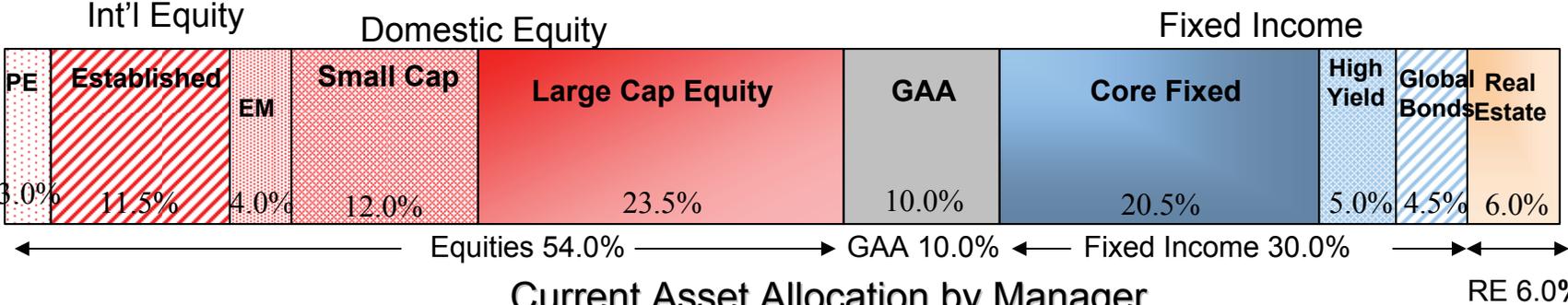


# Vermont State Employees' Retirement System

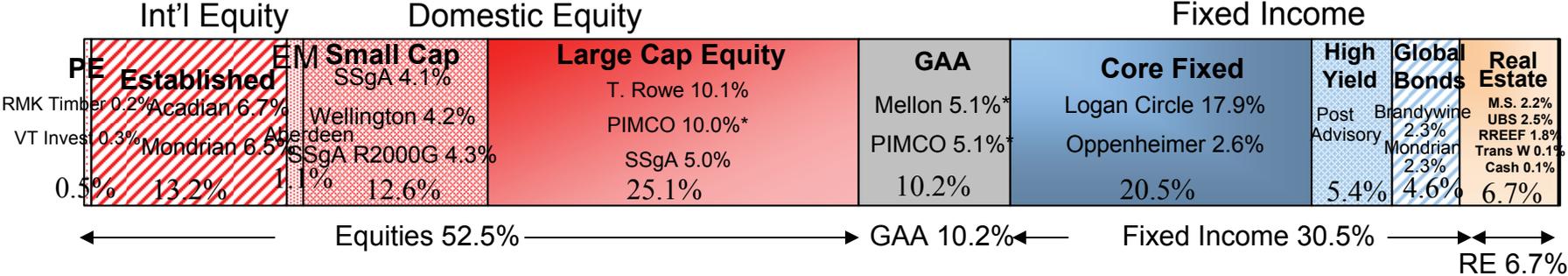


# Plan Asset Allocation

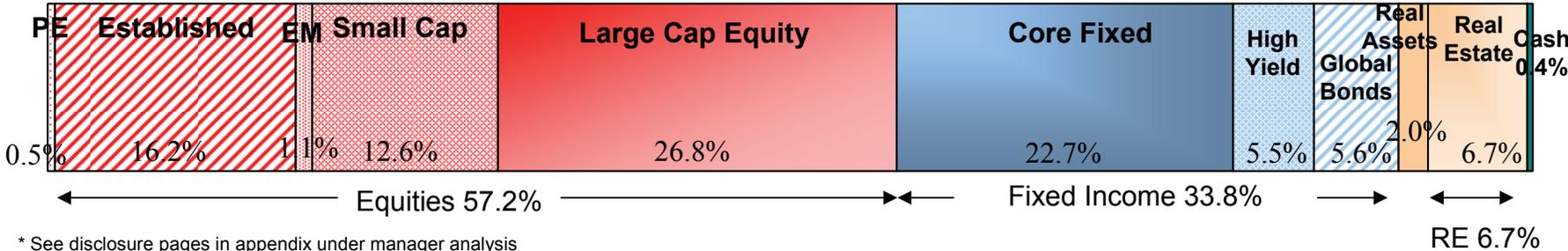
As of June 30, 2008  
Target Asset Allocation



## Current Asset Allocation by Manager



## Current Asset Allocation by Asset Class

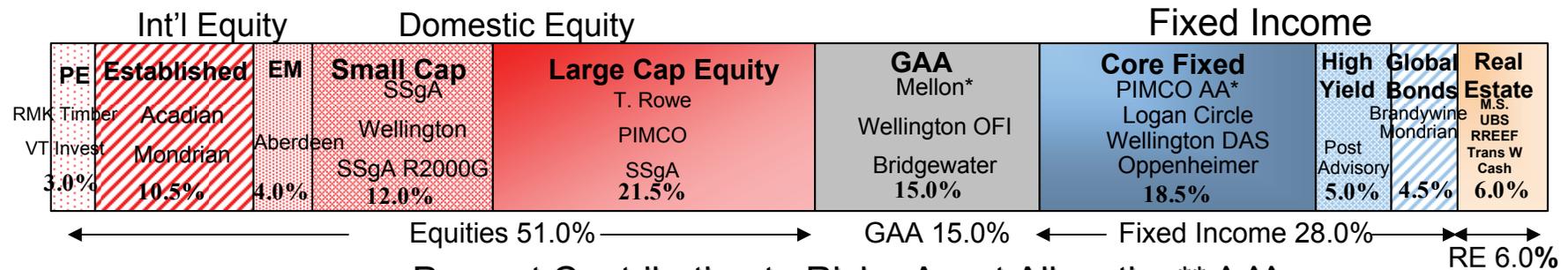


\* See disclosure pages in appendix under manager analysis  
Numbers may not add up to 100% due to rounding.

