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# Vermont Municipal Employees' Retirement System

# Vermont Pension Investment Committee

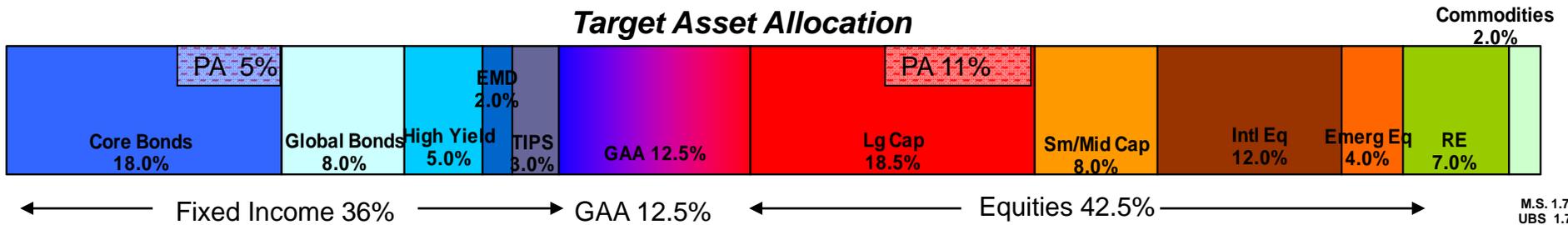
Plan Asset Allocation

Period Ending December 31, 2009

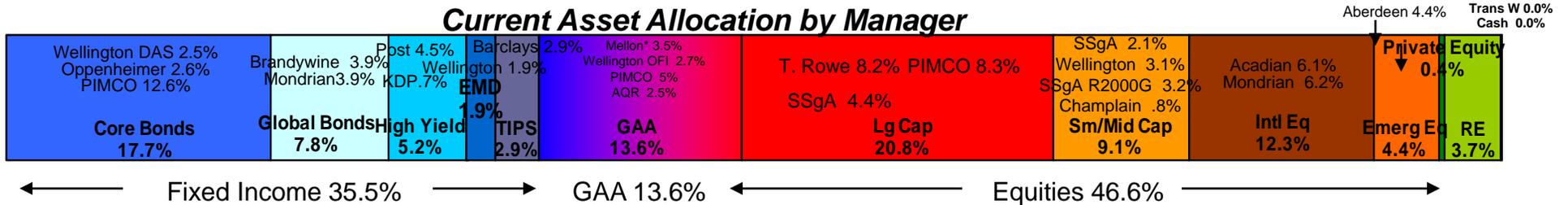


## Asset Allocation

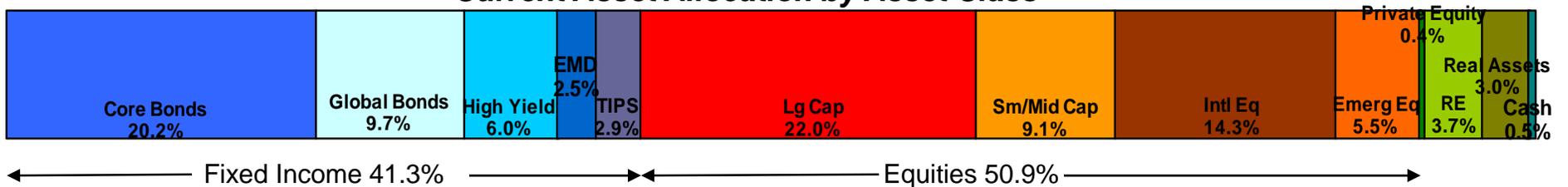
### Target Asset Allocation



### Current Asset Allocation by Manager



### Current Asset Allocation by Asset Class



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

\* See disclosure pages in appendix under manager analysis

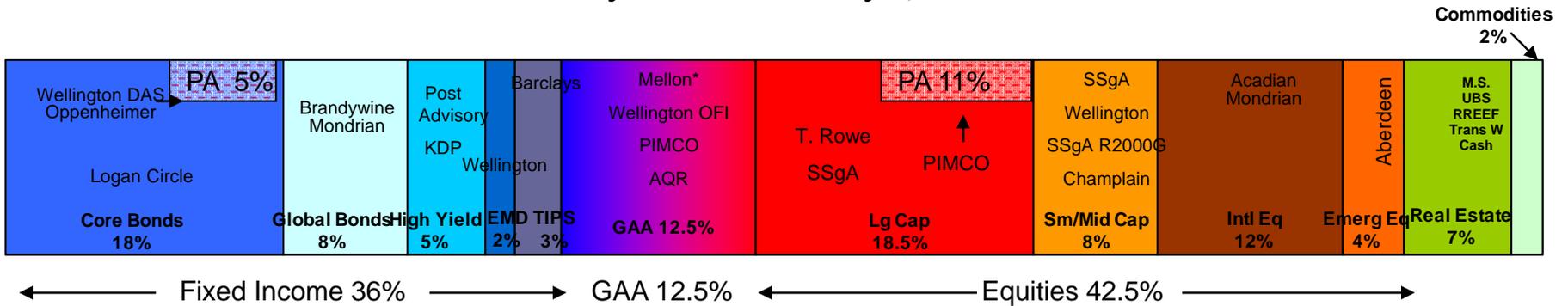
