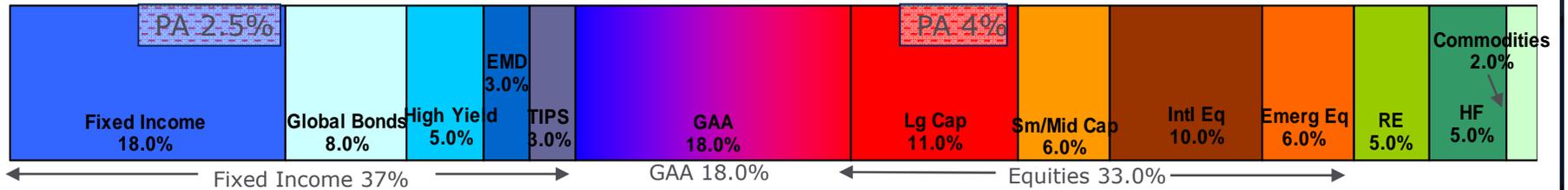


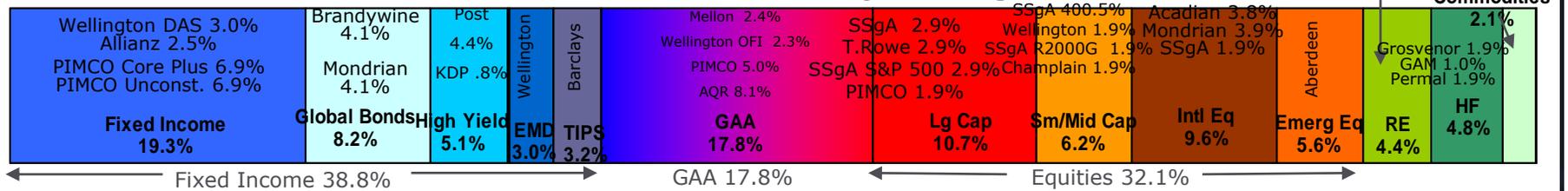
# **Vermont Municipal Employees' Retirement System**

