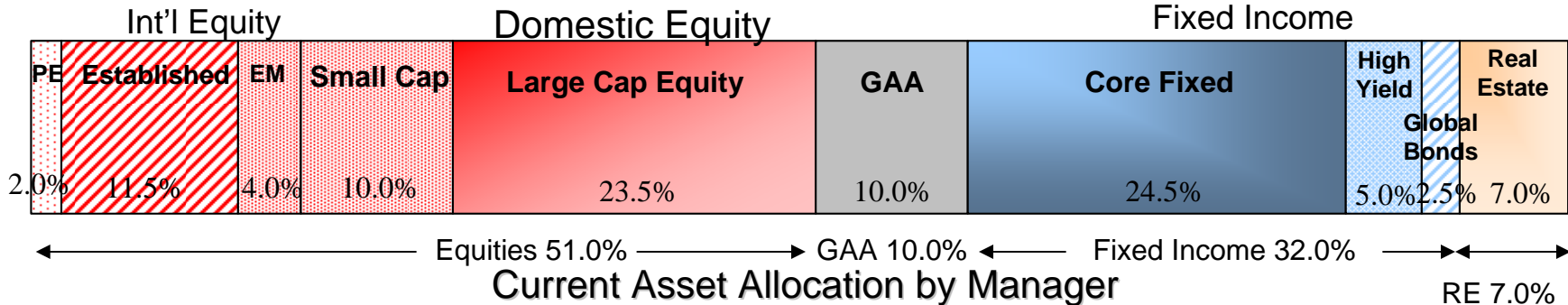


Vermont Municipal Employees' Retirement System

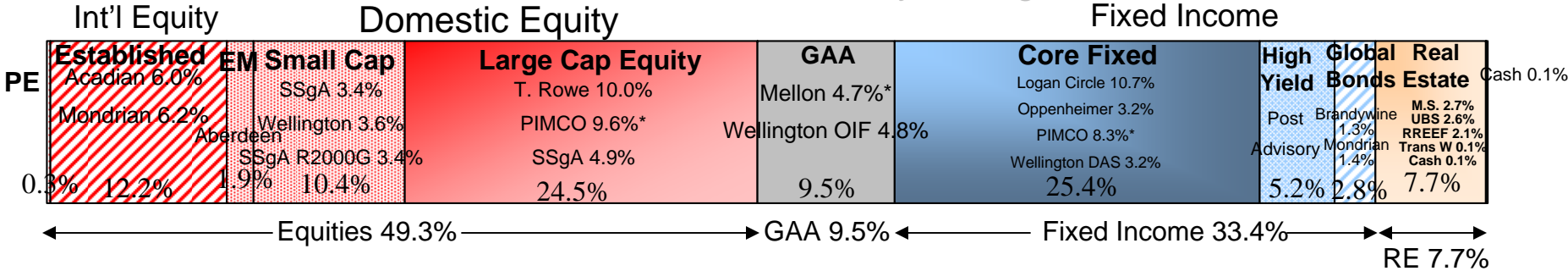


Plan Asset Allocation

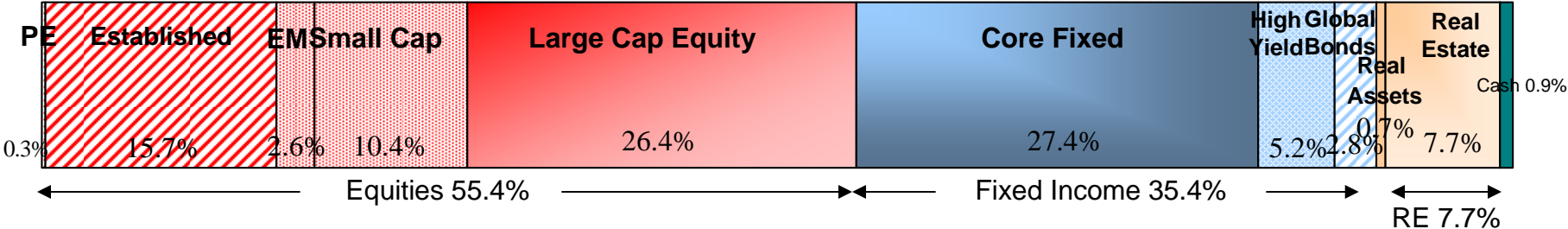
As of September 30, 2008
Target Asset Allocation