# Vermont Pension Investment Committee

Policy Asset Allocation and Risk Budgeting  
 Period Ending December 31, 2009

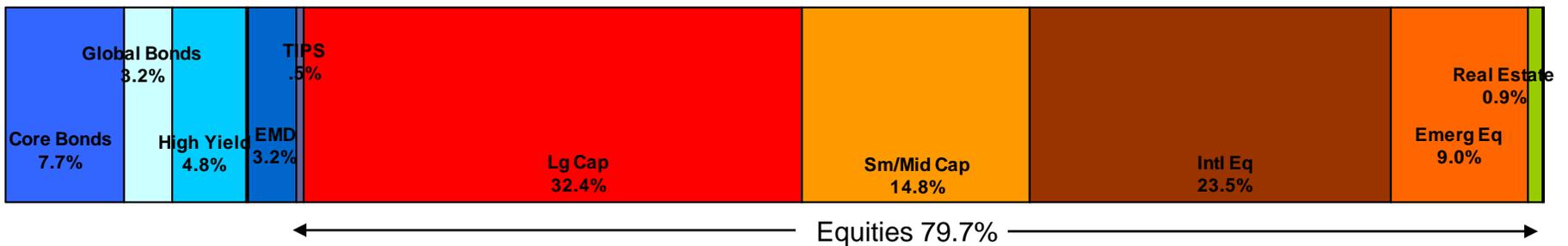


## Asset Allocation

### Policy Index as of July 1, 2009



### 2010 NEPC Risk Budgeting Risk Allocation



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

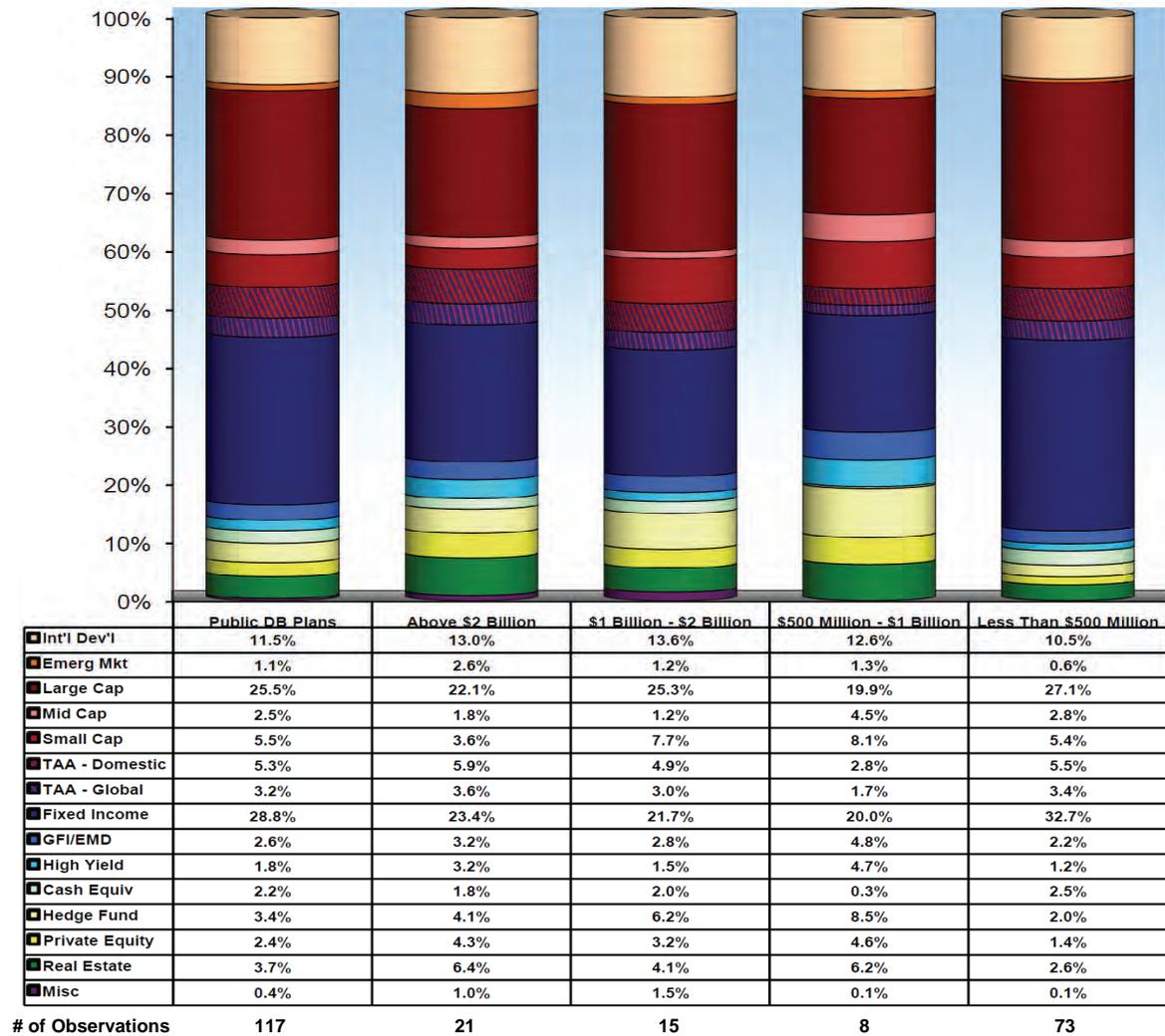
\* See disclosure pages in appendix under manager analysis



# ICC Public DB Plans – Average Asset Allocation

Period Ending June 30, 2009

## 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 9/25/09 for periods ending 6/30/09. 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 without an asset allocation.





