

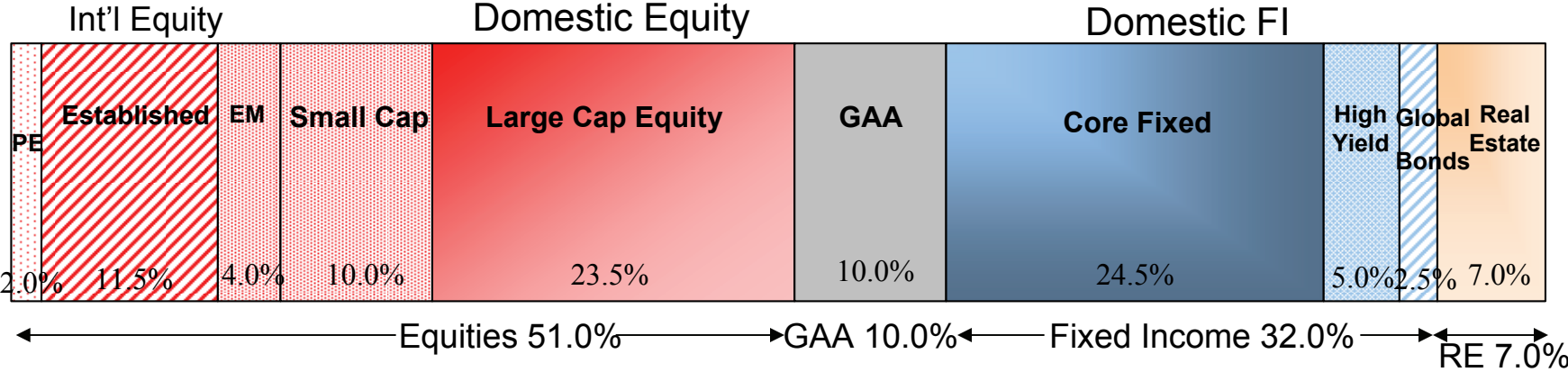
# Vermont Municipal Employees' Retirement System



