Vermont Municipal Employees' Retirement System
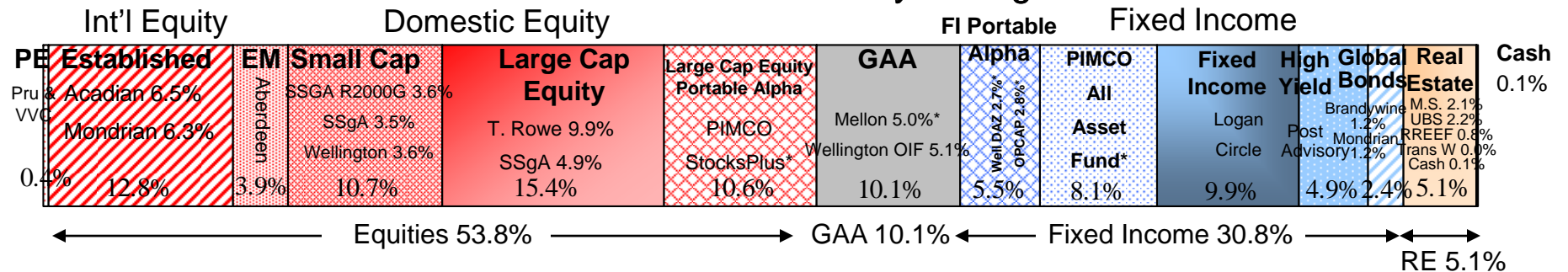
Plan Asset Allocation

As of June 30, 2009
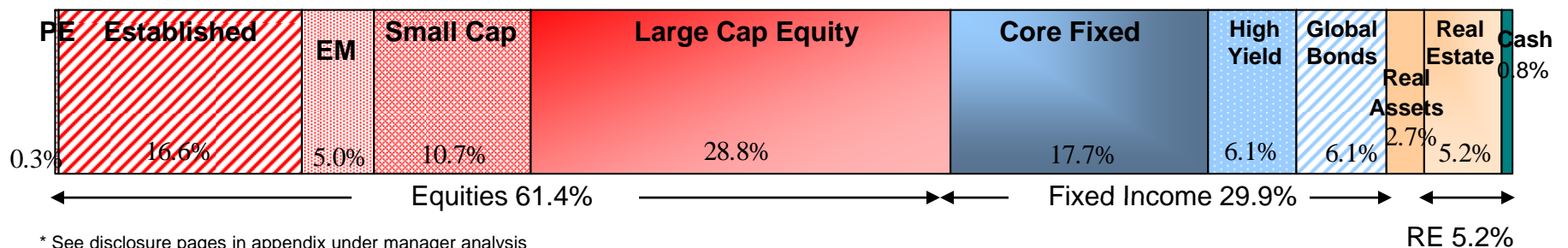
Target Asset Allocation

Int'l Equity				Domestic Equity			GAA		Fixed Income					
PE	Established	EME	Small Cap	Large Cap Equity	Large Cap Equity Portable Alpha	GAA		FI Portable Alpha	PIMCO All Asset	Fixed Income	High Yield		Global Bonds	Real Estate
2.0%	11.5%	4.0%	10.0%	14.1%	9.4%	10.0%		8.2%	8.1%	8.2%	5.0%	2.5%		7.0%

Equities 51.0% ← → GAA 10.0% ← → Fixed Income 32.0% → RE 7.0%
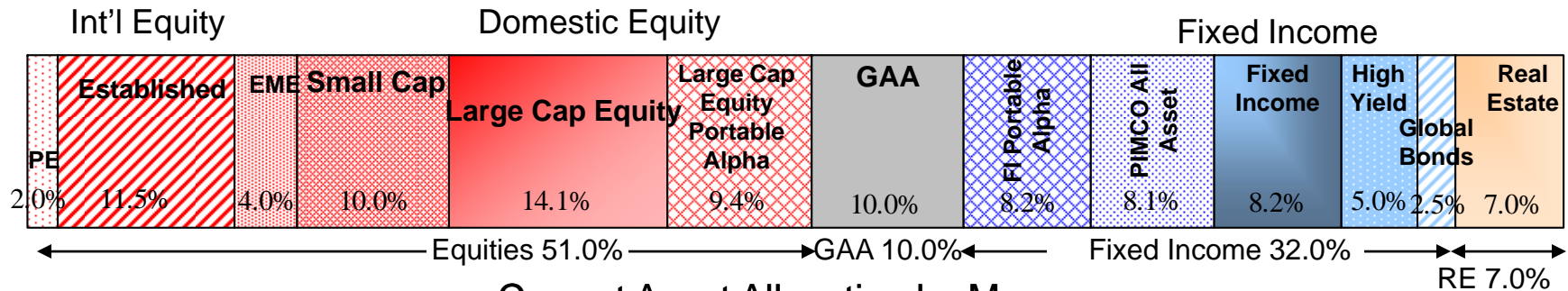
Current Asset Allocation by Manager