# Total Plan Asset Allocation

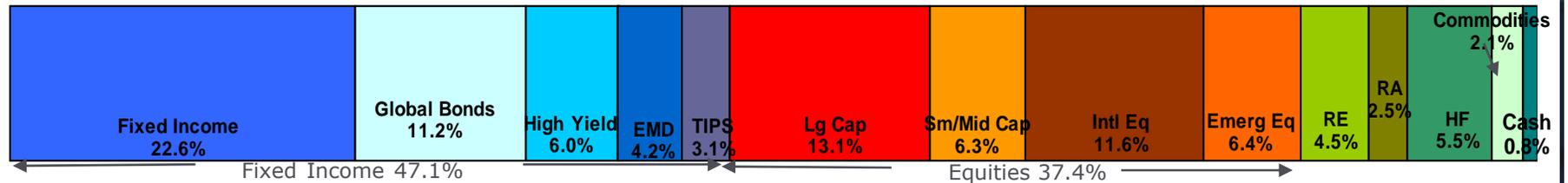
## Target Asset Allocation



## Current Asset Allocation by Manager



## Current Asset Allocation by Asset Class

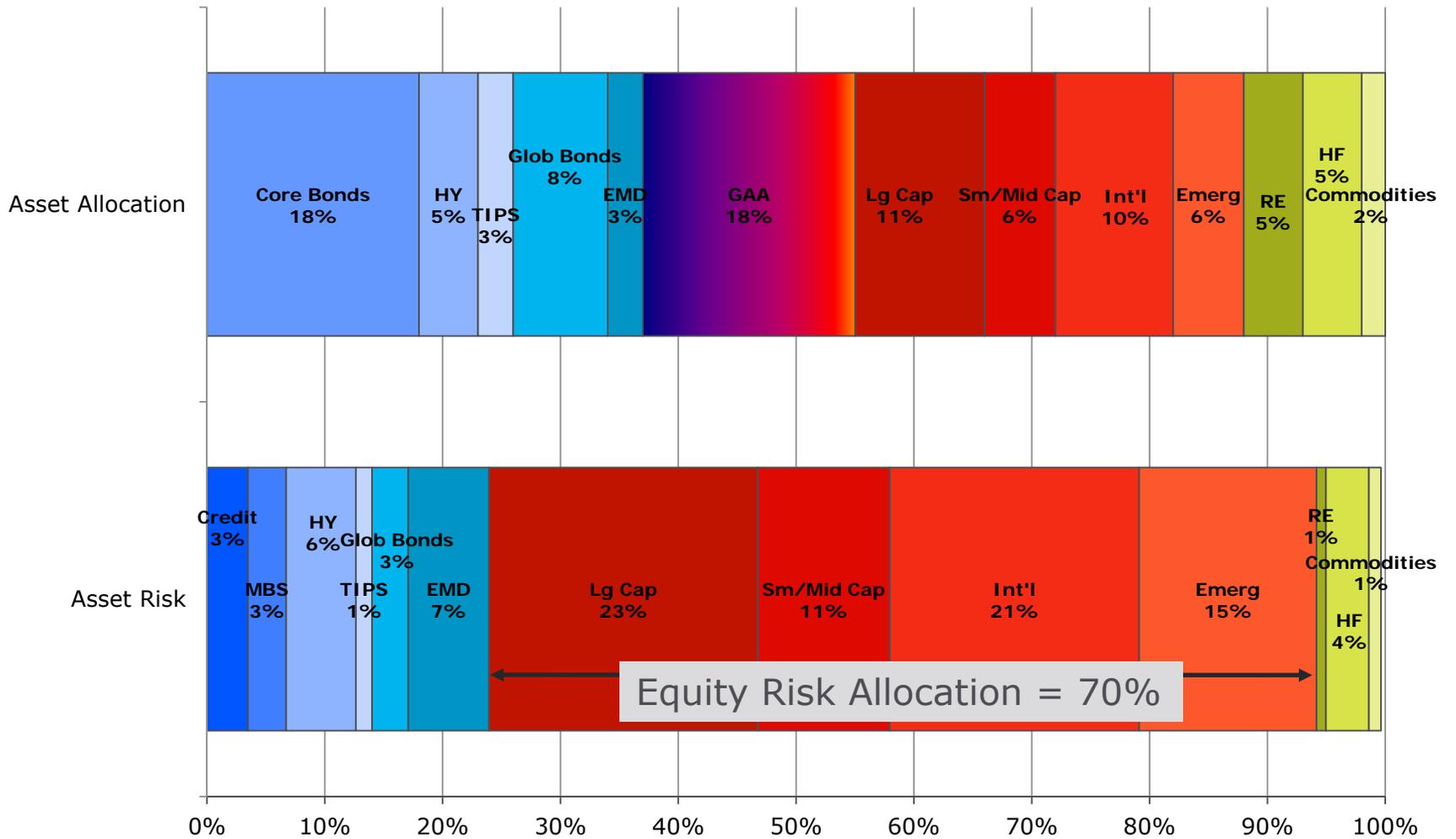


Numbers may not add up to 100% due to rounding.

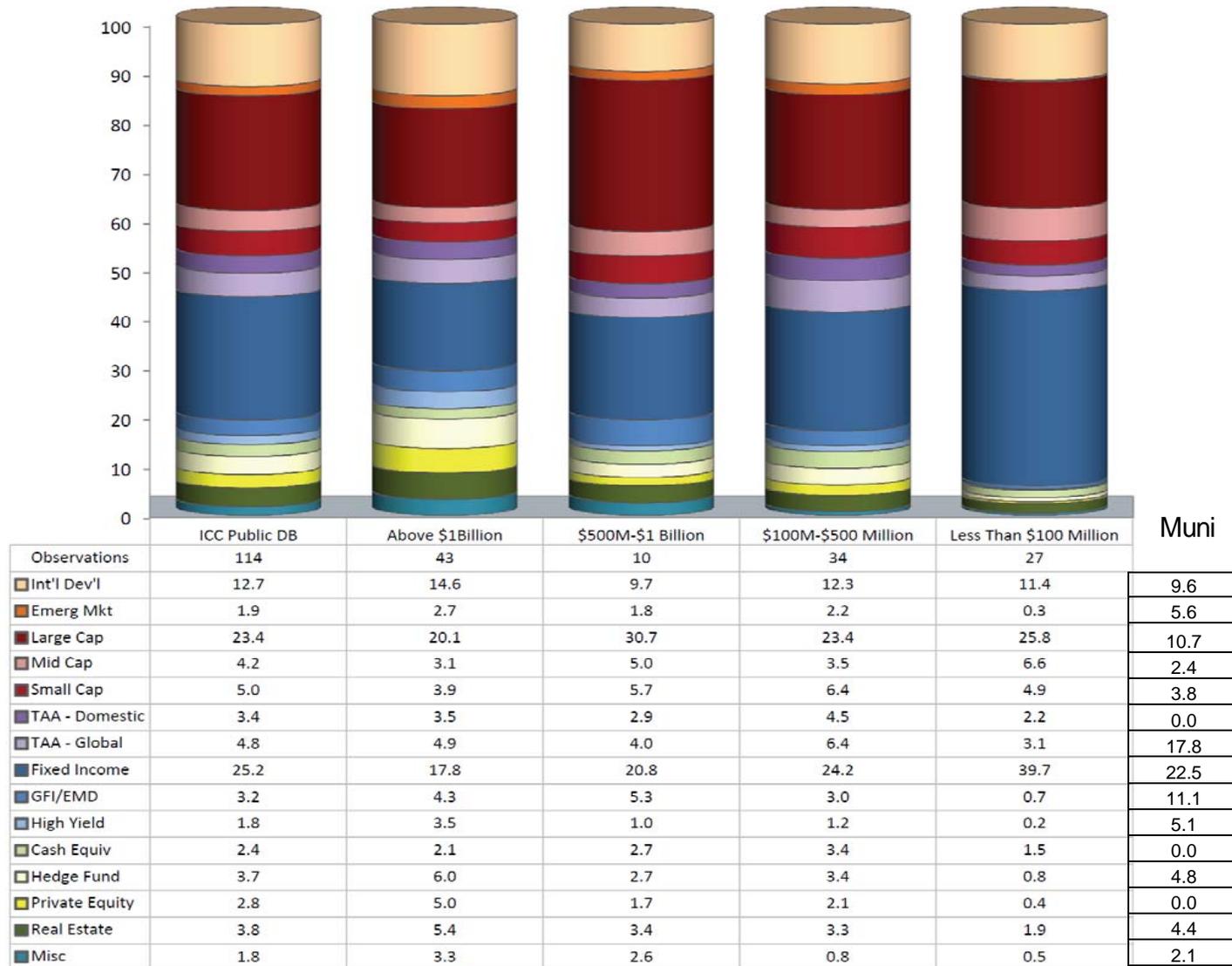
New Target Asset Allocation is effective as of 10/1/2011.