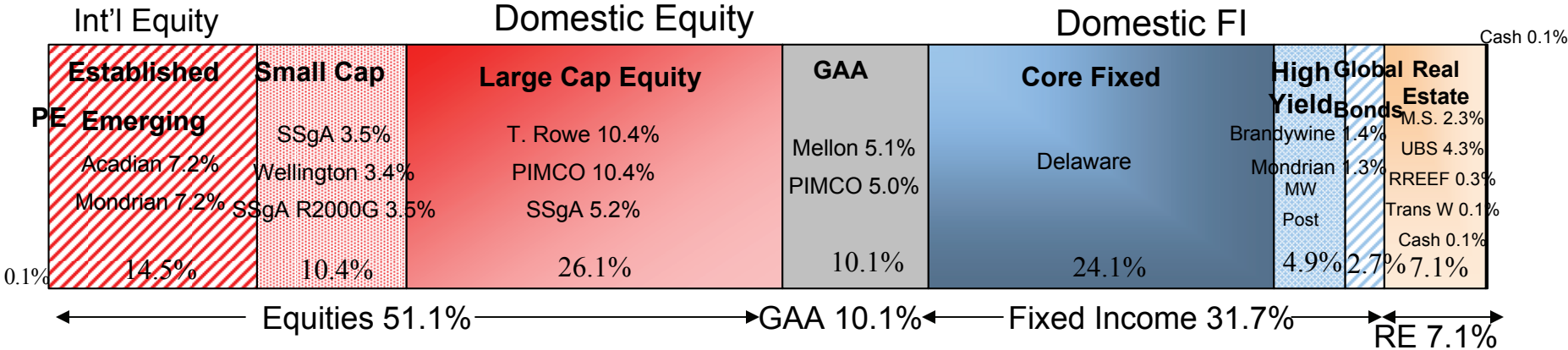
# Plan Asset Allocation

As of September 30, 2007

## Target Asset Allocation



## Current Asset Allocation



# 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	Alt Invest	Cash	Total
<b>Composite</b>	\$87,728	\$11,736	\$11,571	\$11,847	\$81,096	\$16,523	\$48,644	\$8,922	\$23,835	\$474	\$33,984	\$187	\$336,547
T. Rowe	35,154	0	0	0	0	0	0	0	0	0	0	0	\$35,154
PIMCO	35,061	0	0	0	0	0	0	0	0	0	0	0	\$35,061
SSgA Equal Wgt	17,513	0	0	0	0	0	0	0	0	0	0	0	\$17,513
SSgA R-2000 Growth	0	0	0	11,847	0	0	0	0	0	0	0	0	\$11,847
SSgA R-2500	0	11,736	0	0	0	0	0	0	0	0	0	0	\$11,736
Wellington	0	0	11,571	0	0	0	0	0	0	0	0	0	\$11,571
Acadian	0	0	0	0	0	0	24,396	0	0	0	0	0	\$24,396
Mondrian	0	0	0	0	0	0	24,248	0	0	0	0	0	\$24,248
Delaware	0	0	0	0	81,092	0	0	0	0	0	0	0	\$81,092
MW Post	0	0	0	0	0	16,523	0	0	0	0	0	0	\$16,523
Brandywine	0	0	0	0	0	0	0	4,555	0	0	0	0	\$4,555
Mondrian	0	0	0	0	0	0	0	4,367	0	0	0	0	\$4,367
Morgan Stanley	0	0	0	0	0	0	0	0	7,713	0	0	0	\$7,713
UBS Realty	0	0	0	0	0	0	0	0	14,465	0	0	0	\$14,465
RREEF	0	0	0	0	0	0	0	0	1,175	0	0	0	\$1,175
Transwestern	0	0	0	0	0	0	0	0	284	0	0	0	\$284
Real Estate Cash	0	0	0	0	0	0	0	0	198	0	0	0	\$198
Mellon GAA	0	0	0	0	0	0	0	0	0	0	17,041	0	\$17,041
PIMCO AA	0	0	0	0	0	0	0	0	0	0	16,943	0	\$16,943
Vermont Cash	0	0	0	0	4	0	0	0	0	0	0	187	\$191
Alt. Assets	0	0	0	0	0	0	0	0	0	474	0	0	\$474

(Dollars in 000's)

