periods Ending March 31, 2007

**MUNICIPAL SYSTEM COMPOSITE**

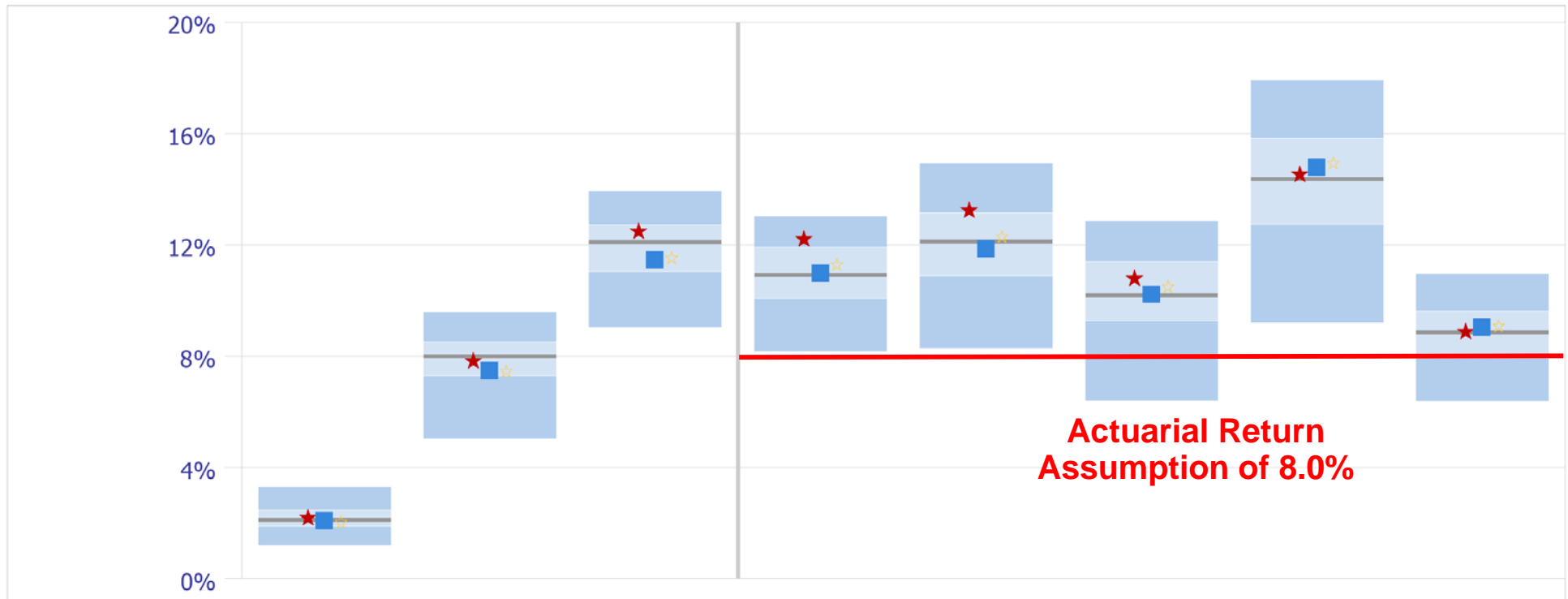
	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
<b>Beginning Market Value</b>	311,579	311,579	277,976	163,148
<b>Net External Growth</b>	1,684	1,684	8,001	41,017
<b>Return on Investment</b>	6,885	6,885	34,171	115,983
<b>Income Received</b>	10	10	1,275	25,050
<b>Gain/Loss</b>	6,875	6,875	32,896	90,933
<b>Ending Market Value</b>	320,148	320,148	320,148	320,148