# Policy Asset Allocation and Risk Budgeting



# ICC Public DB Plans – Average 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 9/27/11 for periods ending 6/30/11. 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
Composite	\$39,385	\$7,123	\$1,983	\$6,941	\$6,887	\$71,135	\$19,000	\$11,688	\$55,929	\$11,158	\$30,307	\$16,110	\$65,860	\$25,464	\$342	\$369,312
T. Rowe	10,854	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$10,854
PIMCO	7,097	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$7,097
SSgA Equal Wgt	10,582	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$10,582
SSgA S&P 500	10,852	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$10,852
Champlain	0	7,123	0	0	0	0	0	0	0	0	0	0	0	0	0	\$7,123
SSgA Mid	0	0	1,983	0	0	0	0	0	0	0	0	0	0	0	0	\$1,983
Wellington	0	0	0	6,941	0	0	0	0	0	0	0	0	0	0	0	\$6,941
SSgA R-2000 Growth	0	0	0	0	6,887	0	0	0	0	0	0	0	0	0	0	\$6,887
Acadian	0	0	0	0	0	0	0	0	13,966	0	0	0	0	0	0	\$13,966
Mondrian	0	0	0	0	0	0	0	0	14,530	0	0	0	0	0	0	\$14,530
SSgA ACWI ex US	0	0	0	0	0	0	0	0	6,920	0	0	0	0	0	0	\$6,920
Aberdeen	0	0	0	0	0	0	0	0	20,514	0	0	0	0	0	0	\$20,514
Allianz	0	0	0	0	0	9,180	0	0	0	0	0	0	0	0	0	\$9,180
Wellington DAS	0	0	0	0	0	11,253	0	0	0	0	0	0	0	0	0	\$11,253
PIMCO Core Plus	0	0	0	0	0	25,384	0	0	0	0	0	0	0	0	0	\$25,384
PIMCO Unconst.	0	0	0	0	0	25,318	0	0	0	0	0	0	0	0	0	\$25,318
Post Advisory	0	0	0	0	0	0	16,144	0	0	0	0	0	0	0	0	\$16,144
KDP	0	0	0	0	0	0	2,856	0	0	0	0	0	0	0	0	\$2,856
Welligton EMD	0	0	0	0	0	0	0	0	0	11,158	0	0	0	0	0	\$11,158
Barclays	0	0	0	0	0	0	0	11,688	0	0	0	0	0	0	0	\$11,688
Mondrian	0	0	0	0	0	0	0	0	0	0	15,106	0	0	0	0	\$15,106
Brandywine	0	0	0	0	0	0	0	0	0	0	15,201	0	0	0	0	\$15,201
Morgan Stanley	0	0	0	0	0	0	0	0	0	0	0	6,877	0	0	0	\$6,877
UBS Realty	0	0	0	0	0	0	0	0	0	0	0	6,463	0	0	0	\$6,463
RREEF	0	0	0	0	0	0	0	0	0	0	0	2,675	0	0	0	\$2,675
Transwestern	0	0	0	0	0	0	0	0	0	0	0	95	0	0	0	\$95
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	0	0	8,829	0	0	\$8,829
PIMCO AA	0	0	0	0	0	0	0	0	0	0	0	0	18,574	0	0	\$18,574
Wellington OIF	0	0	0	0	0	0	0	0	0	0	0	0	8,360	0	0	\$8,360
AQR	0	0	0	0	0	0	0	0	0	0	0	0	30,097	0	0	\$30,097
Alt. Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Grosvenor	0	0	0	0	0	0	0	0	0	0	0	0	0	7,014	0	\$7,014
GAM	0	0	0	0	0	0	0	0	0	0	0	0	3,550	0	0	\$3,550
Permal	0	0	0	0	0	0	0	0	0	0	0	0	0	7,087	0	\$7,087
Schroders	0	0	0	0	0	0	0	0	0	0	0	0	0	7,813	0	\$7,813
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	342	\$342

(Dollars in 000's)

# Total Fund Asset Growth Summary

## VERMONT MUNICIPAL EMPLOYEES

MUNICIPAL SYSTEM COMPOSITE

Periods Ending September 30, 2011

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

	One Quarter	Year to Date	One Year
<b>MUNI COMPOSITE</b>			
Beginning Market Value	396,504	373,312	354,501
Net External Growth	1,920	5,255	7,153
Return on Investment	-29,112	-9,254	7,659
Income Received	0	1	1
Gain/Loss	-29,112	-9,255	7,658
Ending Market Value	369,312	369,312	369,312

