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# State Teachers' Retirement System of Vermont

# Vermont Pension Investment Committee

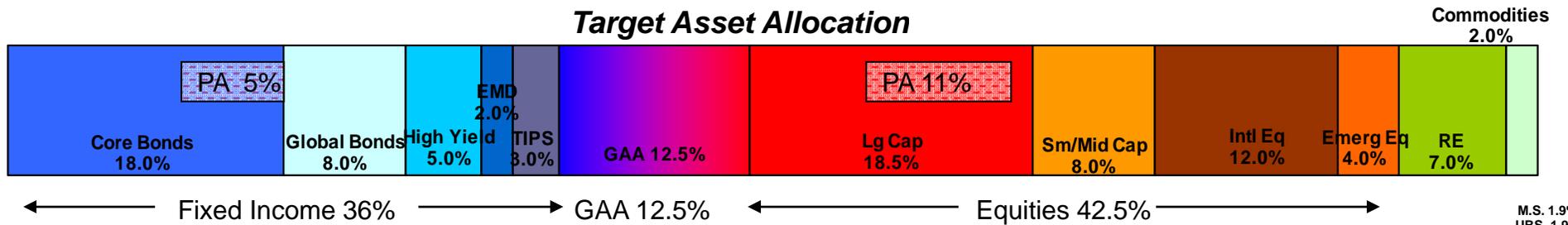
Plan Asset Allocation

Period Ending December 31, 2009

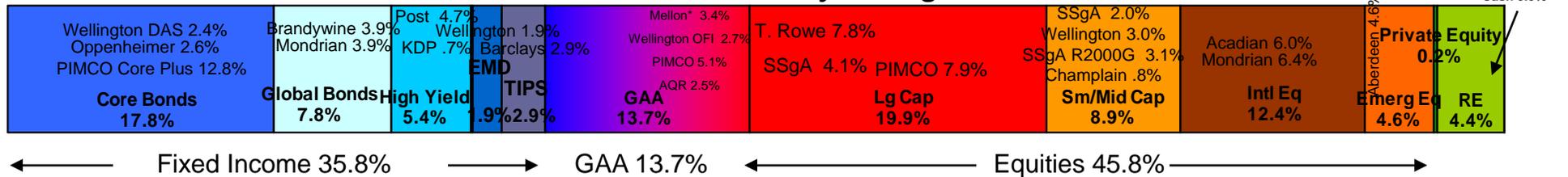


## Asset Allocation

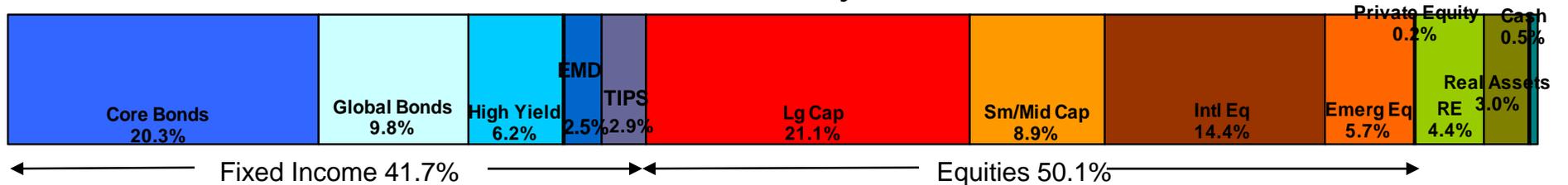
### Target Asset Allocation



### Current Asset Allocation by Manager



### Current Asset Allocation by Asset Class



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

\* See disclosure pages in appendix under manager analysis

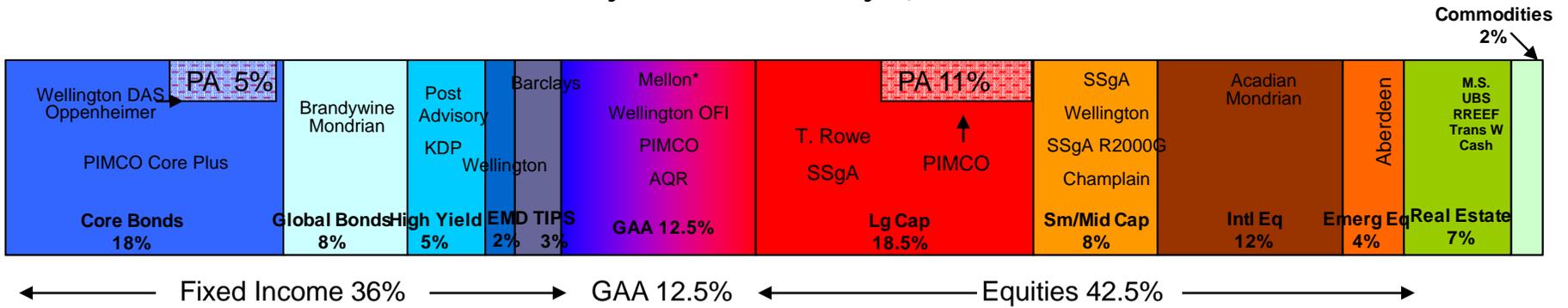
# Vermont Pension Investment Committee

Policy Asset Allocation and Risk Budgeting  