Current Asset Allocation by Manager



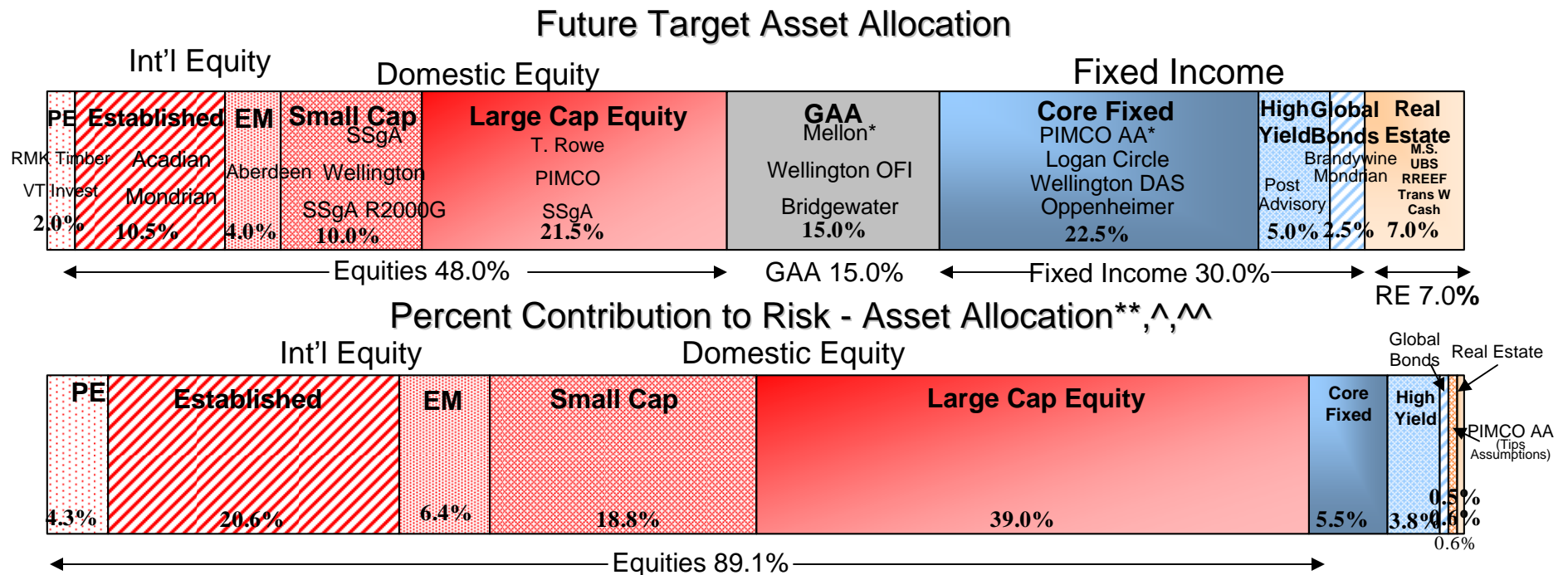
Current Asset Allocation by Asset Class



* See disclosure pages in appendix under manager analysis
 Numbers may not add up to 100% due to rounding.