Return

-7.3%    -2.3%    2.3%

# Fund Performance vs. Benchmark

## VERMONT MUNICIPAL EMPLOYEES

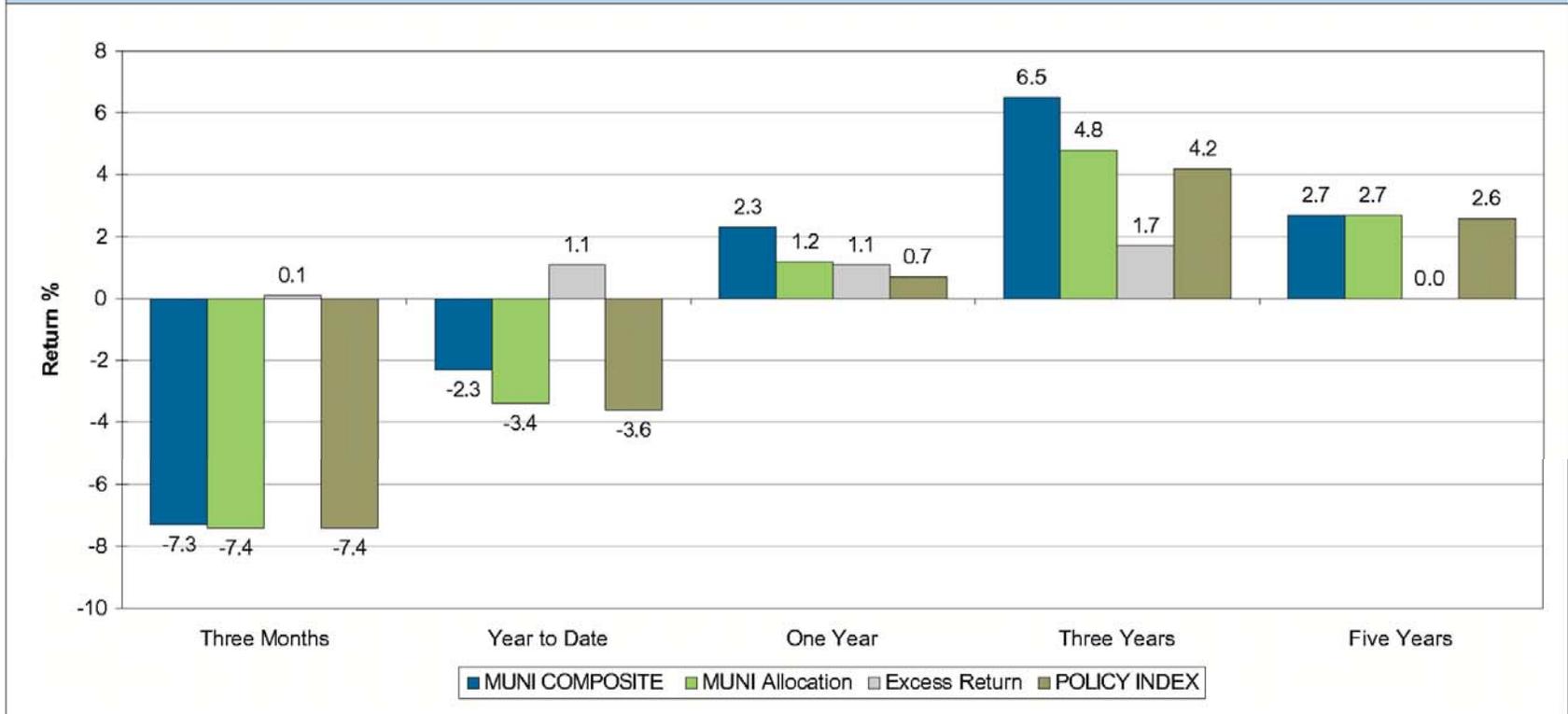
POLICY INDEX

Benchmark:

Periods Ending September 30, 2011

### Fund Performance vs. Benchmark

#### MUNI COMPOSITE



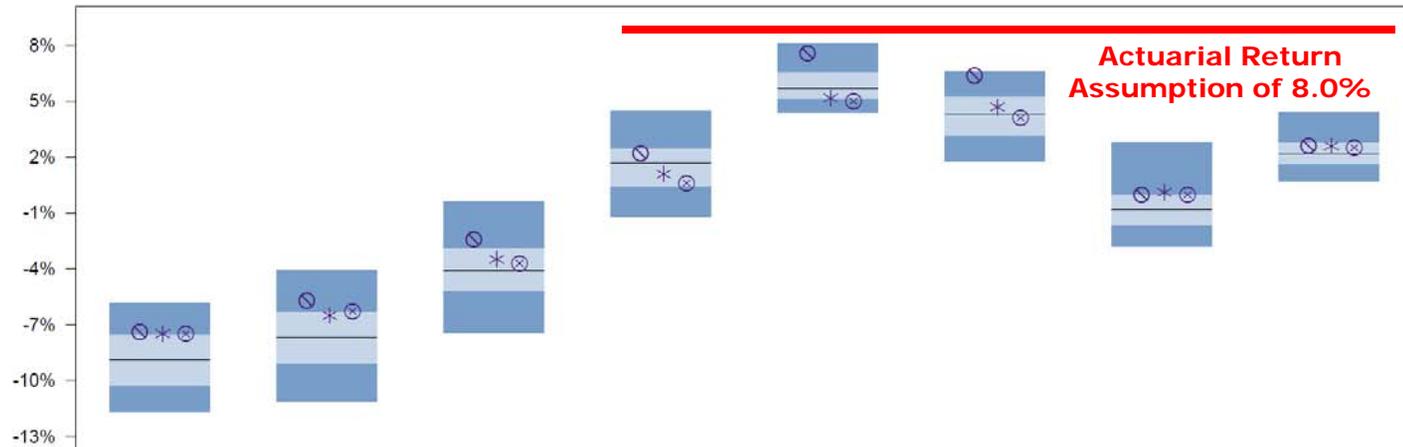
# Total Public Funds Performance

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Periods Ending September 30, 2011

