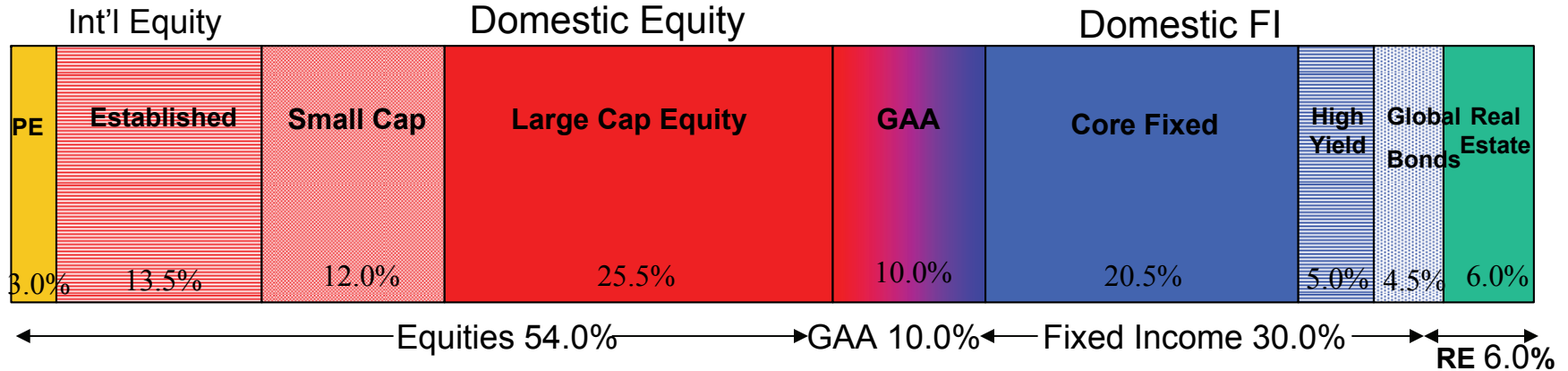


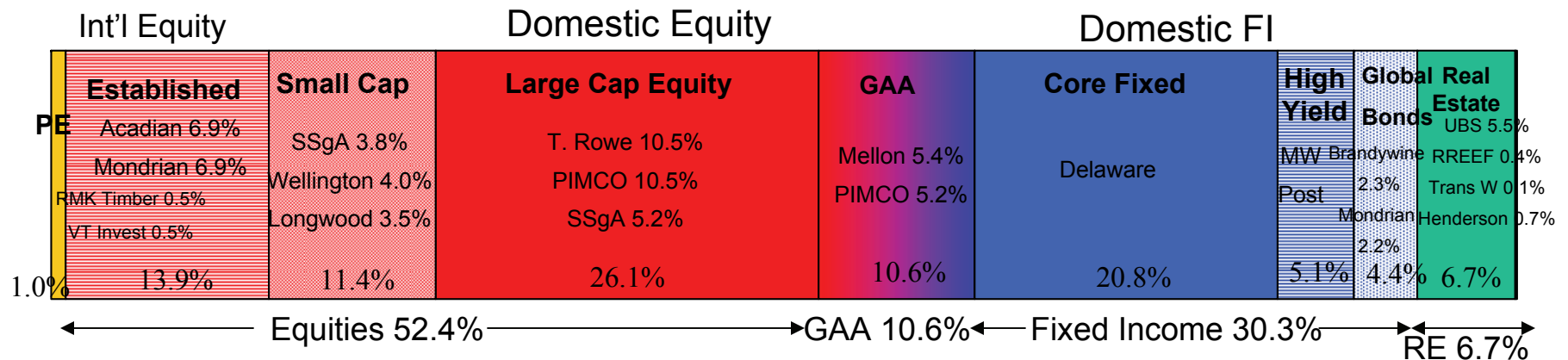
# Plan Asset Allocation

As of September 30, 2006

## 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>	\$329,164	\$48,459	\$50,978	\$44,034	\$261,701	\$64,513	\$174,906	\$57,274	\$75,545	\$5,667	\$138,587	\$9,951	\$1,260,779
T. Rowe	132,074	0	0	0	0	0	0	0	0	0	0	0	\$132,074
PIMCO	132,005	0	0	0	0	0	0	0	0	0	0	0	\$132,005
SSgA	65,085	0	0	0	0	0	0	0	0	0	0	0	\$65,085
SSgA 2500	0	48,459	0	0	0	0	0	0	0	0	0	0	\$48,459
Wellington	0	0	50,978	0	0	0	0	0	0	0	0	0	\$50,978
Longwood	0	0	0	44,034	0	0	0	0	0	0	0	0	\$44,034
Acadian	0	0	0	0	0	0	87,442	0	0	0	0	0	\$87,442
Mondrian	0	0	0	0	0	0	87,464	0	0	0	0	0	\$87,464
Delaware	0	0	0	0	261,701	0	0	0	0	0	0	0	\$261,701
MW Post	0	0	0	0	0	64,513	0	0	0	0	0	0	\$64,513
Brandywine	0	0	0	0	0	0	0	29,583	0	0	0	0	\$29,583
Mondrian	0	0	0	0	0	0	0	27,691	0	0	0	0	\$27,691
UBS Realty	0	0	0	0	0	0	0	0	69,875	0	0	0	\$69,875
RREEF	0	0	0	0	0	0	0	0	4,530	0	0	0	\$4,530
Transwestern	0	0	0	0	0	0	0	0	1,140	0	0	0	\$1,140