 Period Ending December 31, 2009

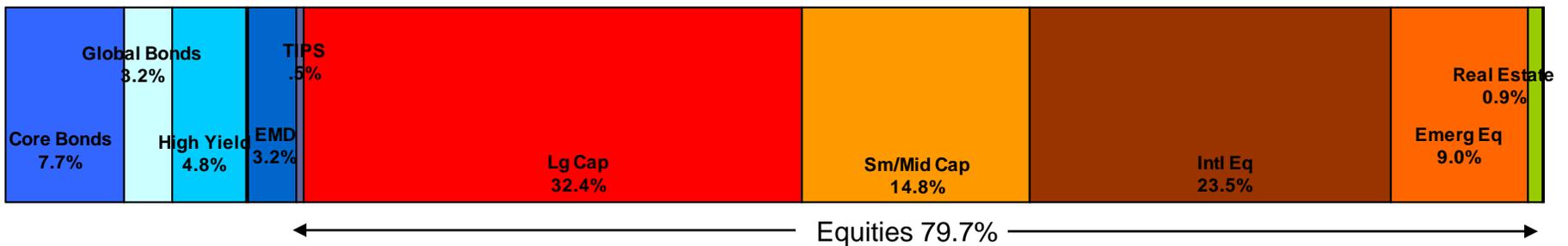


## Asset Allocation

### Policy Index as of July 1, 2009



### 2010 NEPC Risk Budgeting Risk Allocation



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

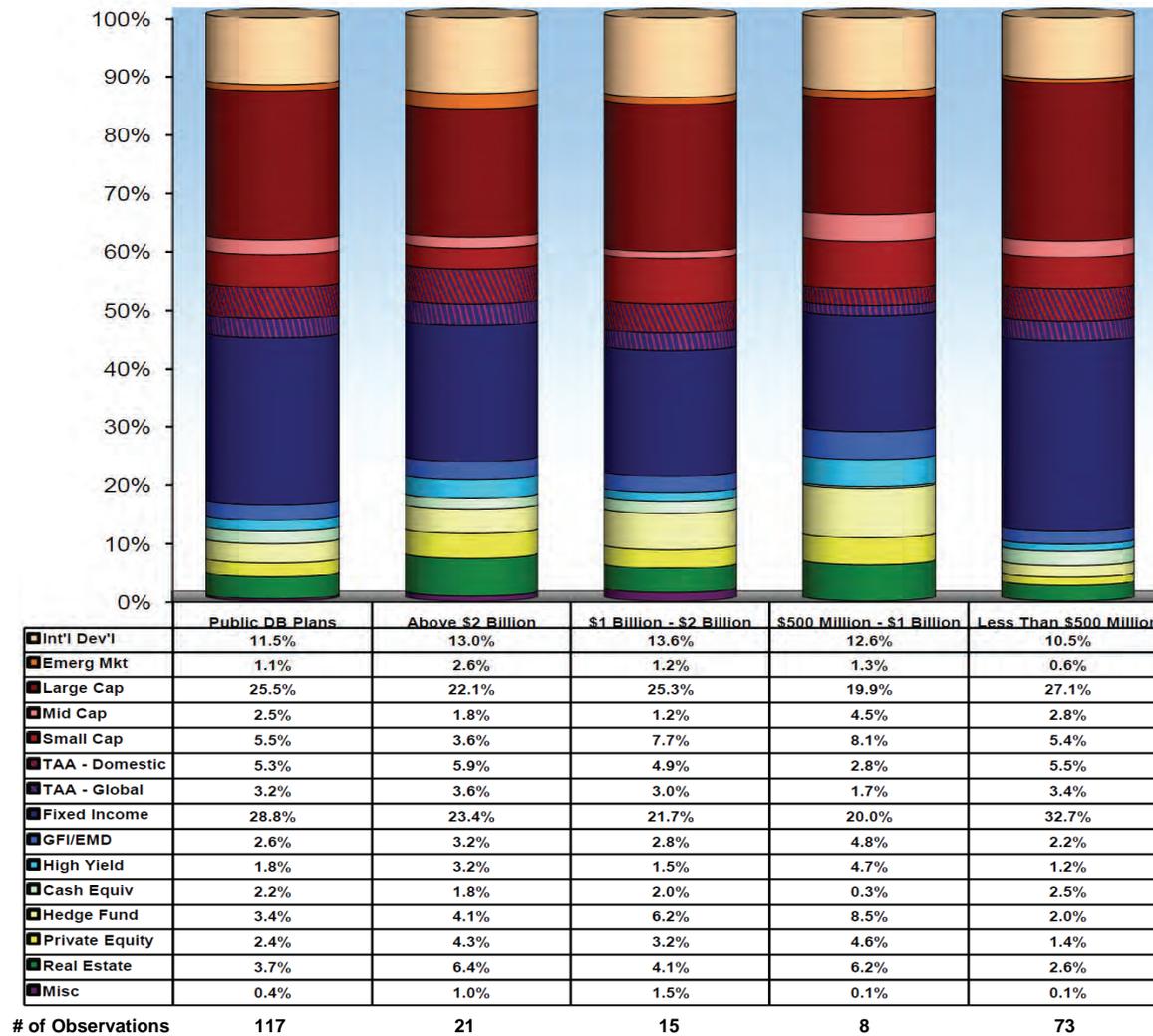
\* See disclosure pages in appendix under manager analysis



# ICC Public DB Plans – Average Asset Allocation

Period Ending June 30, 2009

## Asset Allocation



### Disclosure:

Allocations may not add to 100% due to rounding. Average asset allocations shown include all portfolios submitted to the ICC universe as of 9/25/09 for periods ending 6/30/09. 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 without an asset allocation.