# Asset Breakdown

	Domestic Large Core	Domestic Smid	Domestic Small Core	Domestic Small Value	Domestic Small Growth	Core Fixed	High Yield	TIPS	Int'l Equity	EMD	Global Bonds	Real Estate	GAA	Private Investment	Cash	Total
<b>Composite</b>	\$65,419	\$2,364	\$6,550	\$9,691	\$9,937	\$55,730	\$16,533	\$8,986	\$52,773	\$6,099	\$24,606	\$11,641	\$42,803	\$1,166	\$186	\$314,483
T. Rowe	25,695	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$25,695
PIMCO	25,994	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$25,994
SSgA Equal Wgt	13,730	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$13,730
Champlain	0	2,364	0	0	0	0	0	0	0	0	0	0	0	0	0	\$2,364
SSgA R-2500	0	0	6,550	0	0	0	0	0	0	0	0	0	0	0	0	\$6,550
Wellington	0	0	0	9,691	0	0	0	0	0	0	0	0	0	0	0	\$9,691
SSgA R-2000 Growth	0	0	0	0	9,937	0	0	0	0	0	0	0	0	0	0	\$9,937
Acadian	0	0	0	0	0	0	0	0	19,254	0	0	0	0	0	0	\$19,254
Mondrian	0	0	0	0	0	0	0	0	19,538	0	0	0	0	0	0	\$19,538
Aberdeen	0	0	0	0	0	0	0	0	13,981	0	0	0	0	0	0	\$13,981
PIMCO Liq. Account	0	0	0	0	0	1,677	0	0	0	0	0	0	0	0	0	\$1,677
Oppenheimer	0	0	0	0	0	8,210	0	0	0	0	0	0	0	0	0	\$8,210
Wellington DAS	0	0	0	0	0	7,716	0	0	0	0	0	0	0	0	0	\$7,716
PIMCO Core Plus	0	0	0	0	0	38,127	0	0	0	0	0	0	0	0	0	\$38,127
Post Advisory	0	0	0	0	0	0	14,246	0	0	0	0	0	0	0	0	\$14,246
KDP	0	0	0	0	0	0	2,287	0	0	0	0	0	0	0	0	\$2,287
Welligton EMD	0	0	0	0	0	0	0	0	0	6,099	0	0	0	0	0	\$6,099
Barclays	0	0	0	0	0	0	0	8,986	0	0	0	0	0	0	0	\$8,986
Mondrian	0	0	0	0	0	0	0	0	0	0	12,221	0	0	0	0	\$12,221
Brandywine	0	0	0	0	0	0	0	0	0	0	12,385	0	0	0	0	\$12,385
Morgan Stanely	0	0	0	0	0	0	0	0	0	0	0	4,944	0	0	0	\$4,944
UBS Realty	0	0	0	0	0	0	0	0	0	0	0	5,021	0	0	0	\$5,021
RREEF	0	0	0	0	0	0	0	0	0	0	0	1,525	0	0	0	\$1,525
Transwestern	0	0	0	0	0	0	0	0	0	0	0	120	0	0	0	\$120
Real Estate Cash	0	0	0	0	0	0	0	0	0	0	0	31	0	0	0	\$31
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	0	0	11,027	0	0	\$11,027
PIMCO AA	0	0	0	0	0	0	0	0	0	0	0	0	15,581	0	0	\$15,581
Wellington OIF	0	0	0	0	0	0	0	0	0	0	0	0	8,439	0	0	\$8,439
AQR	0	0	0	0	0	0	0	0	0	0	0	0	7,756	0	0	\$7,756
Alt. Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	1,166	0	\$1,166
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	186	\$186

(Dollars in 000's)

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Fund Asset Growth Summary

	One Quarter	Year to Date	One Year	Since Inception
<b>MUNI COMPOSITE</b>				
<b>Beginning Market Value</b>	306,449	236,338	236,338	163,148
<b>Net External Growth</b>	-2,362	8,506	8,506	51,956
<b>Return on Investment</b>	10,397	69,638	69,638	99,378
<b>Income Received</b>	-956	-864	-864	24,289
<b>Gain/Loss</b>	11,353	70,503	70,503	75,089
<b>Ending Market Value</b>	314,483	314,483	314,483	314,483
<b>Return</b>	3.4%	28.4%	28.4%	