Henderson (Cash)	0	0	0	0	0	0	0	0	0	0	0	8,963	\$8,963
Mellon GAA	0	0	0	0	0	0	0	0	0	0	67,539	0	\$67,539
PIMCO AA	0	0	0	0	0	0	0	0	0	0	65,538	0	\$65,538
RMK Timber	0	0	0	0	0	0	0	0	0	0	5,510	0	\$5,510
Vermont Investment	0	0	0	0	0	0	0	0	0	5,667	0	0	\$5,667
Legacy Accounts	0	0	0	0	0	0	0	0	0	0	0	44	\$44
Vermont Cash	0	0	0	0	0	0	0	0	0	0	0	944	\$944

(Dollars in 000's)



# Total Fund Asset Growth Summary

Periods Ending September 30, 2006

## EMPLOYEES RETIREMENT SYSTEM COMPOSITE

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
<b>Beginning Market Value</b>	1,217,869	1,173,785	1,154,562	934,947
<b>Net External Growth</b>	-8,042	-15,987	-21,936	-105,737
<b>Return on Investment</b>	50,952	102,981	128,154	431,569
<b>Income Received</b>	158	10,495	16,882	127,973
<b>Gain/Loss</b>	50,794	92,487	111,272	303,596
<b>Ending Market Value</b>	1,260,779	1,260,779	1,260,779	1,260,779

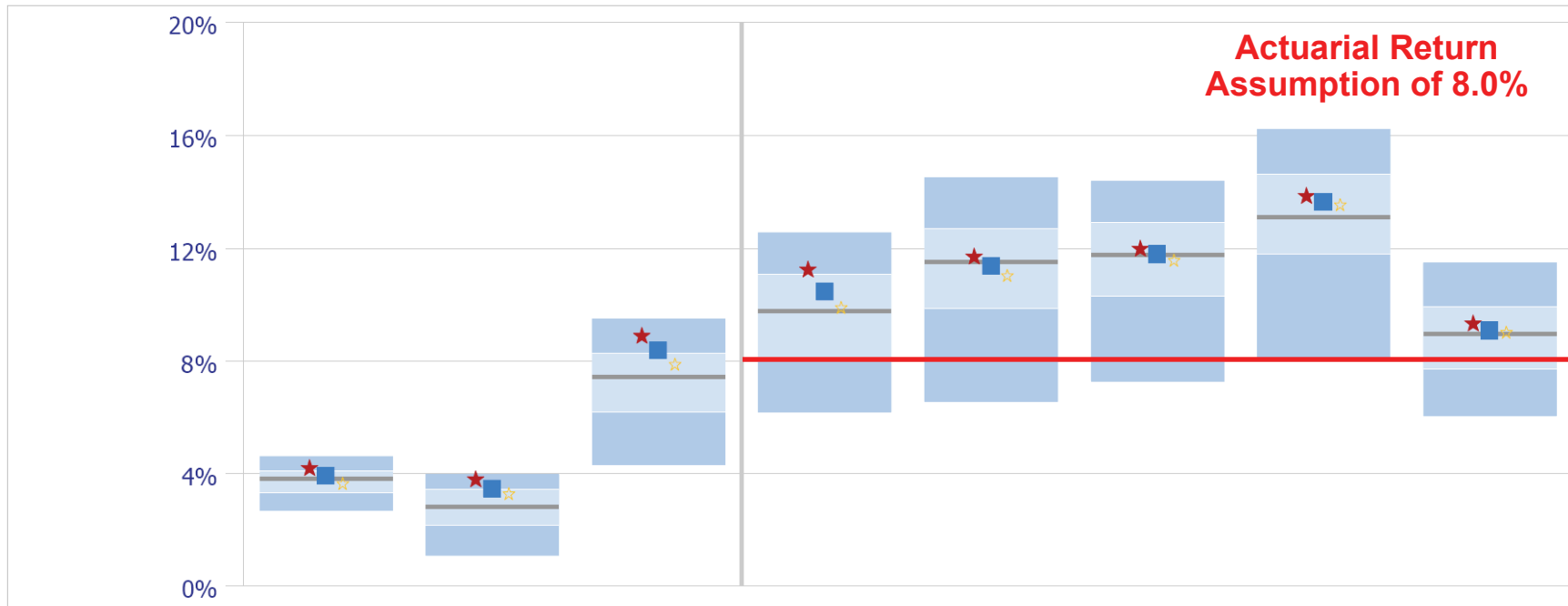
Return    +4.2%                      +8.9%                      +11.3%