Plan Future Asset Allocation and Risk Budgeting



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

* See disclosure pages in appendix under manager analysis

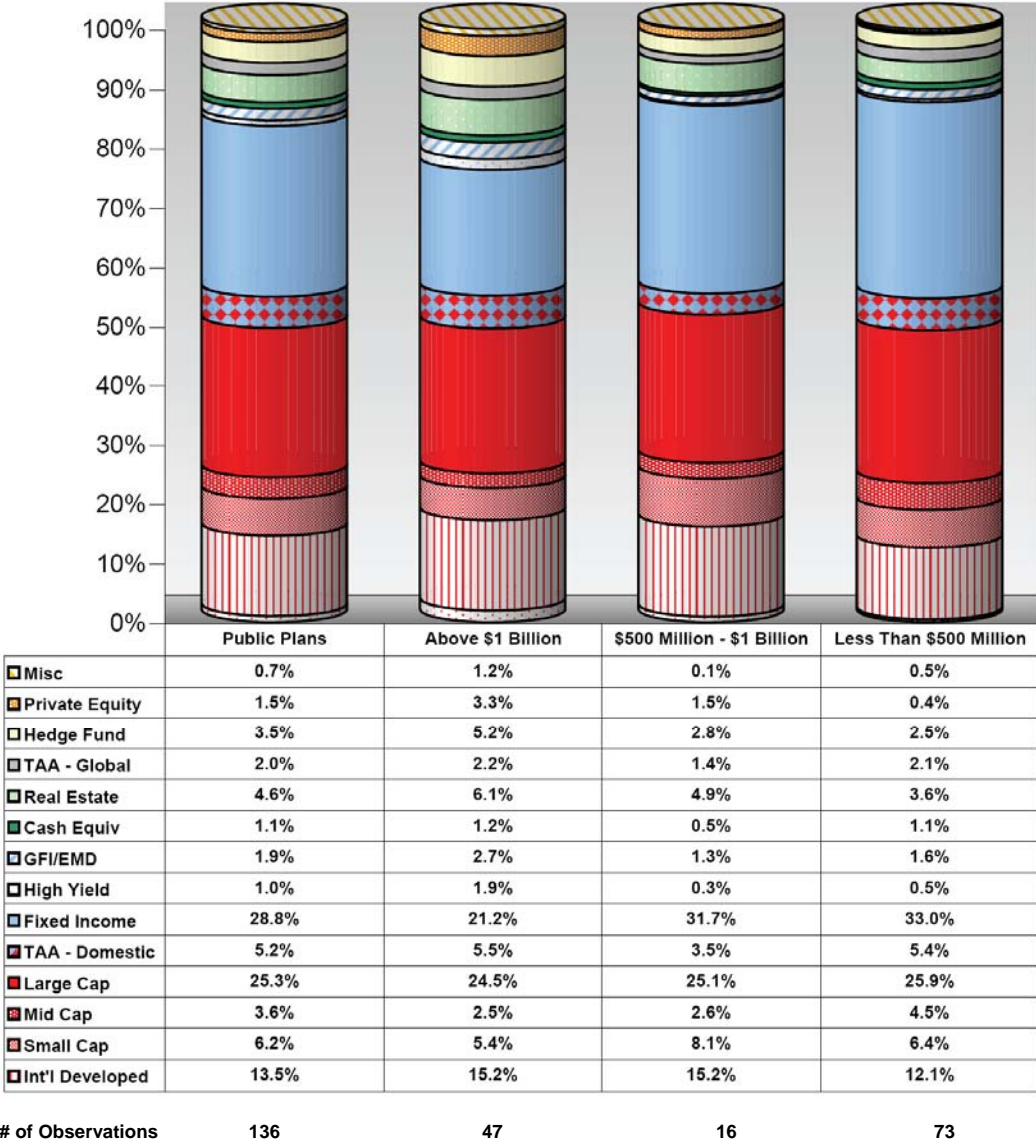
**Mellon GA 1 was modeled using the following asset classes: 30% Large Cap / 30% Int'l Equity / 20% Core Fixed Income / 20% Global Bonds.

^PIMCO AA was modeled using our Tips Assumptions.