# VERMONT MUNICIPAL EMPLOYEES

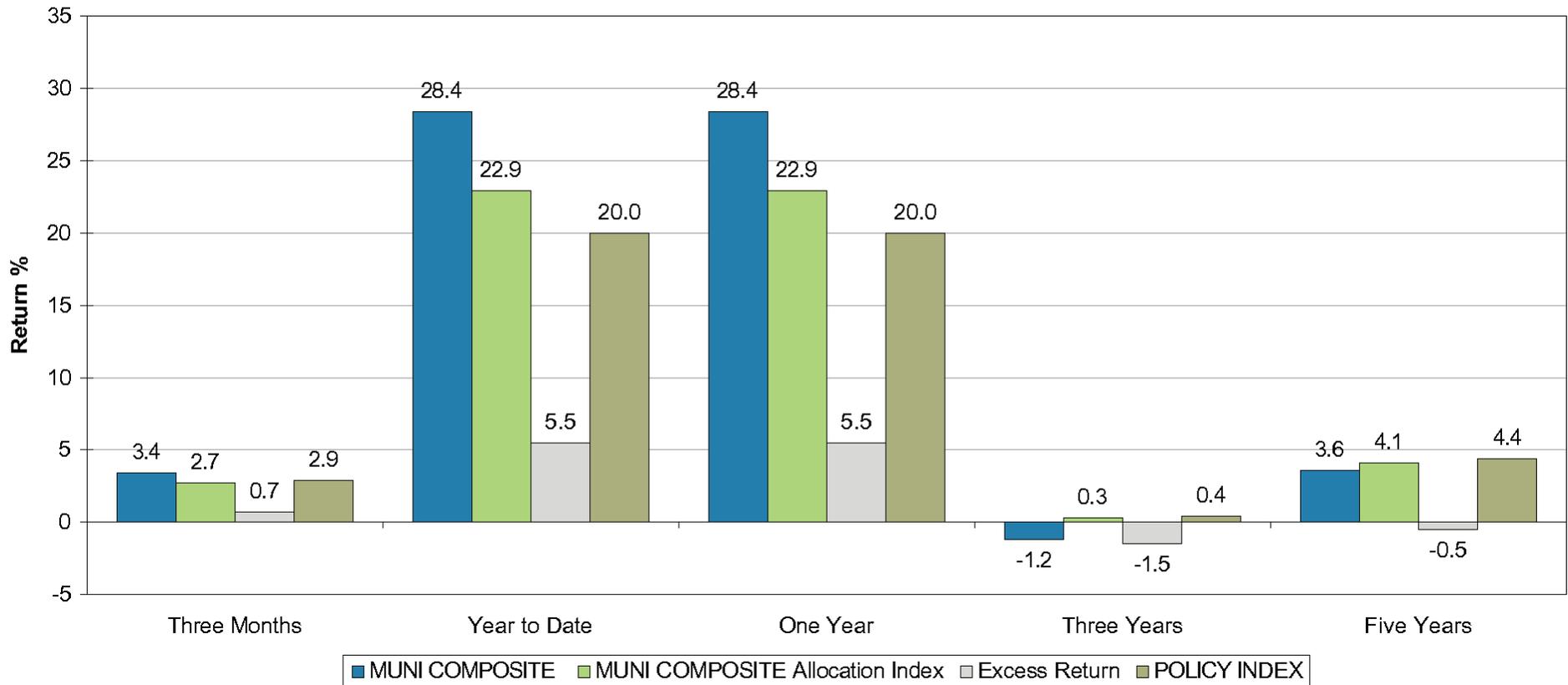
## POLICY INDEX

Benchmark:

Periods Ending December 31, 2009

### Fund Performance vs. Benchmark

#### MUNI COMPOSITE



\* Performance shown is gross of manager fees.

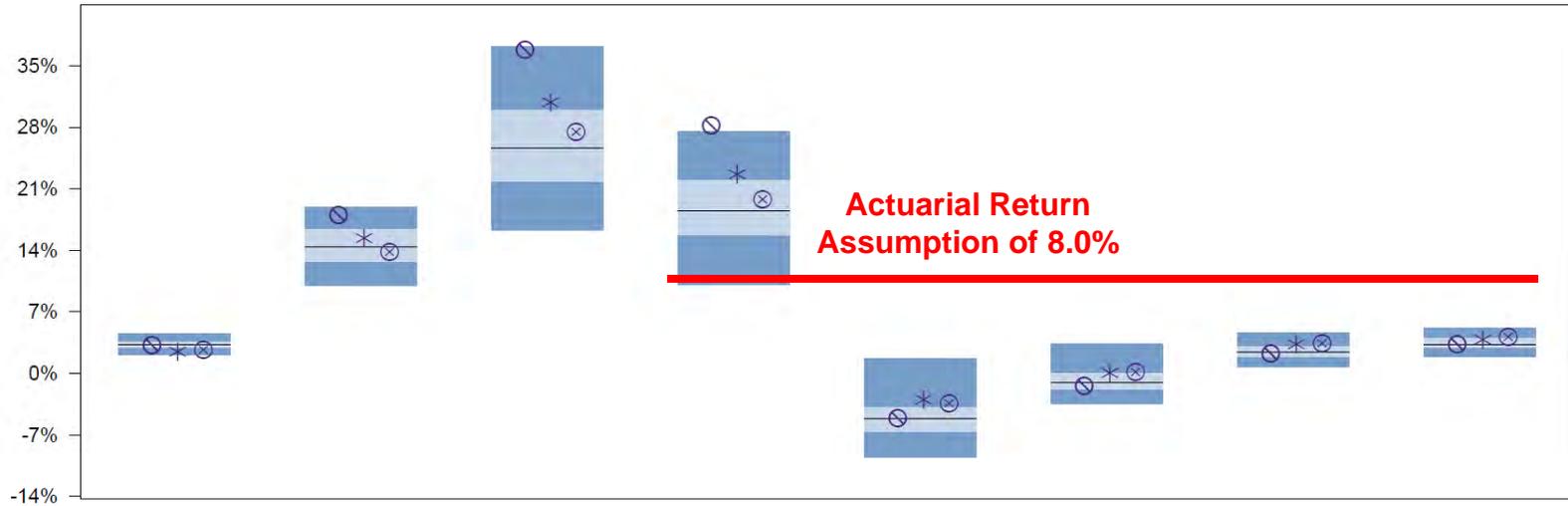
\*\* Results for periods longer than one year are annualized.

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Public Funds – Total Rates of Return



**Actuarial Return  
 Assumption of 8.0%**

	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
⊖ <b>MUNI COMPOSITE</b>	3.4	45	18.2	9	37.1	6	28.4	3	-4.8	43	-1.2	55	2.5	43	3.6	43
* MUNI COMPOSITE Allocatio	2.7	81	15.6	32	31.1	22	22.9	21	-2.7	18	0.3	23	3.5	23	4.1	23
⊗ <b>POLICY INDEX</b>	2.9	70	14.0	56	27.7	41	20.0	41	-3.2	22	0.4	22	3.7	21	4.4	18
5th Percentile	4.5		18.9		37.2		27.5		1.7		3.4		4.6		5.1	
25th Percentile	3.7		16.5		30.1		22.1		-3.8		0.1		3.2		4.1	
50th Percentile	3.3		14.4		25.6		18.5		-5.1		-1.1		2.4		3.3	
75th Percentile	2.8		12.6		21.8		15.7		-6.7		-1.9		1.8		2.8	
95th Percentile	2.1		10.0		16.3		10.1		-9.6		-3.5		0.7		1.9	

• **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)