# Asset Breakdown

|                    | Domestic<br>Large Core | Domestic<br>Smid | Domestic<br>Small Core | Domestic<br>Small Value | Domestic<br>Small Growth | Core<br>Fixed | High<br>Yield | TIPS     | Int'l<br>Equity | EMD      | Global<br>Bonds | Real<br>Estate | GAA       | Private<br>Investment | Cash  | Total       |
|--------------------|------------------------|------------------|------------------------|-------------------------|--------------------------|---------------|---------------|----------|-----------------|----------|-----------------|----------------|-----------|-----------------------|-------|-------------|
| <b>Composite</b>   | \$264,248              | \$10,255         | \$26,313               | \$40,447                | \$41,263                 | \$237,403     | \$71,861      | \$38,112 | \$226,535       | \$25,937 | \$104,308       | \$58,120       | \$182,349 | \$2,847               | \$564 | \$1,330,558 |
| T. Rowe            | 104,336                | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$104,336   |
| PIMCO              | 104,937                | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$104,937   |
| SSgA Equal Wgt     | 54,975                 | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$54,975    |
| Champlain          | 0                      | 10,255           | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$10,255    |
| SSgA R-2500        | 0                      | 0                | 26,313                 | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$26,313    |
| Wellington         | 0                      | 0                | 0                      | 40,447                  | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$40,447    |
| SSgA R-2000 Growth | 0                      | 0                | 0                      | 0                       | 41,263                   | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$41,263    |
| Acadian            | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 79,950          | 0        | 0               | 0              | 0         | 0                     | 0     | \$79,950    |
| Mondrian           | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 85,613          | 0        | 0               | 0              | 0         | 0                     | 0     | \$85,613    |
| Aberdeen           | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 60,972          | 0        | 0               | 0              | 0         | 0                     | 0     | \$60,972    |
| PIMCO Liq. Account | 0                      | 0                | 0                      | 0                       | 0                        | 4,514         | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$4,514     |
| Oppenheimer        | 0                      | 0                | 0                      | 0                       | 0                        | 34,177        | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$34,177    |
| Wellington DAS     | 0                      | 0                | 0                      | 0                       | 0                        | 32,458        | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$32,458    |
| PIMCO Core Plus    | 0                      | 0                | 0                      | 0                       | 0                        | 166,254       | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$166,254   |
| Post Advisory      | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 61,940        | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$61,940    |
| KDP                | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 9,921         | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$9,921     |
| Wellington EMD     | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 25,937   | 0               | 0              | 0         | 0                     | 0     | \$25,937    |
| Barclays           | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 38,112   | 0               | 0        | 0               | 0              | 0         | 0                     | 0     | \$38,112    |
| Mondrian           | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 51,636          | 0              | 0         | 0                     | 0     | \$51,636    |
| Brandywine         | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 52,672          | 0              | 0         | 0                     | 0     | \$52,672    |
| Morgan Stanely     | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 24,682         | 0         | 0                     | 0     | \$24,682    |
| UBS Realty         | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 25,067         | 0         | 0                     | 0     | \$25,067    |
| RREEF              | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 7,617          | 0         | 0                     | 0     | \$7,617     |
| Transwestern       | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 598            | 0         | 0                     | 0     | \$598       |
| Real Estate Cash   | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 156            | 0         | 0                     | 0     | \$156       |
| Mellon GA 1        | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 44,834    | 0                     | 0     | \$44,834    |
| PIMCO AA           | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 67,593    | 0                     | 0     | \$67,593    |
| Wellington OIF     | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 36,222    | 0                     | 0     | \$36,222    |
| AQR                | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 33,700    | 0                     | 0     | \$33,700    |
| Pru & VVC          | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 2,847                 | 0     | \$2,847     |
| Vermont Cash       | 0                      | 0                | 0                      | 0                       | 0                        | 0             | 0             | 0        | 0               | 0        | 0               | 0              | 0         | 0                     | 564   | \$564       |

(Dollars in 000's)

# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Fund Asset Growth Summary

|                               | One Quarter | Year to Date | One Year  | Since Inception |
|-------------------------------|-------------|--------------|-----------|-----------------|
| <b>TRS COMPOSITE</b>          |             |              |           |                 |
| <b>Beginning Market Value</b> | 1,323,613   | 1,106,394    | 1,106,394 | 1,106,102       |
| <b>Net External Growth</b>    | -36,480     | -67,150      | -67,150   | -294,320        |
| <b>Return on Investment</b>   | 43,426      | 291,315      | 291,315   | 518,777         |
| <b>Income Received</b>        | 282         | 1,028        | 1,028     | 141,801         |
| <b>Gain/Loss</b>              | 43,144      | 290,287      | 290,287   | 376,976         |
| <b>Ending Market Value</b>    | 1,330,559   | 1,330,559    | 1,330,559 | 1,330,559       |
| <b>Return</b>                 | 3.1%        | 26.5%        | 26.5%     |                 |



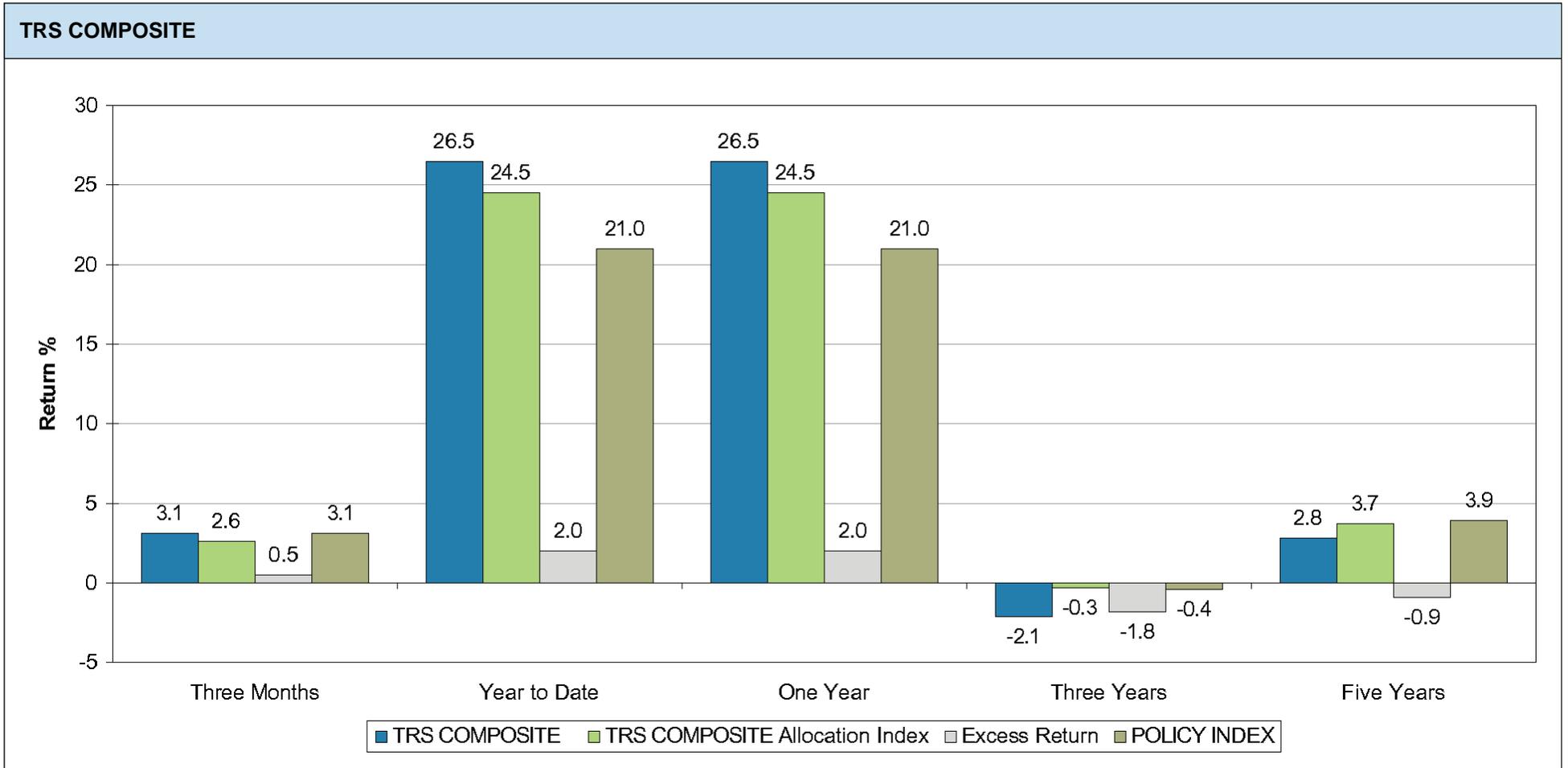
# VERMONT STATE TEACHERS

## POLICY INDEX

Benchmark:

Periods Ending December 31, 2009

### Fund Performance vs. Benchmark



\* Performance shown is gross of manager fees.