^^Based on Target Allocation on page 7



ICC Average Asset Allocation – Public Plans



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
Composite	\$69,160	\$9,712	\$10,217	\$9,537	\$71,762	\$14,810	\$39,726	\$7,796	\$21,786	\$767	\$26,943	\$226	\$282,441
T. Rowe	28,121	0	0	0	0	0	0	0	0	0	0	0	\$28,121
PIMCO	27,186	0	0	0	0	0	0	0	0	0	0	0	\$27,186
SSgA Equal Wgt	13,853	0	0	0	0	0	0	0	0	0	0	0	\$13,853
SSgA R-2000 Growth	0	0	0	9,537	0	0	0	0	0	0	0	0	\$9,537
SSgA R-2500	0	9,712	0	0	0	0	0	0	0	0	0	0	\$9,712
Wellington	0	0	10,217	0	0	0	0	0	0	0	0	0	\$10,217
Acadian	0	0	0	0	0	0	16,827	0	0	0	0	0	\$16,827
Mondrian	0	0	0	0	0	0	17,582	0	0	0	0	0	\$17,582
Aberdeen	0	0	0	0	0	0	5,317	0	0	0	0	0	\$5,317
Logan Circle	0	0	0	0	30,309	0	0	0	0	0	0	0	\$30,309
Oppenheimer	0	0	0	0	8,988	0	0	0	0	0	0	0	\$8,988
PIMCO AA	0	0	0	0	23,468	0	0	0	0	0	0	0	\$23,468
Wellington DAS	0	0	0	0	8,993	0	0	0	0	0	0	0	\$8,993
Post Advisory	0	0	0	0	0	14,810	0	0	0	0	0	0	\$14,810
Brandywine	0	0	0	0	0	0	0	3,763	0	0	0	0	\$3,763
Mondrian	0	0	0	0	0	0	0	4,033	0	0	0	0	\$4,033
Morgan Stanely	0	0	0	0	0	0	0	0	7,678	0	0	0	\$7,678
UBS Realty	0	0	0	0	0	0	0	0	7,399	0	0	0	\$7,399
RREEF	0	0	0	0	0	0	0	0	5,909	0	0	0	\$5,909
Transwestern	0	0	0	0	0	0	0	0	385	0	0	0	\$385
Real Estate Cash	0	0	0	0	0	0	0	0	415	0	0	0	\$415
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	13,301	0	\$13,301
Wellington OIF	0	0	0	0	0	0	0	0	0	0	13,642	0	\$13,642
Vermont Cash	0	0	0	0	4	0	0	0	0	0	0	226	\$230
Alt. Assets	0	0	0	0	0	0	0	0	0	767	0	0	\$767

(Dollars in 000's)