# Total Fund Asset Growth Summary

Periods Ending September 30, 2007

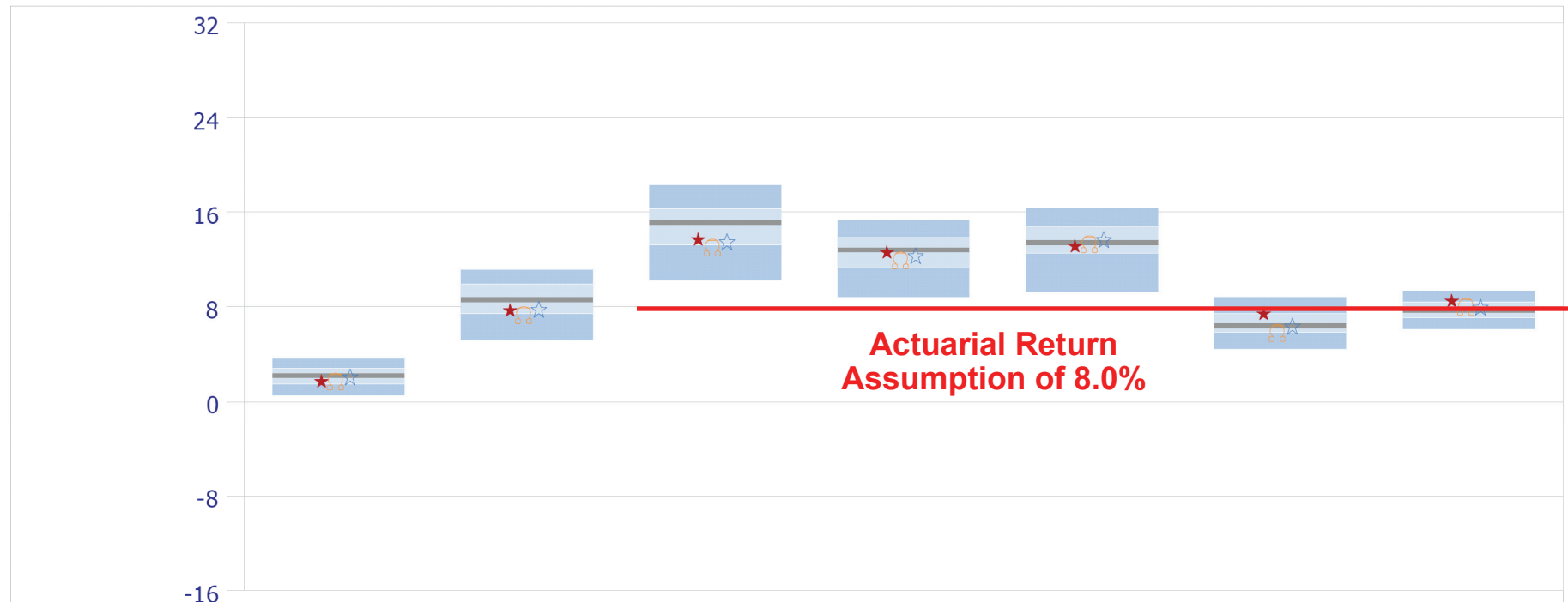
## MUNICIPAL SYSTEM COMPOSITE

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
<b>Beginning Market Value</b>	328,549	311,579	293,089	163,148
<b>Net External Growth</b>	2,497	834	3,145	40,166
<b>Return on Investment</b>	5,500	24,134	40,313	133,232
<b>Income Received</b>	19	37	125	25,077
<b>Gain/Loss</b>	5,482	24,097	40,187	108,155
<b>Ending Market Value</b>	336,547	336,547	336,547	336,547

Return    +1.7%                      +7.7%                      +13.7%



