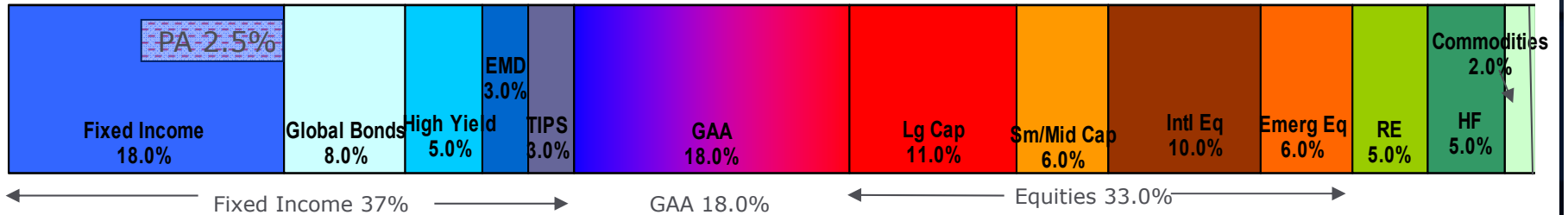




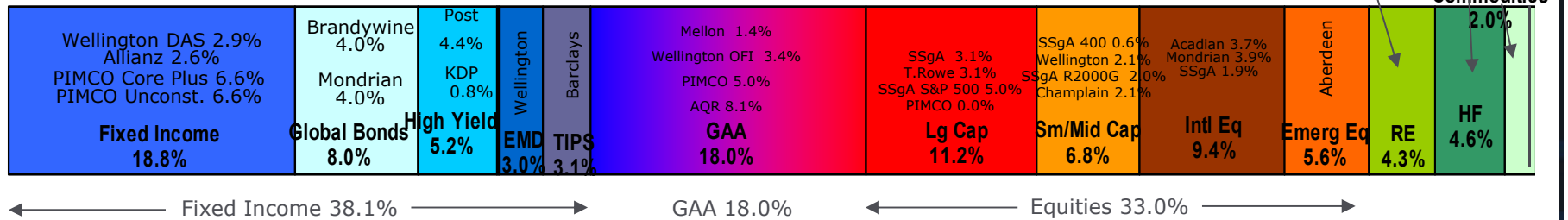
Vermont Municipal Employees' Retirement System