# Total Public Funds – Total Rates of Return

Periods Ending September 30, 2006

**Total Returns**



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
★ ERS COMPOSITE	4.2	17	3.8	8	8.9	12	11.3	20	11.7	48	12.0	42	13.9	36	9.3	37
■ ALLOC INDEX	3.9	36	3.5	22	8.4	21	10.5	32	11.4	54	11.8	48	13.7	39	9.1	44
☆ POLICY INDEX	3.6	58	3.3	32	7.9	36	9.9	46	11.1	57	11.6	53	13.6	41	9.0	45
<b>Median</b>	3.8		2.8		7.4		9.8		11.5		11.8		13.1		9.0	

•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.

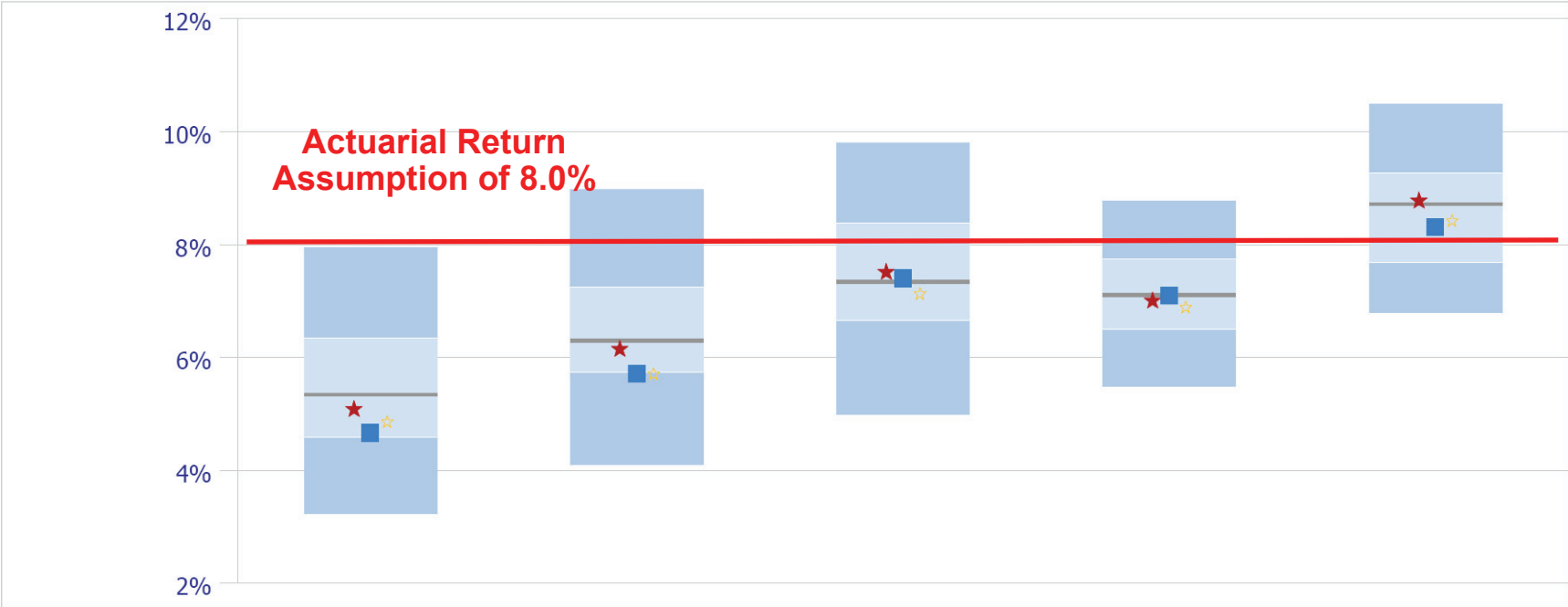
•Composite: Actual composite return = actual asset class weights times the actual manager return. Measures the effectiveness of the managers. (Actual composite return - Allocation Index)