FI Portable Alpha — Fixed Income

PE	Int'l Equity — Established	EM	Small Cap	Domestic Equity — Large Cap Equity	Large Cap Equity Portable Alpha	GAA	FI Portable Alpha	PIMCO All Asset Fund*	Fixed Income	High Yield	Global Bonds	Real Estate	Cash
Pru & VVC	Acadian 6.5% Mondrian 6.3%	Aberdeen	SSGA R2000G 3.6% SSgA 3.5% Wellington 3.6%	T. Rowe 9.9% SSgA 4.9%	PIMCO StocksPlus*	Mellon 5.0%* Wellington OIF 5.1%	Well DAZ 2.7% OPCAP 2.8%*		Logan Circle	Post Advisory	Brandywine 1.2% Mondrian 1.2%	M.S. 2.1% UBS 2.2% RREEF 0.8% Trans W 0.0% Cash 0.1%	0.1%
0.4%	12.8%	3.9%	10.7%	15.4%	10.6%	10.1%	5.5%	8.1%	9.9%	4.9%	2.4%	5.1%	

Equities 53.8% ← → GAA 10.1% ← → Fixed Income 30.8% → RE 5.1%

Current Asset Allocation by Asset Class

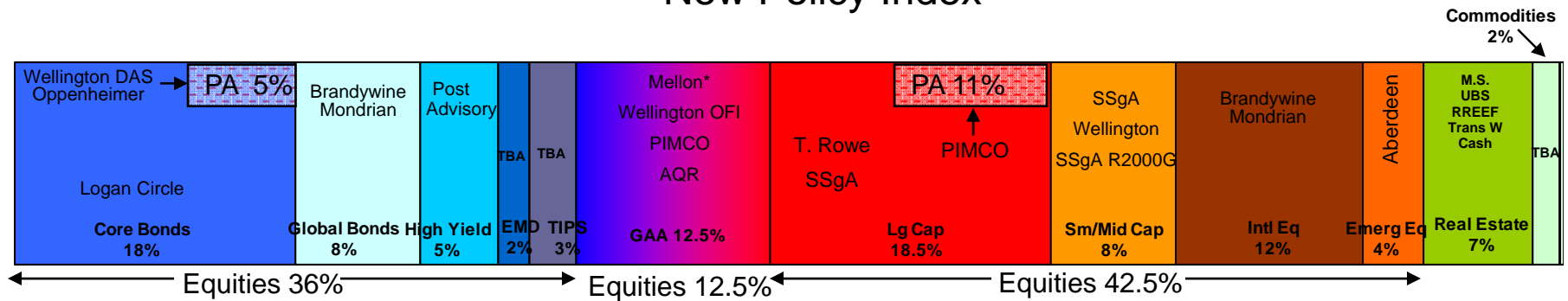| PE	Established	EM	Small Cap	Large Cap Equity	Core Fixed	High Yield	Global Bonds	Real Assets	Real Estate	Cash
0.3%	16.6%	5.0%	10.7%	28.8%	17.7%	6.1%	6.1%	2.7%	5.2%	0.8%

Equities 61.4% ← → Fixed Income 29.9% → RE 5.2%

* See disclosure pages in appendix under manager analysis
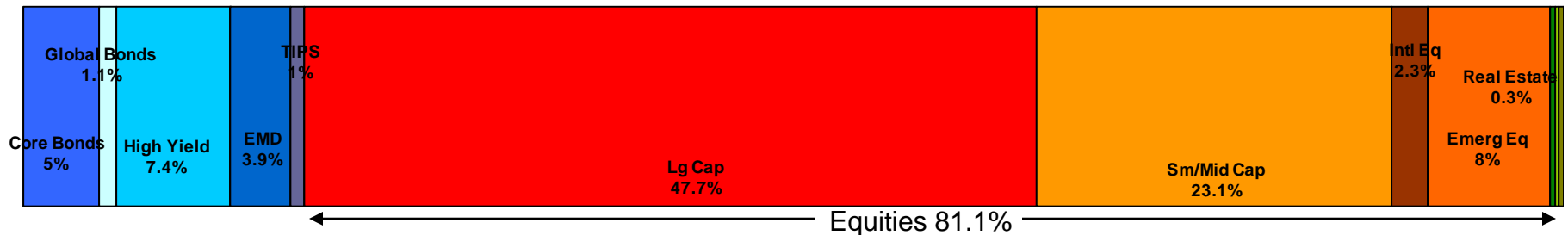Numbers may not add up to 100% due to rounding.