# Total Public Funds – Total Rates of Return



	One Quarter		Year to Date		One Year		Three Years		Five Years		Seven Years		Ten Years	
★ MUNI COMPOSITE	1.7	65	7.7	70	13.7	69	12.6	55	13.1	61	7.4	28	8.5	22
Ω ALLOC INDEX	1.7	64	7.3	77	13.0	75	11.9	67	13.3	53	5.8	74	8.0	39
☆ POLICY INDEX	2.1	52	7.8	69	13.5	69	12.3	59	13.7	41	6.4	53	8.0	39
<b>Median</b>	2.1	--	8.7	--	15.1	--	12.8	--	13.4	--	6.5	--	7.7	--

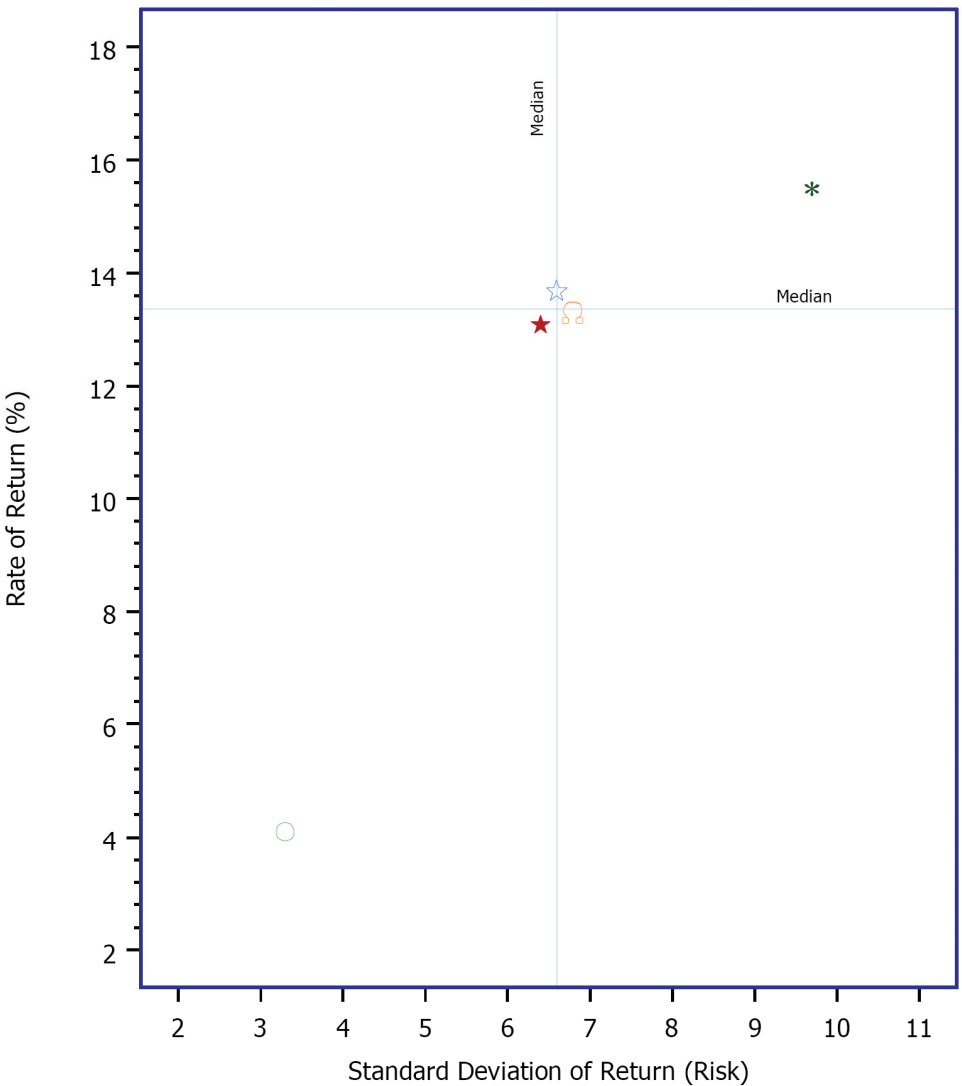
•Policy Index: Measures the effectiveness of Plan Structure. (Target asset class weights X Return of the respective passive benchmark)