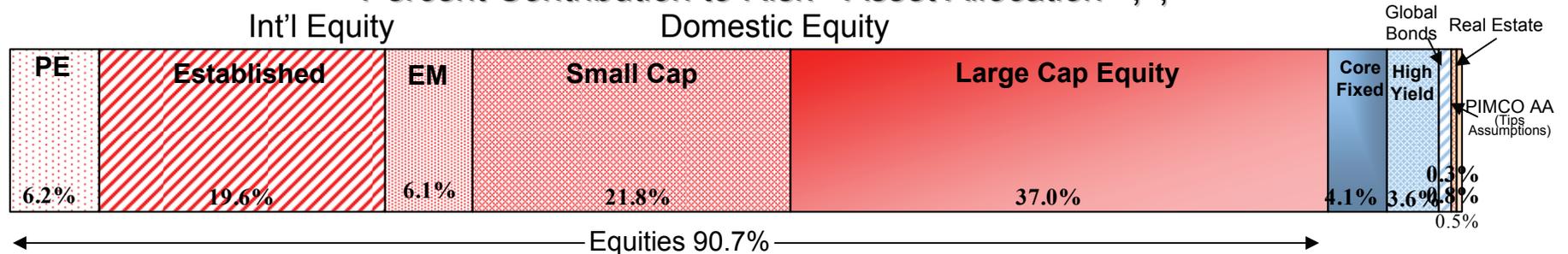


# Plan Future Asset Allocation and Risk Budgeting

## Future Target Asset Allocation



## Percent Contribution to Risk - Asset Allocation\*\*, ^, ^^



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

\* See disclosure pages in appendix under manager analysis

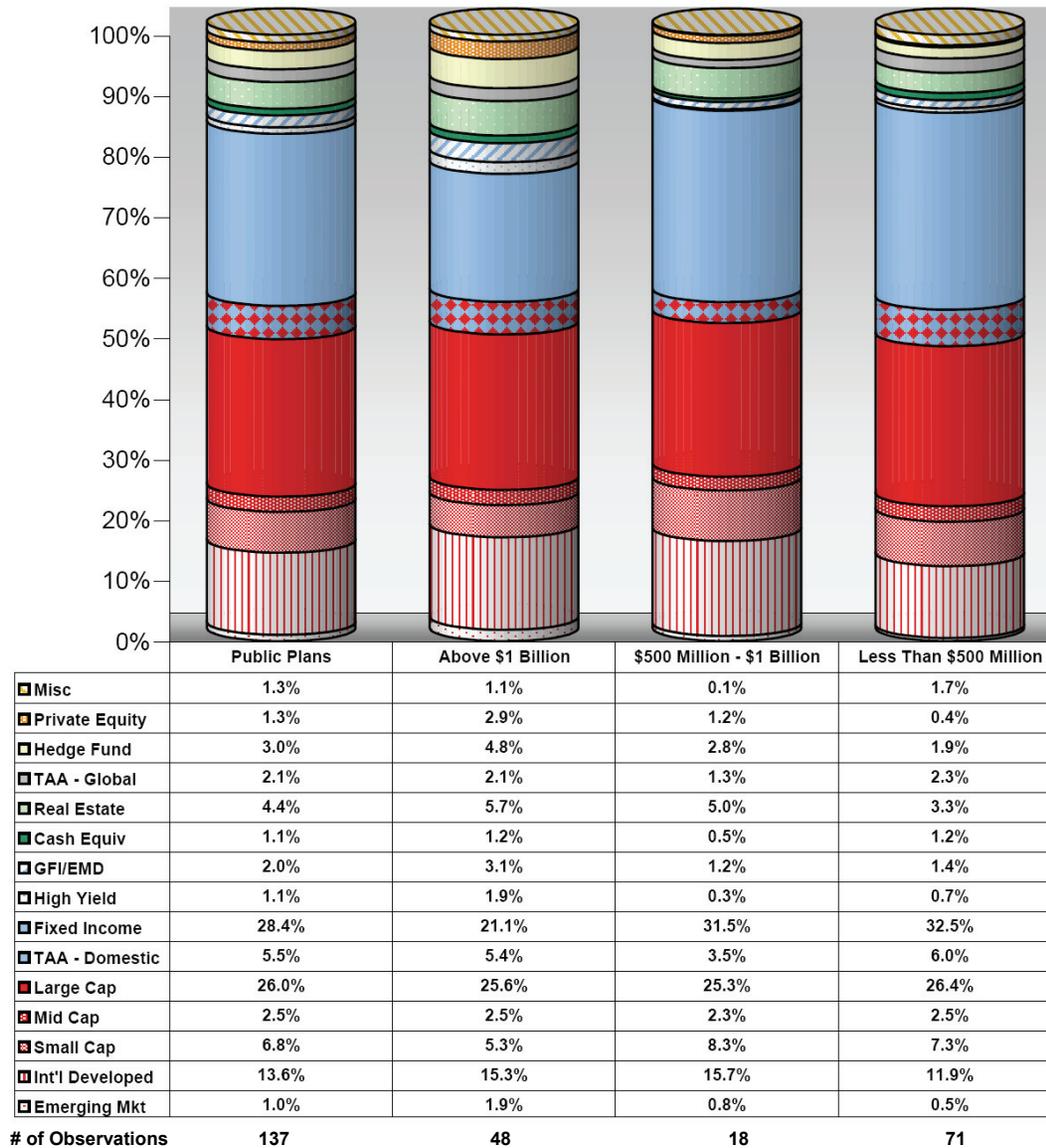
\*\*Mellon GA 1 was modeled using the following asset classes: 30% Large Cap / 30% Int'l Equity / 20% Core Fixed Income / 20% Global Bonds.