# Total Public Funds – Total Rates of Return

Periods Ending September 30, 2006

**Total Returns**



	Six Years		Seven Years		Eight Years		Nine Years		Ten Years	
★ ERS COMPOSITE	5.1	56	6.2	54	7.5	45	7.0	50	8.8	47
■ ALLOC INDEX	4.7	71	5.7	75	7.4	47	7.1	49	8.3	62
☆ POLICY INDEX	4.9	61	5.7	75	7.1	64	6.9	57	8.4	59
<b>Median</b>	5.3		6.3		7.3		7.1		8.7	

•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)



# VPIC Total Performance Summary

State of Vermont																		
Investment Performance "Flash" Report																		
Periods Ending September 30, 2006																		
<u>Quarter</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>YTD</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>Year</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>3 Years</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Last</u> <u>5 Years</u>	<i>Public</i> Rank	<i>Large</i> Rank	<u>Market Value</u>	<u>% of Total</u> <u>Portfolio</u>	<u>Annual</u> <u>Fee</u>	
<b>Teachers' Composite</b>																		
<b>Teachers' Composite</b>	4.1%	23	27	9.2%	7	11	11.3%	20	34	12.3%	39	62	9.4%	34	49	\$1,505,923,362	100%	0.42%
<i>Allocation Index</i>	3.8%			8.9%			10.6%			12.2%			9.1%					
<i>Policy Index</i>	3.7%			8.1%			10.3%			12.1%			9.2%					
<b>Employees' Composite</b>																		
<b>Employees' Composite</b>	4.2%	17	23	8.9%	12	20	11.3%	20	34	12.0%	42	67	9.3%	37	52	\$1,260,779,059	100%	0.41%
<i>Allocation Index</i>	3.9%			8.4%			10.5%			11.8%			9.1%					
<i>Policy Index</i>	3.6%			7.9%			9.9%			11.6%			9.0%					
<b>Municipal Composite</b>																		
<b>Municipal Composite</b>	4.3%	9		8.8%	13		11.7%	11		11.8%	50		8.9%	52		\$293,088,902	100%	0.44%
<i>Allocation Index</i>	3.8%			8.1%			10.0%			12.0%			9.0%					
<i>Policy Index</i>	3.9%			8.1%			10.4%			12.0%			9.2%					
<b>Medians</b>																		
<b>Median Public Fund</b>	3.8%			7.4%			9.8%			11.8%			9.0%					
<b>Median Public Fund &gt;\$500M</b>	3.7%			7.8%			10.5%			12.3%			9.3%					
<b>Median Large Fund</b>	3.8%			7.9%			10.7%			12.7%			9.4%					

Note: Returns are gross of manager fees and should be considered preliminary. Results for periods longer than one year are annualized.

