

Socially Responsible Investing

"Choosing to invest in companies that operate ethically, provide social benefits, and are sensitive to the environment."¹



For many participants, there is an element of social consciousness involved in the process of selecting investments. For example, some may choose not to invest in a particular mutual fund because of personal opposition to a specific company's stock that is included as part of the fund. Others may invest in companies because they support the company's stand on certain issues. Recently, popular targets of socially responsible investing have been environmentally friendly ("green") companies and mutual funds, Sudan-free investments, Iran-free investments and "terror-free" investments.

Some mutual fund companies offer specialized funds that only invest in socially responsible companies. Advocates of socially responsible investing say that it (socially responsible investing) advances investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact.²

When the Vermont State Employees Retirement System (VSERS) makes decisions regarding the investment options that will be included in the investment lineup, it must take into consideration its fiduciary responsibility to provide all participants with investment options that meet the criteria established in the Plan's Investment Policy. In response to participant requests, three socially conscious funds were added to the Plan in July 2007.

Calvert Social Investment Bond³ A2 (CSIBX) -

The Fund seeks to provide as high a level of current income as is consistent with prudent investment risk and preservation of capital through investment in bonds and straight debt securities meeting the Fund's investment criteria, including financial, sustainability and social responsibility factors. The Fund seeks to invest in companies and other enterprises that demonstrate positive environmental, social and governance performance as they address corporate responsibility and sustainability challenges. Calvert believes that there are long-term benefits in an investment philosophy that attaches material weight to the environment, workplace relations, human rights, indigenous peoples' rights, community relations, and positive product and business practices, as well as corporate governance.

Vanguard FTSE Social Index Instl⁴ (VFTNX) -

The fund employs a "passive management" investment approach designed to track the performance of the FTSE4Good US Select Index.⁵ The index is composed primarily of large- and mid-cap stocks that have been screened for certain social and environmental criteria by the index sponsor, which is independent of Vanguard. It attempts to replicate the index by investing all, or substantially all, of assets in the stocks that make up the index.

Pax World Balanced (PAXWX) -

The Fund's primary investment objective is to seek income and conservation of principal, with a secondary objective of long-term growth of capital. The Balanced Fund seeks to invest in forward-thinking companies with sustainable business models that meet positive environmental, social and governance standards. The Balanced Fund avoids investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds and/or disclosure documents from your registered representative. Prospectuses can also be obtained online at www.vermont457.com. Read prospectuses carefully before investing.

For more information on socially responsible investing, call the local Vermont office at **(800) 457-1028** (press option 2) or visit the Plan's Web site at www.vermont457.com.⁴

More Information About Socially Responsible Investing

If you are interested in learning more about socially responsible investing, the Internet can be a good resource.

One Web site to get you started is the Social Investment Forum at www.socialinvest.org. This national nonprofit membership organization is dedicated to the concept of socially responsible investing.

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1 http://www.investorwords.com/4614/socially_conscious_investing.html

2 <http://www.socialinvest.org/about/>

3 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

4 Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies.

5 An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

6 Access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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