^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
<b>Composite</b>	\$321,643	\$53,019	\$53,731	\$54,995	\$261,684	\$69,092	\$183,272	\$59,011	\$85,850	\$3,270	\$132,996	\$739	\$1,279,302
T. Rowe	129,400	0	0	0	0	0	0	0	0	0	0	0	\$129,400
PIMCO	127,745	0	0	0	0	0	0	0	0	0	0	0	\$127,745
SSgA Equal Wgt	64,498	0	0	0	0	0	0	0	0	0	0	0	\$64,498
SSgA R-2000 Growth	0	0	0	54,995	0	0	0	0	0	0	0	0	\$54,995
SSgA R-2500	0	53,019	0	0	0	0	0	0	0	0	0	0	\$53,019
Wellington	0	0	53,731	0	0	0	0	0	0	0	0	0	\$53,731
Acadian	0	0	0	0	0	0	86,009	0	0	0	0	0	\$86,009
Mondrian	0	0	0	0	0	0	83,170	0	0	0	0	0	\$83,170
Aberdeen	0	0	0	0	0	0	14,093	0	0	0	0	0	\$14,093
Logan Circle	0	0	0	0	228,486	0	0	0	0	0	0	0	\$228,486
Oppenheimer	0	0	0	0	33,199	0	0	0	0	0	0	0	\$33,199
Post Advisory	0	0	0	0	0	69,092	0	0	0	0	0	0	\$69,092
Brandywine	0	0	0	0	0	0	0	29,498	0	0	0	0	\$29,498
Mondrian	0	0	0	0	0	0	0	29,513	0	0	0	0	\$29,513
Morgan Stanely	0	0	0	0	0	0	0	0	28,529	0	0	0	\$28,529
UBS Realty	0	0	0	0	0	0	0	0	31,741	0	0	0	\$31,741
RREEF	0	0	0	0	0	0	0	0	23,067	0	0	0	\$23,067
Transwestern	0	0	0	0	0	0	0	0	1,409	0	0	0	\$1,409
Real Estate Cash	0	0	0	0	0	0	0	0	1,104	0	0	0	\$1,104
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	64,746	0	\$64,746
PIMCO AA	0	0	0	0	0	0	0	0	0	0	65,555	0	\$65,555
RMK Timber	0	0	0	0	0	0	0	0	0	0	2,695	0	\$2,695
Vermont Investment	0	0	0	0	0	0	0	0	0	3,270	0	0	\$3,270
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	739	\$739

(Dollars in 000's)



# Total Fund Asset Growth Summary

Periods Ending June 30, 2008

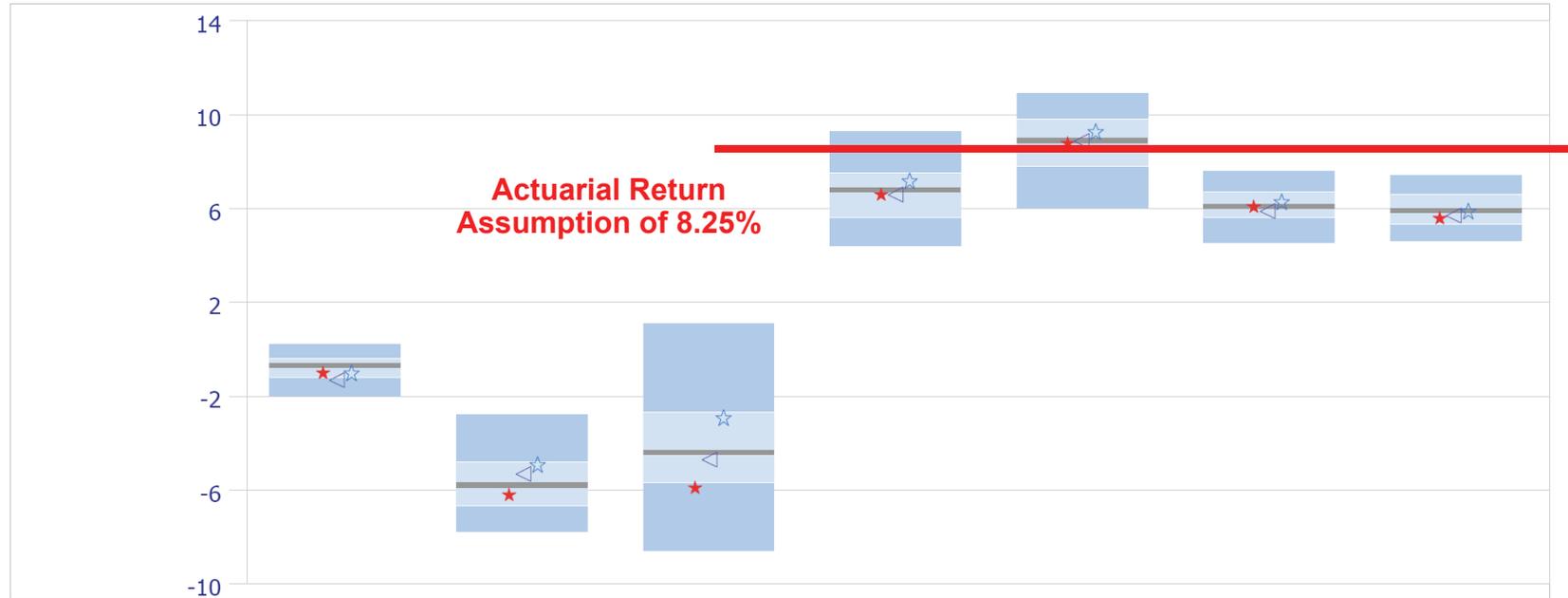
## EMPLOYEES RETIREMENT SYSTEM COMPOSITE