# VPIC Manager Performance Summary

State of Vermont															
Investment Performance "Flash" Report															
Periods Ending September 30, 2006															
	Quarter	Rank	YTD	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	Annual Fee
<b>Large Cap Equity</b>															
Large Cap Equity Composite - ERS	5.6%	46	8.9%	15	11.8%	13	12.5%	40	8.2%	30	\$329,206,144	26.1%	-	-	
Large Cap Equity Composite - TRS	5.3%	53	8.8%	17	11.3%	19	11.6%	90	7.3%	43	\$456,087,164	-	30.3%	-	
Large Cap Equity Composite - MRS	5.6%	46	8.8%	17	13.3%	7	13.0%	30	7.8%	35	\$76,131,917	-	-	26.0%	
Standard & Poors 500	5.7%		8.5%		10.8%		12.3%		7.0%						
T. Rowe	5.8%	10	9.1%	13	n/a		n/a		n/a		\$315,060,113	10.5%	10.1%	10.5%	0.30%
PIMCO	6.1%	8	9.2%	12	n/a		n/a		n/a		\$315,451,296	10.5%	10.2%	10.3%	0.33%
Standard & Poors 500	5.7%		8.5%		10.8%		12.3%		7.0%						
SSgA	4.2%	75	8.3%	56	n/a		n/a		n/a		\$230,821,203	5.2%	10.0%	5.2%	0.05%
S&P 500 Equal Weighted	3.9%		8.1%		10.9%		16.3%		12.8%						
<b>Small Cap Equity</b>															
Small Cap Equity Composite - ERS	(0.8)%	82	3.2%	87	3.7%	87	13.6%	92	10.6%	98	\$143,471,150	11.4%	-	-	
Small Cap Equity Composite - TRS	(0.9)%	82	3.2%	87	3.8%	87	13.4%	93	9.5%	100	\$176,513,111	-	11.7%	-	
Small Cap Equity Composite - MRS	(0.8)%	82	3.3%	85	4.9%	83	13.6%	92	12.3%	96	\$28,591,935	-	-	9.8%	
Russell 2000	0.4%		8.7%		9.9%		15.5%		13.8%						
SSgA 2500	0.5%	54	6.8%	57	n/a		n/a		n/a		\$117,830,236	3.8%	4.0%	3.3%	0.08%
Russell 2500	0.5%		6.9%		8.8%		16.1%		14.4%						
Wellington	3.6%	10	10.9%	27	11.0%	34	n/a		n/a		\$122,476,291	4.0%	4.1%	3.5%	0.48%
Russell 2000 Value	2.6%		13.3%		14.0%		19.0%		17.0%						
Longwood	(6.7)%	94	(7.7)%	100	(9.0)%	99	n/a		n/a		\$108,269,504	3.5%	3.7%	2.9%	0.77%
Russell 2000 Growth	(1.7)%		4.2%		5.9%		11.8%		10.1%						
<b>International Equity</b>															
International Equity Composite - ERS	6.4%	7	20.7%	1	26.0%	2	23.5%	43	15.9%	58	\$ 174,908,426	13.9%	-	-	
International Equity Composite - TRS	6.4%	7	20.4%	1	24.8%	3	25.0%	18	16.8%	41	\$ 213,561,839	-	14.2%	-	
International Equity Composite - MRS	6.4%	7	20.7%	1	25.3%	3	23.2%	49	15.9%	58	\$ 40,942,724	-	-	14.0%	
Acadian	6.1%	10	22.4%	1	n/a		n/a		n/a		\$193,716,767	6.9%	5.7%	7.0%	0.48%
Mondrian	6.6%	5	18.9%	6	21.3%	20	25.4%	13	19.0%	19	\$235,688,431	6.9%	8.5%	7.0%	0.36%
EAFE (After Taxes)	3.9%		14.5%		19.2%		22.3%		14.3%						
CITI EPAC	4.0%		14.2%		19.4%		22.8%		14.7%						
<b>Core Fixed Income</b>															
Delaware**	3.9%	36	3.4%	35	4.3%	21	4.3%	23	5.8%	19	\$567,178,800	20.8%	15.5%	24.7%	0.33%
LB Aggregate	3.8%		3.1%		3.7%		3.4%		4.8%						
<b>High Yield Fixed Income</b>															
MW Post	2.9%	90	5.6%	47	6.9%	46	n/a		n/a		\$153,719,735	5.1%	5.0%	4.9%	0.42%
LB High Yield	4.1%		7.4%		8.1%		9.1%		10.5%						
<b>Global Fixed Income</b>															
Brandywine	2.0%	42	5.5%	14	5.5%	5	n/a		n/a		\$66,603,276	2.3%	2.2%	1.2%	0.42%
Mondrian**	1.1%	82	3.0%	84	2.1%	86	4.3%	74	7.4%	63	\$65,515,526	2.2%	2.2%	1.3%	0.36%
CITI WGBI	1.4%		4.2%		2.2%		4.1%		7.3%						