Return    +2.2%                      +2.2%                      +12.2%

# Total Public Funds – Total Rates of Return

Periods Ending March 31, 2007

Total Returns



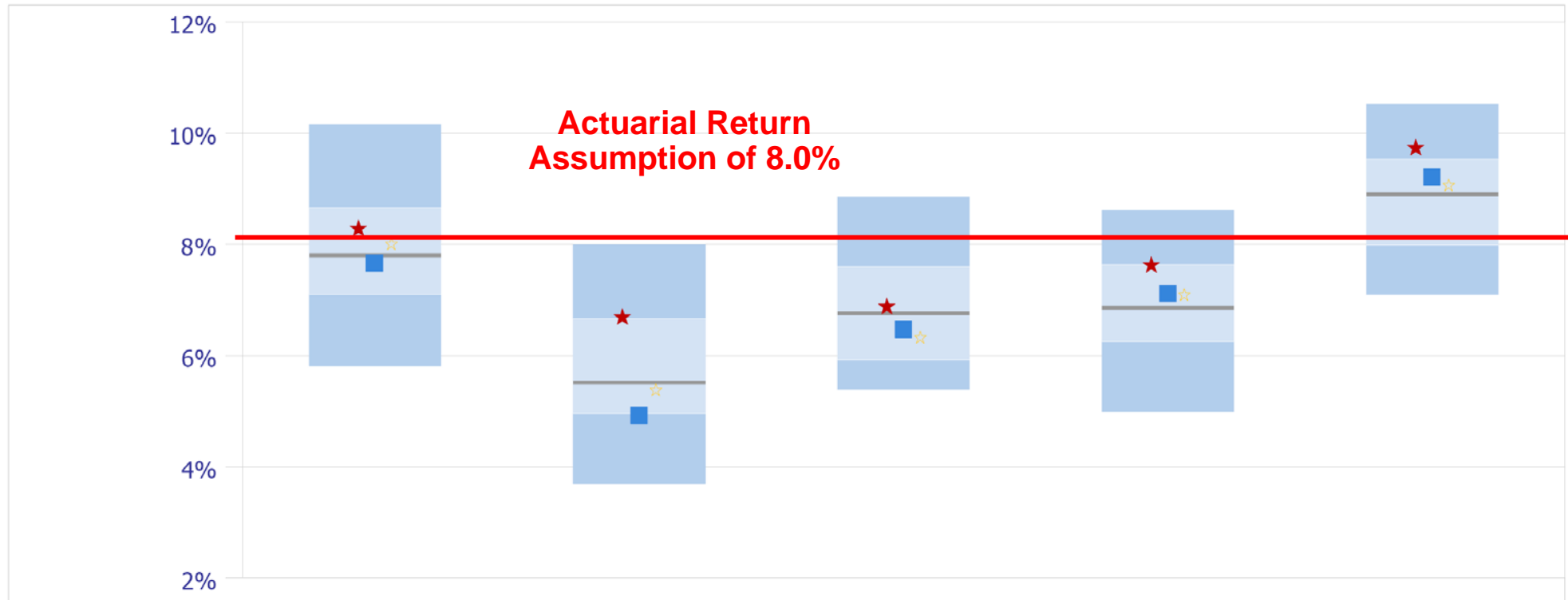
	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
★ MUNI COMPOSITE	2.2	33	7.8	54	12.5	33	12.2	15	13.3	21	10.8	38	14.5	45	8.9	47
■ ALLOC INDEX	2.1	50	7.5	71	11.5	67	11.0	48	11.9	53	10.2	47	14.8	43	9.0	44
☆ POLICY INDEX	2.0	57	7.5	72	11.5	65	11.3	42	12.3	44	10.5	44	14.9	38	9.1	43
<b>Median</b>	2.1		8.0		12.1		10.9		12.1		10.2		14.4		8.8	

- **Policy Index:** Measures the effectiveness of *Plan Structure*. (Target asset class weights X Return of the respective passive benchmark)
- **Allocation Index:** Measures the effectiveness of *deviating from the target policy weights*. (Policy Index - Allocation Index) Allocation Index = weighted average return of the actual asset class weights and the return of the respective passive benchmark.
- **Composite:** Actual composite return = actual asset class weights times the actual manager return. Measures the *effectiveness of the managers*. (Actual composite return - Allocation Index)