New Policy Asset Allocation and Risk Budgeting

As of July 1, 2009

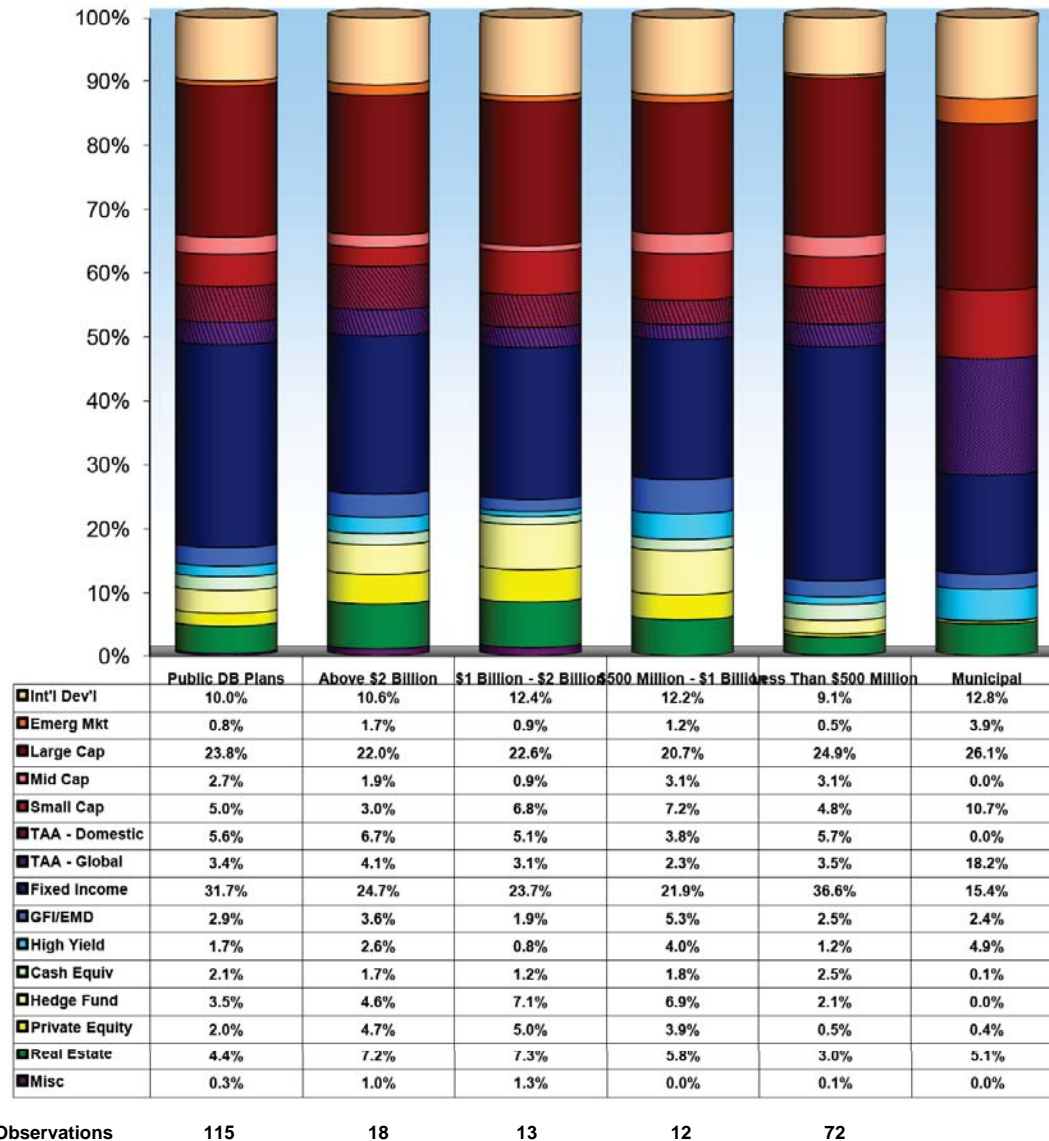### New Policy Index

Asset Risk Allocation

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

* See disclosure pages in appendix under manager analysis

ICC Average Asset Allocation – Public Plans

	Public DB Plans	Above $2 Billion	$1 Billion - $2 Billion	$500 Million - $1 Billion	Less Than $500 Million	Municipal
☐ Int'l Dev'l	10.0%	10.6%	12.4%	12.2%	9.1%	12.8%
☐ Emerg Mkt	0.8%	1.7%	0.9%	1.2%	0.5%	3.9%
☐ Large Cap	23.8%	22.0%	22.6%	20.7%	24.9%	26.1%
☐ Mid Cap	2.7%	1.9%	0.9%	3.1%	3.1%	0.0%
☐ Small Cap	5.0%	3.0%	6.8%	7.2%	4.8%	10.7%
☐ TAA - Domestic	5.6%	6.7%	5.1%	3.8%	5.7%	0.0%
☐ TAA - Global	3.4%	4.1%	3.1%	2.3%	3.5%	18.2%
☐ Fixed Income	31.7%	24.7%	23.7%	21.9%	36.6%	15.4%
☐ GFI/EMD	2.9%	3.6%	1.9%	5.3%	2.5%	2.4%
☐ High Yield	1.7%	2.6%	0.8%	4.0%	1.2%	4.9%
☐ Cash Equiv	2.1%	1.7%	1.2%	1.8%	2.5%	0.1%
☐ Hedge Fund	3.5%	4.6%	7.1%	6.9%	2.1%	0.0%
☐ Private Equity	2.0%	4.7%	5.0%	3.9%	0.5%	0.4%
☐ Real Estate	4.4%	7.2%	7.3%	5.8%	3.0%	5.1%
☐ Misc	0.3%	1.0%	1.3%	0.0%	0.1%	0.0%
# of Observations	**115**	**18**	**13**	**12**	**72**	

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	GAA	Cash	Total
Composite	$69,206	$9,314	$9,644	$9,568	$41,010	$13,024	$44,371	$6,330	$13,671	$1,166	$48,403	$158	$265,863
