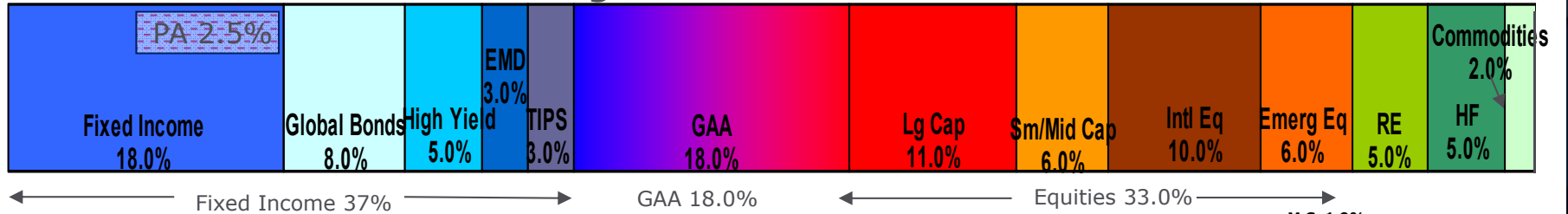




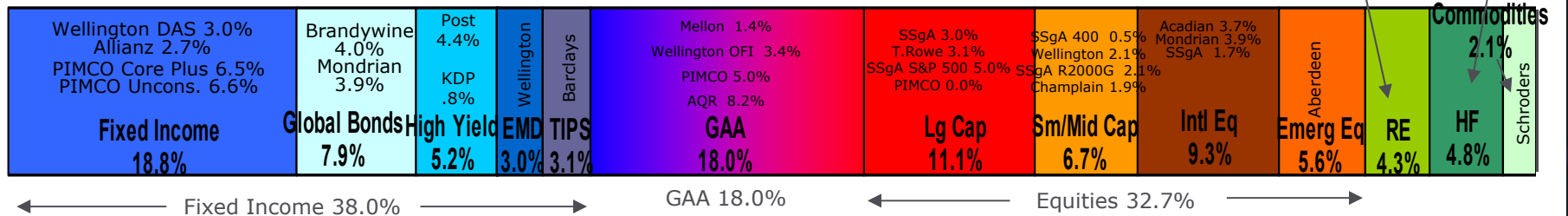
# **Vermont State Employees' Retirement System**