# Total Public Funds – Total Rates of Return

Periods Ending March 31, 2007

Total Returns



	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
★ MUNI COMPOSITE	8.3 32	6.7 23	6.9 45	7.6 24	9.7 17
■ ALLOC INDEX	7.7 57	4.9 75	6.5 56	7.1 40	9.2 38
☆ POLICY INDEX	8.0 44	5.4 53	6.3 61	7.1 41	9.1 43
<b>Median</b>	7.8	5.5	6.8	6.9	8.9

• *Policy Index*: Measures the effectiveness of *Plan Structure*. (Target asset class weights X Return of the respective passive benchmark)

• *Allocation Index*: Measures the effectiveness of *deviating from the target policy weights*. (Policy Index - Allocation Index) Allocation Index = weighted average return of the actual asset class weights and the return of the respective passive benchmark.

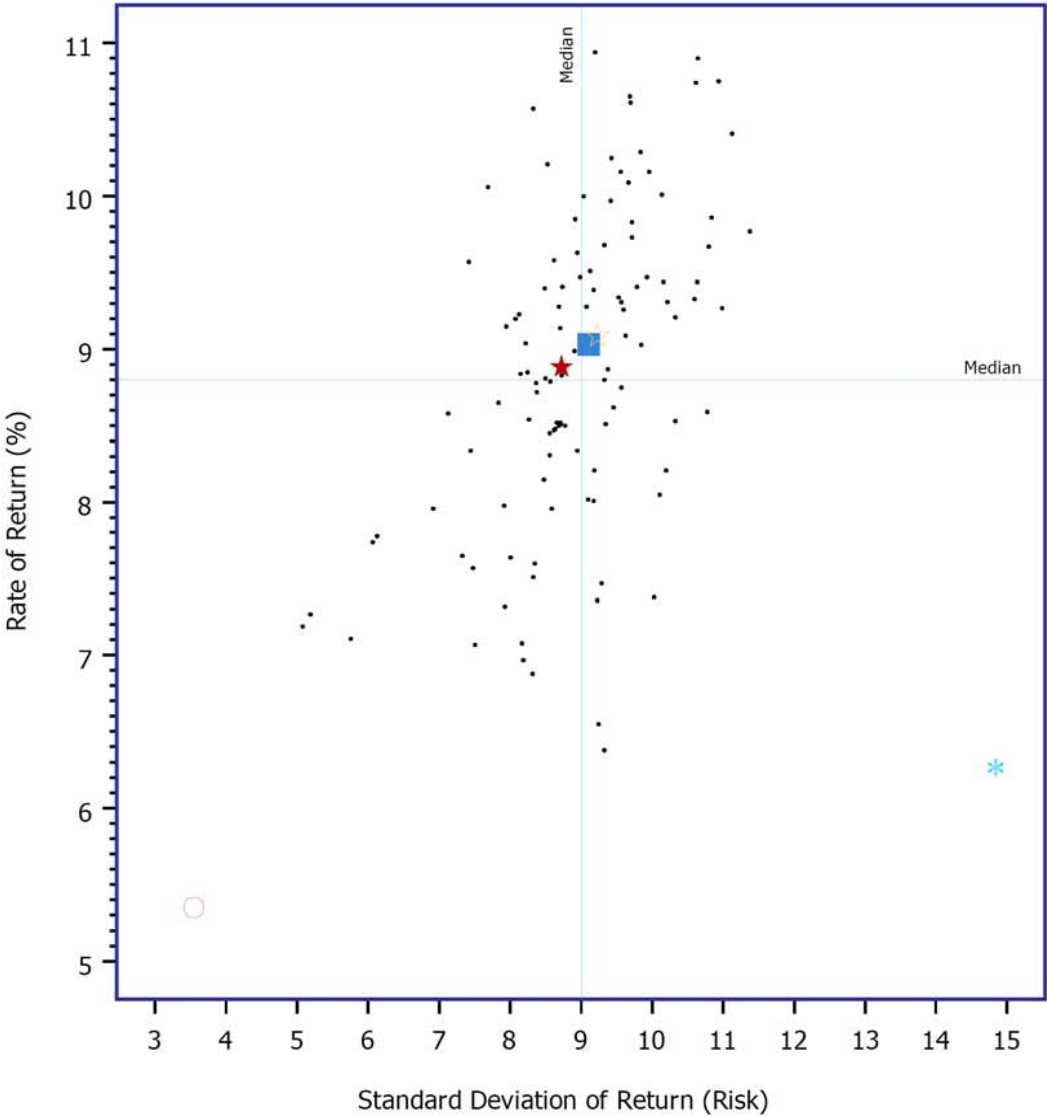
• *Composite*: Actual composite return = actual asset class weights times the actual manager return. Measures the *effectiveness of the managers*. (Actual composite return - Allocation Index)