\*\* Results for periods longer than one year are annualized.

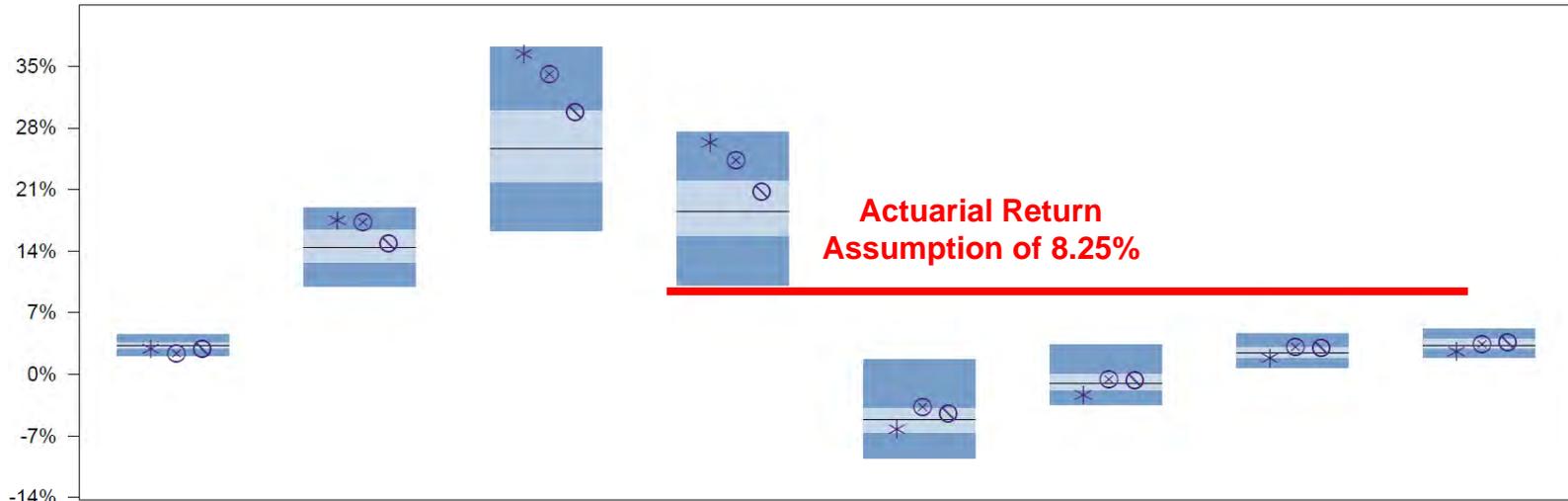


# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Public Funds – Total Rates of Return



**Actuarial Return  
 Assumption of 8.25%**

|                            | One Quarter |    | Two Quarters |    | Three Quarters |    | One Year |    | Two Years |    | Three Years |    | Four Years |    | Five Years |    |
|----------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| * <b>TRS COMPOSITE</b>     | 3.1         | 62 | 17.7         | 14 | 36.6           | 7  | 26.5     | 7  | -6.0      | 64 | -2.1        | 83 | 2.1        | 60 | 2.8        | 76 |
| ⊗ TRS COMPOSITE Allocation | 2.6         | 83 | 17.5         | 15 | 34.3           | 11 | 24.5     | 14 | -3.5      | 23 | -0.3        | 33 | 3.3        | 24 | 3.7        | 41 |
| ⊙ <b>POLICY INDEX</b>      | 3.1         | 61 | 15.1         | 41 | 30.0           | 27 | 21.0     | 32 | -4.2      | 32 | -0.4        | 33 | 3.2        | 28 | 3.9        | 31 |
| 5th Percentile             | 4.5         |    | 18.9         |    | 37.2           |    | 27.5     |    | 1.7       |    | 3.4         |    | 4.6        |    | 5.1        |    |
| 25th Percentile            | 3.7         |    | 16.5         |    | 30.1           |    | 22.1     |    | -3.8      |    | 0.1         |    | 3.2        |    | 4.1        |    |
| 50th Percentile            | 3.3         |    | 14.4         |    | 25.6           |    | 18.5     |    | -5.1      |    | -1.1        |    | 2.4        |    | 3.3        |    |
| 75th Percentile            | 2.8         |    | 12.6         |    | 21.8           |    | 15.7     |    | -6.7      |    | -1.9        |    | 1.8        |    | 2.8        |    |
| 95th Percentile            | 2.1         |    | 10.0         |    | 16.3           |    | 10.1     |    | -9.6      |    | -3.5        |    | 0.7        |    | 1.9        |    |

•*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*)