# Total Plan Asset Allocation - VSERS

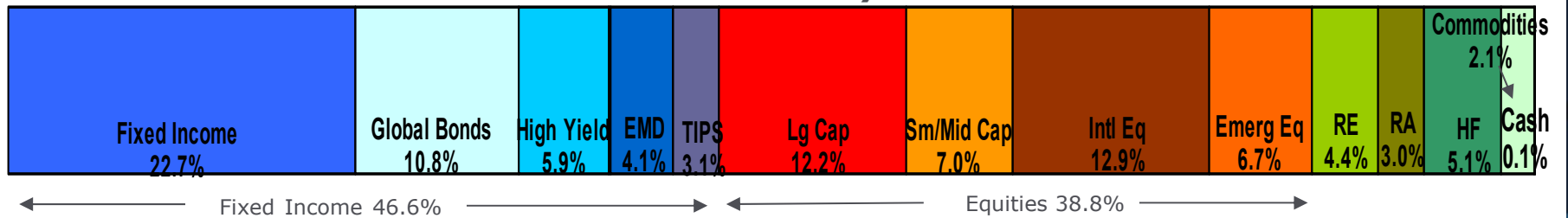
## Target Asset Allocation



## Current Asset Allocation by Manager



## Current Asset Allocation by Asset Class

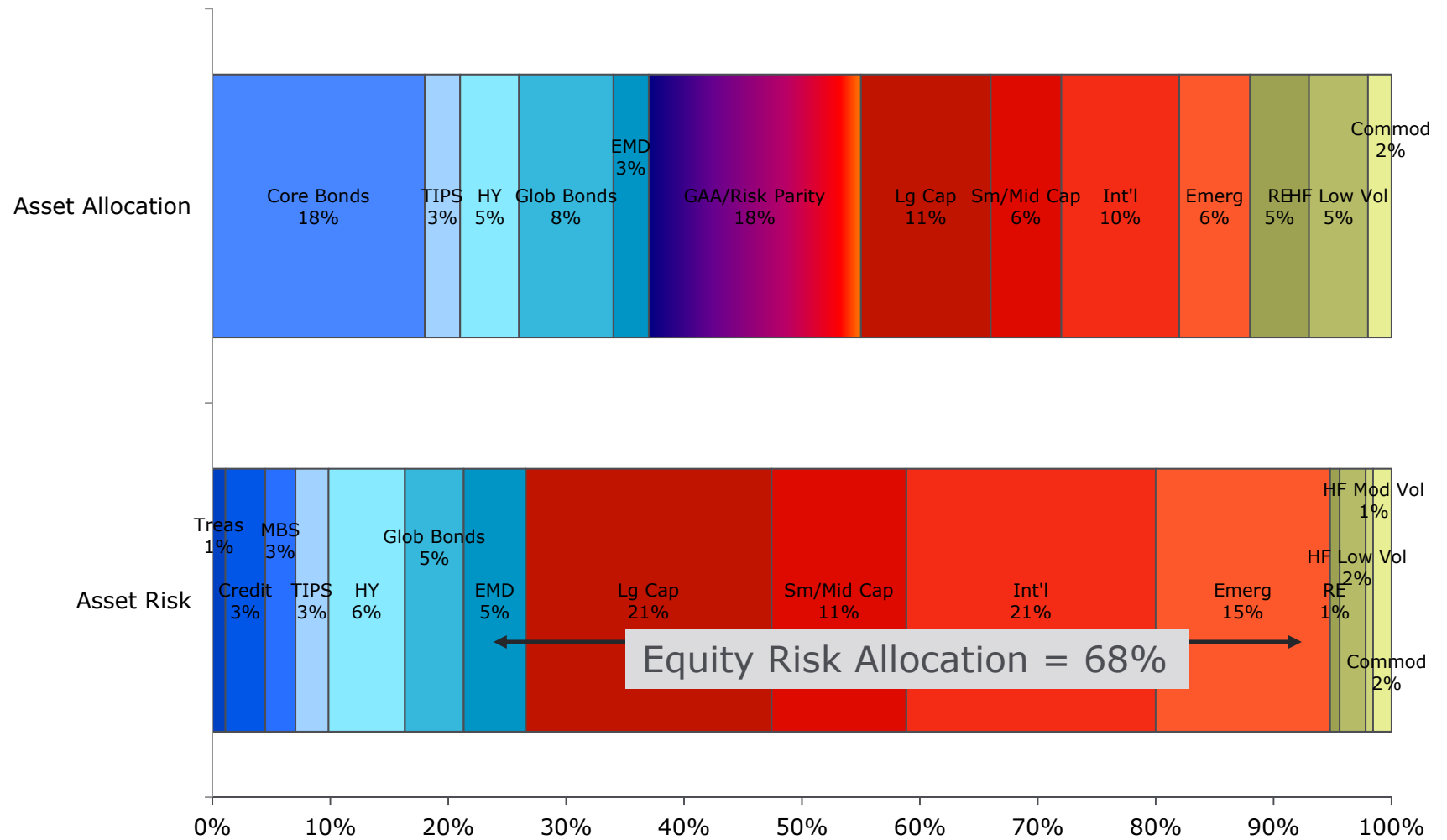


Numbers may not add up to 100% due to rounding.

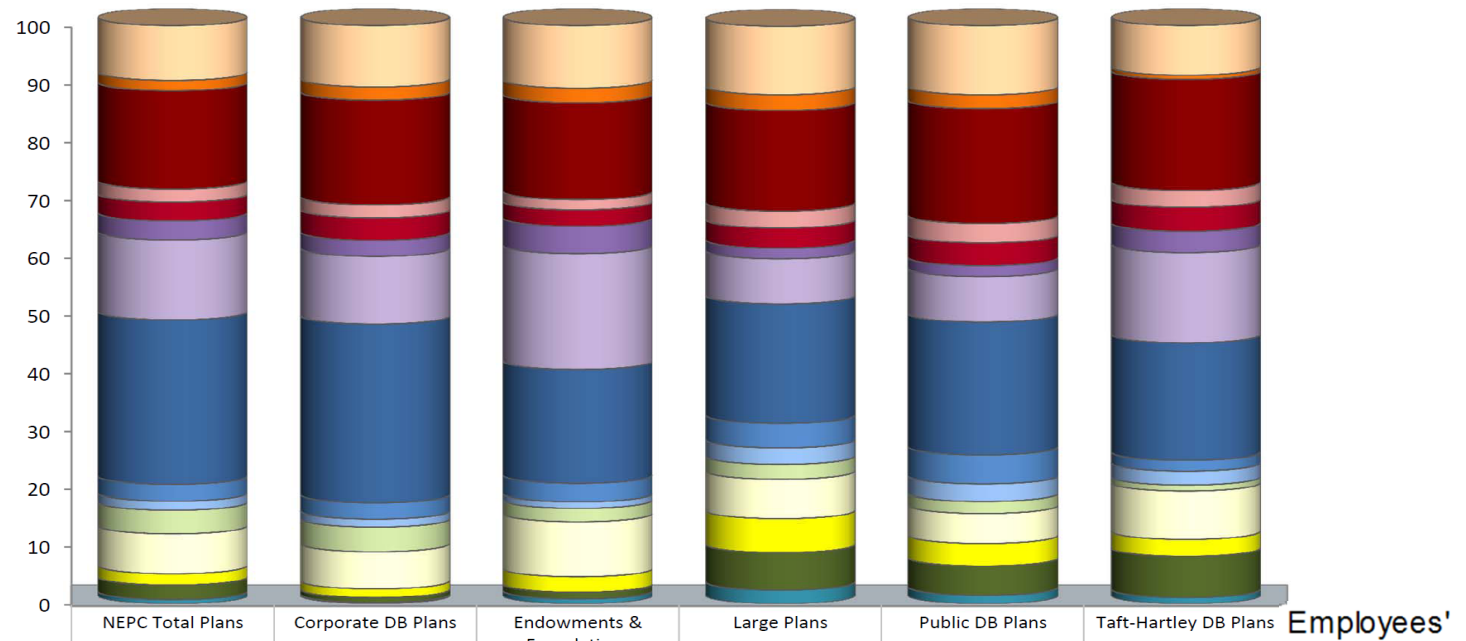
New Target Asset Allocation is effective as of 10/1/2011.