T. Rowe	26,567	0	0	0	0	0	0	0	0	0	0	0	$26,567
PIMCO	28,314	0	0	0	0	0	0	0	0	0	0	0	$28,314
SSgA Equal Wgt	14,325	0	0	0	0	0	0	0	0	0	0	0	$14,325
SSgA R-2000 Growth	0	0	0	9,568	0	0	0	0	0	0	0	0	$9,568
SSgA R-2500	0	9,314	0	0	0	0	0	0	0	0	0	0	$9,314
Wellington	0	0	9,644	0	0	0	0	0	0	0	0	0	$9,644
Acadian	0	0	0	0	0	0	17,271	0	0	0	0	0	$17,271
Mondrian	0	0	0	0	0	0	16,825	0	0	0	0	0	$16,825
Aberdeen	0	0	0	0	0	0	10,275	0	0	0	0	0	$10,275
Logan Circle	0	0	0	0	26,447	0	0	0	0	0	0	0	$26,447
Oppenheimer	0	0	0	0	7,390	0	0	0	0	0	0	0	$7,390
Wellington DAS	0	0	0	0	7,173	0	0	0	0	0	0	0	$7,173
Post Advisory	0	0	0	0	0	13,024	0	0	0	0	0	0	$13,024
Brandywine	0	0	0	0	0	0	0	3,243	0	0	0	0	$3,243
Mondrian	0	0	0	0	0	0	0	3,087	0	0	0	0	$3,087
Morgan Stanely	0	0	0	0	0	0	0	0	5,579	0	0	0	$5,579
UBS Realty	0	0	0	0	0	0	0	0	5,753	0	0	0	$5,753
RREEF	0	0	0	0	0	0	0	0	2,068	0	0	0	$2,068
Transwestern	0	0	0	0	0	0	0	0	55	0	0	0	$55
Real Estate Cash	0	0	0	0	0	0	0	0	216	0	0	0	$216
PIMCO AA	0	0	0	0	0	0	0	0	0	0	21,483	0	$21,483
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	13,350	0	$13,350
Wellington OIF	0	0	0	0	0	0	0	0	0	0	13,570	0	$13,570
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	158	$158
Alt. Assets	0	0	0	0	0	0	0	0	0	1,166	0	0	$1,166