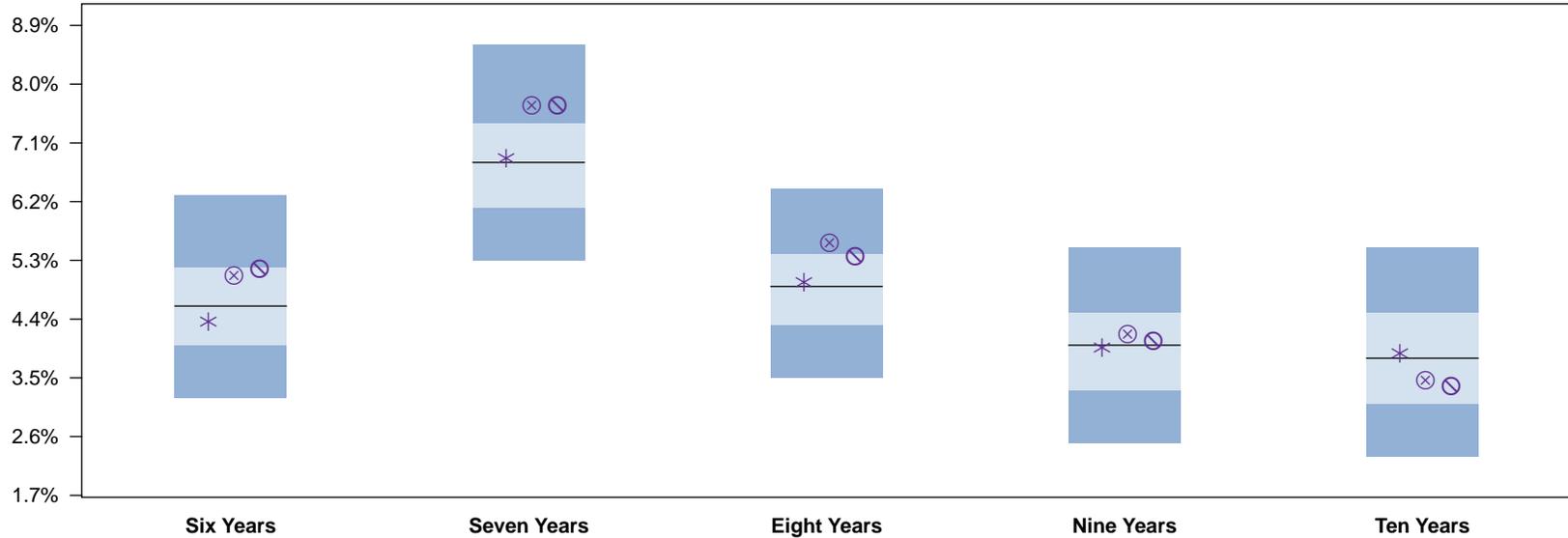


# VERMONT STATE TEACHERS

Total Fund - Universe: PUBLIC FUNDS (DB)

Periods Ending December 31, 2009

## Total Fund Performance - Trailing Periods



|                                  | Six Years            | Seven Years          | Eight Years          | Nine Years           | Ten Years            |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| * <b>TRS COMPOSITE</b>           | <b>4.4</b> <b>64</b> | <b>6.9</b> <b>45</b> | <b>5.0</b> <b>43</b> | <b>4.0</b> <b>51</b> | <b>3.9</b> <b>46</b> |
| ⊗ TRS COMPOSITE Allocation Index | 5.1 33               | 7.7 21               | 5.6 21               | 4.2 37               | 3.5 59               |
| ⊘ <b>POLICY INDEX</b>            | <b>5.2</b> <b>27</b> | <b>7.7</b> <b>21</b> | <b>5.4</b> <b>25</b> | <b>4.1</b> <b>43</b> | <b>3.4</b> <b>61</b> |
| 5th Percentile                   | 6.3                  | 8.6                  | 6.4                  | 5.5                  | 5.5                  |
| 25th Percentile                  | 5.2                  | 7.4                  | 5.4                  | 4.5                  | 4.5                  |
| 50th Percentile                  | 4.6                  | 6.8                  | 4.9                  | 4.0                  | 3.8                  |
| 75th Percentile                  | 4.0                  | 6.1                  | 4.3                  | 3.3                  | 3.1                  |
| 95th Percentile                  | 3.2                  | 5.3                  | 3.5                  | 2.5                  | 2.3                  |

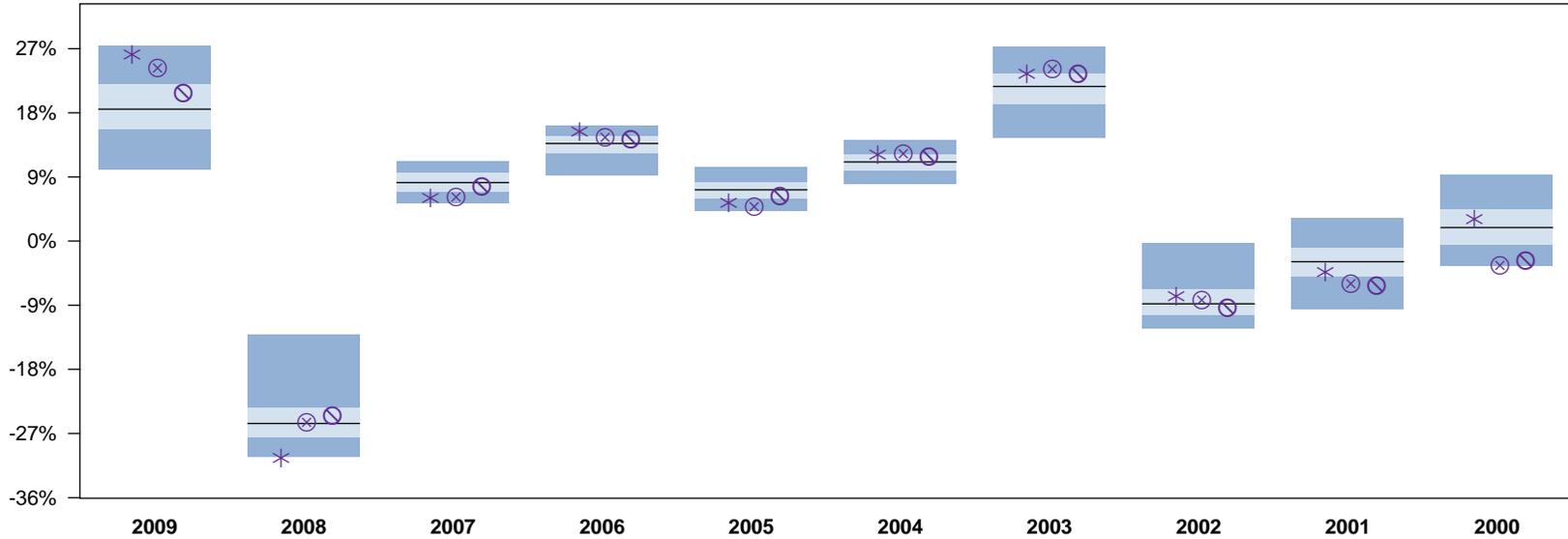


# VERMONT STATE TEACHERS

Total Fund - Universe: PUBLIC FUNDS (DB)