### Total Fund Performance - Trailing Periods



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
⊗ <b>MUNI COMPOSITE</b>	-7.3	23	-5.6	19	-2.3	21	2.3	32	7.7	8	6.5	8	0.1	24	2.7	31
* MUNI Allocation	-7.4	25	-6.4	26	-3.4	37	1.2	63	5.3	68	4.8	38	0.2	23	2.7	30
⊗ <b>POLICY INDEX</b>	-7.4	24	-6.2	24	-3.6	42	0.7	71	5.1	73	4.2	53	0.1	25	2.6	35
5th Percentile	-5.8		-4.1		-0.4		4.5		8.1		6.6		2.8		4.4	
25th Percentile	-7.5		-6.3		-2.9		2.5		6.6		5.3		0.0		2.8	
50th Percentile	-8.9		-7.7		-4.1		1.7		5.7		4.3		-0.8		2.2	
75th Percentile	-10.3		-9.1		-5.2		0.4		5.1		3.1		-1.7		1.6	
95th Percentile	-11.7		-11.1		-7.4		-1.2		4.4		1.8		-2.8		0.7	

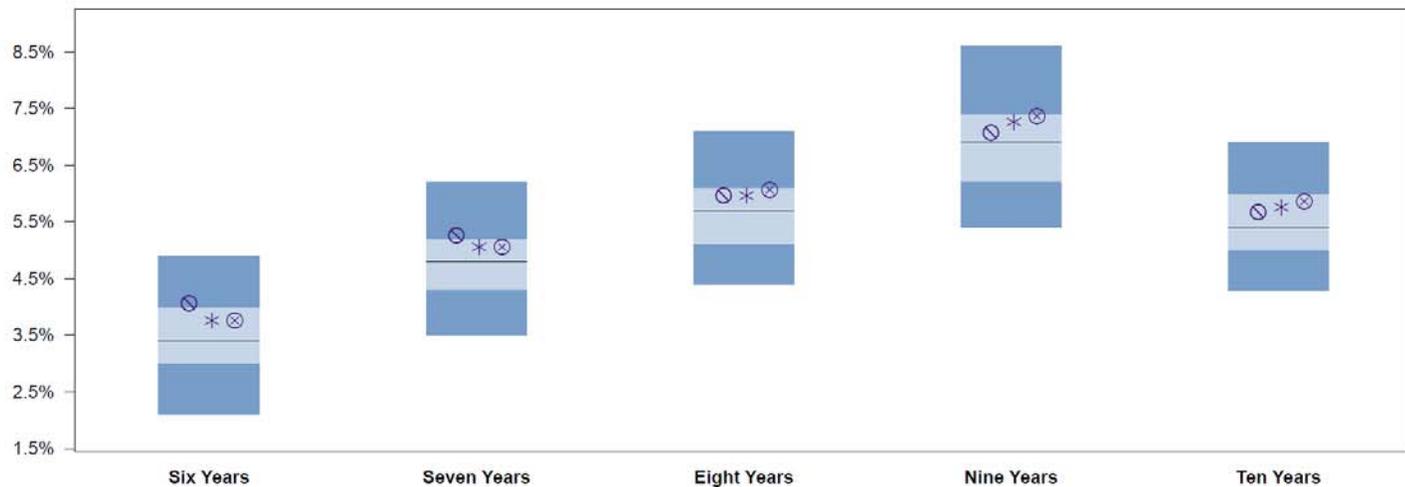
# Total Public Funds Performance

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Periods Ending September 30, 2011

### Total Fund Performance - Trailing Periods



	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
⊙ MUNI COMPOSITE	4.1 24	5.3 24	6.0 32	7.1 41	5.7 36
* MUNI Allocation	3.8 33	5.1 34	6.0 31	7.3 33	5.8 34
⊗ POLICY INDEX	3.8 31	5.1 32	6.1 30	7.4 23	5.9 29
5th Percentile	4.9	6.2	7.1	8.6	6.9
25th Percentile	4.0	5.2	6.1	7.4	6.0
50th Percentile	3.4	4.8	5.7	6.9	5.4
75th Percentile	3.0	4.3	5.1	6.2	5.0
95th Percentile	2.1	3.5	4.4	5.4	4.3