# Policy Asset Allocation and Risk Budgeting



# NEPC Plans by Type – Average Asset Allocation



	NEPC Total Plans	Corporate DB Plans	Endowments & Foundations	Large Plans	Public DB Plans	Taft-Hartley DB Plans	Employees'
Observations	368	91	60	46	62	50	
Int'l Dev'l	9.4	10.6	10.8	11.8	11.9	8.6	9.3
Emerg Mkt	1.8	2.3	2.5	2.7	2.4	0.7	5.6
Large Cap	17.0	18.1	16.7	17.4	19.8	19.2	11.1
Mid Cap	2.3	2.3	1.7	2.9	3.3	2.9	2.4
Small Cap	3.3	3.9	2.8	3.5	3.9	4.1	4.2
TAA - Domestic	3.3	2.8	4.7	1.8	1.9	3.7	0.0
TAA - Global	13.8	11.7	20.0	7.8	7.9	15.6	18.0
Fixed Income	28.4	30.9	19.7	20.7	23.0	20.3	22.0
GFI/EMD	2.9	2.8	3.2	4.2	5.0	1.9	10.9
High Yield	1.6	1.4	1.1	2.8	3.1	2.4	5.2
Cash Equiv	4.1	4.3	2.3	2.6	2.1	1.0	0.0
Hedge Fund	6.9	6.4	9.5	6.8	5.2	8.4	4.8
Private Equity	2.0	1.5	2.7	5.9	3.9	2.9	0.0
Real Estate	2.5	0.9	1.1	6.5	5.1	7.1	4.2

**Disclosure:**

Allocations may not add to 100% due to rounding. Average asset allocations shown include all portfolios submitted to the ICC universe as of 1/9/12 for periods ending 9/30/11. Portfolios included correspond with the ICC universe requirements and exclude portfolios meeting the following criteria: 1) An allocation greater than 95% to one asset class and 2) Portfolios not providing an asset allocation.



# Asset Breakdown

	Domestic Large Core	Domestic Smid	Domestic Mid Core	Domestic Small Value	Domestic Small Growth	Core Fixed	High Yield	TIPS	Int'l Equity	EMD	Global Bonds	Real Estate	GAA	Other	Cash	Total
<b>Composite</b>	\$146,374	\$25,449	\$7,019	\$28,208	\$27,388	\$248,194	\$68,839	\$40,798	\$196,351	\$39,996	\$103,512	\$56,725	\$236,740	\$91,528	\$169	\$1,317,290
T. Rowe	40,369	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$40,369
PIMCO	150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$150
SSgA Equal Wgt	40,102	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$40,102
SSgA S&P 500	65,753	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$65,753
Champlain	0	25,449	0	0	0	0	0	0	0	0	0	0	0	0	0	\$25,449
SSgA Mid	0	0	7,019	0	0	0	0	0	0	0	0	0	0	0	0	\$7,019
Wellington	0	0	0	28,208	0	0	0	0	0	0	0	0	0	0	0	\$28,208
SSgA R-2000 Growth	0	0	0	0	27,388	0	0	0	0	0	0	0	0	0	0	\$27,388
Acadian	0	0	0	0	0	0	0	0	48,153	0	0	0	0	0	0	\$48,153
Mondrian	0	0	0	0	0	0	0	0	51,466	0	0	0	0	0	0	\$51,466
SSgA ACWI ex US	0	0	0	0	0	0	0	0	22,984	0	0	0	0	0	0	\$22,984
Aberdeen	0	0	0	0	0	0	0	0	73,748	0	0	0	0	0	0	\$73,748
Allianz	0	0	0	0	0	35,854	0	0	0	0	0	0	0	0	0	\$35,854
Wellington DAS	0	0	0	0	0	39,344	0	0	0	0	0	0	0	0	0	\$39,344
PIMCO Core Plus	0	0	0	0	0	85,637	0	0	0	0	0	0	0	0	0	\$85,637
PIMCO Unconst.	0	0	0	0	0	87,359	0	0	0	0	0	0	0	0	0	\$87,359
Post Advisory	0	0	0	0	0	0	58,416	0	0	0	0	0	0	0	0	\$58,416
KDP	0	0	0	0	0	0	10,423	0	0	0	0	0	0	0	0	\$10,423
Wellington EMD	0	0	0	0	0	0	0	0	0	39,996	0	0	0	0	0	\$39,996
Barclays	0	0	0	0	0	0	0	40,798	0	0	0	0	0	0	0	\$40,798
Mondrian	0	0	0	0	0	0	0	0	0	0	51,312	0	0	0	0	\$51,312
Brandywine	0	0	0	0	0	0	0	0	0	0	52,200	0	0	0	0	\$52,200
Morgan Stanley	0	0	0	0	0	0	0	0	0	0	0	24,382	0	0	0	\$24,382
UBS Realty	0	0	0	0	0	0	0	0	0	0	0	22,716	0	0	0	\$22,716
RREEF	0	0	0	0	0	0	0	0	0	0	0	9,316	0	0	0	\$9,316
Transwestern	0	0	0	0	0	0	0	0	0	0	0	311	0	0	0	\$311
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	0	0	18,569	0	0	\$18,569
PIMCO AA	0	0	0	0	0	0	0	0	0	0	0	0	65,577	0	0	\$65,577
Wellington OIF	0	0	0	0	0	0	0	0	0	0	0	0	45,076	0	0	\$45,076
AQR	0	0	0	0	0	0	0	0	0	0	0	0	107,518	0	0	\$107,518
Alt. Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	861	0	\$861
Grosvenor	0	0	0	0	0	0	0	0	0	0	0	0	0	25,447	0	\$25,447
GAM	0	0	0	0	0	0	0	0	0	0	0	0	0	12,738	0	\$12,738
Permal	0	0	0	0	0	0	0	0	0	0	0	0	0	24,945	0	\$24,945
Schroders	0	0	0	0	0	0	0	0	0	0	0	0	0	27,537	0	\$27,537
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	169	\$169

(Dollars in 000's)