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
<b>Beginning Market Value</b>	1,297,338	1,378,572	1,389,303	934,947
<b>Net External Growth</b>	-6,363	-13,785	-28,241	-153,835
<b>Return on Investment</b>	-11,673	-85,485	-81,759	498,190
<b>Income Received</b>	40	204	366	129,043
<b>Gain/Loss</b>	-11,713	-85,688	-82,126	369,147
<b>Ending Market Value</b>	1,279,302	1,279,302	1,279,302	1,279,302

Return    -1.0%                      -6.2%                      -5.9%



# Total Public Funds – Total Rates of Return



	One Quarter		Year to Date		One Year		Three Years		Five Years		Seven Years		Ten Years	
★ ERS COMPOSITE	-1.0	65	-6.2	63	-5.9	76	6.6	50	8.8	50	6.1	48	5.6	64
◁ ALLOC INDEX	-1.3	78	-5.3	33	-4.7	59	6.6	52	8.9	49	5.9	60	5.7	57
☆ POLICY INDEX	-1.0	65	-4.9	25	-2.9	26	7.2	30	9.3	36	6.3	41	5.9	52
<b>Median</b>	-0.7	--	-5.8	--	-4.4	--	6.8	--	8.9	--	6.1	--	5.9	--
<b>Total Public Funds &gt; \$1 Billion Median</b>	-0.7	--	-5.8	--	-4.1	--	7.4	--	9.7	--	6.4	--	6.1	--

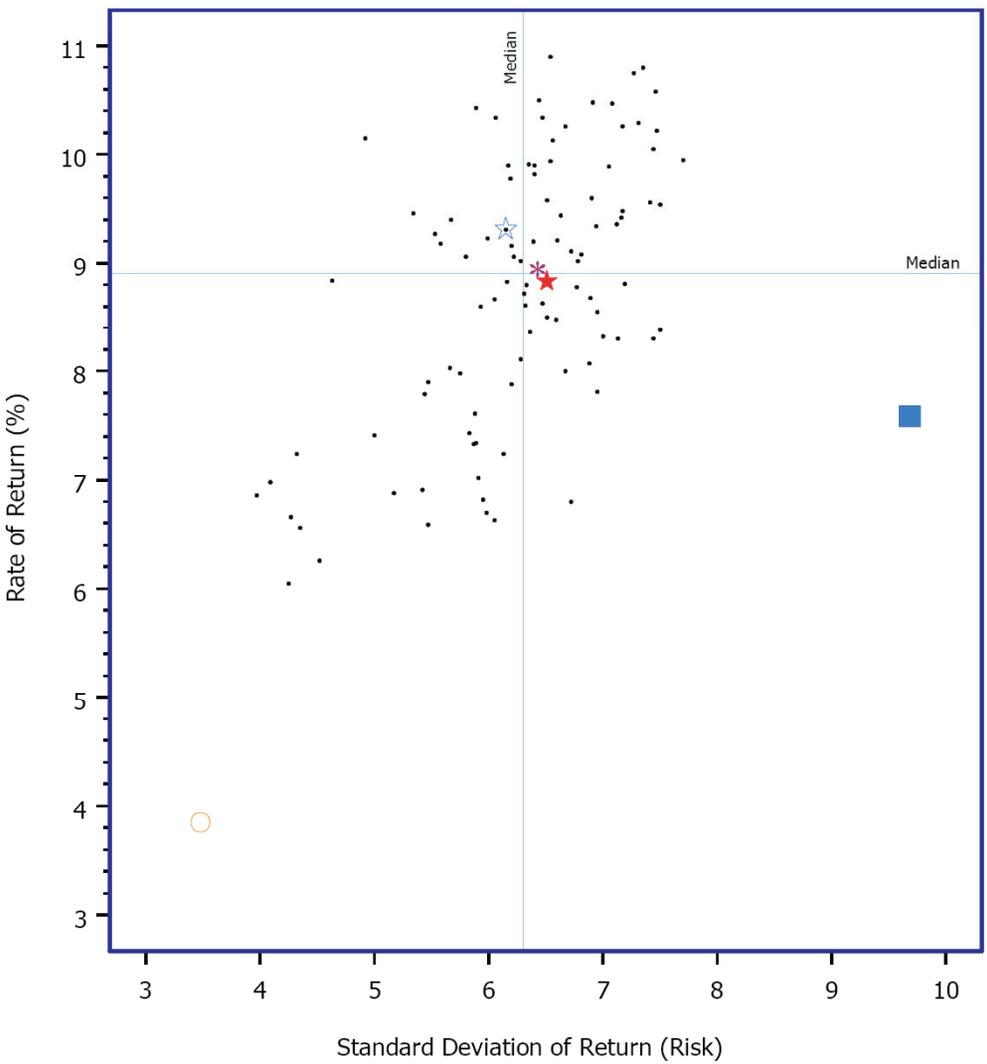
•Policy Index: Measures the effectiveness of Plan Structure. (Target asset class weights X Return of the respective passive benchmark)