# Total Fund Risk / Return Analysis

5 Years Ending March 31, 2007

**Total Public Funds - Total Returns**



	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	8.9	47	8.7 54 0.7 45
■ ALLOC INDEX	9.0	44	9.1 45 0.7 49
★ POLICY INDEX	9.1	43	9.2 40 0.7 49
* S&P 500	6.3	95	14.8 1 0.3 100
○ LB AGGREGATE	5.4	99	3.6 100 0.8 33
<b>Median</b>	8.8	9.0	0.7

**Funded status as of Fiscal Year 2006 = 104.3%**



# VPIC Managers



# VPIC Total Performance Summary

State of Vermont																
Investment Performance "Flash" Report																
Periods Ending March 31, 2007																
	<u>Quarter</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>Year</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>3 Years</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>5 Years</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Fiscal</u> <u>YTD</u>	<u>Market Value</u>	<u>% of Total</u> <u>Portfolio</u>	<u>Annual</u> <u>Fee</u>
<b>Teachers' Composite</b>																
<b>Teachers' Composite</b>	<b>2.4%</b>	27	43	<b>12.8%</b>	6	19	<b>11.0%</b>	30	51	<b>9.7%</b>	21	35	<b>12.9%</b>	<b>\$1,593,269,032</b>	100%	0.38%
<i>Allocation Index</i>	2.2%			11.6%			10.4%			9.6%			11.8%			
<i>Policy Index</i>	2.0%			11.7%			10.7%			9.4%			11.9%			
<b>Employees' Composite</b>																
<b>Employees' Composite</b>	<b>2.2%</b>	32	52	<b>11.9%</b>	25	35	<b>10.7%</b>	41	61	<b>9.5%</b>	26	42	<b>12.3%</b>	<b>\$1,345,945,293</b>	100%	0.39%
<i>Allocation Index</i>	2.1%			11.2%			10.2%			9.2%			11.7%			
<i>Policy Index</i>	2.0%			11.4%			10.2%			9.1%			11.6%			
<b>Municipal Composite</b>																
<b>Municipal Composite</b>	<b>2.2%</b>	33		<b>12.2%</b>	15		<b>10.8%</b>	38		<b>8.9%</b>	47		<b>12.5%</b>	<b>\$320,147,988</b>	100%	0.43%
<i>Allocation Index</i>	2.1%			11.0%			10.2%			9.0%			11.5%			
<i>Policy Index</i>	2.0%			11.3%			10.5%			9.1%			11.5%			

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.