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.  
 \*Individual manager allocations may not equal 100% as a result of residual cash in the State Street legacy accounts.  
 \*\*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, 2006															
	Quarter	Rank	YTD	Rank	Last Year	Rank	Last 3 Years	Rank	Last 5 Years	Rank	Market Value	% of ERS Portfolio	% of TRS Portfolio	% of MRS Portfolio	Annual Fee
<b>Real Estate<sup>A</sup></b>															
<b>Total Real Estate</b>												6.7%	8.3%	7.5%	
Morgan Stanley	4.2%	32	12.4%	39	20.7%	29	18.2%	39	13.0%	46	\$67,483,112	0.0%	4.5%	0.0%	0.90%
UBS Realty - TRS	3.9%	36	10.6%	59	15.8%	57	16.3%	53	12.8%	47	\$57,911,766	0.0%	3.8%	0.0%	0.90%
UBS Realty - ERS	3.9%	36	10.6%	59	15.8%	57	16.3%	53	12.8%	47	\$69,874,761	5.5%	0.0%	0.0%	0.90%
RREEF	0.8%	73	n/a		n/a		n/a		n/a		\$4,530,350	0.4%	0.0%	0.0%	
Transwestern / Aslan	(4.7)%	97	(9.1)%	96	n/a		n/a		n/a		\$1,139,709	0.1%	0.0%	0.0%	
Henderson (Cash)	1.7%		3.7%		n/a		n/a		n/a		\$8,963,123	0.7%	0.0%	0.0%	
SSR	5.3%	25	13.8%	34	20.1%	32	13.9%	66	10.0%	62	\$22,047,066	0.0%	0.0%	7.5%	1.11%
<i>NCREIF Property Index</i>	3.5%		11.6%		17.6%		16.4%		12.4%						
<b>Private Investment</b>															
Pru & VVC	0.0%		3.6%		3.6%		(0.0)%		(0.5)%		\$5,583,314	0.0%	0.4%	0.0%	
Vermont Investments	0.0%		2.1%		5.7%		7.2%		(2.2)%		\$5,667,297	0.4%	0.0%	0.0%	
Alternative Investments	0.0%		0.9%		1.2%		(11.0)%		(12.1)%		\$474,144	0.0%	0.0%	0.2%	
<b>Alternative Investment</b>															
Mellon Global Alpha	6.6%		n/a		n/a		n/a		n/a		\$159,789,267	5.4%	5.1%	5.1%	0.65%
<i>60%MSCI World / 40% CITI WGBI</i>	3.3%		8.2%		9.3%		11.6%		9.2%						
Pimco All Asset	4.2%		n/a		n/a		n/a		n/a		\$156,021,653	5.2%	5.0%	5.0%	0.83%
<i>T-Bill + 5%</i>	2.6%		7.4%		9.7%		7.9%		7.4%						
RMK Timber <sup>A</sup>	31.6%		41.2%		48.4%		18.1%		12.5%		\$5,509,854	0.4%	0.0%	0.0%	1.00%
<i>NCREIF Timber Index</i>	3.5%		18.6%		19.7%		13.9%		7.6%						
<b>Cash</b>															
Employees' Cash	1.9%		4.8%		9.7%		5.2%		3.7%		\$943,734	0.1%	0.0%	0.0%	
Teachers' Cash	3.8%		7.6%		9.5%		5.7%		3.8%		\$481,648	0.0%	0.0%	0.0%	
Municipal Cash	1.2%		3.6%		4.8%		3.5%		3.0%		\$934,595	0.0%	0.0%	0.3%	
<i>90 Day U.S. T-Bills</i>	1.3%		3.5%		4.5%		2.7%		2.3%						

Note: Returns are gross of manager fees and should be considered preliminary. Results for periods longer than one year are annualized.  
<sup>A</sup>Individual manager allocations may not equal 100% as a result of residual cash in the State Street legacy accounts.  
<sup>A</sup>Returns reported on a quarterly basis.