Total Plan Asset Allocation - VMERS

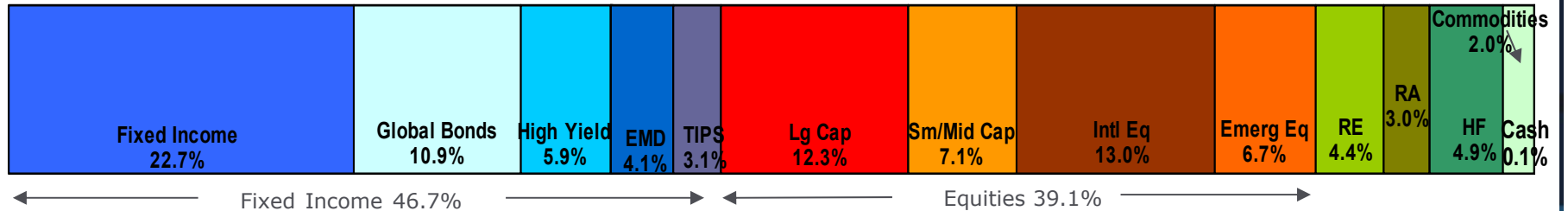
Target Asset Allocation



Current Asset Allocation by Manager



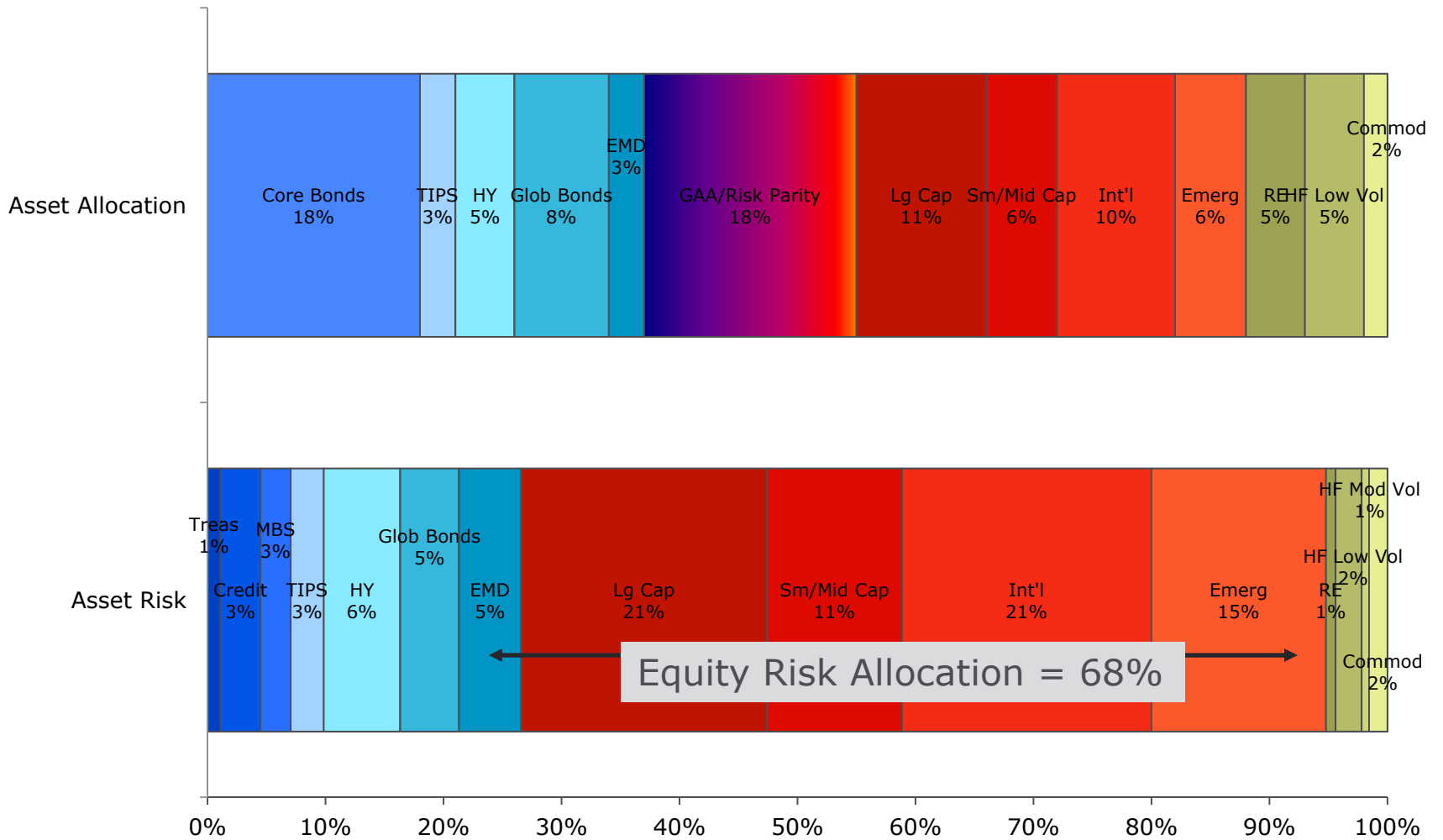
Current Asset Allocation by Asset Class



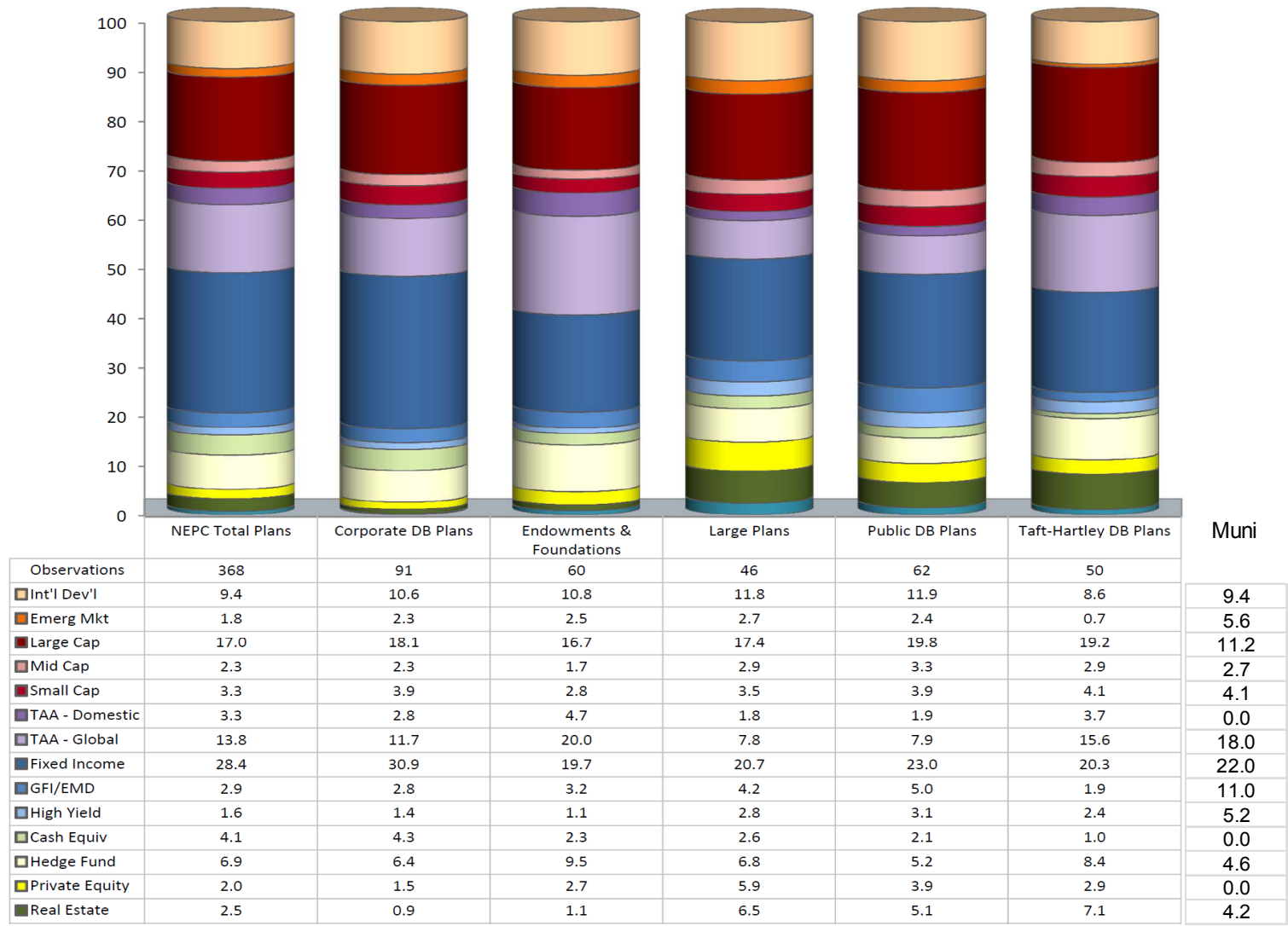
Numbers may not add up to 100% due to rounding.
 New Target Asset Allocation is effective as of 10/1/2011.