Total Fund Asset Growth Summary

Periods Ending September 30, 2008

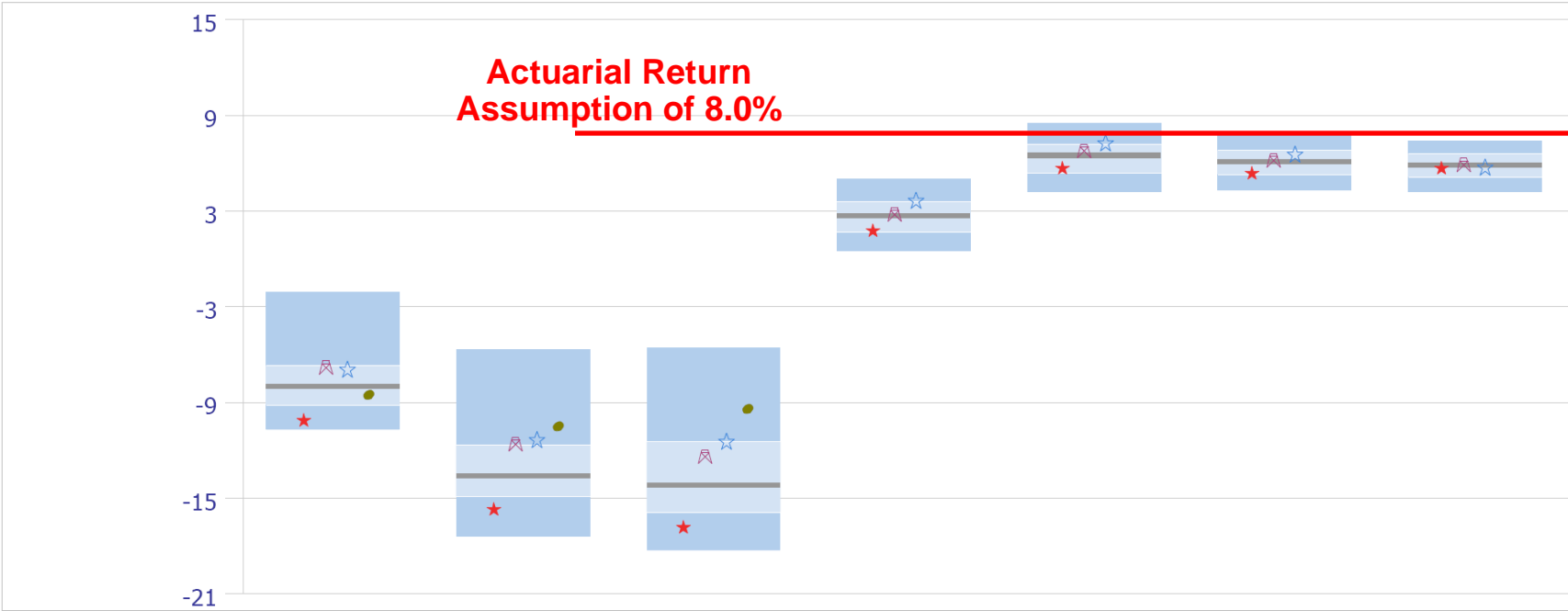
MUNICIPAL SYSTEM COMPOSITE

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
Beginning Market Value	313,101	333,240	336,302	163,148
Net External Growth	1,174	1,883	3,418	43,667
Return on Investment	-31,834	-52,682	-57,279	75,626
Income Received	5	65	71	25,148
Gain/Loss	-31,839	-52,747	-57,350	50,478
Ending Market Value	282,441	282,441	282,441	282,441