(Dollars in 000's)

Total Fund Asset Growth Summary

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
Beginning Market Value	231,742	236,338	313,101	163,148
Net External Growth	-2,295	8,390	9,346	51,840
Return on Investment	36,416	21,135	-56,584	50,875
Income Received	6	91	101	25,244
Gain/Loss	36,410	21,044	-56,686	25,631
Ending Market Value	265,863	265,863	265,863	265,863

Return	16.0%	8.6%	-18.2%	

Total Public Funds – Total Rates of Return*

Actuarial Return
Assumption of 8.0%
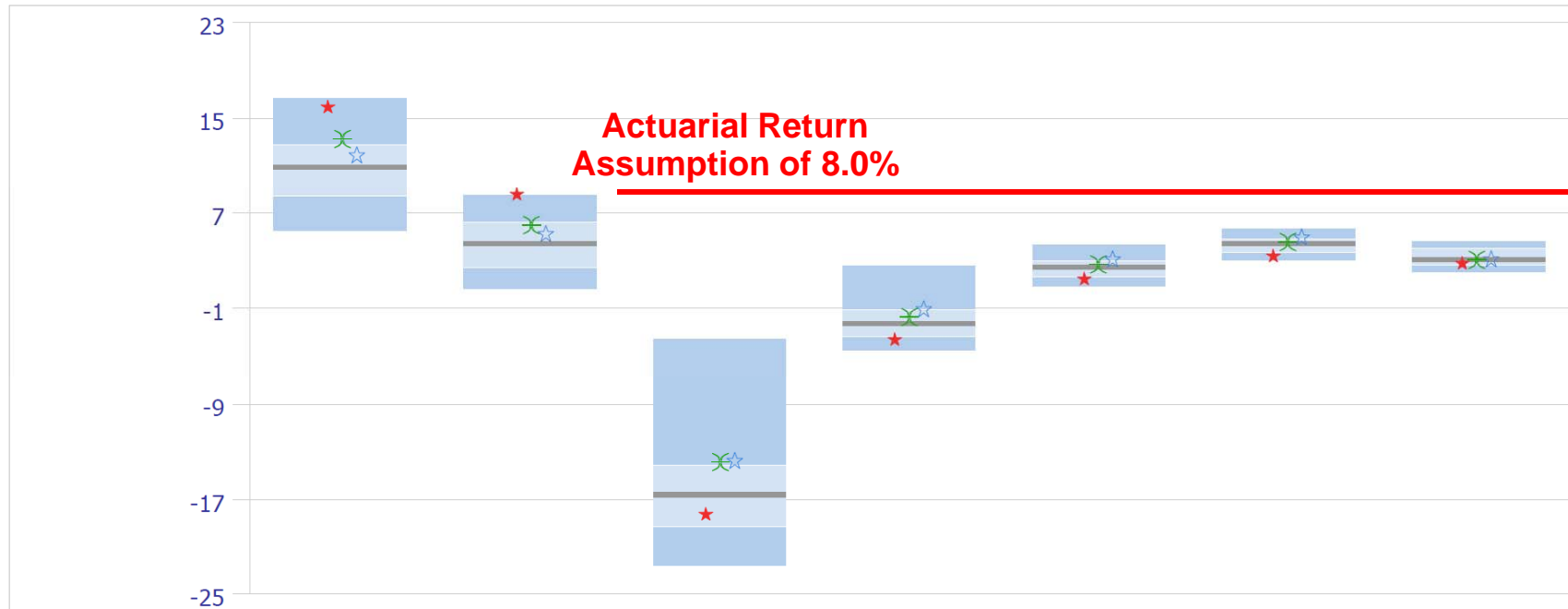
	One Quarter		Year to Date		One Year		Three Years		Five Years		Seven Years		Ten Years	
★ MUNI COMPOSITE	16.0	11	8.6	4	-18.2	65	-3.6	76	1.5	75	3.4	84	2.8	63
✳ ALLOC INDEX	13.3	17	6.0	25	-13.8	21	-1.7	33	2.7	37	4.6	33	3.1	45
☆ POLICY INDEX	12.0	35	5.3	35	-13.7	20	-1.0	21	3.2	19	5.0	18	3.2	44
Median	10.9	--	4.4	--	-16.6	--	-2.3	--	2.4	--	4.4	--	3.1	--

•*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)*

Vermont Municipal Employees' Retirement System
*Ranks might not match flash report due to more current/robust universe used   44