Policy Asset Allocation and Risk Budgeting



NEPC Plans by Type – Average Asset Allocation



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 |
|--------------------|------------------------|------------------|----------------------|-------------------------|--------------------------|---------------|---------------|----------|-----------------|----------|-----------------|----------------|----------|----------|-------|-----------|
| Composite | \$43,404 | \$7,975 | \$2,240 | \$8,186 | \$7,911 | \$73,011 | \$20,030 | \$11,996 | \$58,100 | \$11,670 | \$30,930 | \$16,467 | \$69,684 | \$25,620 | \$203 | \$387,427 |
| T. Rowe | 12,122 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$12,122 |
| PIMCO | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$45 |
| SSgA Equal Wgt | 11,931 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$11,931 |
| SSgA S&P 500 | 19,306 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$19,306 |
| Champlain | 0 | 7,975 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$7,975 |
| SSgA Mid | 0 | 0 | 2,240 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$2,240 |
| Wellington | 0 | 0 | 0 | 8,186 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$8,186 |
| SSgA R-2000 Growth | 0 | 0 | 0 | 0 | 7,911 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$7,911 |
| Acadian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,283 | 0 | 0 | 0 | 0 | 0 | 0 | \$14,283 |
| Mondrian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,069 | 0 | 0 | 0 | 0 | 0 | 0 | \$15,069 |
| SSgA ACWI ex US | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,180 | 0 | 0 | 0 | 0 | 0 | 0 | \$7,180 |
| Aberdeen | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21,568 | 0 | 0 | 0 | 0 | 0 | 0 | \$21,568 |
| Allianz | 0 | 0 | 0 | 0 | 0 | 10,247 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$10,247 |
| Wellington DAS | 0 | 0 | 0 | 0 | 0 | 11,385 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$11,385 |
| PIMCO Core Plus | 0 | 0 | 0 | 0 | 0 | 25,743 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$25,743 |
| PIMCO Unconst. | 0 | 0 | 0 | 0 | 0 | 25,636 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$25,636 |
| Post Advisory | 0 | 0 | 0 | 0 | 0 | 0 | 16,987 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$16,987 |
| KDP | 0 | 0 | 0 | 0 | 0 | 0 | 3,043 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$3,043 |
| Welligton EMD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,670 | 0 | 0 | 0 | 0 | 0 | \$11,670 |
| Barclays | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,996 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$11,996 |
| Mondrian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,577 | 0 | 0 | 0 | 0 | \$15,577 |
| Brandywine | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,353 | 0 | 0 | 0 | 0 | \$15,353 |
| Morgan Stanley | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,078 | 0 | 0 | 0 | \$7,078 |
| UBS Realty | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,595 | 0 | 0 | 0 | \$6,595 |
| RREEF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,704 | 0 | 0 | 0 | \$2,704 |
| Transwestern | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 90 | 0 | 0 | 0 | \$90 |
| Mellon GA 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,506 | 0 | 0 | \$5,506 |
| PIMCO AA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,372 | 0 | 0 | \$19,372 |
| Wellington OIF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,273 | 0 | 0 | 0 | \$13,273 |
| AQR | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31,533 | 0 | 0 | \$31,533 |
| 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 | 7,047 | 0 | \$7,047 |
| GAM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,571 | 0 | 0 | \$3,571 |
| Permal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,087 | 0 | 0 | \$7,087 |
| Schroders | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,915 | 0 | 0 | \$7,915 |
| Vermont Cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 203 | 0 | \$203 |

(Dollars in 000's)



Total Fund Asset Growth Summary

VERMONT MUNICIPAL EMPLOYEES

MUNICIPAL SYSTEM COMPOSITE

Periods Ending December 31, 2011

Total Fund Asset Growth Summary (\$000)

| | One Quarter | Year to Date |
|------------------------|-------------|--------------|
| MUNI COMPOSITE | | |
| Beginning Market Value | 369,308 | 373,312 |
| Net External Growth | 1,073 | 6,326 |
| Return on Investment | 17,046 | 7,788 |
| Income Received | 0 | 1 |
| Gain/Loss | 17,046 | 7,787 |
| Ending Market Value | 387,427 | 387,427 |