Return -10.1% -15.7% -16.8%



Total Public Funds – Total Rates of Return*

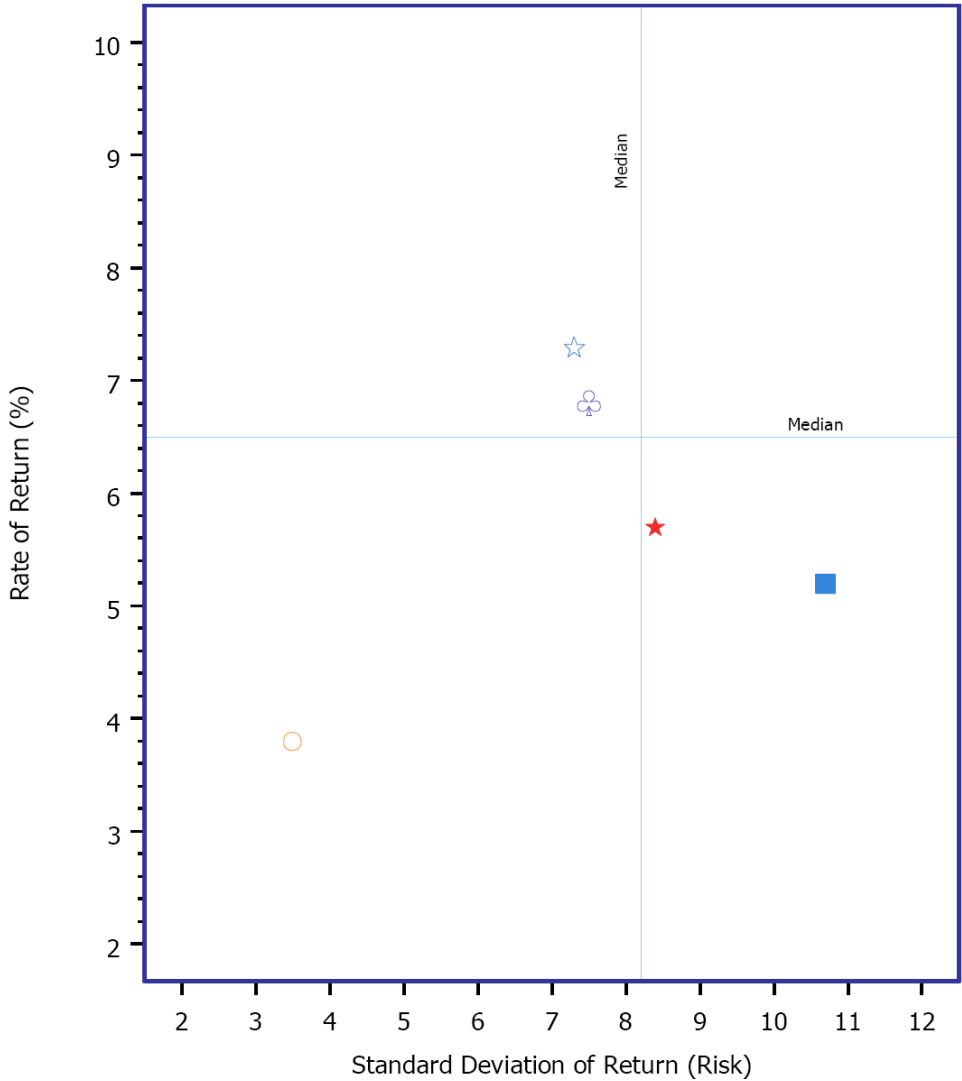


	One Quarter		Year to Date		One Year		Three Years		Five Years		Seven Years		Ten Years	
★ MUNI COMPOSITE	-10.1	89	-15.7	85	-16.8	85	1.8	73	5.7	66	5.4	74	5.7	61
🏠 ALLOC INDEX	-6.8	25	-11.6	24	-12.4	29	2.8	43	6.8	36	6.2	45	5.9	48
☆ POLICY INDEX	-6.9	27	-11.3	24	-11.4	23	3.7	18	7.3	19	6.6	29	5.8	50
● MUNI CORE FIXED	-8.5	53	-10.5	18	-9.4	13								
Median	-8.0	--	-13.6	--	-14.2	--	2.7	--	6.5	--	6.1	--	5.9	--

• **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)



Total Fund Risk / Return Analysis – 5 Years*

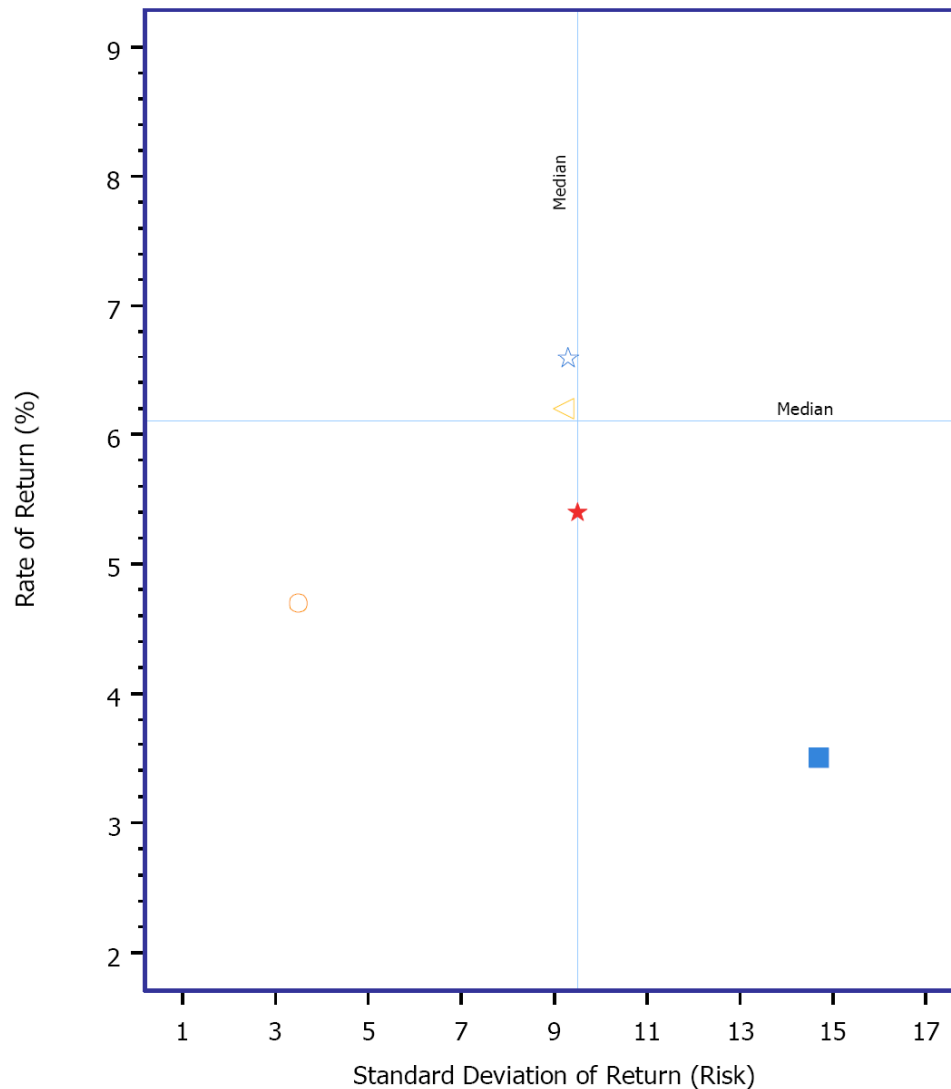


	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	5.7 66	8.4 62	0.3 77
♁ ALLOC INDEX	6.8 36	7.5 33	0.5 28
☆ POLICY INDEX	7.3 19	7.3 27	0.6 11
■ S&P 500	5.2 80	10.7 99	0.2 88
○ LB AGGREGATE	3.8 96	3.5 1	0.2 94
Median	6.5 --	8.2 --	0.4 --