•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\*

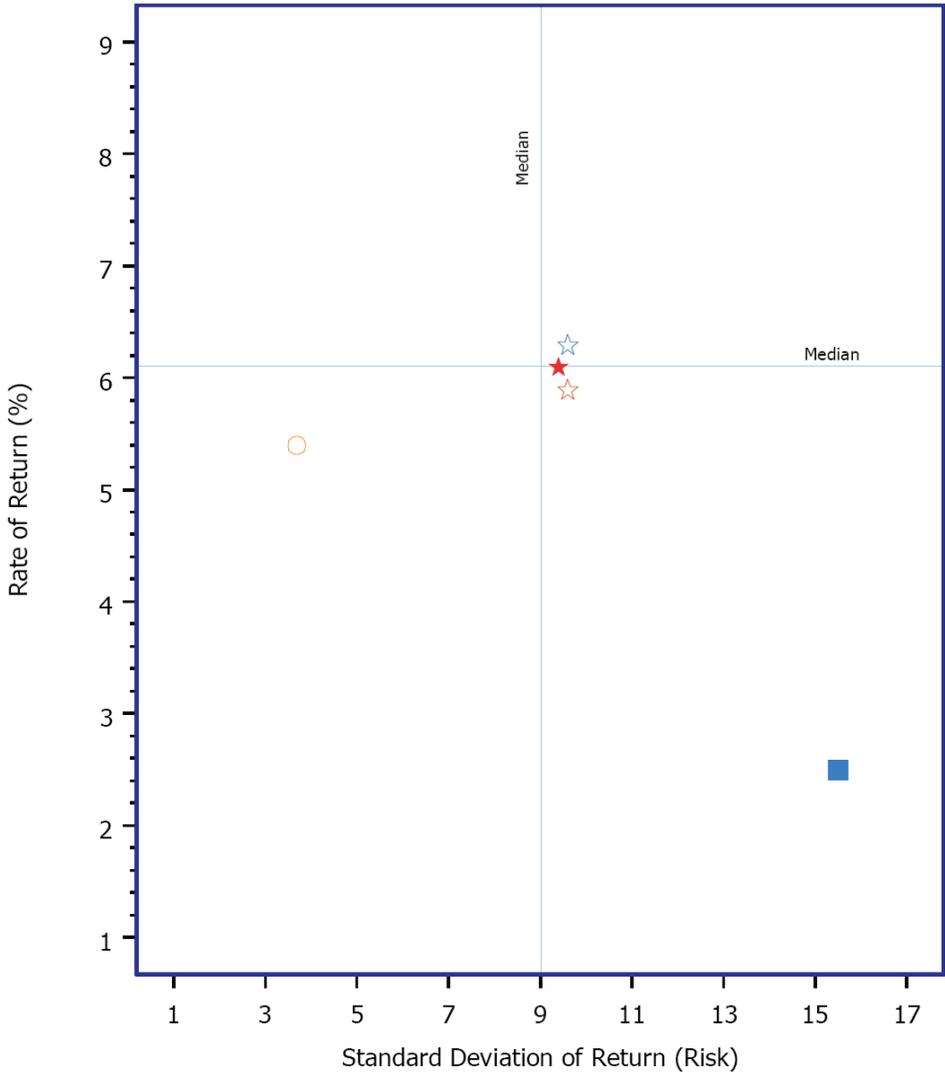


	Return	Standard Deviation	Sharpe Ratio
★ ERS COMPOSITE	8.8	6.5	0.9
* ALLOC INDEX	8.9	6.4	0.9
☆ POLICY INDEX	9.3	6.1	1.0
■ S&P 500	7.6	9.7	0.5
○ LB AGGREGATE	3.9	3.5	0.2
<b>Median</b>	<b>8.9</b>	<b>6.3</b>	<b>0.9</b>