L:Vermont-VPIC:IPA: Exec IPA: 2009-2Q Exec IPA VPIC.ppt

Total Public Funds – Total Rates of Return*

|	Calendar Yr 2008		Calendar Yr 2007		Calendar Yr 2006		Calendar Yr 2005		Calendar Yr 2004		Calendar Yr 2003		Calendar Yr 2002		Calendar Yr 2001	
★ MUNI COMPOSITE	-29.4	89	6.3	85	14.8	24	7.8	33	10.1	68	20.8	63	-7.6	37	-0.9	25
✳ ALLOC INDEX	-22.9	23	6.4	81	13.6	54	6.5	63	11.7	35	23.1	34	-8.9	50	-5.6	82
☆ POLICY INDEX	-21.9	15	8.0	54	14.1	35	7.1	49	11.5	39	23.0	35	-8.8	49	-4.6	67
Median	-25.7	--	8.1	--	13.7	--	7.1	--	11.0	--	22.2	--	-8.8	--	-3.0	--

•*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)*
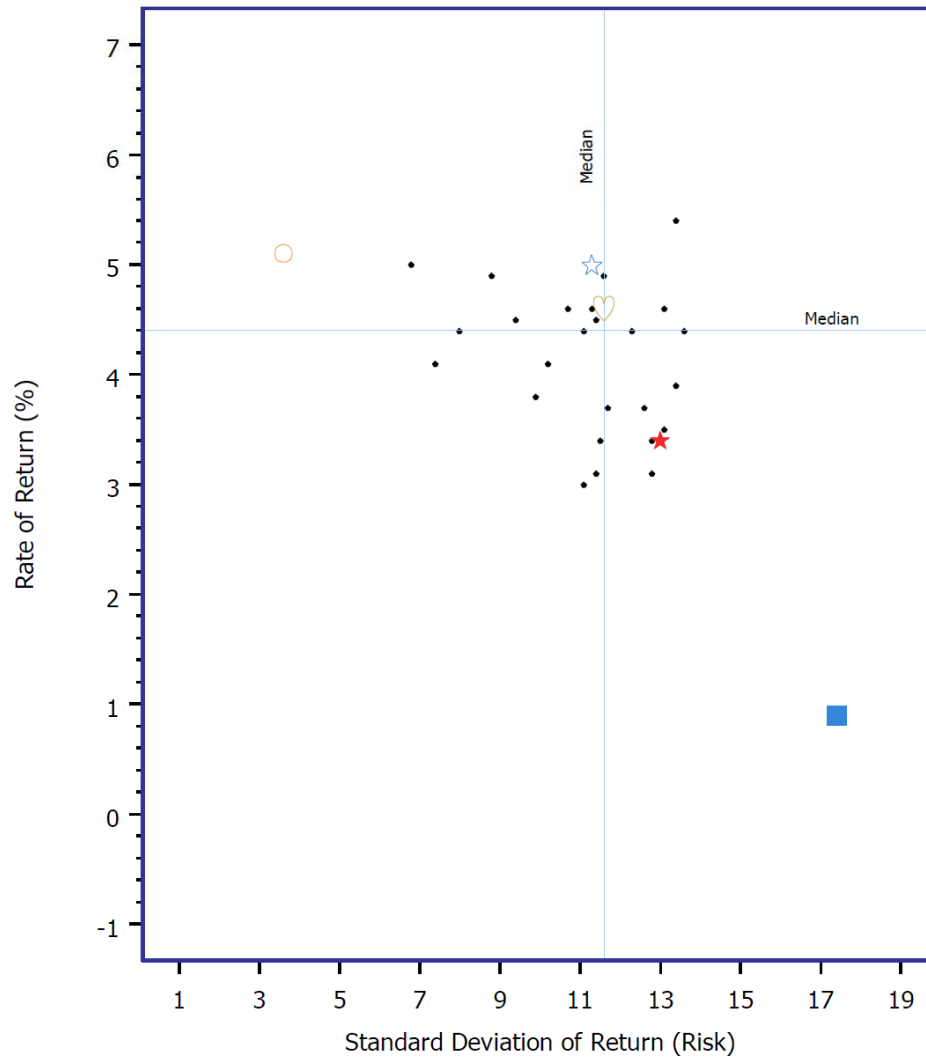
Total Fund Risk / Return Analysis – 5 Years*