# VPIC Manager Performance Summary

State of Vermont															
Investment Performance "Flash" Report															
Periods Ending March 31, 2007															
	Quarter	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Fiscal YTD	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	VPIC Inception Date	Annual Fee
<b>Large Cap Equity</b>															
<b>Large Cap Equity Composite - Employees'</b>	1.5%	32	12.5%	32	10.9%	51	7.1%	60	14.5%	\$350,637,783	26.1%	-	-		
<b>Large Cap Equity Composite - Teachers'</b>	1.7%	30	12.4%	33	10.0%	78	6.5%	74	14.5%	\$477,231,791	-	30.0%	-		
<b>Large Cap Equity Composite - Municipal</b>	1.5%	32	12.5%	33	11.6%	36	7.0%	61	14.4%	\$82,515,184	-	-	25.8%		
<i>Standard &amp; Poors 500</i>	0.6%		11.8%		10.1%		6.3%		13.5%						
<b>T. Rowe</b>	0.8%	54	12.6%	31	n/a		n/a		14.3%	\$331,974,360	10.4%	10.0%	10.3%	Dec-05	0.30%
<b>PIMCO</b>	1.4%	34	12.8%	25	n/a		n/a		14.5%	\$330,073,776	10.4%	9.9%	10.1%	Dec-05	0.33%
<i>Standard &amp; Poors 500</i>	0.6%		11.8%		10.1%		6.3%		13.5%						
<b>SSgA</b>	3.0%	6	12.4%	34	n/a		n/a		14.9%	\$248,336,622	5.3%	10.0%	5.3%	Dec-05	0.05%
<i>S&amp;P 500 Equal Weighted</i>	2.8%		12.1%		13.2%		10.8%		14.4%						
<b>Small Cap Equity</b>															
<b>Small Cap Equity Composite - Employees'</b>	3.4%	31	3.7%	78	10.9%	81	9.4%	96	10.3%	\$159,535,820	11.9%	-	-		
<b>Small Cap Equity Composite - Teachers'</b>	3.4%	31	3.6%	78	10.1%	87	7.7%	98	10.2%	\$193,039,787	-	12.1%	-		
<b>Small Cap Equity Composite - Municipal</b>	3.4%	30	3.8%	77	10.7%	84	9.0%	96	10.4%	\$33,284,854	-	-	10.4%		
<i>Russell 2000</i>	1.9%		5.9%		12.0%		10.9%		11.5%						
<b>SSgA 2500</b>	3.6%	30	8.1%	43	n/a		n/a		13.1%	\$132,509,171	4.0%	4.2%	3.4%	Dec-05	0.07%
<i>Russell 2500</i>	3.6%		8.2%		13.3%		12.1%		13.1%						
<b>Wellington</b>	4.9%	19	16.9%	11	17.3%	20	n/a		18.1%	\$136,688,934	4.3%	4.2%	3.6%	Dec-05	0.50%
<i>Russell 2000 Value</i>	1.5%		10.4%		14.5%		13.6%		13.4%						
<b>SSgA Russell 2000 Growth</b>	n/a		n/a		n/a		n/a		n/a	\$116,662,356	3.5%	3.7%	3.3%	Dec-06	0.10%
<i>Russell 2000 Growth</i>	2.5%		1.6%		9.4%		7.9%		9.5%						
<b>International Equity</b>															
<b>International Equity Composite - Employees'</b>	2.8%	82	24.6%	11	21.7%	26	16.8%	48	21.7%	\$ 196,439,440	14.6%	-	-		
<b>International Equity Composite - Teachers'</b>	3.0%	80	24.8%	11	22.8%	11	17.5%	43	21.7%	\$ 228,759,614	-	14.4%	-		
<b>International Equity Composite - Municipal</b>	2.8%	82	24.6%	11	21.4%	28	16.6%	51	21.7%	\$ 46,845,759	-	-	14.6%		
<b>Acadian</b>	2.0%	92	23.9%	16	n/a		n/a		21.5%	\$213,888,362	7.3%	5.8%	7.3%	Oct-05	0.48%
<b>Mondrian</b>	3.7%	57	25.3%	8	22.8%	15	19.2%	21	21.9%	\$258,156,451	7.3%	8.6%	7.3%	Oct-05	0.36%
<i>EAFE (After Taxes)</i>	4.1%		20.2%		19.8%		15.8%		19.4%						
<i>CITI EPAC</i>	3.8%		19.4%		20.0%		16.0%		18.3%						
<b>Core Fixed Income</b>															
<b>Delaware**</b>	1.7%	37	7.0%	36	3.9%	35	6.3%	17	7.1%	\$587,020,680	20.1%	15.1%	24.0%	Apr-06	0.33%
<i>LB Aggregate</i>	1.5%		6.6%		3.3%		5.4%		6.7%						
<b>High Yield Fixed Income</b>															
<b>MW Post</b>	2.8%	29	9.7%	53	7.7%	47	n/a		9.4%	\$164,403,172	5.1%	5.0%	5.1%	Apr-06	0.42%
<i>LB High Yield</i>	2.6%		11.6%		8.6%		10.4%		11.3%						
<b>Global Fixed Income</b>															
<b>Brandywine</b>	1.0%	65	8.5%	37	n/a		n/a		5.9%	\$69,196,824	2.3%	2.2%	1.2%	May-06	0.42%
<b>Mondrian**</b>	1.4%	39	7.3%	53	3.6%	68	8.2%	70	4.9%	\$35,471,273	2.2%	2.2%	1.3%	May-06	0.36%
<i>CITI WGBI</i>	1.2%		7.8%		2.7%		9.0%		4.5%						

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.