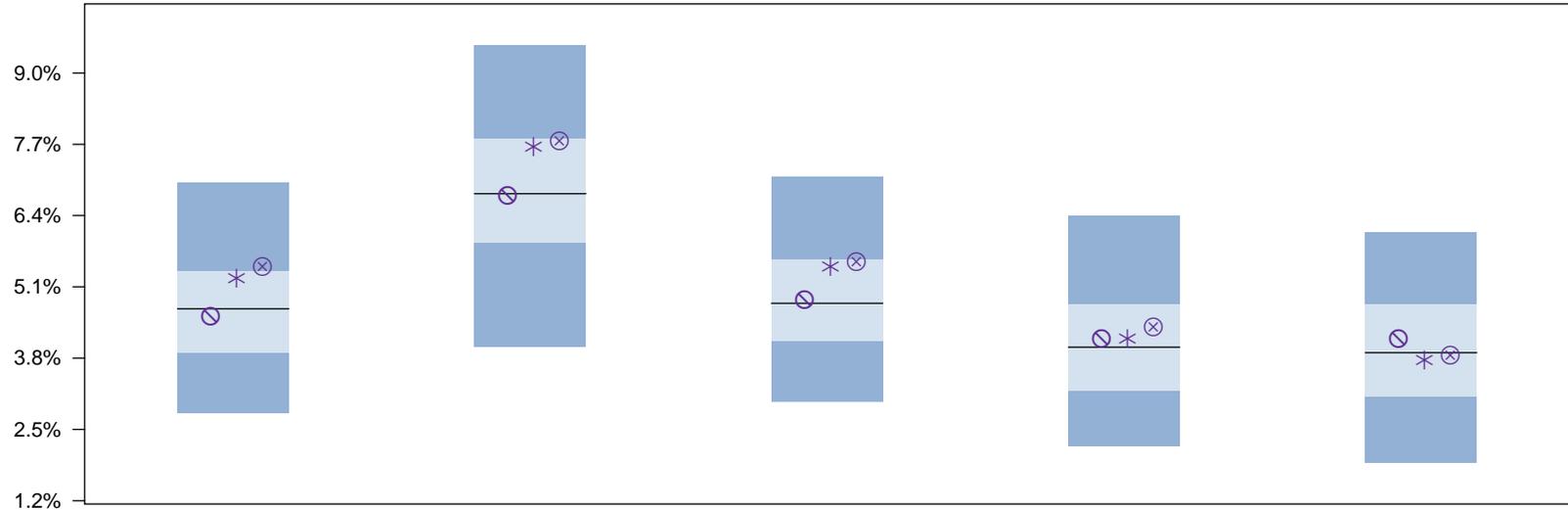


# VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: MASTER TRUST FUNDS

Periods Ending December 31, 2009

## Total Fund Performance - Trailing Periods



	Six Years		Seven Years		Eight Years		Nine Years		Ten Years	
○ <b>MUNI COMPOSITE</b>	<b>4.6</b>	<b>51</b>	<b>6.8</b>	<b>51</b>	<b>4.9</b>	<b>49</b>	<b>4.2</b>	<b>43</b>	<b>4.2</b>	<b>44</b>
* MUNI COMPOSITE Allocation Index	5.3	29	7.7	29	5.5	30	4.2	46	3.8	55
⊗ <b>POLICY INDEX</b>	<b>5.5</b>	<b>23</b>	<b>7.8</b>	<b>25</b>	<b>5.6</b>	<b>25</b>	<b>4.4</b>	<b>35</b>	<b>3.9</b>	<b>53</b>
5th Percentile	7.0		9.5		7.1		6.4		6.1	
25th Percentile	5.4		7.8		5.6		4.8		4.8	
50th Percentile	4.7		6.8		4.8		4.0		3.9	
75th Percentile	3.9		5.9		4.1		3.2		3.1	
95th Percentile	2.8		4.0		3.0		2.2		1.9	