Return 4.8% 2.3%



Fund Performance vs. Benchmark

VERMONT MUNICIPAL EMPLOYEES

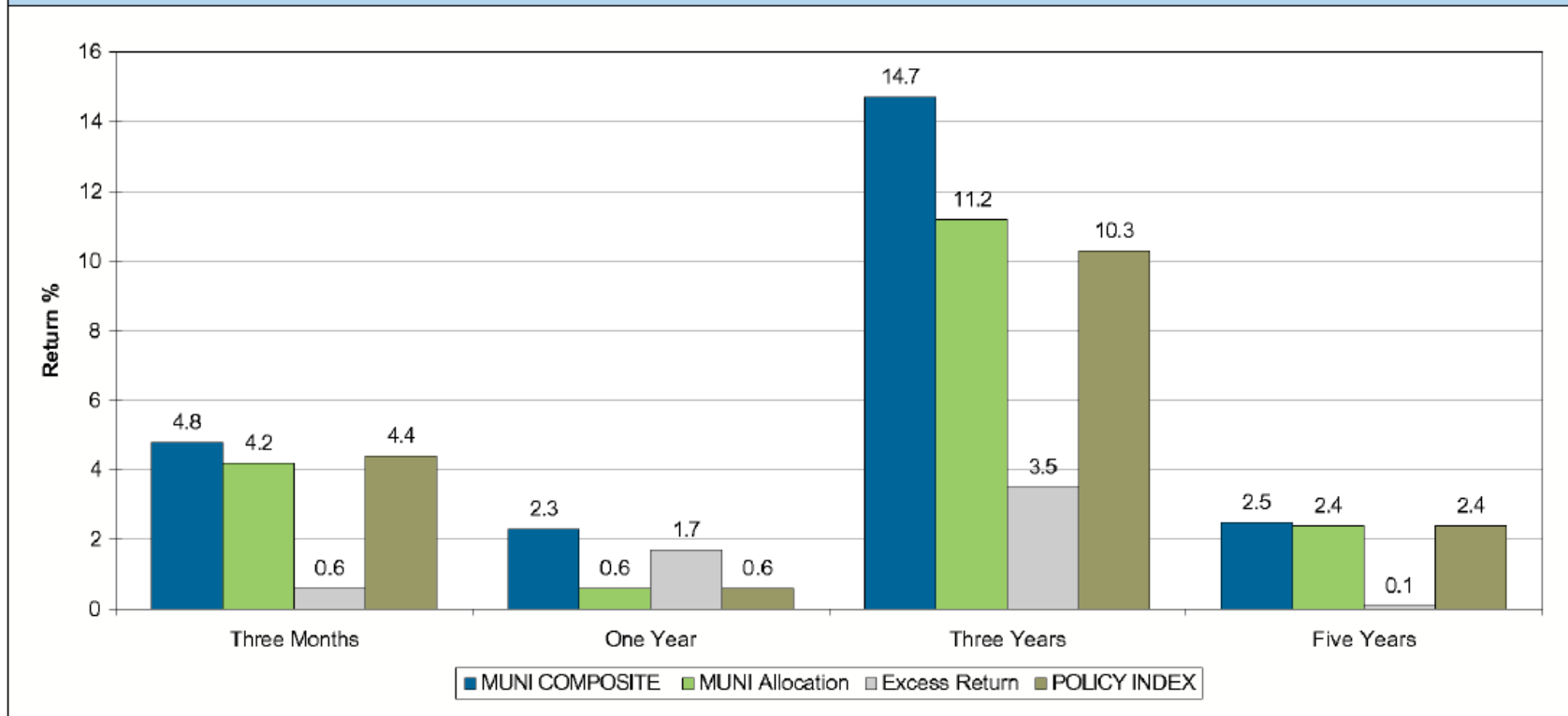
POLICY INDEX

Benchmark:

Periods Ending December 31, 2011

Fund Performance vs. Benchmark

MUNI COMPOSITE



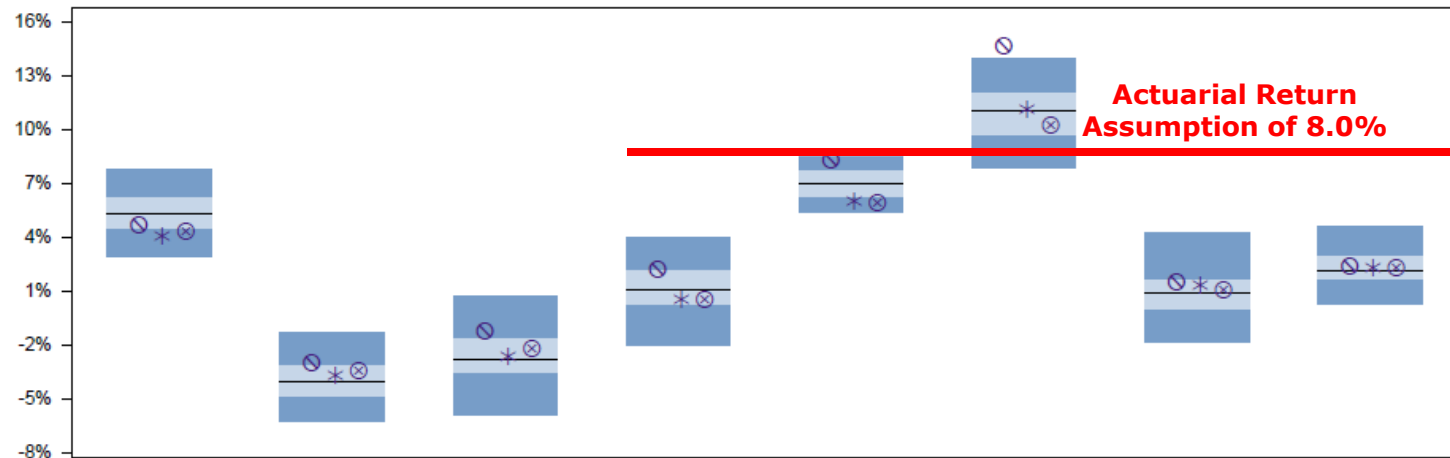
Total Public Funds Performance

VERMONT MUNICIPAL 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 | |
|-------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ○ MUNI COMPOSITE | 4.8 | 66 | -2.9 | 20 | -1.1 | 14 | 2.3 | 23 | 8.4 | 6 | 14.7 | 1 | 1.6 | 31 | 2.5 | 35 |
| * MUNI Allocation | 4.2 | 79 | -3.6 | 38 | -2.5 | 43 | 0.6 | 70 | 6.1 | 82 | 11.2 | 44 | 1.4 | 34 | 2.4 | 38 |
| □ POLICY INDEX | 4.4 | 74 | -3.3 | 31 | -2.1 | 36 | 0.6 | 69 | 6.0 | 82 | 10.3 | 65 | 1.2 | 42 | 2.4 | 39 |
| 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 | |

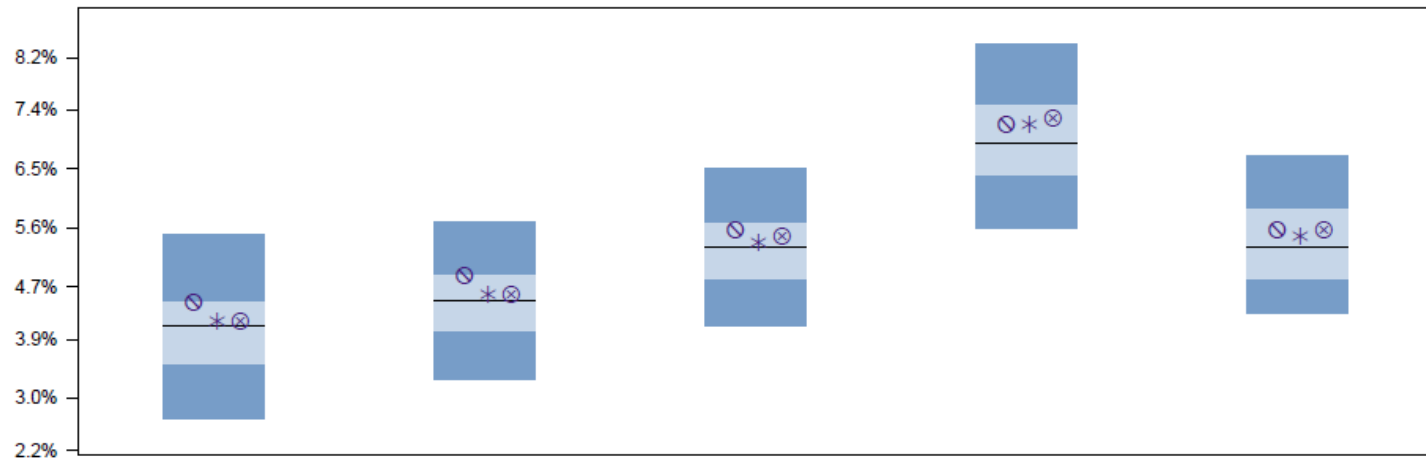


Total Public Funds Performance

VERMONT MUNICIPAL 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 |
|-------------------|-----------|-------------|-------------|------------|-----------|
| ○ MUNI COMPOSITE | 4.5 28 | 4.9 25 | 5.6 35 | 7.2 38 | 5.6 34 |
| * MUNI Allocation | 4.2 38 | 4.6 46 | 5.4 43 | 7.2 37 | 5.5 40 |
| □ POLICY INDEX | 4.2 38 | 4.6 39 | 5.5 38 | 7.3 31 | 5.6 34 |
| 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 |