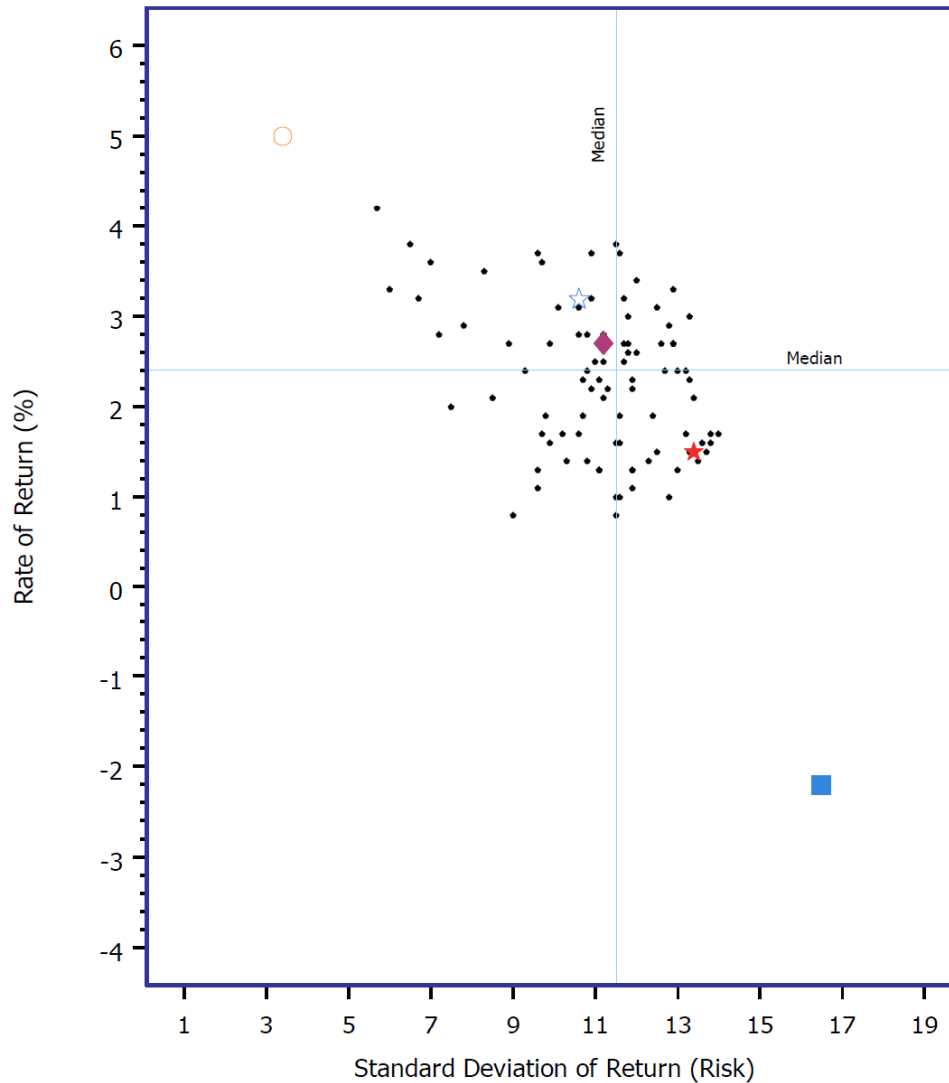
	Return		Standard Deviation		Sharpe Ratio	
★ **MUNI COMPOSITE**	1.5	75	13.4	89	-0.1	64
◆ *ALLOC INDEX*	2.7	37	11.2	46	0.0	34
☆ *POLICY INDEX*	3.2	19	10.6	31	0.1	18
■ *S&P 500*	-2.2	100	16.5	100	-0.2	99
○ *BC AGGREGATE*	5.0	1	3.4	1	0.5	1
Median	2.4	- -	11.5	- -	-0.0	- -

Funded status as of Fiscal Year 2007 = 106.2%

Total Fund Risk / Return Analysis – 7 Years*

	Return		Standard Deviation		Sharpe Ratio	
★ **MUNI COMPOSITE**	3.4	84	13.0	79	0.1	82
♡ *ALLOC INDEX*	4.6	33	11.6	50	0.2	37
☆ *POLICY INDEX*	5.0	18	11.3	41	0.3	21
■ *S&P 500*	0.9	100	17.4	100	-0.0	99
○ *BC AGGREGATE*	5.1	15	3.6	1	0.7	1
Median	4.4	- -	11.6	- -	0.2	- -