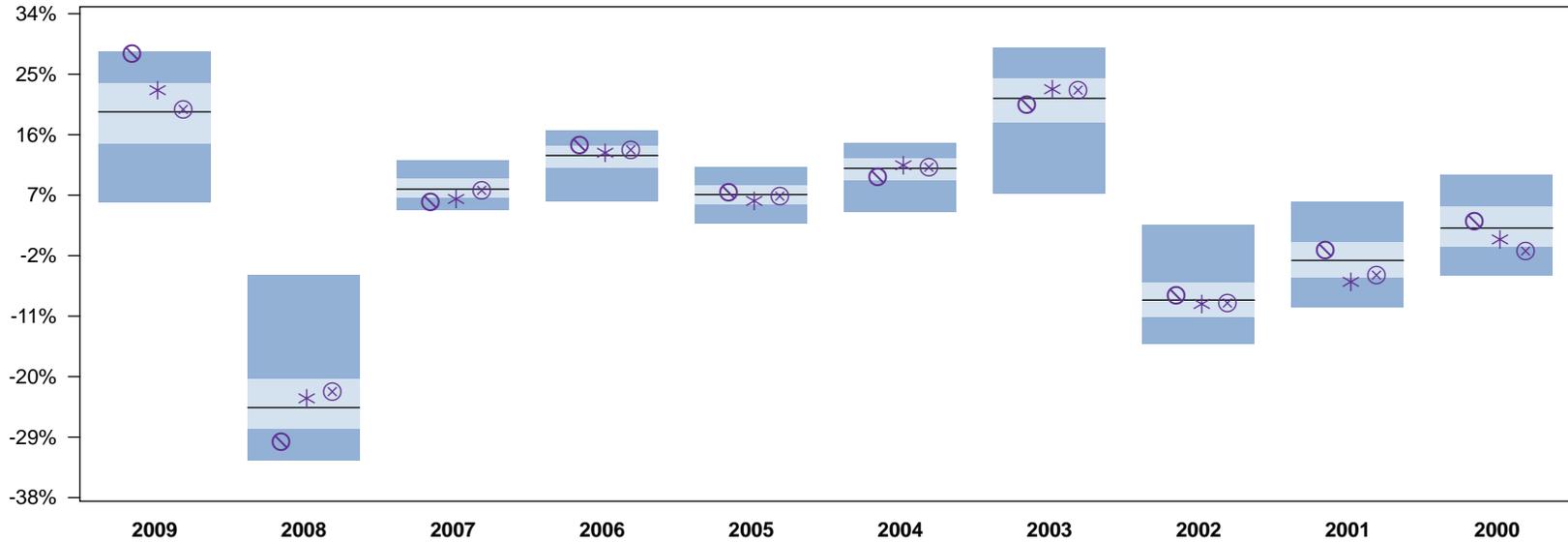


# VERMONT MUNICIPAL EMPLOYEES

Total Fund - Universe: MASTER TRUST FUNDS

Period Ending December 31, 2009

## Total Fund Performance - One Year Time Periods



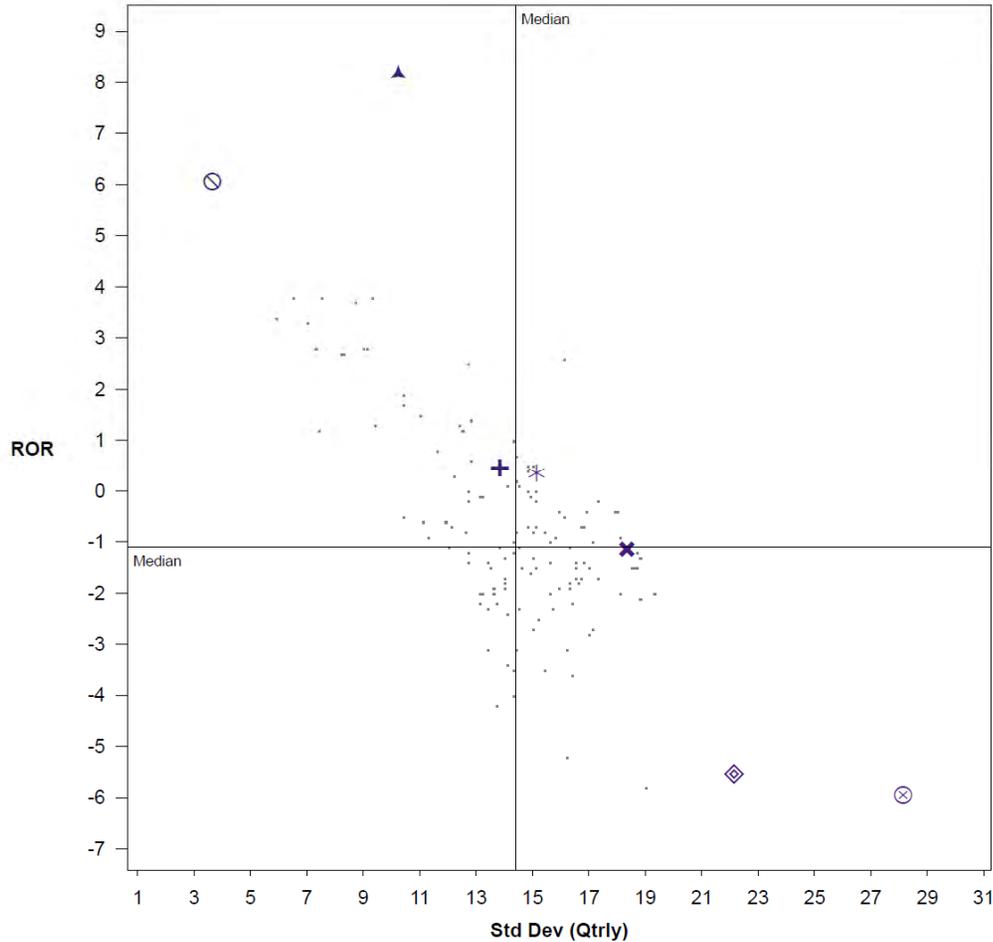
	2009		2008		2007		2006		2005		2004		2003		2002		2001		2000	
○ MUNI COMPOSITE	28.4	5	-29.4	86	6.3	81	14.8	19	7.8	37	10.1	64	20.8	55	-7.6	38	-0.9	32	3.5	39
* MUNI COMPOSITE Allocati	22.9	29	-23.0	39	6.7	73	13.6	37	6.5	61	11.7	39	23.1	37	-8.9	54	-5.6	79	0.7	63
⊗ POLICY INDEX	20.0	47	-21.9	32	8.0	50	14.1	27	7.1	50	11.5	43	23.0	38	-8.8	53	-4.6	70	-1.0	78
5th Percentile	28.4		-4.8		12.2		16.6		11.2		14.8		28.9		2.6		6.0		10.0	
25th Percentile	23.7		-20.2		9.5		14.3		8.5		12.6		24.4		-5.9		0.1		5.3	
50th Percentile	19.4		-24.6		7.9		12.9		7.1		11.0		21.4		-8.6		-2.7		2.1	
75th Percentile	14.7		-27.8		6.6		11.0		5.6		9.2		17.8		-11.2		-5.3		-0.7	
95th Percentile	6.0		-32.4		4.8		6.1		2.8		4.5		7.3		-15.1		-9.7		-4.9	

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 3 Years



NAME	Return	Standard Deviation	Sharpe Ratio
<b>X</b> MUNI COMPOSITE	-1.2 55	18.4 93	-0.2 46
* MUNI COMPOSITE Allocation Index	0.3 23	15.2 65	-0.1 25
+ POLICY INDEX	0.4 22	13.9 39	-0.1 26
◇ S&P 500	-5.6 100	22.2 100	-0.4 92
⊖ BC AGGREGATE	6.0 1	3.7 1	1.0 1
⊗ MSCI EAFE (NET)	-6.0 100	28.2 100	-0.3 80
▲ CITIGROUP WORLD GOV'T BOND	8.1 1	10.3 10	0.5 1
Median	-1.1	14.4	-0.2