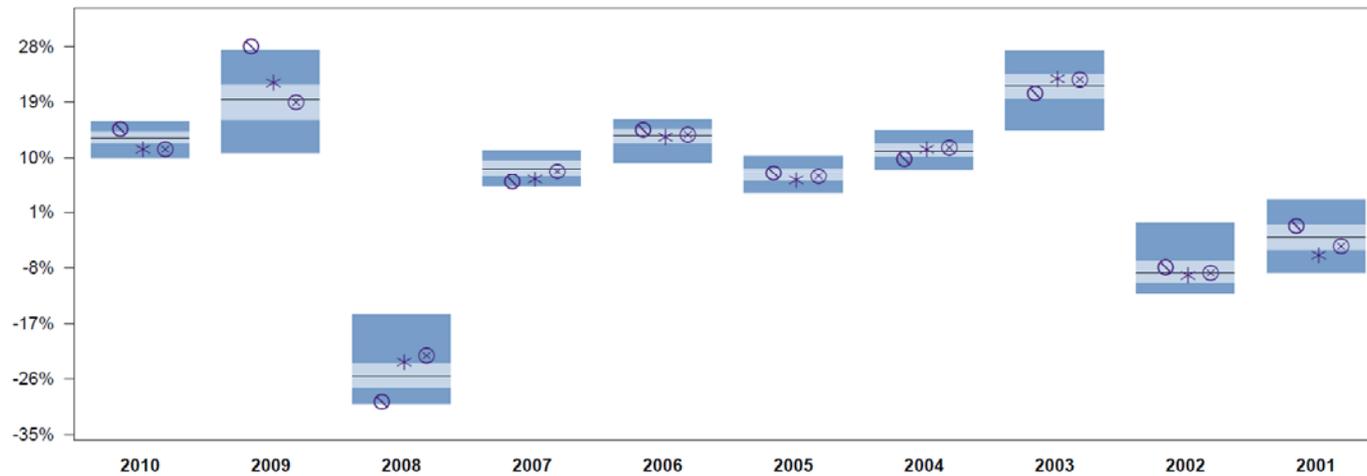
# Total Public Funds Performance

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2010

### Total Fund Performance - One Year Time Periods



	2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
⊙ MUNI COMPOSITE	15.0	15	28.4	3	-29.4	90	6.3	87	14.8	23	7.8	36	10.1	74	20.8	62	-7.6	37	-0.9	25
* MUNI Allocation	11.7	82	22.5	22	-23.0	22	6.7	80	13.6	51	6.5	68	11.7	37	23.1	35	-8.9	51	-5.6	81
⊗ POLICY INDEX	11.7	82	19.3	51	-21.9	14	8.0	56	14.1	35	7.2	52	11.9	33	23.0	36	-8.5	48	-4.2	64
5th Percentile	15.9		27.5		-15.6		11.2		16.2		10.3		14.5		27.3		-0.8		3.1	
25th Percentile	14.3		22.0		-23.4		9.6		14.7		8.3		12.4		23.7		-6.8		-0.9	
50th Percentile	13.2		19.4		-25.6		8.2		13.6		7.3		11.1		21.7		-8.8		-3.0	
75th Percentile	12.2		16.1		-27.6		6.9		12.2		6.0		10.1		19.4		-10.5		-5.2	
95th Percentile	10.0		10.8		-30.1		5.3		9.2		4.3		8.0		14.5		-12.2		-8.7	

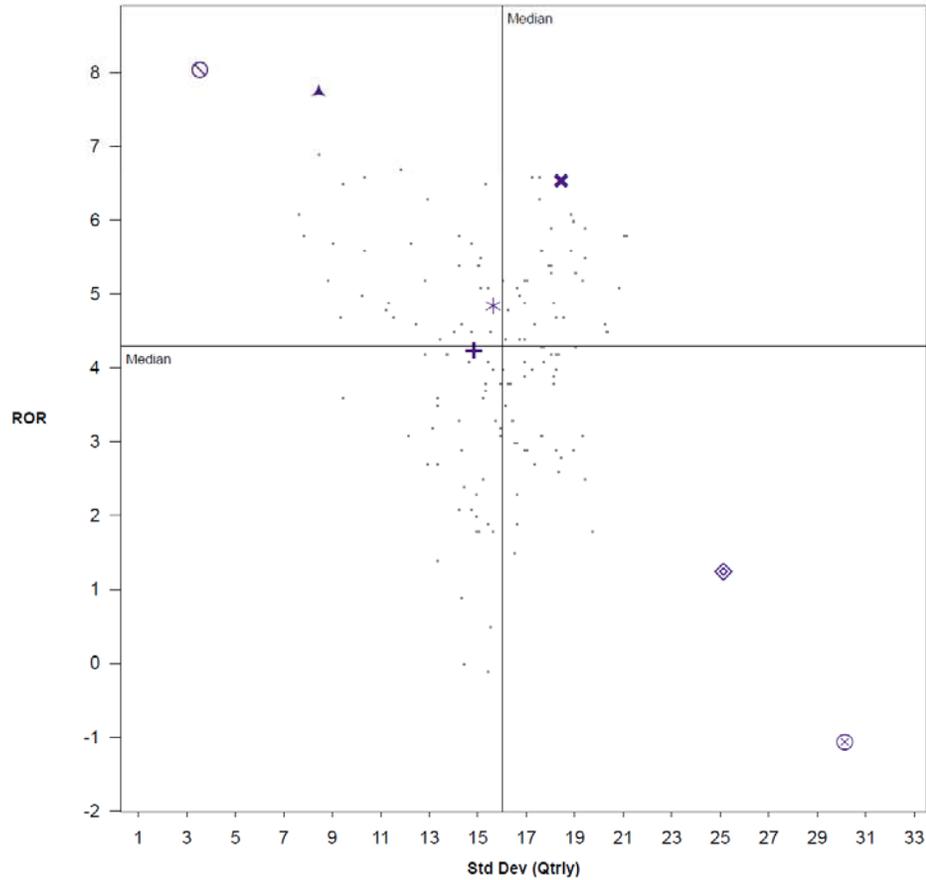
# Risk vs. Return Analysis – 3 Years

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending September 30, 2011

### Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
✖ MUNI COMPOSITE	6.5 8	18.5 87	0.3 22
* MUNI Allocation	4.8 38	15.7 48	0.3 39
+ POLICY INDEX	4.2 53	14.9 32	0.3 46
◇ S&P 500	1.2 98	25.2 100	0.0 96
⊙ BC AGGREGATE	8.0 1	3.6 1	2.2 1
⊗ MSCI EAFE (NET)	-1.1 100	30.2 100	-0.0 99
▲ Citigroup WGBI (All Maturities)	7.7 1	8.5 3	0.9 1
Median	4.3	16.0	0.3