Period Ending December 31, 2009

## Total Fund Performance - One Year Time Periods



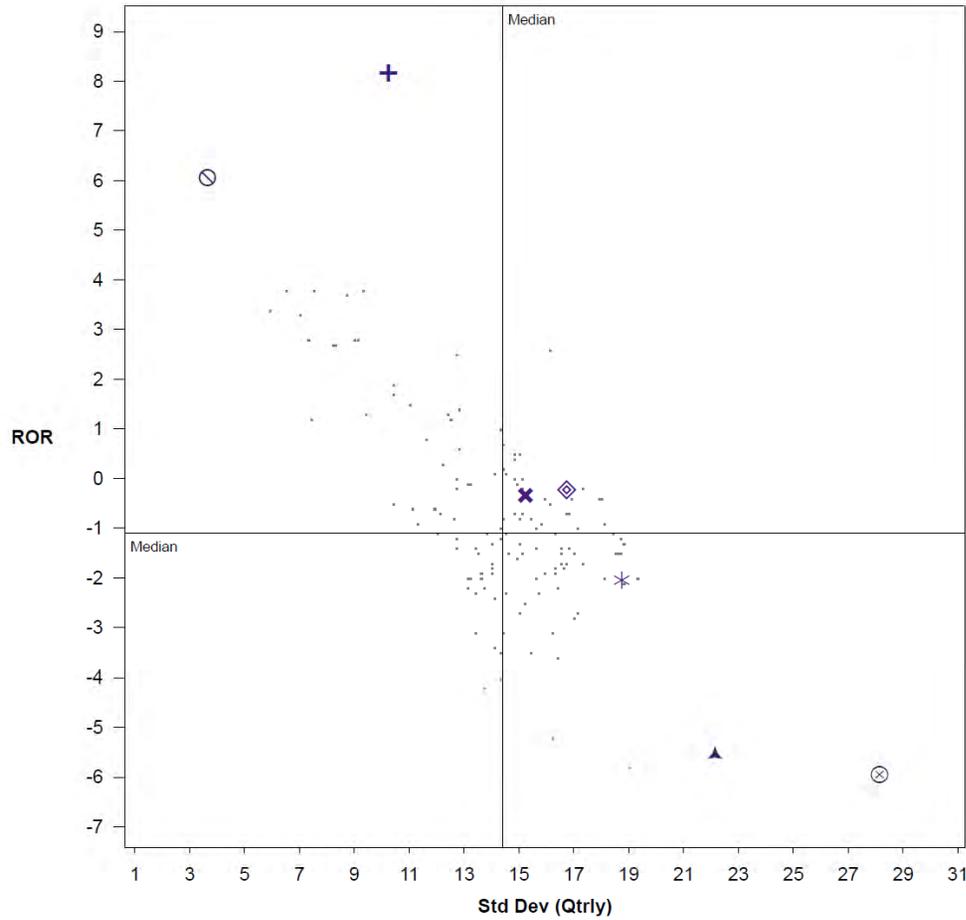
|                           | 2009        |           | 2008         |           | 2007       |           | 2006        |           | 2005       |           | 2004        |           | 2003        |           | 2002        |           | 2001        |           | 2000        |           |
|---------------------------|-------------|-----------|--------------|-----------|------------|-----------|-------------|-----------|------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| * <b>TRS COMPOSITE</b>    | <b>26.5</b> | <b>7</b>  | <b>-30.1</b> | <b>95</b> | <b>6.3</b> | <b>85</b> | <b>15.7</b> | <b>9</b>  | <b>5.6</b> | <b>81</b> | <b>12.4</b> | <b>22</b> | <b>23.8</b> | <b>24</b> | <b>-7.5</b> | <b>36</b> | <b>-4.1</b> | <b>62</b> | <b>3.4</b>  | <b>33</b> |
| ⊗ TRS COMPOSITE Allocatio | 24.5        | 14        | -25.2        | 48        | 6.5        | 83        | 14.8        | 25        | 5.1        | 87        | 12.6        | 18        | 24.4        | 19        | -8.0        | 43        | -5.7        | 82        | -3.1        | 93        |
| ○ <b>POLICY INDEX</b>     | <b>21.0</b> | <b>32</b> | <b>-24.2</b> | <b>38</b> | <b>7.9</b> | <b>56</b> | <b>14.6</b> | <b>29</b> | <b>6.6</b> | <b>67</b> | <b>12.2</b> | <b>27</b> | <b>23.7</b> | <b>25</b> | <b>-9.1</b> | <b>55</b> | <b>-6.0</b> | <b>84</b> | <b>-2.5</b> | <b>91</b> |
| 5th Percentile            | 27.5        |           | -13.1        |           | 11.2       |           | 16.2        |           | 10.4       |           | 14.2        |           | 27.3        |           | -0.3        |           | 3.2         |           | 9.3         |           |
| 25th Percentile           | 22.1        |           | -23.3        |           | 9.6        |           | 14.8        |           | 8.3        |           | 12.3        |           | 23.6        |           | -6.7        |           | -0.9        |           | 4.5         |           |
| 50th Percentile           | 18.5        |           | -25.6        |           | 8.2        |           | 13.7        |           | 7.2        |           | 11.1        |           | 21.7        |           | -8.8        |           | -2.9        |           | 1.9         |           |
| 75th Percentile           | 15.7        |           | -27.6        |           | 6.8        |           | 12.2        |           | 6.0        |           | 9.8         |           | 19.2        |           | -10.4       |           | -5.1        |           | -0.5        |           |
| 95th Percentile           | 10.1        |           | -30.3        |           | 5.3        |           | 9.2         |           | 4.3        |           | 8.0         |           | 14.5        |           | -12.3       |           | -9.6        |           | -3.4        |           |

# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 3 Years



| NAME                             | Return   | Standard Deviation | Sharpe Ratio |
|----------------------------------|----------|--------------------|--------------|
| * TRS COMPOSITE                  | -2.1 83  | 18.8 98            | -0.2 56      |
| ◇ TRS COMPOSITE Allocation Index | -0.3 33  | 16.8 85            | -0.2 30      |
| x POLICY INDEX                   | -0.4 33  | 15.3 65            | -0.2 38      |
| ▲ S&P 500                        | -5.6 100 | 22.2 100           | -0.4 92      |
| ○ BC AGGREGATE                   | 6.0 1    | 3.7 1              | 1.0 1        |
| ⊗ MSCI EAFE (NET)                | -6.0 100 | 28.2 100           | -0.3 80      |
| + CITIGROUP WORLD GOVT BOND      | 8.1 1    | 10.3 10            | 0.5 1        |
| Median                           | -1.1     | 14.4               | -0.2         |