•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

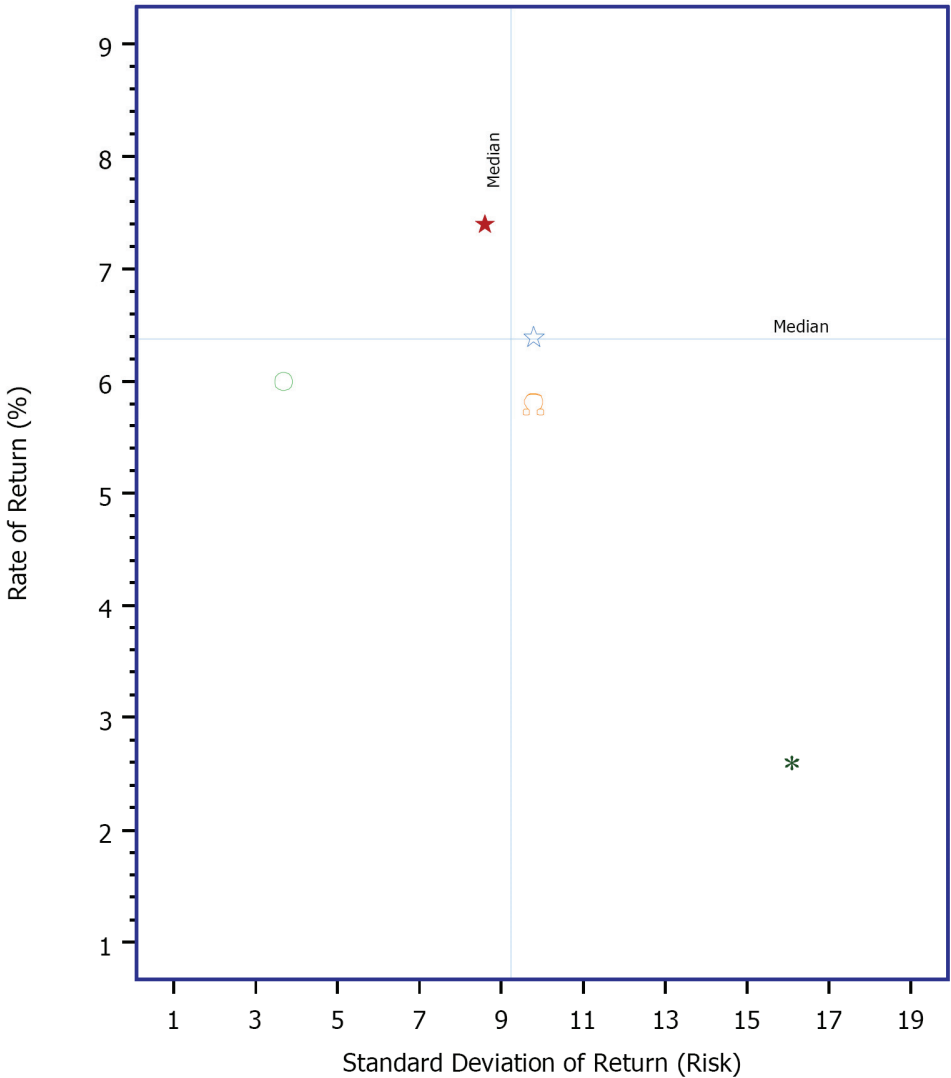


	Return		Standard Deviation		Sharpe Ratio
★ MUNI COMPOSITE	13.1	61	6.4	35	1.5
🔗 ALLOC INDEX	13.3	53	6.8	60	1.5
☆ POLICY INDEX	13.7	41	6.6	50	1.6
* S&P 500	15.5	8	9.7	100	1.2
○ LB AGGREGATE	4.1	100	3.3	1	0.4
<b>Median</b>	13.4	--	6.6	--	1.5