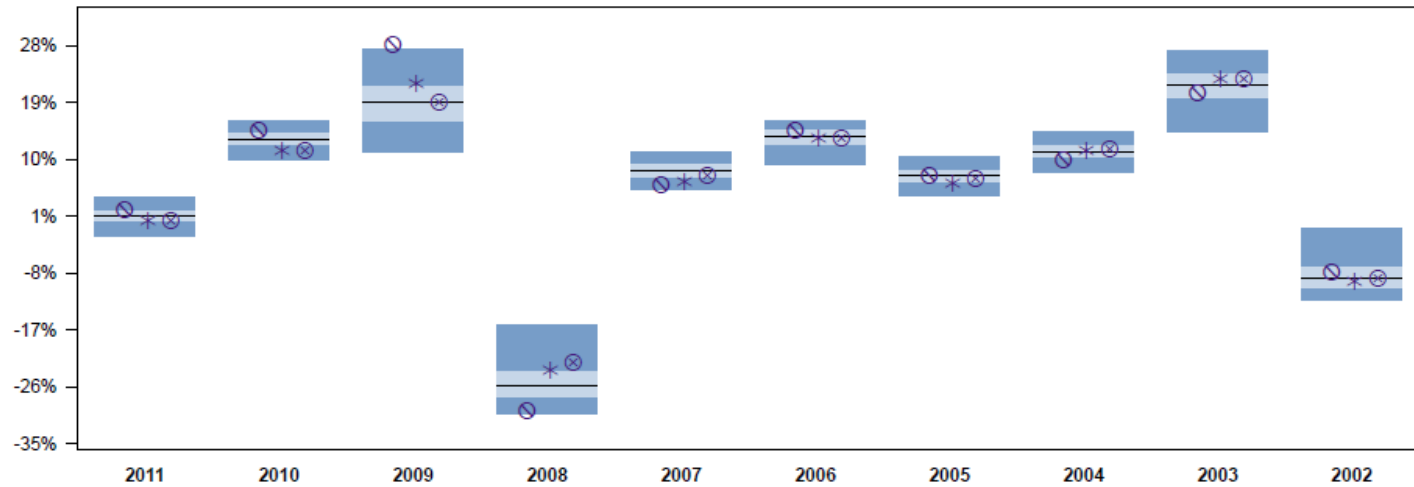
Total Public Funds Performance

VERMONT MUNICIPAL 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 |
|-------------------|------|------|------|-------|------|------|------|------|------|-------|
| ○ MUNI COMPOSITE | 2.3 | 14.9 | 28.4 | -29.4 | 6.3 | 14.8 | 7.8 | 10.1 | 20.8 | -7.6 |
| * MUNI Allocation | 0.6 | 11.8 | 22.2 | -23.0 | 6.7 | 13.6 | 6.5 | 11.7 | 23.1 | -8.9 |
| ○ POLICY INDEX | 0.6 | 11.7 | 19.3 | -21.9 | 7.7 | 13.7 | 7.2 | 11.9 | 23.0 | -8.5 |
| 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 |



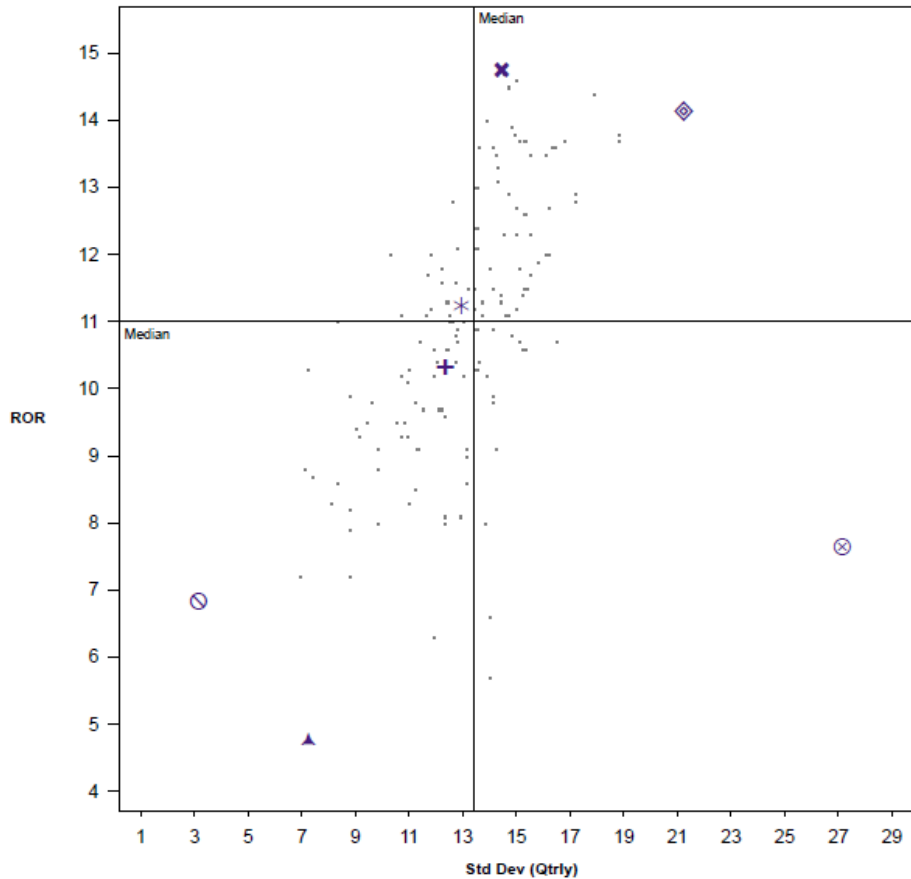
Risk vs. Return Analysis – 3 Years

VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

Risk vs. Return - 3 Year



| NAME | Return | Standard Deviation | Sharpe Ratio |
|-----------------------------------|---------|--------------------|--------------|
| * MUNI COMPOSITE | 14.7 1 | 14.5 72 | 1.0 15 |
| * MUNI Allocation | 11.2 44 | 13.0 46 | 0.9 46 |
| + POLICY INDEX | 10.3 85 | 12.4 37 | 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 1st, 2011 = 92.0%