# Total Fund Asset Growth Summary

## VERMONT STATE EMPLOYEES

EMPLOYEES RETIREMENT SYSTEM CO

Periods Ending December 31, 2011

### Total Fund Asset Growth Summary (\$000)

	One Quarter	Year to Date
<b>ERS COMPOSITE</b>		
Beginning Market Value	1,265,575	1,320,867
Net External Growth	-6,605	-31,384
Return on Investment	58,320	27,808
Income Received	1	50
Gain/Loss	58,319	27,758
Ending Market Value	1,317,290	1,317,290
Return	4.8%	2.3%



# Fund Performance vs. Benchmark

## VERMONT STATE EMPLOYEES

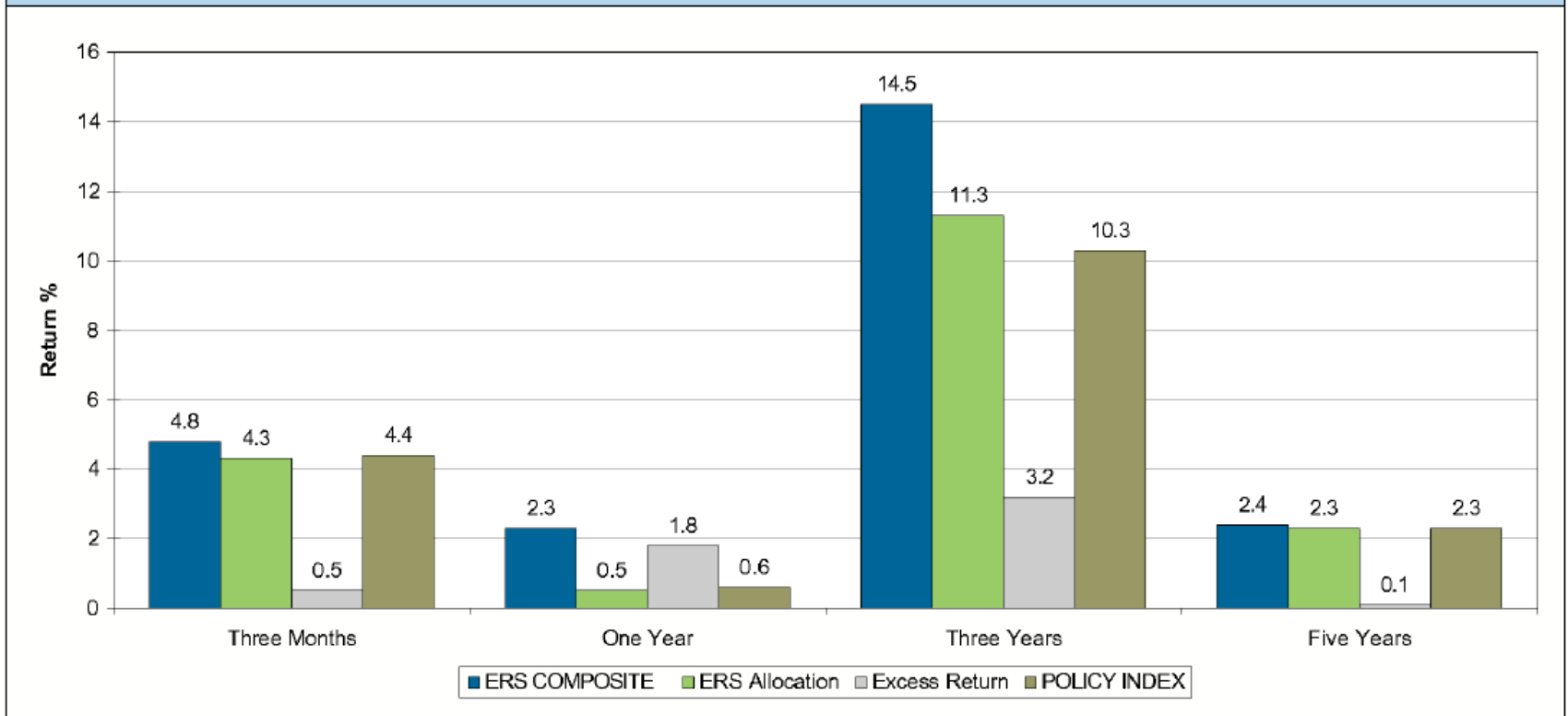
POLICY INDEX

Benchmark:

Periods Ending December 31, 2011

### Fund Performance vs. Benchmark

#### ERS COMPOSITE

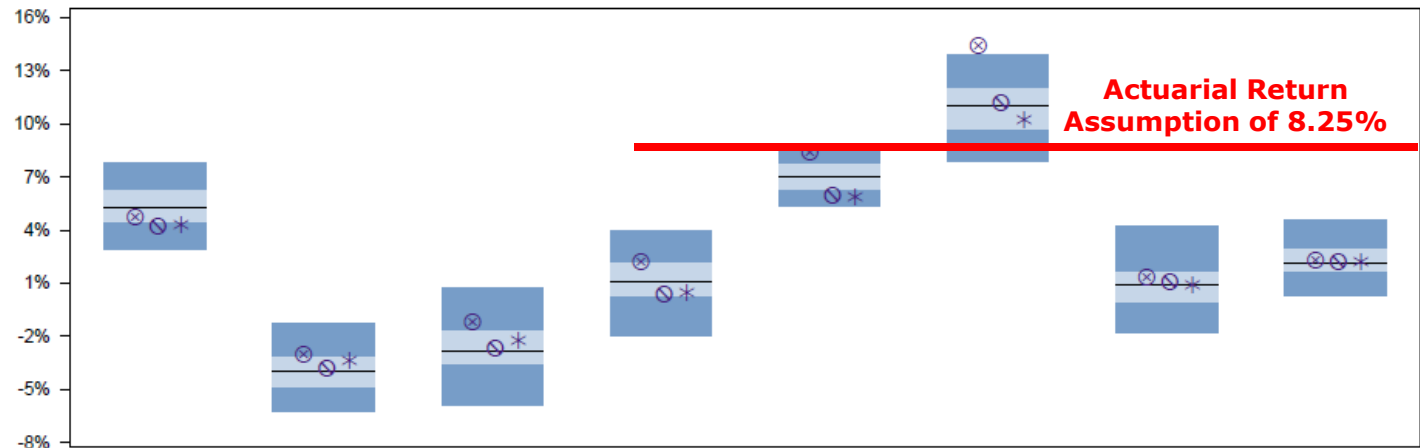


# Total Public Funds Performance

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)  
 Periods Ending December 31, 2011

### Total Fund Performance - Trailing Periods



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
⊗ ERS COMPOSITE	4.8	66	-2.9	20	-1.1	14	2.3	24	8.5	6	14.5	3	1.4	35	2.4	40
⊙ ERS Allocation	4.3	77	-3.7	40	-2.6	43	0.5	70	6.1	82	11.3	41	1.2	42	2.3	45
* POLICY INDEX	4.4	74	-3.3	31	-2.1	36	0.6	69	6.0	82	10.3	65	1.0	48	2.3	45
5th Percentile	7.8		-1.3		0.7		4.0		8.5		13.9		4.2		4.6	
25th Percentile	6.3		-3.1		-1.6		2.2		7.8		12.1		1.7		3.0	
50th Percentile	5.3		-4.0		-2.8		1.1		7.0		11.0		0.9		2.1	
75th Percentile	4.4		-4.9		-3.6		0.2		6.2		9.6		-0.1		1.6	
95th Percentile	2.9		-6.2		-5.9		-2.0		5.4		7.9		-1.8		0.3	



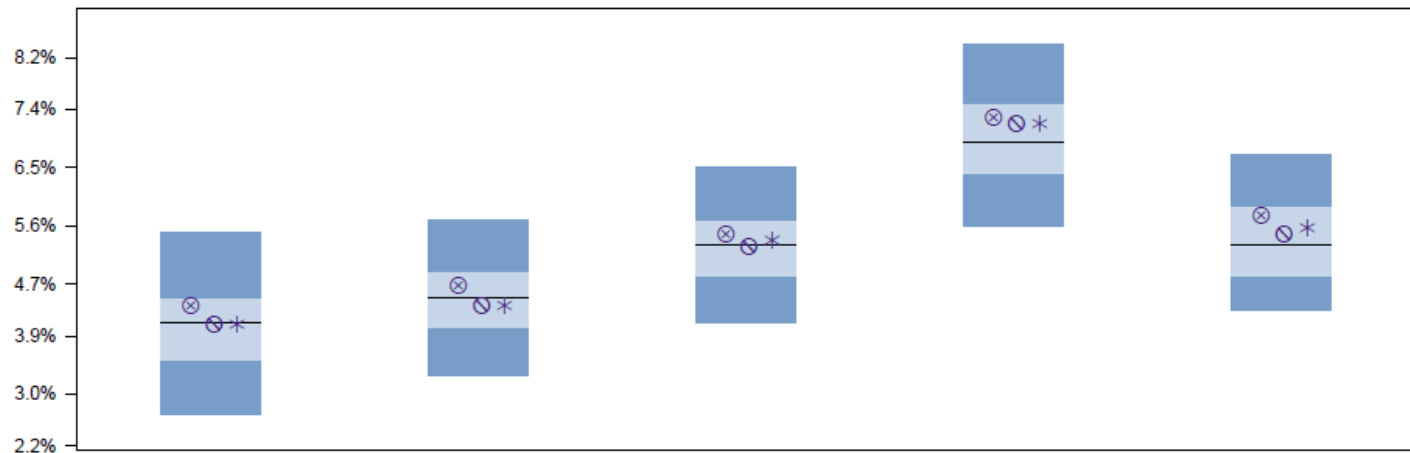
# Total Public Funds Performance

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Periods Ending December 31, 2011

### Total Fund Performance - Trailing Periods



	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
⊗ ERS COMPOSITE	4.4 33	4.7 37	5.5 39	7.3 32	5.8 30
⊙ ERS Allocation	4.1 41	4.4 59	5.3 51	7.2 38	5.5 40
* POLICY INDEX	4.1 41	4.4 55	5.4 45	7.2 37	5.6 35
5th Percentile	5.5	5.7	6.5	8.4	6.7
25th Percentile	4.5	4.9	5.7	7.5	5.9
50th Percentile	4.1	4.5	5.3	6.9	5.3
75th Percentile	3.5	4.0	4.8	6.4	4.8
95th Percentile	2.7	3.3	4.1	5.6	4.3