Funded status as of Fiscal Year 2007 = 106.2%



Total Fund Risk / Return Analysis – 7 Years*

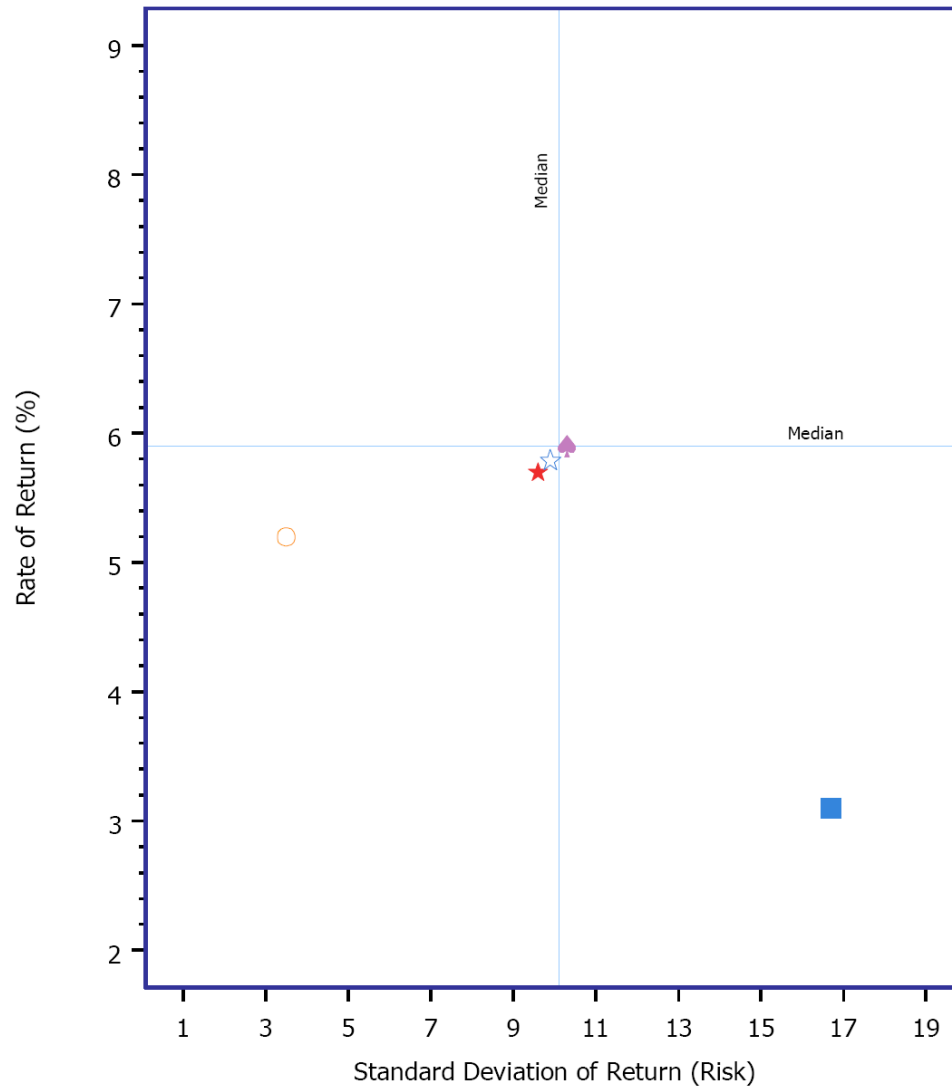


	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	5.4	9.5	0.3
< ALLOC INDEX	6.2	9.2	0.4
☆ POLICY INDEX	6.6	9.3	0.4
■ S&P 500	3.5	14.7	0.1
○ LB AGGREGATE	4.7	3.5	0.5
Median	6.1	9.5	0.4