Funded status as of July 1<sup>st</sup>, 2011 = 92.0%

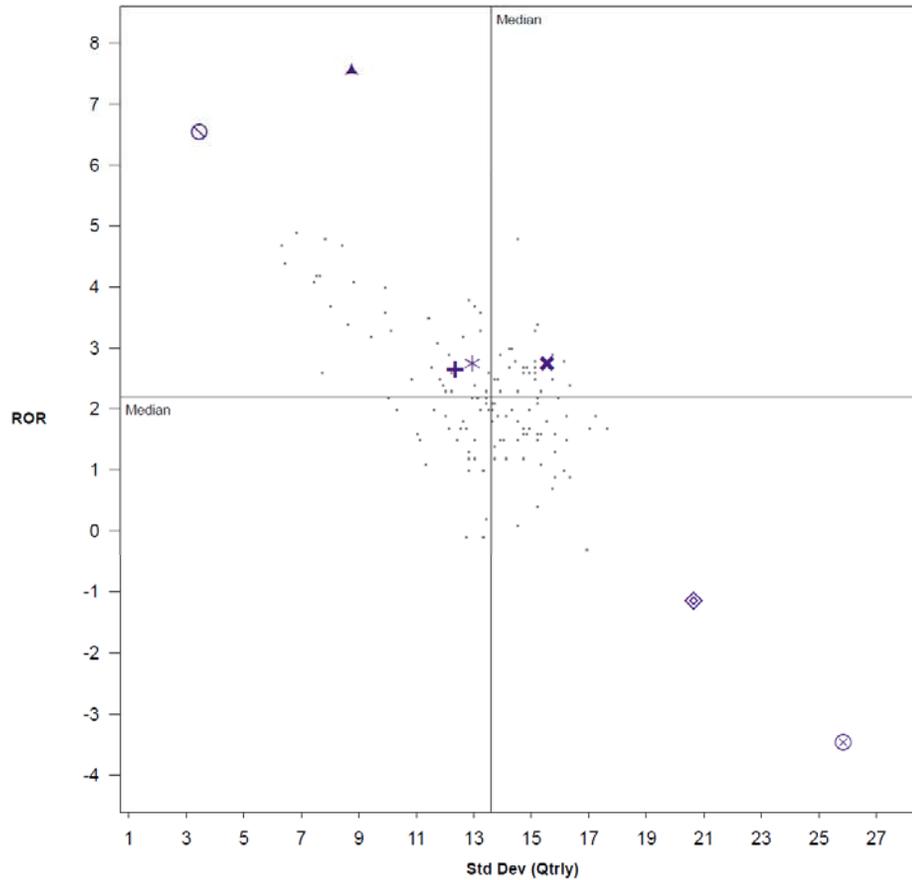
# Risk vs. Return Analysis – 5 Years

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending September 30, 2011

### Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
✖ MUNI COMPOSITE	2.7 31	15.6 86	0.1 40
* MUNI Allocation	2.7 30	13.0 39	0.1 30
+ POLICY INDEX	2.6 35	12.4 26	0.1 30
◇ S&P 500	-1.2 100	20.7 100	-0.1 99
⊘ BC AGGREGATE	6.5 1	3.5 1	1.4 1
⊗ MSCI EAFE (NET)	-3.5 100	25.9 100	-0.2 100
▲ Citigroup WGBI (All Maturities)	7.5 1	8.8 9	0.7 1
Median	2.2	13.6	0.0