**Funded status as of Fiscal Year 2007 = 106.2%**



# Total Fund Risk / Return Analysis – 7 Years

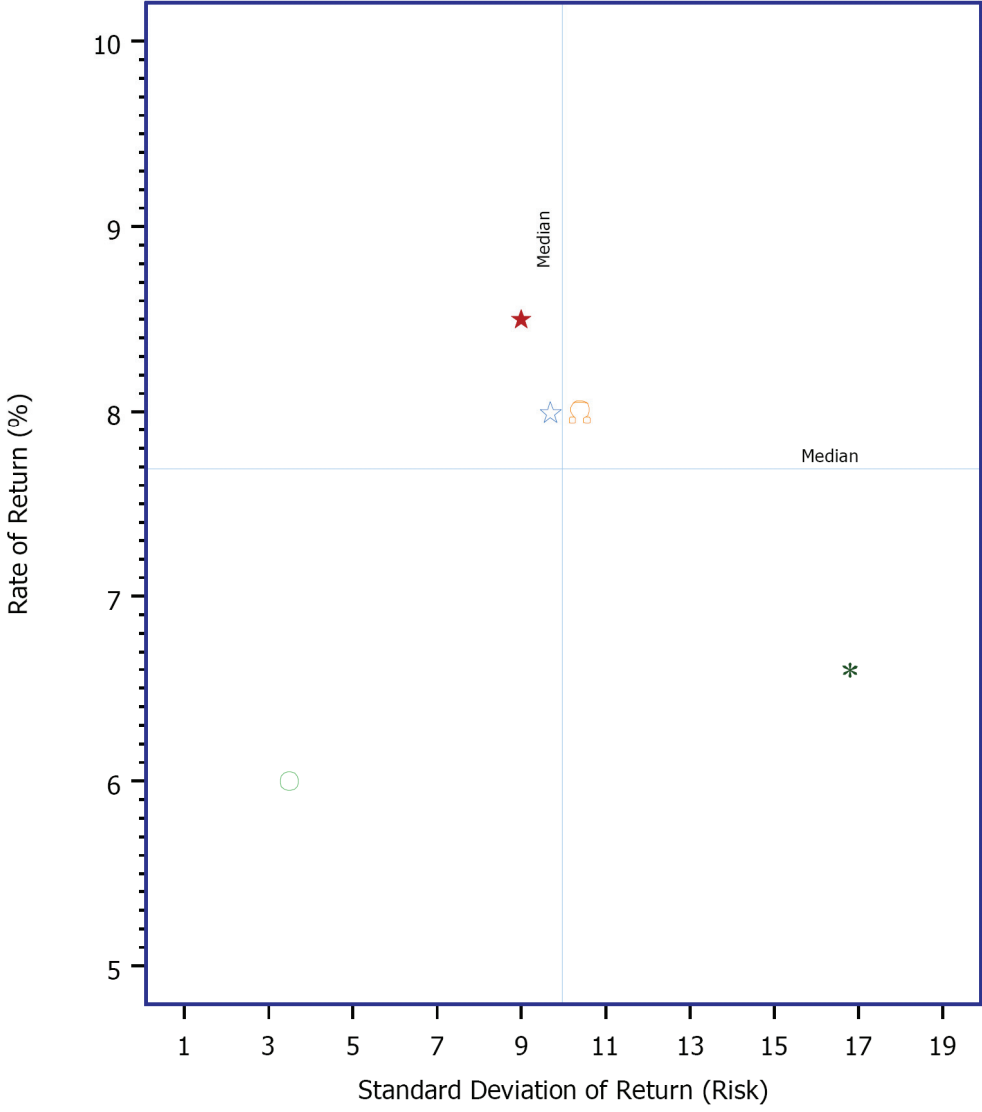


	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	7.4 28	8.6 30	0.5 22
⊗ ALLOC INDEX	5.8 74	9.8 65	0.3 80
☆ POLICY INDEX	6.4 53	9.8 65	0.4 50
* S&P 500	2.6 100	16.1 100	0.0 100
○ LB AGGREGATE	6.0 71	3.7 1	0.7 3
<b>Median</b>	<b>6.5 --</b>	<b>9.2 --</b>	<b>0.4 --</b>

**Funded status as of Fiscal Year 2007 = 106.2%**



# Total Fund Risk / Return Analysis – 10 Years



	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	8.5	9.0	0.5
⊗ ALLOC INDEX	8.0	10.4	0.4
☆ POLICY INDEX	8.0	9.7	0.5
* S&P 500	6.6	16.8	0.2
○ LB AGGREGATE	6.0	3.5	0.6
<b>Median</b>	<b>7.7</b>	<b>10.0</b>	<b>0.4</b>

**Funded status as of Fiscal Year 2007 = 106.2%**





# VPIC Managers

# VPIC Total Performance Summary

State of Vermont																			
Investment Performance "Flash" Report																			
Periods Ending September 30, 2007																			
<u>Quarter</u>	<i>Public Rank*</i>	<i>Large Rank</i>	<u>YTD</u>	<i>Public Rank</i>	<i>Large Rank</i>	<u>Last Year</u>	<i>Public Rank</i>	<i>Large Rank</i>	<u>Last 3 Years</u>	<i>Public Rank</i>	<i>Large Rank</i>	<u>Last 5 Years</u>	<i>Public Rank</i>	<i>Large Rank</i>	<u>Fiscal YTD</u>	<u>Market Value</u>	<u>% of Total Portfolio</u>	<u>Fee</u>	
<b>Teachers' Composite</b>																			
<b>Teachers' Composite</b>	1.5%	81	79	8.1%	80	77	14.5%	78	71	12.8%	71	71	14.2%	50	52	1.5%	<b>\$1,685,170,086</b>	100%	0.38%
<i>Allocation Index</i>	1.6%			7.6%			13.6%			12.3%			13.9%			1.6%			
<i>Policy Index</i>	2.0%			8.1%			14.3%			12.7%			14.1%			2.0%			
<b>Employees' Composite</b>																			
<b>Employees' Composite</b>	1.7%	71	73	7.8%	81	80	13.7%	82	79	12.4%	86	80	13.8%	62	64	1.7%	<b>\$1,406,755,760</b>	100%	0.39%
<i>Allocation Index</i>	1.7%			7.3%			13.2%			11.9%			13.5%			1.7%			
<i>Policy Index</i>	2.1%			7.8%			13.7%			12.0%			13.6%			2.1%			
<b>Municipal Composite</b>																			
<b>Municipal Composite</b>	1.7%	65		7.7%	70		13.7%	69		12.6%	55		13.1%	61		1.7%	<b>\$336,546,961</b>	100%	0.40%
<i>Allocation Index</i>	1.7%			7.3%			13.0%			11.9%			13.3%			1.7%			
<i>Policy Index</i>	2.1%			7.8%			13.5%			12.3%			13.7%			2.1%			

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.  
\* Plans greater than \$1 Billion are ranked under Public Fund > \$1 Billion