Funded status as of Fiscal Year 2007 = 106.2%



Total Fund Risk / Return Analysis – 10 Years*

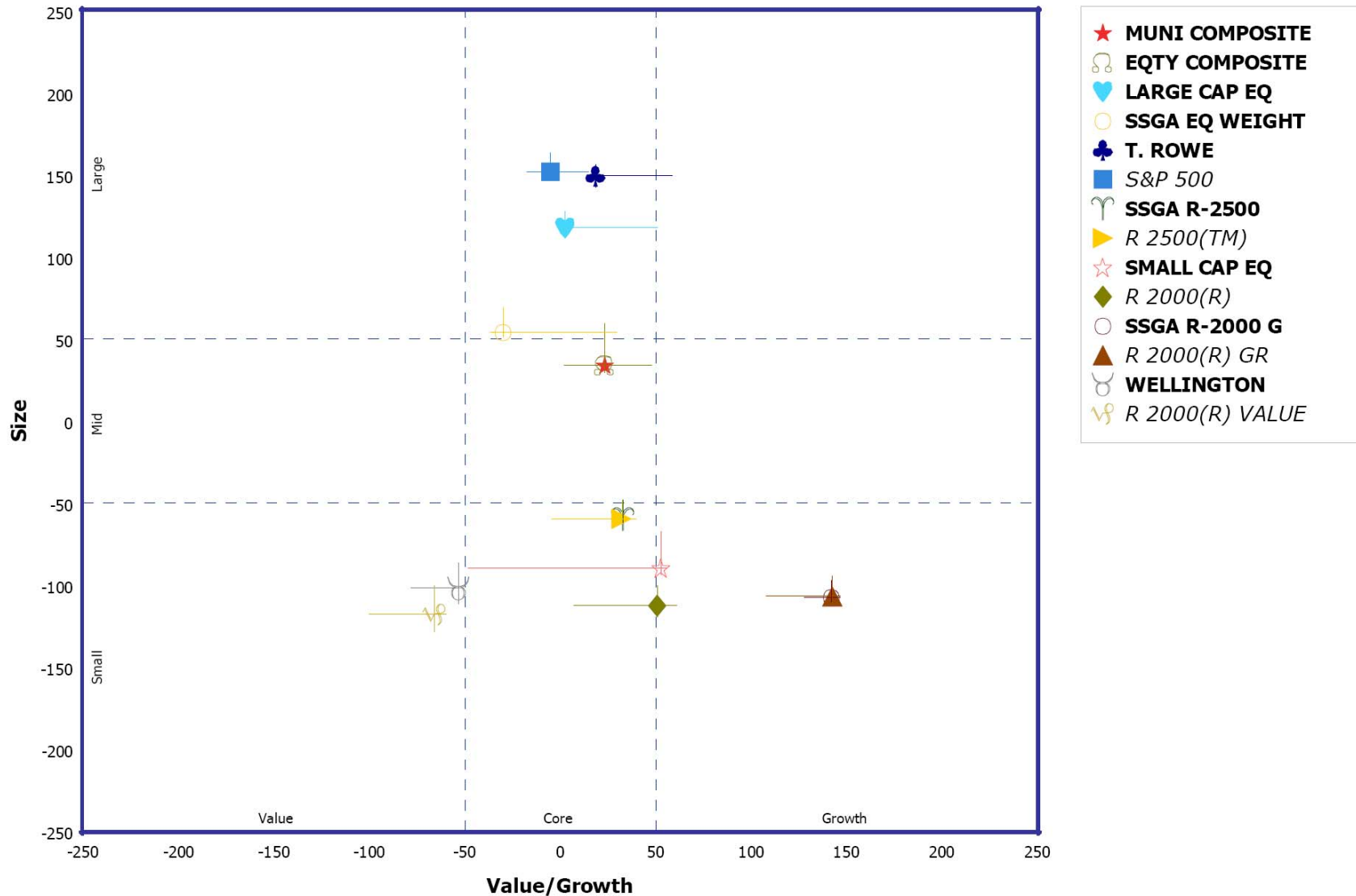


	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	5.7	61	9.6
◆ ALLOC INDEX	5.9	48	10.3
☆ POLICY INDEX	5.8	50	9.9
■ S&P 500	3.1	98	16.7
○ LB AGGREGATE	5.2	70	3.5
Median	5.9	--	10.1

Funded status as of Fiscal Year 2007 = 106.2%



Equity Style Comparison



*Vermont Pension Investment
Committee*