Funded status as of July 1<sup>st</sup>, 2011 = 92.0%

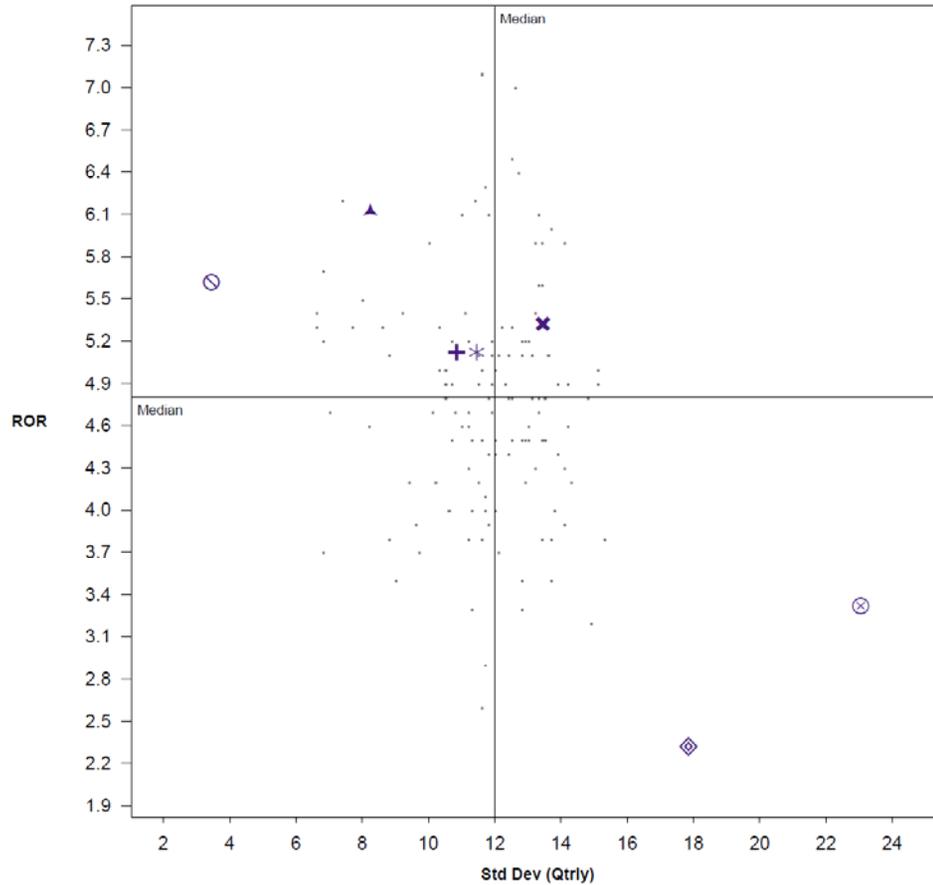


# Risk vs. Return Analysis – 7 Years

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)  
 Period Ending September 30, 2011

Risk vs. Return - 7 Year



NAME	Return	Standard Deviation	Sharpe Ratio
✖ MUNI COMPOSITE	5.3 24	13.5 84	0.2 47
* MUNI Allocation	5.1 34	11.5 33	0.2 33
+ POLICY INDEX	5.1 32	10.9 24	0.3 25
◇ S&P 500	2.3 100	17.9 100	0.0 99
⊘ BC AGGREGATE	5.6 15	3.5 1	1.0 1
⊗ MSCI EAFE (NET)	3.3 97	23.1 100	0.0 99
▲ Citigroup WGBI (All Maturities)	6.1 6	8.3 8	0.5 6
Median	4.8	12.0	0.2

Funded status as of July 1<sup>st</sup>, 2011 = 92.0%



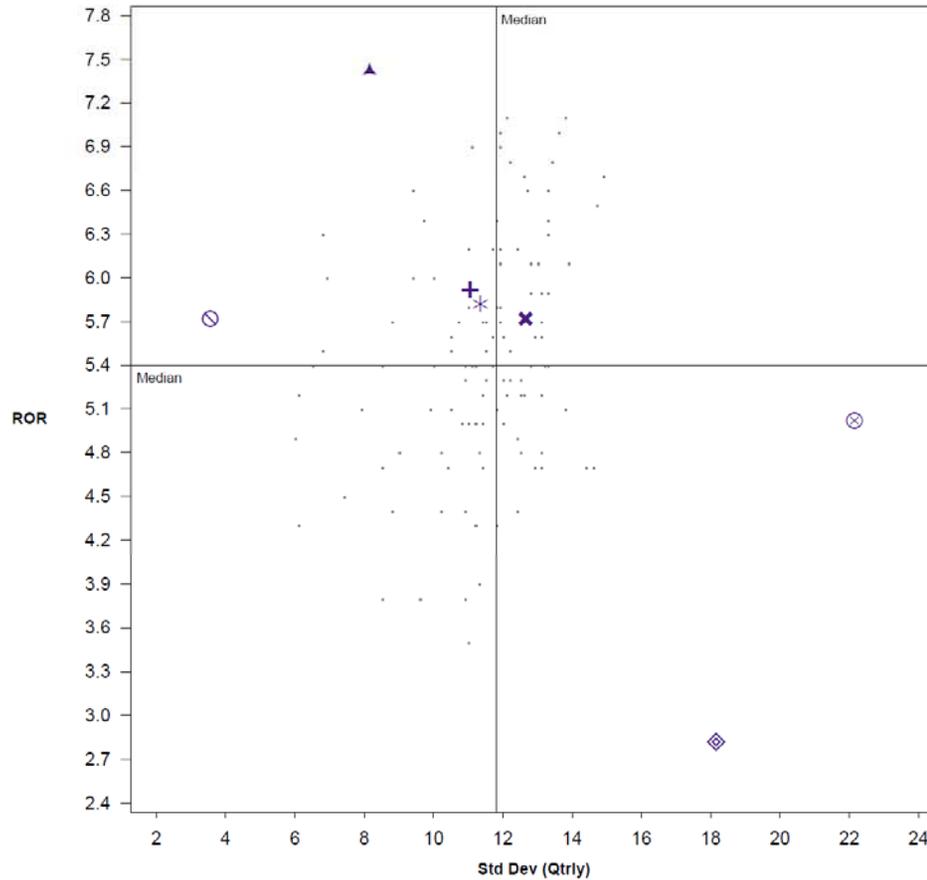
# Risk vs. Return Analysis – 10 Years

## VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending September 30, 2011

### Risk vs. Return - 10 Year



NAME	Return	Standard Deviation	Sharpe Ratio
✖ MUNI COMPOSITE	5.7 36	12.7 73	0.3 58
* MUNI Allocation	5.8 34	11.4 40	0.3 37
+ POLICY INDEX	5.9 29	11.1 35	0.4 27
◇ S&P 500	2.8 100	18.2 100	0.0 100
⊘ BC AGGREGATE	5.7 41	3.6 1	1.0 1
⊗ MSCI EAFE (NET)	5.0 72	22.2 100	0.1 100
▲ Citigroup WGBI (All Maturities)	7.4 1	8.2 8	0.7 1
Median	5.4	11.8	0.3

Funded status as of July 1<sup>st</sup>, 2011 = 92.0%