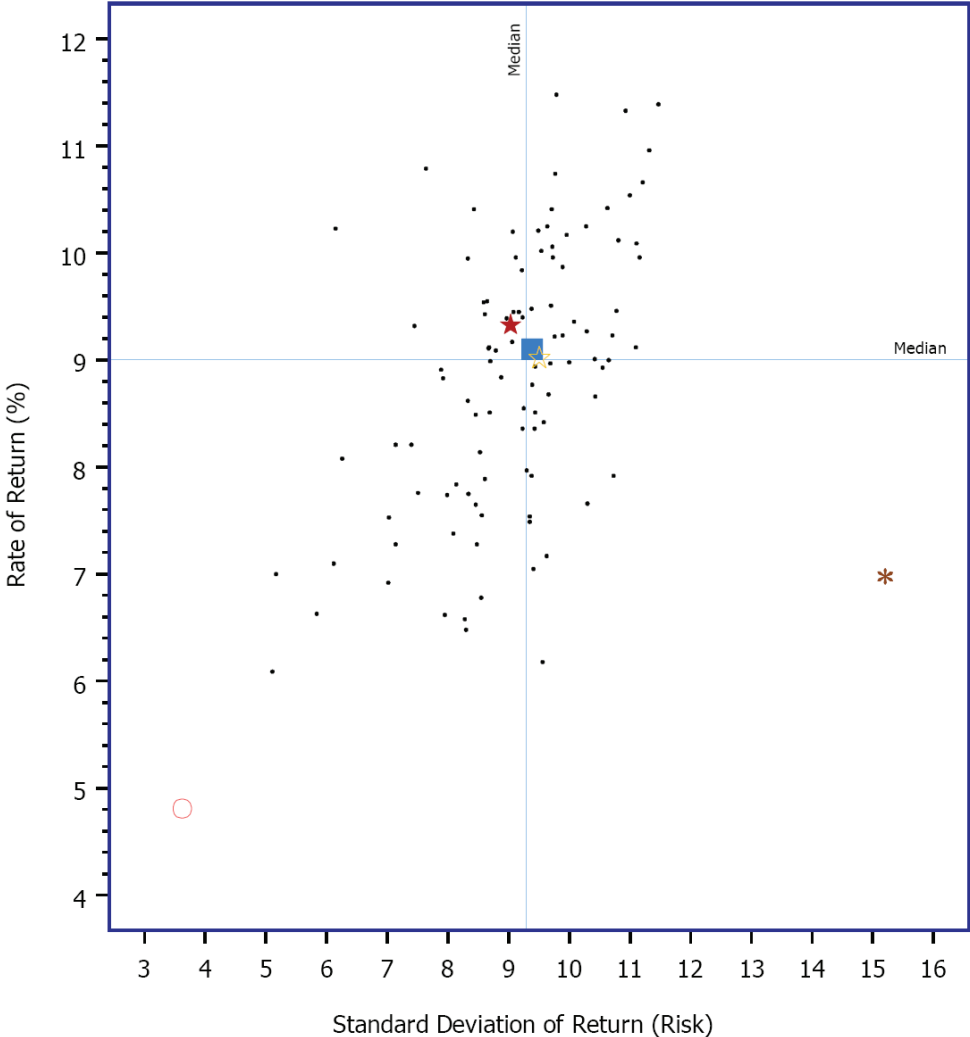




# Total Fund Risk / Return Analysis

5 Years Ending September 30, 2006

**Total Public Funds - Total Returns**



	Return	Standard Deviation	Sharpe Ratio
★ ERS COMPOSITE	9.3 37	9.0 57	0.8 35
■ ALLOC INDEX	9.1 44	9.4 45	0.7 52
☆ POLICY INDEX	9.0 45	9.5 40	0.7 54
* S&P 500	7.0 86	15.2 1	0.4 97
○ LB AGGREGATE	4.8 98	3.6 100	0.7 64
<b>Median</b>	9.0	9.3	0.8

**Funded status as of Fiscal Year 2006 = 99.3%**