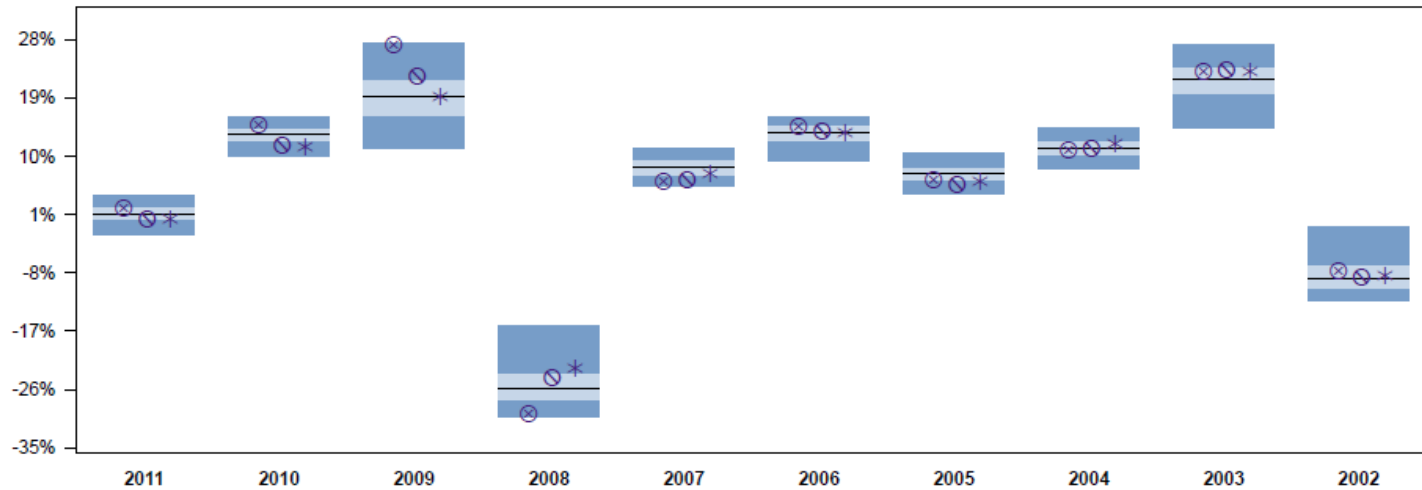
# Total Public Funds Performance

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

### Total Fund Performance - One Year Time Periods



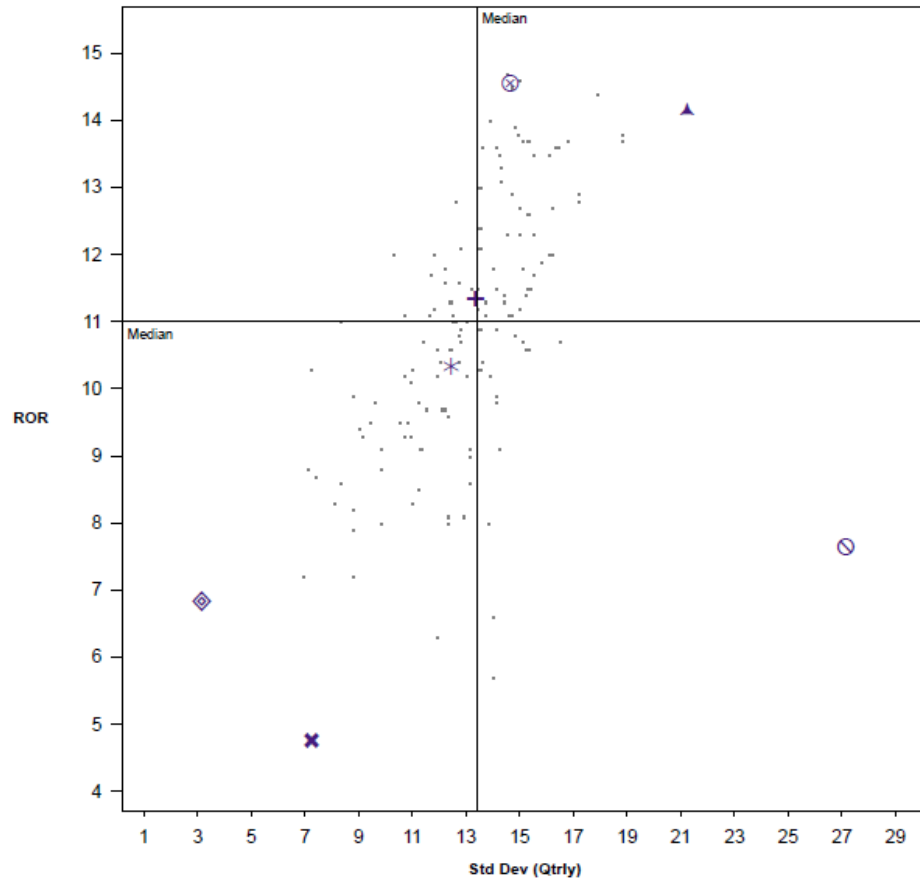
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
⊗ ERS COMPOSITE	2.3	15.1	27.4	-29.6	6.4	14.9	6.6	11.3	23.4	-7.5
⊙ ERS Allocation	0.5	11.9	22.6	-23.9	6.6	14.1	6.0	11.5	23.6	-8.3
* POLICY INDEX	0.6	11.7	19.5	-22.5	7.6	13.9	6.3	12.1	23.4	-8.2
5th Percentile	4.0	16.1	27.4	-16.2	11.2	16.2	10.4	14.5	27.3	-0.8
25th Percentile	2.2	14.4	21.9	-23.4	9.5	14.8	8.4	12.4	23.9	-6.8
50th Percentile	1.1	13.3	19.2	-25.8	8.2	13.6	7.4	11.3	21.9	-8.8
75th Percentile	0.2	12.2	16.0	-27.7	6.9	12.2	6.2	10.1	19.5	-10.5
95th Percentile	-2.0	10.0	11.3	-30.1	5.4	9.2	4.3	8.0	14.5	-12.2