# VPIC Manager Performance Summary

State of Vermont																	
Investment Performance "Flash" Report																	
Periods Ending September 30, 2007																	
	Quarter	Rank	YTD	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Fiscal YTD	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	VPIC Inception Date	Annual Fee
<b>Large Cap Equity</b>																	
Large Cap Equity Composite - Employees'	1.8%	42	9.8%	40	17.3%	42	14.1%	53	15.8%	70	1.8%	\$375,235,113	26.7%	-	-		
Large Cap Equity Composite - Teachers'	1.1%	48	9.2%	48	16.7%	46	13.0%	75	15.1%	85	1.1%	\$509,777,311	-	30.3%	-		
Large Cap Equity Composite - Municipal	1.8%	42	9.8%	40	17.3%	42	15.2%	40	15.4%	83	1.8%	\$87,728,919	-	-	26.1%		
Standard & Poors 500	2.0%		9.1%		16.4%		13.1%		15.5%		2.0%						
T. Rowe	2.1%	21	10.1%	17	17.9%	31	n/a		n/a		2.1%	\$356,932,055	10.7%	10.2%	10.4%	Dec-05	0.30%
PIMCO	3.1%	6	10.8%	13	18.0%	30	n/a		n/a		3.1%	\$357,699,431	10.8%	10.1%	10.4%	Dec-05	0.33%
Standard & Poors 500	2.0%		9.1%		16.4%		13.1%		15.5%		2.0%						
SSgA	(2.2)%	97	6.3%	87	13.9%	79	n/a		n/a		(2.2)%	\$258,109,857	5.2%	9.9%	5.2%	Dec-05	0.05%
S&P 500 Equal Weighted	(1.9)%		6.8%		14.3%		14.5%		20.1%		(1.9)%						
<b>Small Cap Equity</b>																	
Small Cap Equity Composite - Employees'	(2.1)%	78	6.2%	74	14.2%	72	11.8%	87	16.0%	69	(2.1)%	\$170,739,954	12.1%	-	-		
Small Cap Equity Composite - Teachers'	(2.2)%	79	6.1%	74	14.1%	73	12.0%	86	15.9%	70	(2.2)%	\$205,005,653	-	12.2%	-		
Small Cap Equity Composite - Municipal	(2.1)%	78	6.2%	74	14.2%	72	12.0%	86	16.5%	63	(2.1)%	\$35,154,115	-	-	10.4%		
Russell 2000	(3.1)%		3.2%		12.4%		13.4%		18.7%		(3.1)%						
SSgA 2500	(2.5)%	35	5.9%	47	15.0%	47	n/a		n/a		(2.5)%	\$137,033,474	4.0%	4.1%	3.5%	Dec-05	0.07%
Russell 2500	(2.5)%		6.0%		15.2%		15.0%		19.5%		(2.5)%						
Wellington	(4.0)%	31	4.1%	33	13.1%	32	16.4%	4	n/a		(3.9)%	\$134,657,995	4.0%	4.0%	3.4%	Dec-05	0.50%
Russell 2000 Value	(6.3)%		(2.7)%		6.1%		12.5%		18.7%		(6.3)%						
SSgA Russell 2000 Growth	(0.0)%	63	n/a		n/a		n/a		n/a		(0.0)%	\$139,208,253	4.1%	4.1%	3.5%	Dec-06	0.10%
Russell 2000 Growth	0.0%		9.4%		18.9%		14.1%		18.7%		0.0%						
<b>International Equity</b>																	
International Equity Composite - Employees'	1.4%	58	12.5%	62	25.2%	57	25.1%	44	24.3%	60	1.4%	\$ 203,021,226	14.4%	-	-		
International Equity Composite - Teachers'	1.4%	58	12.4%	64	24.9%	60	25.4%	40	25.2%	51	1.4%	\$ 238,286,474	-	14.1%	-		
International Equity Composite - Municipal	1.4%	58	12.5%	62	25.2%	57	24.5%	46	24.2%	60	1.4%	\$ 48,643,839	-	-	14.5%		
Acadian	1.4%	60	12.8%	60	26.7%	43	n/a		n/a		1.4%	\$222,226,207	7.2%	5.7%	7.2%	Oct-05	0.48%
Mondrian	1.5%	58	12.1%	68	23.7%	67	24.1%	51	25.9%	30	1.5%	\$267,725,332	7.2%	8.4%	7.2%	Oct-05	0.36%
EAFE (After Taxes)	2.2%		13.2%		24.9%		23.2%		23.6%		2.2%						
CITI EPAC	2.7%		14.5%		25.5%		24.0%		24.0%		2.7%						
<b>Core Fixed Income</b>																	
Delaware**	2.1%	88	3.3%	85	4.7%	84	4.2%	48	5.3%	21	2.1%	\$622,709,241	20.1%	15.3%	24.1%	Apr-06	0.33%
LB Aggregate	2.8%		3.8%		5.1%		3.9%		4.1%		2.8%						
<b>High Yield Fixed Income</b>																	
MW Post	1.2%	38	4.8%	13	8.3%	30	7.2%	42	n/a		1.2%	\$172,628,727	5.0%	5.1%	4.9%	Apr-06	0.42%
LB High Yield	0.3%		3.2%		7.6%		7.5%		12.7%		0.3%						
<b>Global Fixed Income</b>																	
Brandywine	5.8%	47	8.0%	2	11.0%	6	n/a		n/a		5.8%	\$76,819,892	2.3%	2.3%	1.4%	May-06	0.42%
Mondrian**	7.5%	11	6.9%	41	9.4%	32	5.0%	55	7.2%	63	7.4%	\$76,787,500	2.4%	2.3%	1.3%	May-06	0.36%
CITI WGBI	7.2%		6.8%		8.7%		4.6%		7.0%		7.2%						