\*Longwood was terminated on 12/31/06. The assets were liquidated during 1/07 and invested in State Street's Russell 2000 Growth index product.

\*\*Annualized returns includes historic performance from the legacy global portfolio.



# VPIC Manager Performance Summary

State of Vermont															
Investment Performance "Flash" Report															
Periods Ending March 31, 2007															
	Quarter	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Fiscal YTD	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	VPIC Inception Date	Annual Fee
<b>Real Estate<sup>^</sup></b>															
<b>Total Real Estate</b>											6.8%	8.5%	7.4%		
Morgan Stanley	4.9%	14	19.1%	28	19.4%	31	15.7%	28	14.6%	\$73,823,145	2.0%	2.5%	2.2%	Sep-06	0.89%
UBS Realty	3.5%	41	17.2%	34	17.9%	41	14.3%	38	13.3%	\$138,798,015	3.8%	4.7%	4.1%	Sep-06	0.90%
RREEF	3.1%	49	15.1%	52	n/a		n/a		10.5%	\$10,783,389	0.3%	0.4%	0.3%	Sep-06	
Transwestern / Aslan	(3.7)%	98	(18.7)%	98	n/a		n/a		(15.4)%	\$2,675,263	0.1%	0.1%	0.1%	Sep-06	
Real Estate Cash	1.2%	62	n/a		n/a		n/a		n/a	\$25,400,897	0.7%	0.9%	0.8%	Sep-06	
<i>NCREIF Property Index</i>	3.6%		16.6%		17.4%		13.7%		12.1%						
<b>Private Investment</b>															
Pru & VVC	9.3%		21.7%		5.1%		3.0%		20.3%	\$5,967,276	0.0%	0.4%	0.0%		
Vermont Investments	8.9%		(40.1)%		(9.7)%		(10.7)%		(40.0)%	\$3,401,666	0.3%	0.0%	0.0%		
Alternative Investments	0.0%		0.6%		(11.0)%		(12.2)%		0.0%	\$474,144	0.0%	0.0%	0.1%		
RMK Timber <sup>^</sup>	n/a		n/a		n/a		n/a		n/a	\$4,756,288	0.4%	0.0%	0.0%		1.00%
<i>NCREIF Timber Index<sup>^</sup></i>	6.5%		13.7%		14.7%		10.4%		11.1%						
<b>Global Asset Allocation</b>															
Mellon Global Alpha	2.1%		n/a		n/a		n/a		16.9%	\$170,645,488	5.3%	5.2%	5.1%	May-06	0.65%
<i>60%MSCI World / 40% CITI WGBI</i>	2.0%		12.4%		9.8%		10.1%		11.3%						
Pimco All Asset	2.6%		n/a		n/a		n/a		9.3%	\$163,439,502	5.1%	5.0%	4.9%	May-06	0.83%
<i>T-Bill + 5%</i>	2.5%		10.3%		8.6%		7.7%		7.7%						
<b>Cash</b>															
Employees' Cash	1.4%		5.1%		5.5%		3.9%		3.7%	\$900,048	0.1%	0.0%	0.0%		
Teachers' Cash	1.3%		5.0%		5.2%		3.5%		3.8%	\$697,240	0.0%	0.0%	0.0%		
Municipal Cash	1.4%		5.2%		4.1%		3.4%		3.9%	\$73,926	0.0%	0.0%	0.0%		
<i>90 Day U.S. T-Bills</i>	1.2%		5.1%		3.4%		2.6%		3.9%						

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.

<sup>^</sup>Returns reported on a quarterly basis.