# Risk vs. Return Analysis – 3 Years

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)  
 Period Ending December 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
⊙ ERS COMPOSITE	14.5 3	14.7 75	1.0 19
+ ERS Allocation	11.3 41	13.4 52	0.8 55
* POLICY INDEX	10.3 65	12.5 39	0.8 59
▲ S&P 500	14.1 4	21.3 100	0.7 92
◆ BC AGGREGATE	6.8 98	3.2 1	2.1 1
○ MSCI EAFE (NET)	7.6 96	27.2 100	0.3 100
* Citigroup WGBI (All Maturities)	4.7 100	7.3 3	0.6 97
Median	11.0	13.4	0.8

Funded status as of July 1<sup>st</sup>, 2011 = 81.2%

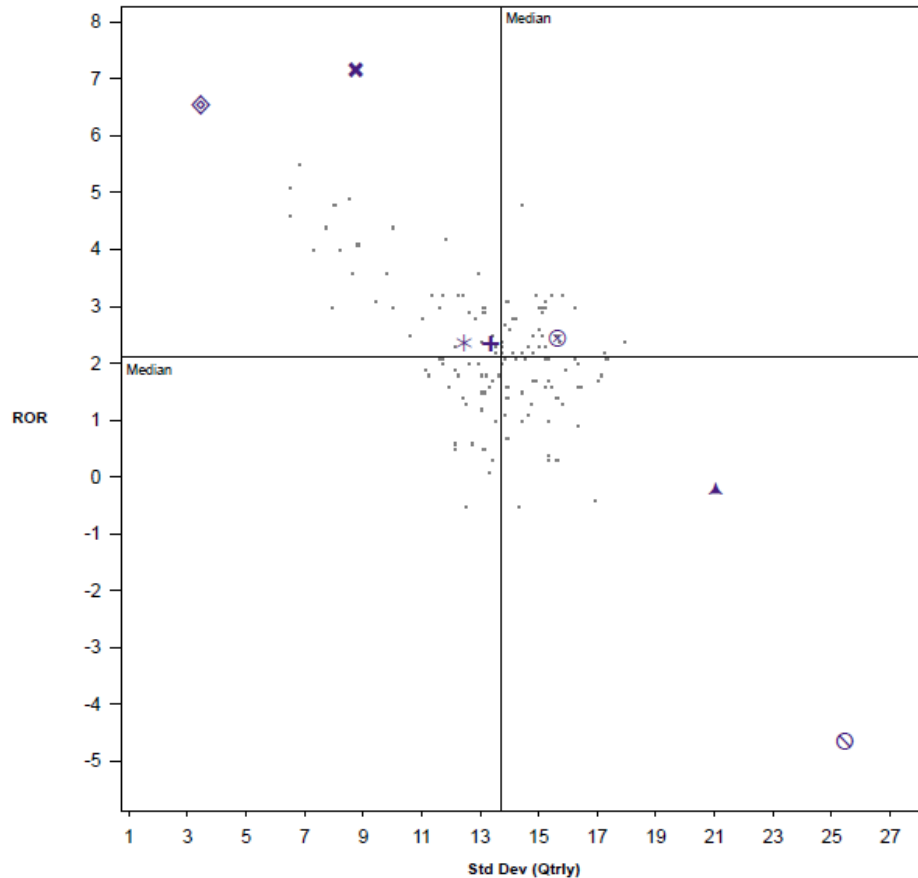


# Risk vs. Return Analysis – 5 Years

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)  
 Period Ending December 31, 2011

### Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
⊙ ERS COMPOSITE	2.4 40	15.7 88	0.1 48
+ ERS Allocation	2.3 45	13.4 44	0.1 47
* POLICY INDEX	2.3 45	12.5 29	0.1 46
▲ S&P 500	-0.3 98	21.1 100	-0.1 95
◇ BC AGGREGATE	6.5 1	3.5 1	1.4 1
⊙ MSCI EAFE (NET)	-4.7 100	25.5 100	-0.2 100
✕ Citigroup WGBI (All Maturities)	7.1 1	8.8 10	0.6 1
Median	2.1	13.7	0.1