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.  
\* Performance results should be consider preliminary.  
\*\* Annualized returns includes historic performance from the legacy global portfolio.



# VPIC Manager Performance Summary

State of Vermont																	
Investment Performance "Flash" Report																	
Periods Ending September 30, 2007																	
	Quarter	Rank	YTD	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Fiscal YTD	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	VPIC Inception Date	Annual Fee
<b>Real Estate<sup>^</sup></b>																	
<b>Total Real Estate</b>													6.2%	8.0%	7.1%		
Morgan Stanley	2.1%	51	13.7%	26	19.1%	21	19.5%	32	16.8%	26	2.1%	\$79,536,468	2.0%	2.6%	2.3%	Sep-06	0.88%
UBS Realty	2.3%	50	11.8%	39	17.8%	32	18.0%	45	15.1%	39	2.3%	\$149,168,390	3.8%	4.8%	4.3%	Sep-06	0.90%
RREEF	6.8%	6	18.0%	12	25.6%	9	n/a		n/a		6.8%	\$12,116,121	0.3%	0.4%	0.3%	Sep-06	
Transwestern / Aslan	0.0%	68	9.2%	53	0.6%	92	n/a		n/a		0.0%	\$2,928,267	0.1%	0.1%	0.1%	Sep-06	
Real Estate Cash	1.5%		4.2%		4.7%		n/a		n/a		1.5%	\$2,042,477	0.1%	0.1%	0.1%	Sep-06	
NCREIF Property Index	3.6%		12.2%		17.3%		18.0%		14.8%		3.6%						
<b>Private Investment</b>																	
Pru & VVC	1.4%		5.8%		16.5%		7.4%		2.3%		1.4%	\$5,688,626	0.0%	0.3%	0.0%		
Vermont Investments	0.2%		9.2%		(39.8)%		(10.9)%		(8.9)%		0.2%	\$3,032,170	0.2%	0.0%	0.0%		
Alternative Investments	0.0%		n/a		n/a		n/a		n/a		0.0%	\$474,144	0.0%	0.0%	0.1%		
RMK Timber <sup>^</sup>	5.0%		0.2%		10.1%		22.4%		14.1%		5.0%	\$2,811,434	0.2%	0.0%	0.0%		1.00%
NCREIF Timber Index <sup>^</sup>	2.3%		10.9%		11.9%		15.2%		11.2%		2.3%						
<b>Global Asset Allocation</b>																	
Mellon Global Alpha	2.7%		5.7%		13.5%		n/a		n/a		2.7%	\$172,672,775	5.1%	5.0%	5.1%	May-06	0.65%
60%MSCI World / 40% CITI WGBI	2.8%		8.2%		13.8%		12.2%		13.0%		2.8%						
Pimco All Asset	4.1%		7.8%		10.2%		n/a		n/a		4.1%	\$174,007,466	5.1%	5.1%	5.0%	May-06	0.83%
T-Bill + 5%	2.6%		7.8%		10.4%		9.3%		8.1%		2.6%						
<b>Cash</b>																	
Employees' Cash	1.9%		4.8%		6.2%		6.5%		4.4%		1.9%	\$866,599	0.1%	0.0%	0.0%		
Teachers' Cash	1.9%		4.9%		6.4%		5.5%		4.2%		1.9%	\$398,912	0.0%	0.0%	0.0%		
Municipal Cash	1.8%		4.9%		6.2%		5.1%		3.5%		1.8%	\$190,994	0.0%	0.0%	0.1%		
90 Day U.S. T-Bills	1.3%		3.9%		5.2%		4.1%		2.9%		1.3%						

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.  
<sup>^</sup> Returns reported on a quarterly basis.