**Funded status as of Fiscal Year 2007 = 100.8%**



# Total Fund Risk / Return Analysis – 7 Years\*

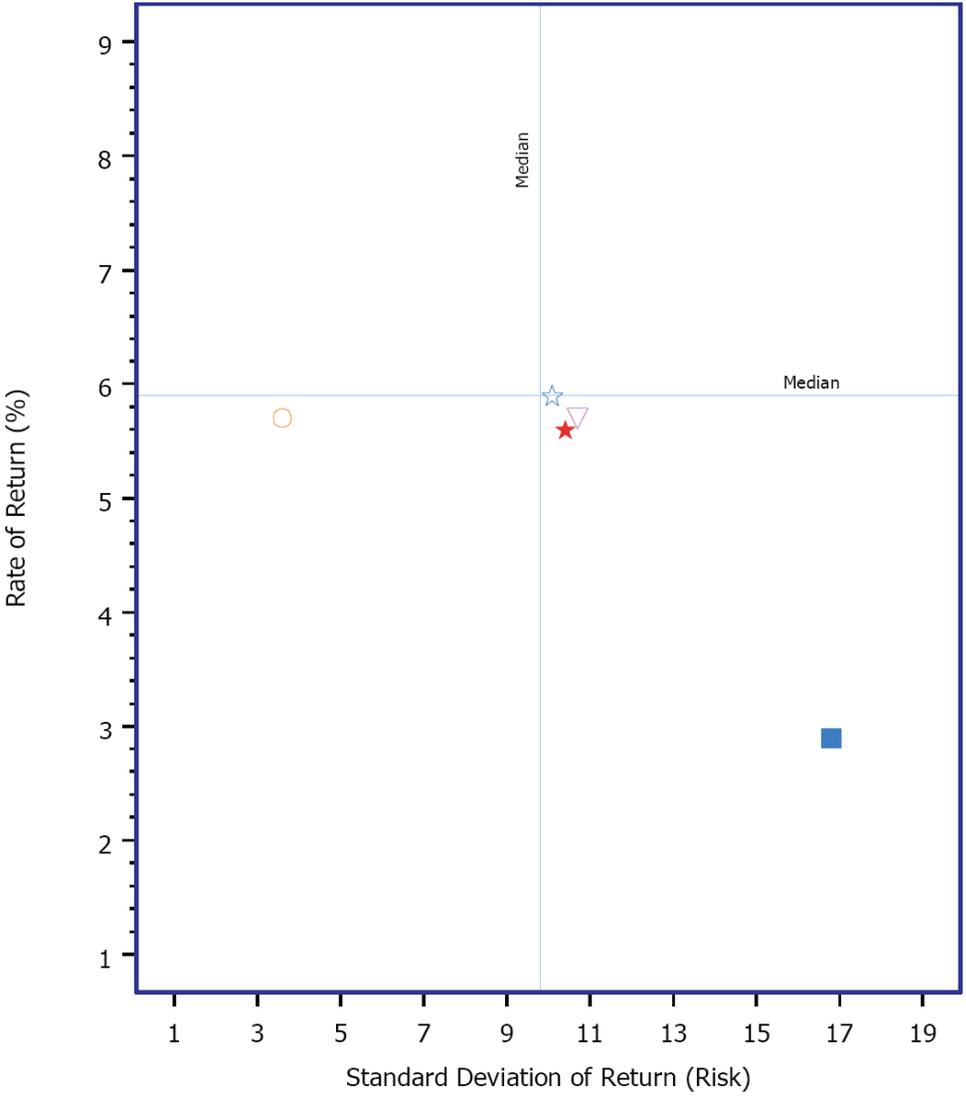


	Return	Standard Deviation	Sharpe Ratio
★ ERS COMPOSITE	6.1	9.4	0.4
☆ ALLOC INDEX	5.9	9.6	0.4
☆ POLICY INDEX	6.3	9.6	0.4
■ S&P 500	2.5	15.5	0.1
○ LB AGGREGATE	5.4	3.7	0.7
<b>Median</b>	6.1	9.0	0.4

**Funded status as of Fiscal Year 2007 = 100.8%**



# Total Fund Risk / Return Analysis – 10 Years\*



	Return	Standard Deviation	Sharpe Ratio
★ ERS COMPOSITE	5.6	10.4	0.2
▽ ALLOC INDEX	5.7	10.7	0.2
☆ POLICY INDEX	5.9	10.1	0.3
■ S&P 500	2.9	16.8	0.0
○ LB AGGREGATE	5.7	3.6	0.6
<b>Median</b>	5.9	9.8	0.3

**Funded status as of Fiscal Year 2007 = 100.8%**



# VPIC Total Performance Summary

Vermont Pension Investment Committee (VPIC)																			
Investment Performance "Flash" Report																			
Periods Ending June 30, 2008																			
Quarter	Public Rank	Large Rank	YTD	Public Rank	Large Rank	Last Year	Public Rank	Large Rank	Last 3 Years	Public Rank	Large Rank	Last 5 Years	Public Rank	Large Rank	Fiscal YTD	Market Value	% of Total Portfolio	Fee	
<b>Teachers' Composite</b>																			
<b>Teachers' Composite</b>	(1.1)%	72	75	(6.5)%	67	68	(6.6)%	81	83	6.6%	52	73	9.0%	49	72	(6.6)%	\$1,495,614,639	100%	0.38%
Allocation Index	(1.5)%			(5.5)%			(5.1)%			6.6%			9.1%			(5.1)%			
Policy Index	(1.0)%			(5.4)%			(3.7)%			7.3%			9.6%			(3.7)%			
<b>Employees' Composite</b>																			
<b>Employees' Composite</b>	(1.0)%	65	66	(6.2)%	64	62	(5.9)%	76	77	6.6%	50	73	8.8%	50	73	(5.9)%	\$1,279,301,885	100%	0.37%
Allocation Index	(1.3)%			(5.3)%			(4.7)%			6.6%			8.9%			(4.7)%			
Policy Index	(1.0)%			(4.9)%			(2.9)%			7.2%			9.3%			(2.9)%			
<b>Municipal Composite</b>																			
<b>Municipal Composite</b>	(1.0)%	67		(6.3)%	66		(6.1)%	76		6.8%	45		8.7%	57		(6.1)%	\$313,101,025	100%	0.38%
Allocation Index	(1.3)%			(5.1)%			(4.4)%			6.6%			9.1%			(4.4)%			
Policy Index	(0.9)%			(4.8)%			(2.6)%			7.5%			9.5%			(2.6)%			
<b>Burlington Composite</b>																			
<b>Burlington Composite</b>	(1.2)%	74		(6.5)%	69		(7.7)%	91		6.2%	62		8.1%	67		(7.7)%	\$117,627,258	100%	0.38%
Policy Index	(1.1)%			(5.8)%			(4.4)%			6.1%			8.1%			(4.4)%			

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.