**Funded status as of Fiscal Year 2009 = 71%**

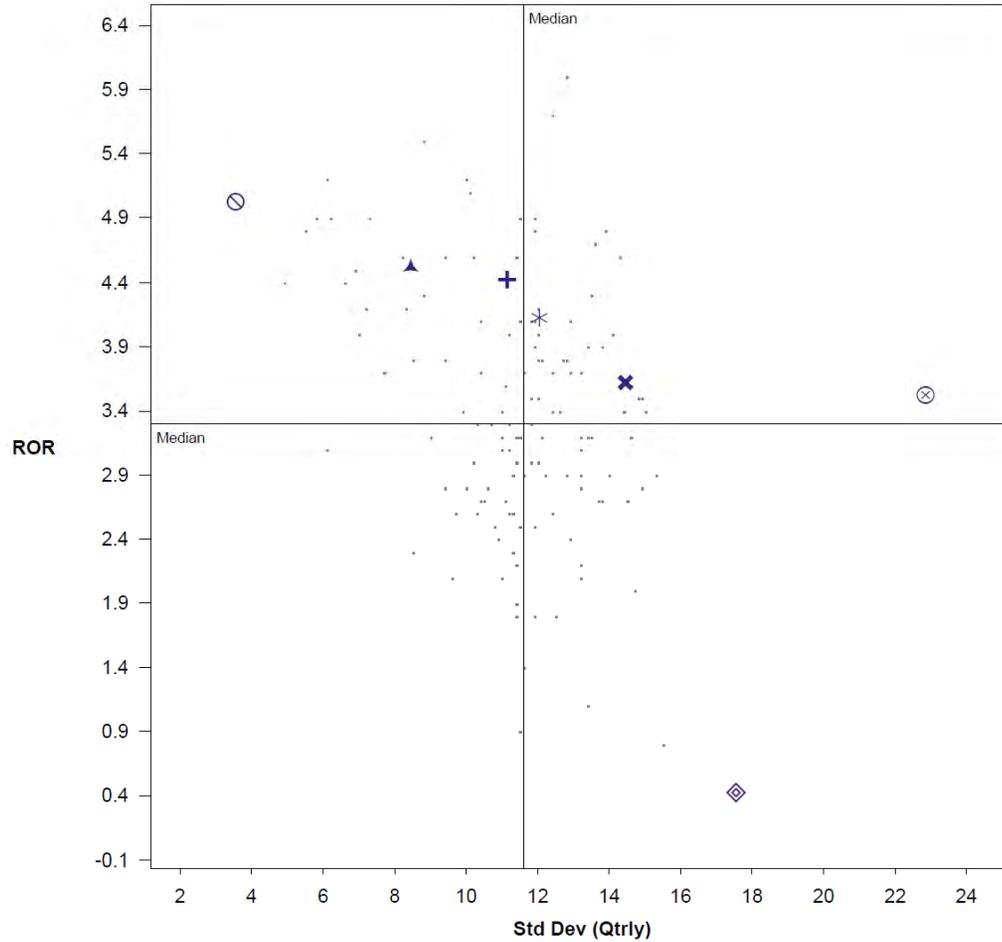
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 5 Years



NAME	Return	Standard Deviation	Sharpe Ratio
✕ MUNI COMPOSITE	3.6 43	14.5 93	0.0 50
* MUNI COMPOSITE Allocation Index	4.1 23	12.1 62	0.1 31
+ POLICY INDEX	4.4 18	11.2 34	0.1 23
◇ S&P 500	0.4 100	17.6 100	-0.1 100
⊘ BC AGGREGATE	5.0 6	3.6 1	0.5 1
⊗ MSCI EAFE (NET)	3.5 43	22.9 100	0.0 59
▲ CITIGROUP WORLD GOV'T BOND	4.5 16	8.5 12	0.2 14
Median	3.3	11.6	0.0

**Funded status as of Fiscal Year 2009 = 71%**

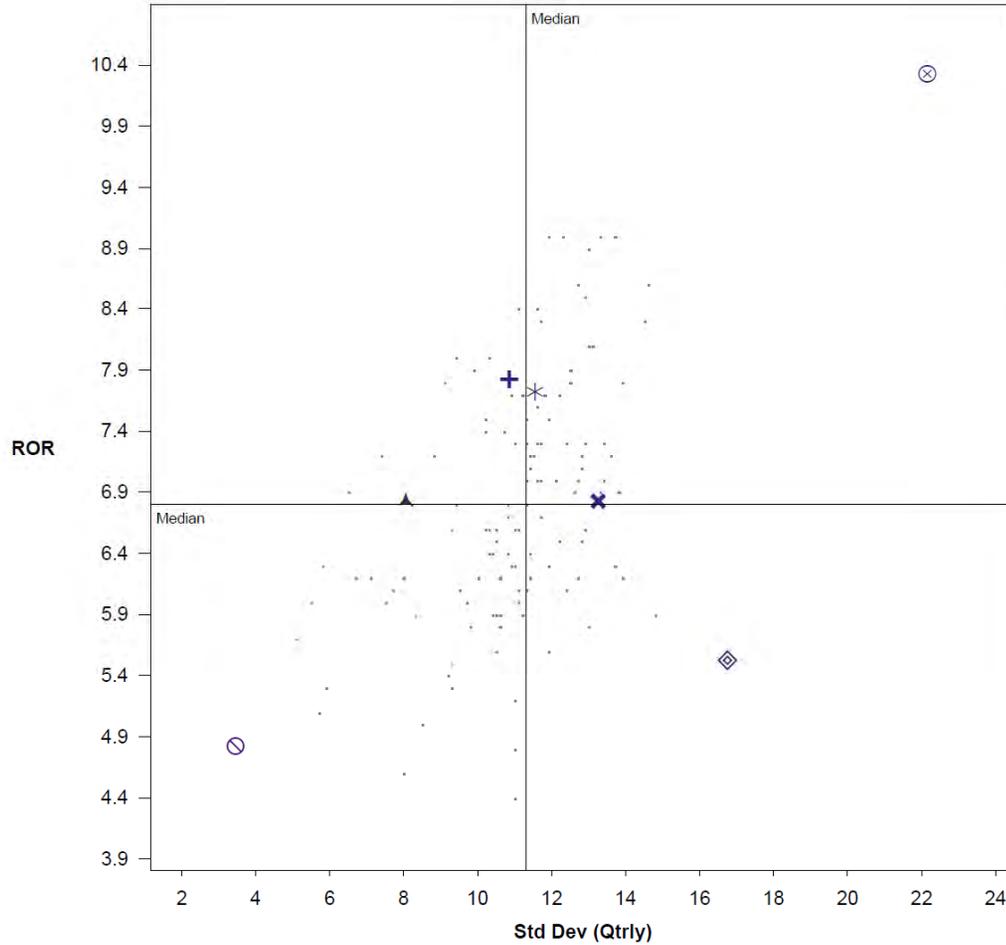
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 7 Years