**Funded status as of Fiscal Year 2009 = 65%**

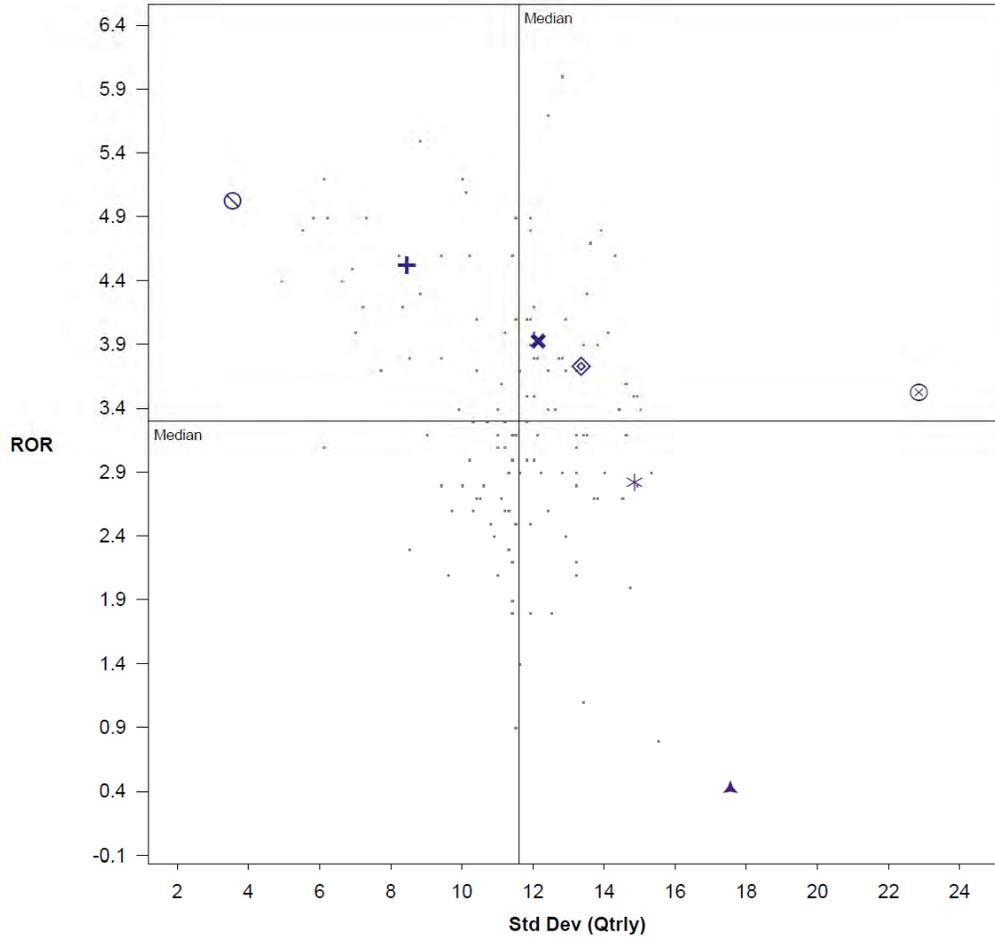
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 5 Years



| NAME                             | Return  | Standard Deviation | Sharpe Ratio |
|----------------------------------|---------|--------------------|--------------|
| * TRS COMPOSITE                  | 2.8 76  | 14.9 96            | -0.0 78      |
| ◇ TRS COMPOSITE Allocation Index | 3.7 41  | 13.4 82            | 0.0 46       |
| x POLICY INDEX                   | 3.9 31  | 12.2 65            | 0.1 36       |
| ▲ S&P 500                        | 0.4 100 | 17.6 100           | -0.1 100     |
| ○ BC AGGREGATE                   | 5.0 6   | 3.6 1              | 0.5 1        |
| ⊗ MSCI EAFE (NET)                | 3.5 43  | 22.9 100           | 0.0 59       |
| + CITIGROUP WORLD GOVT BOND      | 4.5 16  | 8.5 12             | 0.2 14       |
| Median                           | 3.3     | 11.6               | 0.0          |

**Funded status as of Fiscal Year 2009 = 65%**

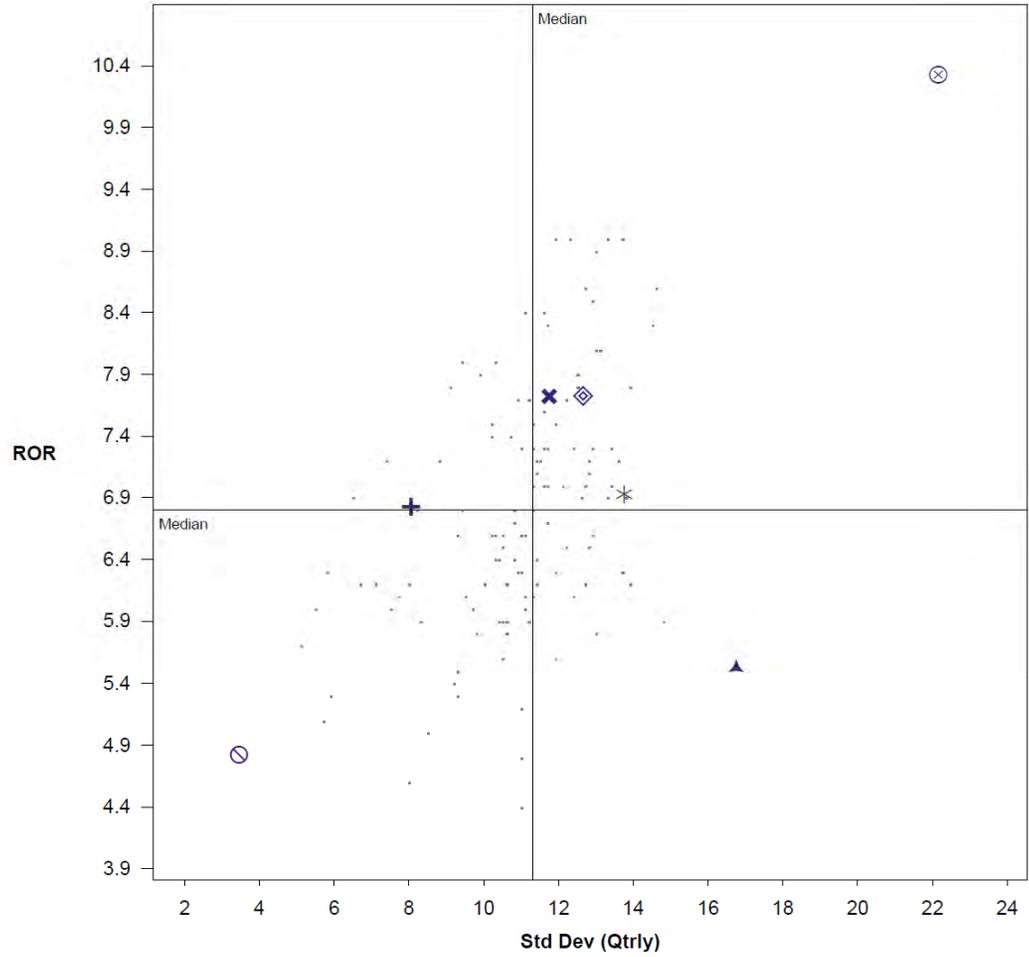
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 7 Years