# VPIC Manager Performance Summary

Vermont Pension Investment Committee (VPIC)																		
Investment Performance "Flash" Report																		
Periods Ending June 30, 2008																		
	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	% of BRS Portfolio	VPIC Inception Date	Annual Fee
<b>Large Cap Equity</b>																		
Large Cap Equity Composite - Employees*	(2.5)%	65	(11.5)%	49	(13.5)%	62	5.1%	51	7.9%	73	(13.5)%	\$321,643,420	25.1%	-	-	-		
Large Cap Equity Composite - Teachers*	(2.5)%	65	(11.3)%	45	(14.1)%	69	4.4%	72	7.3%	91	(14.1)%	\$429,501,885	-	28.7%	-	-		
Large Cap Equity Composite - Municipal	(2.5)%	65	(11.5)%	49	(13.5)%	62	6.0%	37	8.3%	65	(13.5)%	\$76,245,336	-	-	24.4%	-		
Large Cap Equity Composite - Burlington <i>Standard &amp; Poors 500</i>	(2.5)%	65	(11.3)%	45	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$34,725,543	-	-	-	29.5%		
T. Rowe	(1.2)%	35	(10.0)%	30	(11.3)%	37	n/a	n/a	n/a	n/a	(11.3)%	\$347,034,474	10.1%	11.5%	9.9%	12.0%	Dec-05	0.30%
PIMCO <i>Standard &amp; Poors 500</i>	(3.5)%	82	(13.0)%	84	(13.6)%	64	n/a	n/a	n/a	n/a	(13.6)%	\$343,566,023	10.0%	11.5%	9.7%	11.7%	Dec-05	0.33%
SSgA <i>S&amp;P 500 Equal Weighted</i>	(3.1)%	80	(11.3)%	45	(18.0)%	93	n/a	n/a	n/a	n/a	(18.0)%	\$171,515,687	5.0%	5.7%	4.8%	5.8%	Dec-05	0.05%
	(2.5)%		(10.9)%		(16.9)%		4.0%		10.0%		(16.9)%							
<b>Small Cap Equity</b>																		
Small Cap Equity Composite - Employees*	2.5%	34	(7.4)%	53	(13.0)%	36	3.8%	69	9.7%	84	(13.0)%	\$161,745,043	12.6%	-	-	-		
Small Cap Equity Composite - Teachers*	2.4%	34	(7.4)%	53	(13.1)%	37	2.9%	75	9.7%	84	(13.1)%	\$186,078,764	-	12.4%	-	-		
Small Cap Equity Composite - Municipal	2.5%	34	(7.4)%	53	(13.0)%	36	3.7%	69	10.0%	79	(13.0)%	\$33,445,123	-	-	10.7%	-		
Small Cap Equity Composite - Burlington <i>Russell 2000</i>	2.5%	34	(7.4)%	53	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$14,944,765	-	-	-	12.7%		
	0.6%		(9.4)%		(16.2)%		3.8%		10.3%		(16.2)%							
SSgA 2500 <i>Russell 2500</i>	1.6%	42	(7.9)%	56	(14.0)%	40	n/a	n/a	n/a	n/a	(14.0)%	\$130,674,736	4.1%	4.1%	3.6%	4.2%	Dec-05	0.07%
Wellington <i>Russell 2000 Value</i>	1.2%	10	(5.3)%	16	(14.4)%	17	5.2%	25	n/a	n/a	(14.4)%	\$130,221,443	4.2%	4.1%	3.4%	4.2%	Dec-05	0.49%
SSgA Russell 2000 Growth <i>Russell 2000 Growth</i>	4.5%	34	(8.9)%	35	(10.8)%	43	n/a	n/a	n/a	n/a	(10.8)%	\$135,317,516	4.3%	4.3%	3.7%	4.3%	Dec-06	0.10%
	4.5%		(8.9)%		(10.8)%		6.1%		10.4%		(10.8)%							
<b>International Equity</b>																		
<b>International Developed Equity</b>																		
International Equity Composite - Employees*	(2.6)%	67	(11.2)%	62	(11.5)%	69	14.8%	38	17.0%	63	(11.5)%	\$ 169,178,351	13.2%	-	-	-		
International Equity Composite - Teachers*	(2.9)%	70	(11.4)%	68	(11.3)%	68	14.4%	41	17.6%	52	(11.3)%	\$ 192,557,572	-	12.9%	-	-		
International Equity Composite - Municipal	(2.6)%	68	(11.2)%	62	(11.5)%	69	14.3%	38	16.9%	63	(11.5)%	\$ 40,781,479	-	-	13.0%	-		
International Equity Composite - Burlington	(2.9)%	70	(11.4)%	68	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 15,521,458	-	-	-	13.2%		
Acadian	(1.1)%	33	(10.7)%	50	(12.8)%	78	n/a	n/a	n/a	n/a	(12.8)%	\$190,747,069	6.7%	5.2%	6.6%	5.3%	Oct-05	0.48%
Mondrian <i>EAFE (After Taxes)</i>	(4.0)%	75	(11.9)%	75	(10.4)%	56	13.1%	57	17.7%	50	(10.4)%	\$227,291,791	6.5%	7.7%	6.4%	7.9%	Oct-05	0.36%
<i>CITIEPAC</i>	(2.3)%		(11.0)%		(10.6)%		12.8%		16.7%		(10.6)%							
	(2.0)%		(11.0)%		(9.8)%		13.4%		17.1%		(9.8)%							
<b>Emerging Market Equity</b>																		
Aberdeen <i>MSCI EM</i>	0.4%	29	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$35,233,092	1.1%	1.1%	1.1%	1.1%	Jan-08	0.85%
	(0.8)%		(11.7)%		4.6%		27.1%		29.8%		4.6%							
<b>Core Fixed Income</b>																		
Logan Circle**	(0.4)%	19	(2.7)%	97	0.3%	96	2.2%	96	3.2%	93	0.3%	\$515,961,369	17.9%	13.6%	21.9%	13.4%	Apr-06	0.33%
Oppenheimer <i>LB Aggregate</i>	(0.4)%	20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$74,682,892	2.6%	2.0%	3.1%	2.0%	Mar-08	
	(1.0)%		1.1%		7.1%		4.1%		3.9%		7.1%							
<b>High Yield Fixed Income</b>																		
Post Advisory <i>LB High Yield</i>	3.1%	11	0.4%	4	1.5%	26	5.6%	38	n/a	n/a	1.5%	\$171,295,410	5.4%	5.3%	5.3%	5.2%	Apr-06	0.42%
	1.8%		(1.3)%		(2.3)%		4.6%		6.9%		(2.3)%							
<b>Global Fixed Income</b>																		
Global FI Composite - Employees*	(2.2)%	61	3.6%	35	14.1%	31	n/a	n/a	n/a	n/a	14.1%	\$ 59,010,860	4.6%	-	-	-		
Global FI Composite - Teachers*	(2.2)%	61	3.6%	35	14.1%	31	n/a	n/a	n/a	n/a	14.1%	\$ 69,277,670	-	4.6%	-	-		
Global FI Composite - Municipal	(2.3)%	62	3.5%	36	14.0%	35	n/a	n/a	n/a	n/a	14.0%	\$ 8,024,974	-	-	2.6%	-		
Global FI Composite - Burlington	(2.3)%	62	3.6%	35	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 5,182,617	-	-	-	4.4%		
Brandywine	0.5%	5	2.3%	57	11.0%	49	n/a	n/a	n/a	n/a	11.0%	\$70,745,657	2.3%	2.3%	1.3%	2.2%	May-06	0.42%
Mondrian** <i>CITI WGBI</i>	(4.9)%	88	4.7%	15	17.4%	8	6.5%	26	6.5%	49	17.4%	\$70,750,464	2.3%	2.3%	1.3%	2.2%	May-06	0.36%
	(4.2)%		5.0%		17.0%		6.2%		6.4%		17.0%							