Funded status as of Fiscal Year 2007 = 106.2%

Vermont Municipal Employees' Retirement System
*Ranks might not match flash report due to more current/robust universe used   47

L:Vermont-VPIC:IPA: Exec IPA: 2009-2Q Exec IPA VPIC.ppt

Total Fund Risk / Return Analysis – 10 Years*
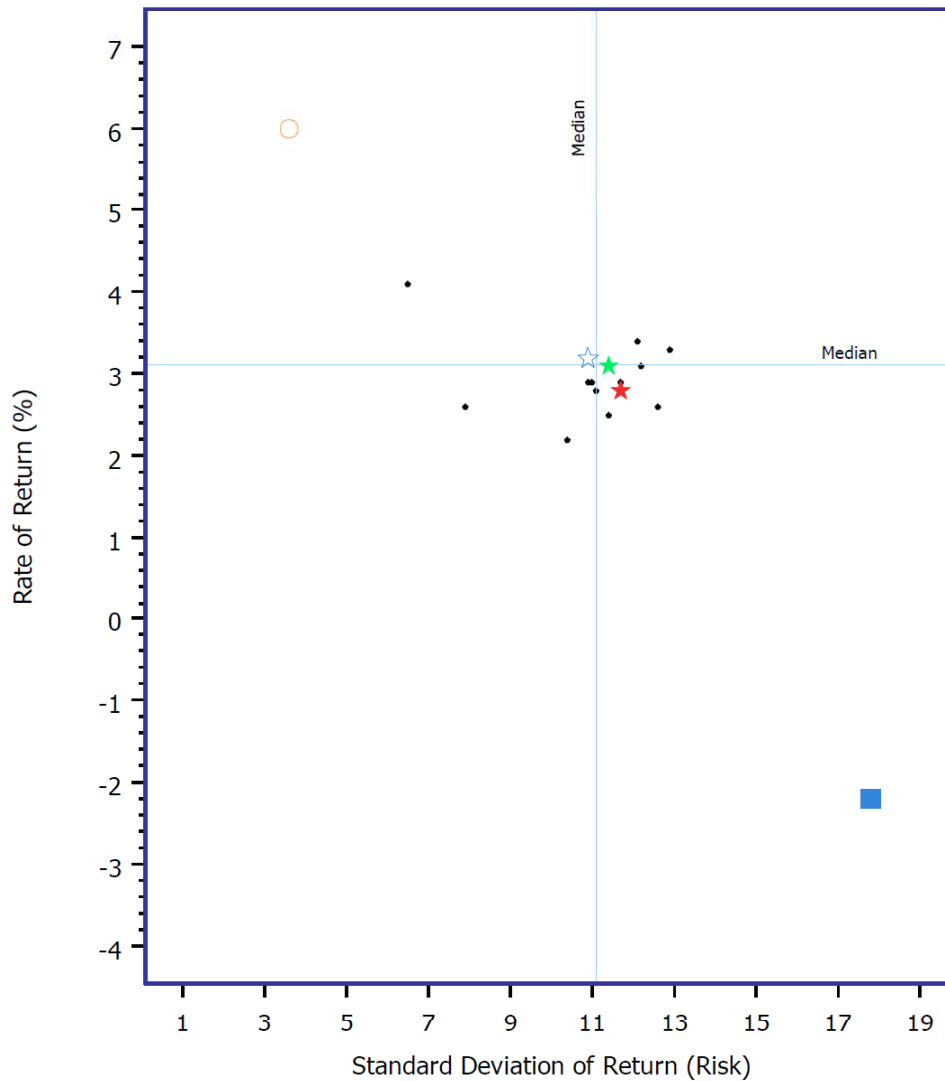
	Return		Standard Deviation		Sharpe Ratio	
★ **MUNI COMPOSITE**	2.8	63	11.7	61	0.0	59
★ ALLOC INDEX	3.1	45	11.4	58	0.0	44
☆ POLICY INDEX	3.2	44	10.9	43	0.1	42
■ S&P 500	-2.2	100	17.8	100	-0.2	100
○ BC AGGREGATE	6.0	2	3.6	2	0.8	2
Median	3.1	- -	11.1	- -	0.0	- -

Funded status as of Fiscal Year 2007 = 106.2%

Vermont Municipal Employees' Retirement System
*Ranks might not match flash report due to more current/robust universe used

48

L:Vermont-VPIC:IPA: Exec IPA: 2009-2Q Exec IPA VPIC.ppt

Equity Style Comparison