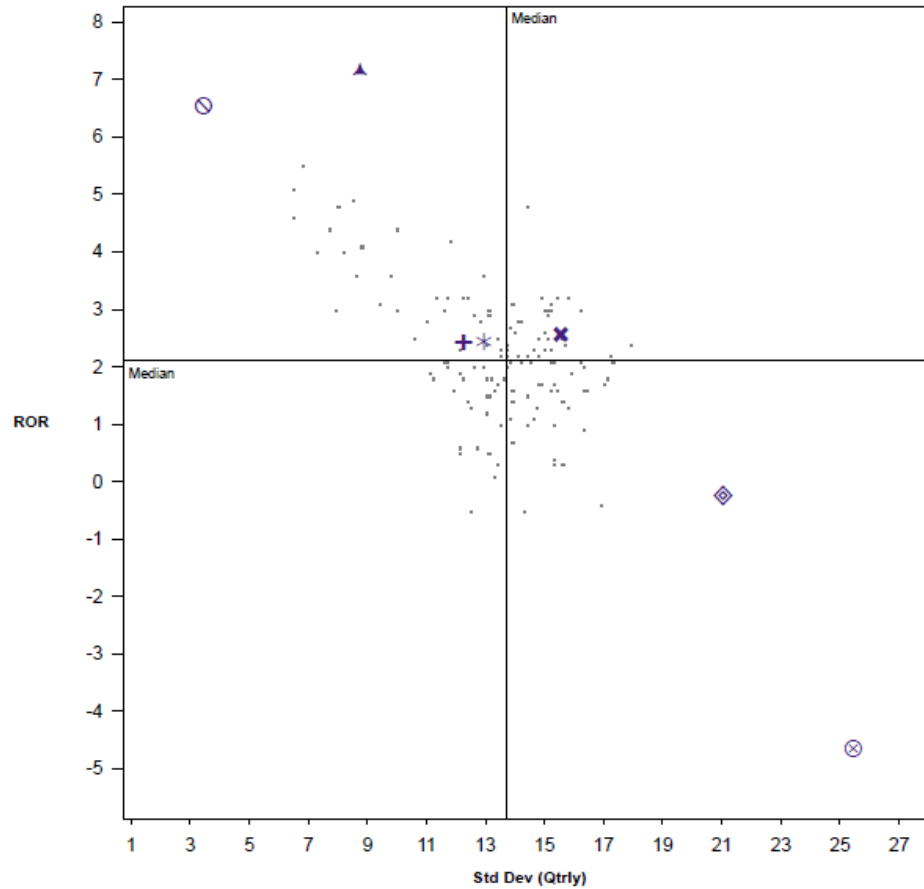
Risk vs. Return Analysis – 5 Years

VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

Risk vs. Return - 5 Year



| NAME | Return | Standard Deviation | Sharpe Ratio |
|-----------------------------------|----------|--------------------|--------------|
| ✕ MUNI COMPOSITE | 2.5 35 | 15.6 87 | 0.1 45 |
| * MUNI Allocation | 2.4 38 | 13.0 35 | 0.1 39 |
| + POLICY INDEX | 2.4 38 | 12.3 26 | 0.1 39 |
| ◇ 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 1st, 2011 = 92.0%