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.

\*\* Annualized returns includes historic performance from Delaware, which includes the legacy global portfolio.



# VPIC Manager Performance Summary

State of Vermont																		
Investment Performance "Flash" Report																		
Periods Ending June 30, 2008																		
	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	% of BRS Portfolio	VPIC Inception Date	Annual Fee
<b>Real Estate<sup>^</sup></b>																		
<b>Total Real Estate</b>													6.7%	8.7%	7.6%	8.5%		
Morgan Stanley	(1.0)%	77	2.0%	29	6.5%	51	16.5%	21	16.1%	31	6.5%	\$82,692,288	2.2%	2.9%	2.5%	2.8%	Sep-06	0.88%
UBS Realty	(0.6)%	72	0.9%	50	5.3%	64	13.3%	59	14.3%	54	5.3%	\$92,002,336	2.5%	3.2%	2.8%	3.1%	Sep-06	0.90%
RREEF	(7.1)%	93	(7.9)%	91	(1.5)%	83	n/a		n/a		(1.5)%	\$66,860,213	1.8%	2.3%	2.0%	2.3%	Sep-06	
Transwestern / Aslan	0.3%	39	(0.6)%	75	(5.9)%	85	n/a		n/a		(5.9)%	\$4,083,849	0.1%	0.1%	0.1%	0.1%	Sep-06	
Real Estate Cash	0.3%	38	1.2%	46	3.8%	69	n/a		n/a		3.8%	\$3,199,791	0.1%	0.1%	0.1%	0.1%	Sep-06	
NCREIF Property Index <sup>^</sup>	0.6%		2.2%		9.2%		15.0%		14.7%		9.2%							
<b>Private Investment</b>																		
Pru & VVC	(1.1)%		0.4%		9.3%		11.0%		4.5%		9.3%	\$5,739,881	0.0%	0.4%	0.0%	0.0%		
Vermont Investments	30.2%		44.3%		44.6%		(2.8)%		1.3%		44.6%	\$3,269,646	0.3%	0.0%	0.0%	0.0%		
Alternative Investments	0.0%		0.0%		0.0%		n/a		n/a		0.0%	\$767,390	0.0%	0.0%	0.2%	0.0%		
RMK Timber*	2.5%		4.7%		9.6%		21.5%		14.0%		9.6%	\$2,695,072	0.2%	0.0%	0.0%	0.0%		1.00%
NCREIF Timber Index*	4.5%		14.3%		21.5%		18.1%		14.8%		21.5%							
<b>Global Asset Allocation</b>																		
GAA Composite - Employees'	(1.1)%		(4.5)%		(2.3)%		n/a		n/a		(2.3)%	\$ 153,434,707	10.2%	-	-			
GAA Composite - Teachers'	(1.1)%		(4.5)%		(2.3)%		n/a		n/a		(2.3)%	\$ 153,434,707	-	10.3%	-			
GAA Composite - Municipal	(1.1)%		(4.5)%		(2.3)%		n/a		n/a		(2.3)%	\$ 31,747,504	-	-	10.1%			
Pimco All Asset	(0.3)%		0.2%		6.1%		n/a		n/a		6.1%	\$163,984,455	5.1%	5.1%	5.1%	5.0%	May-06	0.83%
T-Bill + 5%	1.6%		3.5%		8.6%		9.4%		8.3%		8.6%							
Mellon Global Alpha	(1.9)%		(9.4)%		(10.5)%		n/a		n/a		(10.5)%	\$163,101,676	5.1%	5.1%	5.1%	4.9%	May-06	0.65%
60%MSCI World / 40% CITI WGBI	(2.0)%		(6.0)%		(3.7)%		6.7%		8.7%		(3.7)%							
<b>Cash</b>																		
Employees' Cash	0.3%		1.2%		4.6%		6.2%		4.7%		4.6%	\$738,807	0.1%	0.0%	0.0%	0.0%		
Teachers' Cash	0.3%		1.2%		4.6%		5.2%		4.6%		4.6%	\$1,204,476	0.0%	0.1%	0.0%	0.0%		
Municipal Cash	0.3%		1.2%		4.5%		4.8%		4.1%		4.5%	\$114,143	0.0%	0.0%	0.0%	0.0%		
Burlington Cash	0.3%		1.3%		n/a		n/a		n/a		n/a	\$153,160	0.0%	0.0%	0.0%	0.1%		
90 Day U.S. T-Bills	0.3%		1.2%		3.6%		4.3%		3.2%		3.6%							

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.  
<sup>^</sup> Performance reported on a quarterly basis. NCREIF Property is available 25 days after quarter end.  
\* RMK Timber and NCREIF Timber are reported on the one quarter lag.