**Funded status as of July 1<sup>st</sup>, 2011 = 81.2%**



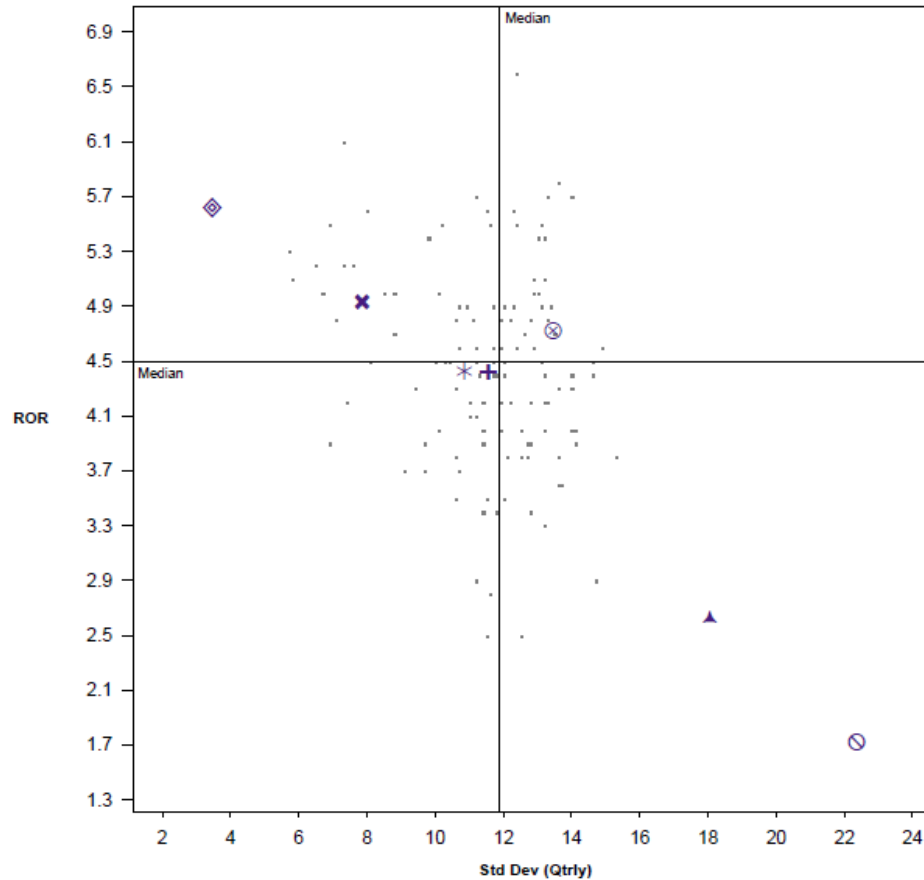
# Risk vs. Return Analysis – 7 Years

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

### Risk vs. Return - 7 Year



NAME	Return	Standard Deviation	Sharpe Ratio
ERS COMPOSITE	4.7 37	13.5 87	0.2 58
ERS Allocation	4.4 59	11.6 43	0.2 57
POLICY INDEX	4.4 55	10.9 27	0.2 49
S&P 500	2.6 99	18.1 100	0.0 100
BC AGGREGATE	5.6 7	3.5 1	1.0 1
MSCI EAFE (NET)	1.7 100	22.4 100	-0.0 100
Citigroup WGBI (All Maturities)	4.9 31	7.9 9	0.3 12
Median	4.5	11.9	0.2

Funded status as of July 1<sup>st</sup>, 2011 = 81.2%



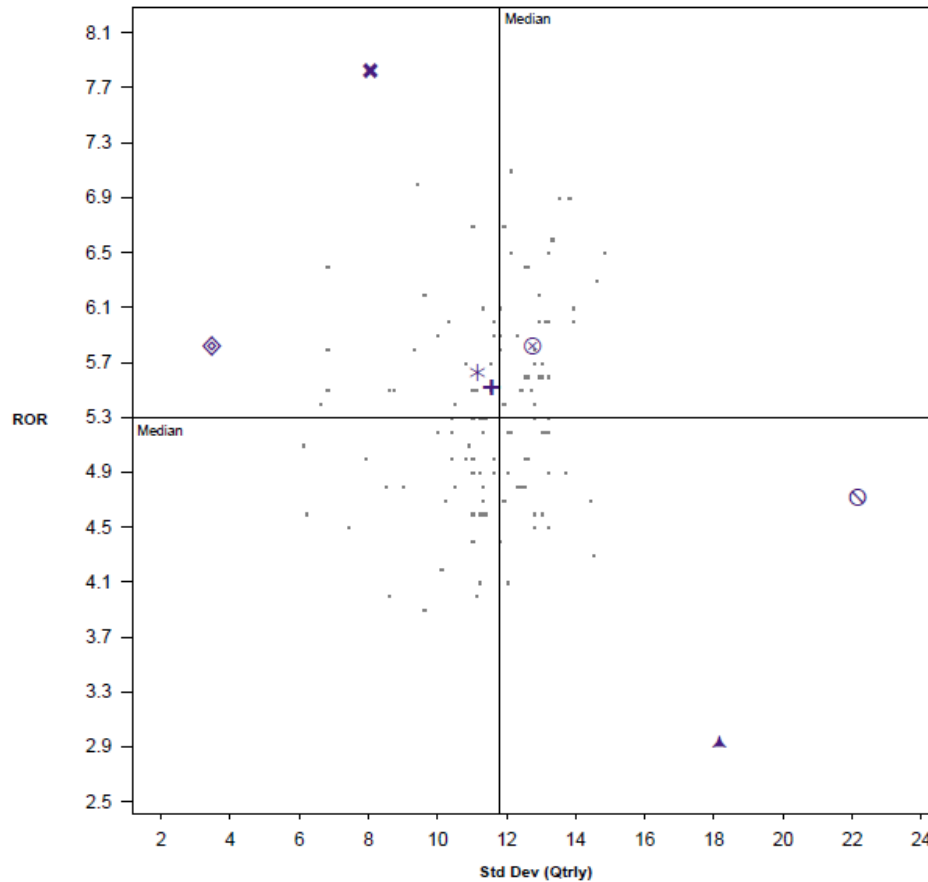
# Risk vs. Return Analysis – 10 Years

## VERMONT STATE EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

### Risk vs. Return - 10 Year



NAME	Return	Standard Deviation	Sharpe Ratio
ERS COMPOSITE	5.8 30	12.8 76	0.3 49
ERS Allocation	5.5 40	11.6 47	0.3 47
POLICY INDEX	5.6 35	11.2 34	0.3 36
S&P 500	2.9 100	18.2 100	0.1 99
BC AGGREGATE	5.8 28	3.5 1	1.1 2
MSCI EAFE (NET)	4.7 85	22.2 100	0.1 99
Citigroup WGBI (All Maturities)	7.8 1	8.1 7	0.7 2
Median	5.3	11.8	0.3

Funded status as of July 1<sup>st</sup>, 2011 = 81.2%