NAME	Return	Standard Deviation	Sharpe Ratio
✕ MUNI COMPOSITE	6.8 48	13.3 89	0.3 81
* MUNI COMPOSITE Allocation Index	7.7 21	11.6 60	0.4 32
+ POLICY INDEX	7.8 16	10.9 40	0.5 19
◇ S&P 500	5.5 94	16.8 100	0.2 100
⊘ BC AGGREGATE	4.8 99	3.5 1	0.6 4
⊗ MSCI EAFE (NET)	10.3 1	22.2 100	0.4 74
▲ CITIGROUP WORLD GOV'T BOND	6.8 50	8.1 10	0.5 15
Median	6.8	11.3	0.4

**Funded status as of Fiscal Year 2009 = 71%**

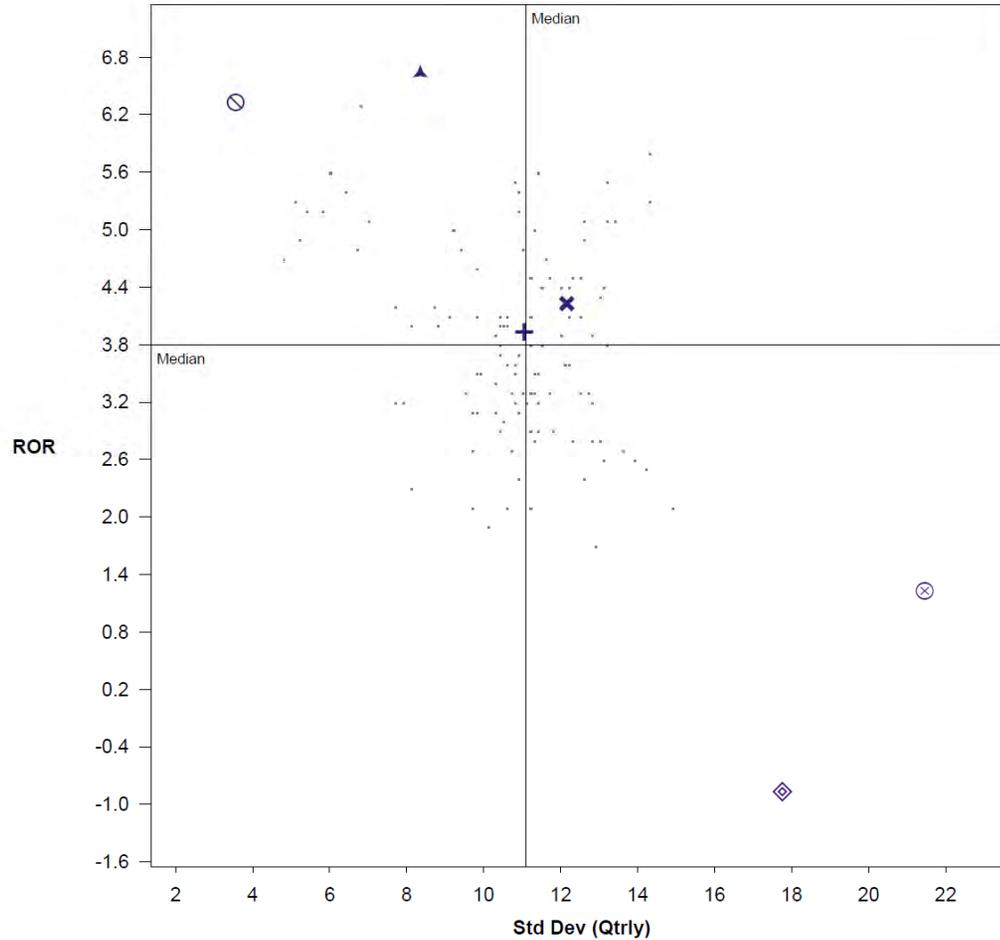
\* Standard deviation is based on quarterly returns

# VERMONT PENSION INVESTMENT COMMITTEE

Municipal Retirement System  
 Period Ending December 31, 2009



## Total Fund Risk / Return Analysis – 10 Years



NAME	Return	Standard Deviation	Sharpe Ratio
✕ MUNI COMPOSITE	4.2 35	12.2 74	0.1 46
+ POLICY INDEX	3.9 47	11.1 51	0.1 49
◇ S&P 500	-0.9 100	17.8 100	-0.2 100
⊘ BC AGGREGATE	6.3 1	3.6 1	0.9 2
⊗ MSCI EAFE (NET)	1.2 100	21.5 100	-0.1 96
▲ CITIGROUP WORLD GOVT BOND	6.6 1	8.4 13	0.4 5
Median	3.8	11.1	0.1

**Funded status as of Fiscal Year 2009 = 71%**

\* Standard deviation is based on quarterly returns