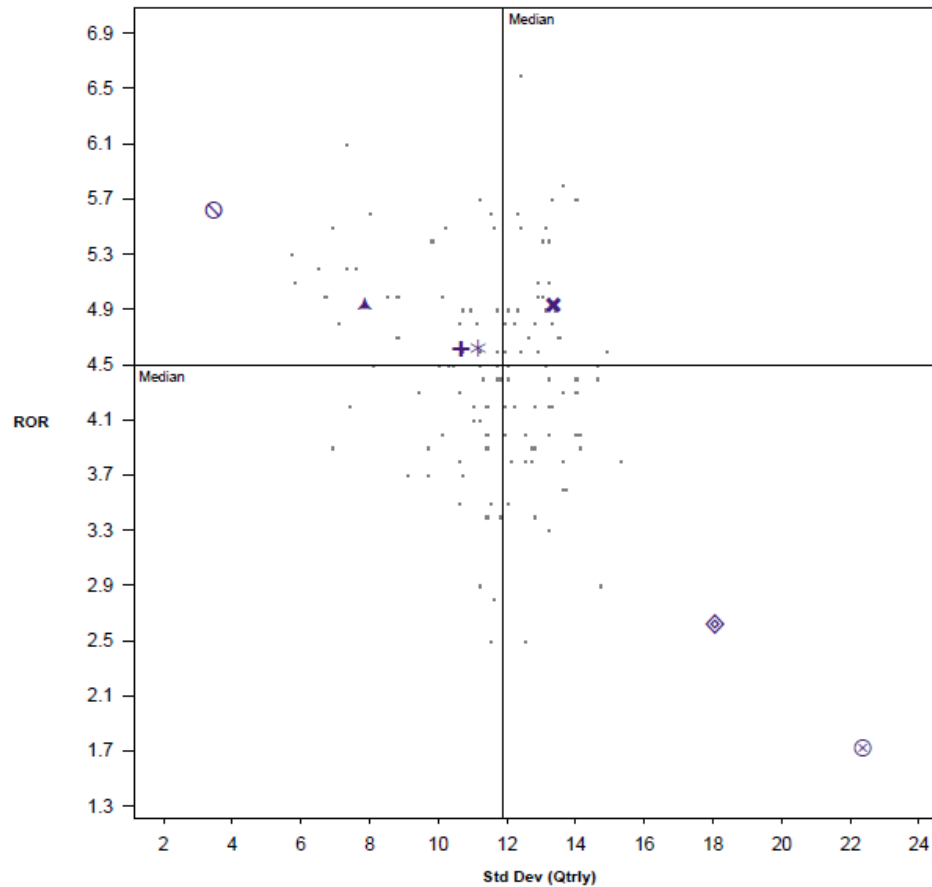


Risk vs. Return Analysis – 7 Years

VERMONT MUNICIPAL EMPLOYEES

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

Risk vs. Return - 7 Year



| NAME | Return | Standard Deviation | Sharpe Ratio |
|-----------------------------------|---------|--------------------|--------------|
| ✕ MUNI COMPOSITE | 4.9 25 | 13.4 86 | 0.2 50 |
| * MUNI Allocation | 4.6 46 | 11.2 34 | 0.2 45 |
| + POLICY INDEX | 4.6 39 | 10.7 27 | 0.2 33 |
| ◇ 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 1st, 2011 = 92.0%



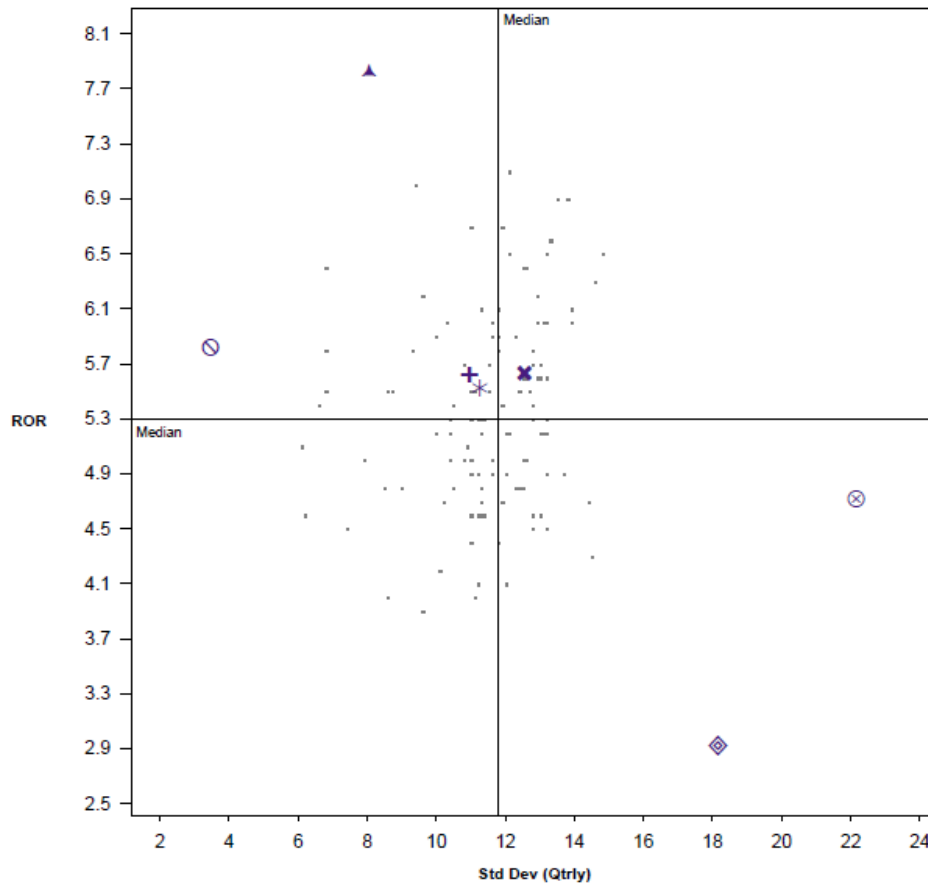
Risk vs. Return Analysis – 10 Years

VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: Public Funds (DB)

Period Ending December 31, 2011

Risk vs. Return - 10 Year



| NAME | Return | Standard Deviation | Sharpe Ratio |
|-----------------------------------|---------|--------------------|--------------|
| ✕ MUNI COMPOSITE | 5.6 34 | 12.6 71 | 0.3 58 |
| * MUNI Allocation | 5.5 40 | 11.3 37 | 0.3 41 |
| + POLICY INDEX | 5.6 34 | 11.0 26 | 0.3 31 |
| ◇ 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 |
| ▲ Citiqroup WGBI (All Maturities) | 7.8 1 | 8.1 7 | 0.7 2 |
| Median | 5.3 | 11.8 | 0.3 |

Funded status as of July 1st, 2011 = 92.0%