| NAME                             | Return | Standard Deviation | Sharpe Ratio |
|----------------------------------|--------|--------------------|--------------|
| * TRS COMPOSITE                  | 6.9 45 | 13.8 95            | 0.3 81       |
| ◆ TRS COMPOSITE Allocation Index | 7.7 21 | 12.7 78            | 0.4 49       |
| ✕ POLICY INDEX                   | 7.7 21 | 11.8 65            | 0.4 35       |
| ▲ S&P 500                        | 5.5 94 | 16.8 100           | 0.2 100      |
| ○ BC AGGREGATE                   | 4.8 99 | 3.5 1              | 0.6 4        |
| ⊗ MSCI EAFE (NET)                | 10.3 1 | 22.2 100           | 0.4 74       |
| + CITIGROUP WORLD GOVT BOND      | 6.8 50 | 8.1 10             | 0.5 15       |
| Median                           | 6.8    | 11.3               | 0.4          |

**Funded status as of Fiscal Year 2009 = 65%**

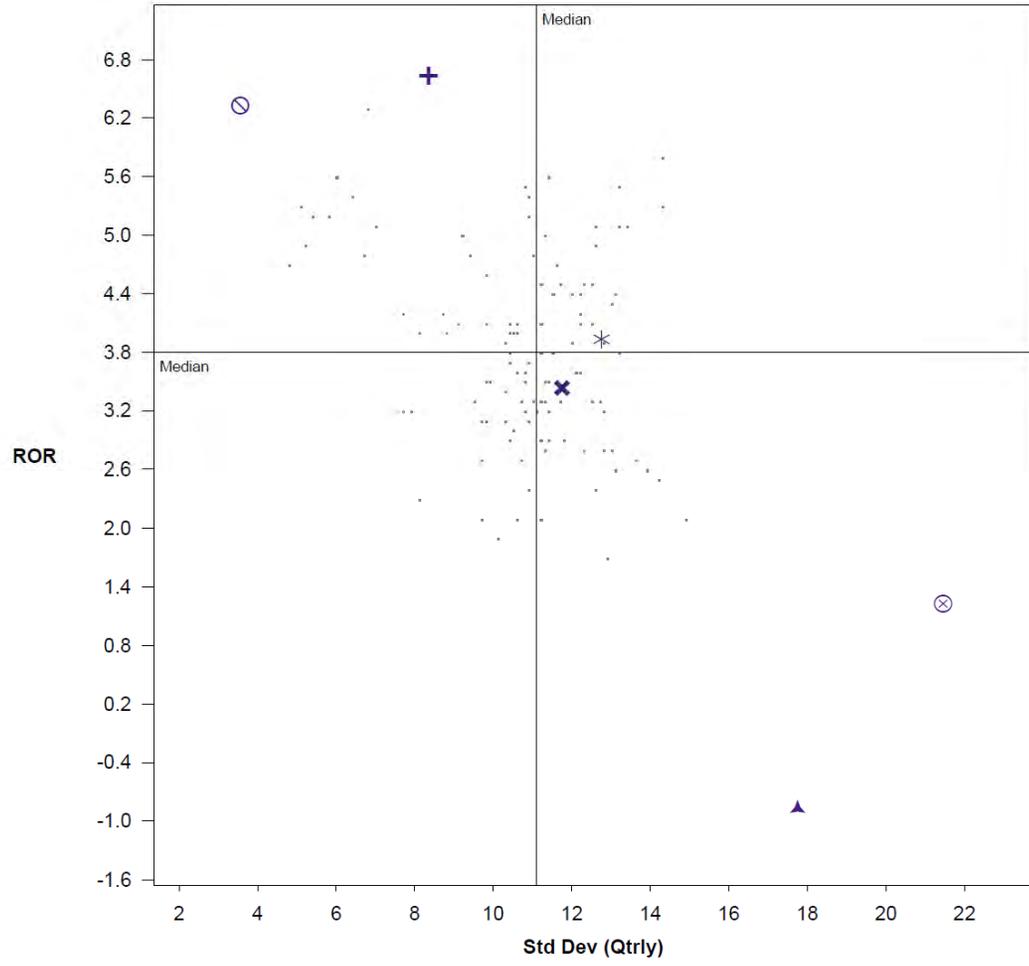
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Teachers' Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 10 Years



| NAME                        | Return   | Standard Deviation | Sharpe Ratio |
|-----------------------------|----------|--------------------|--------------|
| * TRS COMPOSITE             | 3.9 46   | 12.8 85            | 0.1 53       |
| * POLICY INDEX              | 3.4 61   | 11.8 70            | 0.0 64       |
| ▲ S&P 500                   | -0.9 100 | 17.8 100           | -0.2 100     |
| ⊘ BC AGGREGATE              | 6.3 1    | 3.6 1              | 0.9 2        |
| ⊗ MSCI EAFE (NET)           | 1.2 100  | 21.5 100           | -0.1 96      |
| + CITIGROUP WORLD GOVT BOND | 6.6 1    | 8.4 13             | 0.4 5        |
| Median                      | 3.8      | 11.1               | 0.1          |

**Funded status as of Fiscal Year 2009 = 65%**

\* Standard deviation is based on quarterly returns

