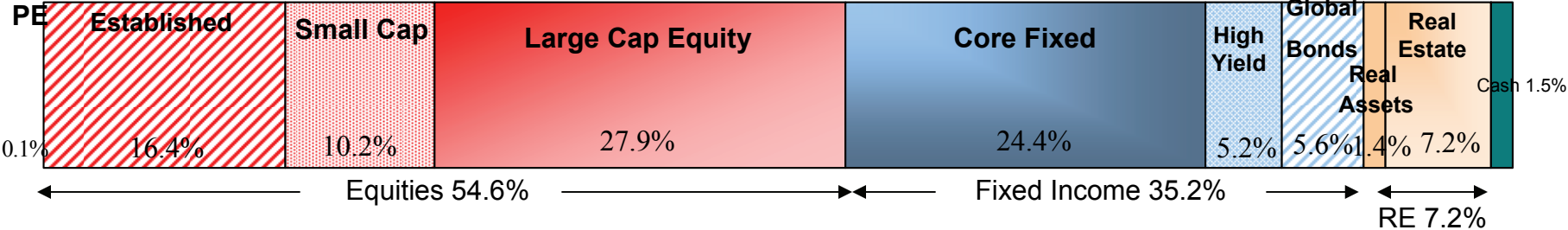
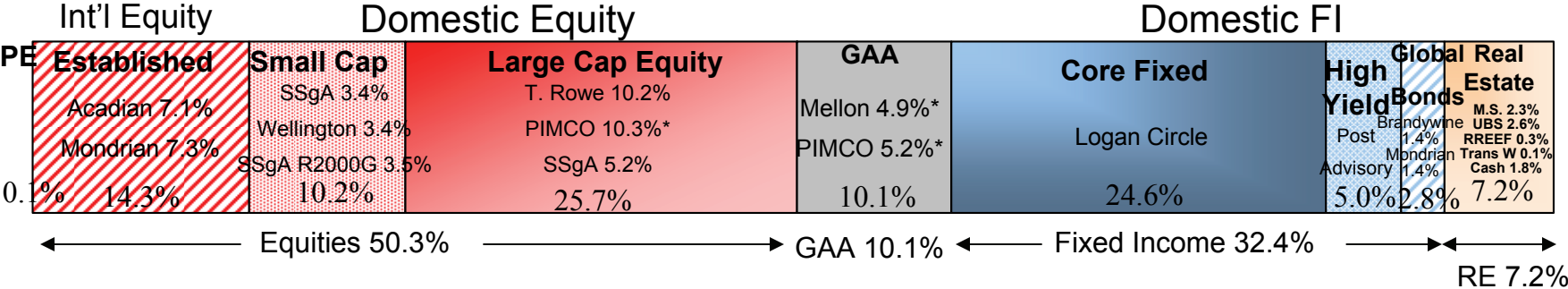
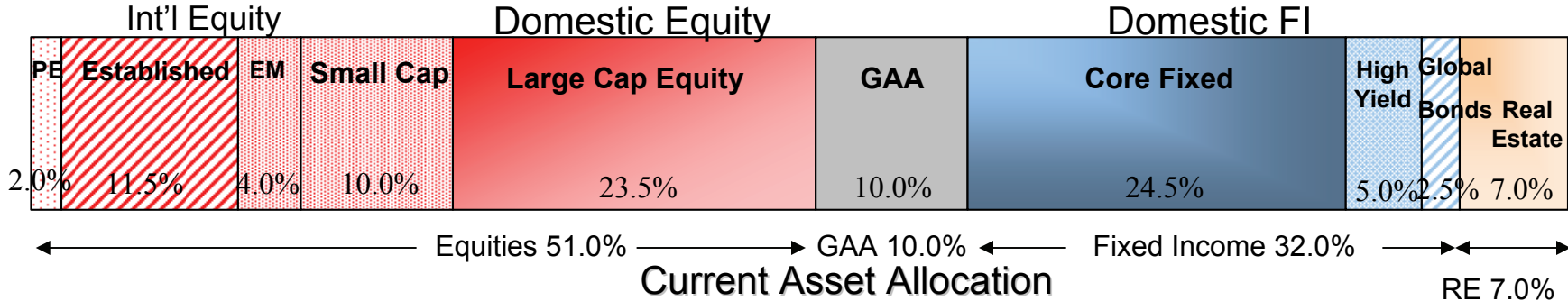


# Vermont Municipal Employees' Retirement System



# Plan Asset Allocation

As of December 31, 2007  
Target Asset Allocation



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



# 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>	\$85,653	\$11,241	\$11,185	\$11,603	\$81,931	\$16,508	\$47,810	\$9,228	\$23,963	\$474	\$33,591	\$53	\$333,240
T. Rowe	33,921	0	0	0	0	0	0	0	0	0	0	0	\$33,921
PIMCO	34,480	0	0	0	0	0	0	0	0	0	0	0	\$34,480
SSgA Equal Wgt	17,252	0	0	0	0	0	0	0	0	0	0	0	\$17,252
SSgA R-2000 Growth	0	0	0	11,603	0	0	0	0	0	0	0	0	\$11,603
SSgA R-2500	0	11,241	0	0	0	0	0	0	0	0	0	0	\$11,241
Wellington	0	0	11,185	0	0	0	0	0	0	0	0	0	\$11,185
Acadian	0	0	0	0	0	0	23,507	0	0	0	0	0	\$23,507
Mondrian	0	0	0	0	0	0	24,303	0	0	0	0	0	\$24,303
Logan Circle	0	0	0	0	81,927	0	0	0	0	0	0	0	\$81,927
Post Advisory	0	0	0	0	0	16,508	0	0	0	0	0	0	\$16,508
Brandywine	0	0	0	0	0	0	0	4,672	0	0	0	0	\$4,672
Mondrian	0	0	0	0	0	0	0	4,556	0	0	0	0	\$4,556
Morgan Stanley	0	0	0	0	0	0	0	0	7,699	0	0	0	\$7,699
UBS Realty	0	0	0	0	0	0	0	0	8,705	0	0	0	\$8,705
RREEF	0	0	0	0	0	0	0	0	1,153	0	0	0	\$1,153
Transwestern	0	0	0	0	0	0	0	0	328	0	0	0	\$328
Real Estate Cash	0	0	0	0	0	0	0	0	6,078	0	0	0	\$6,078
Mellon GA 1	0	0	0	0	0	0	0	0	0	0	16,390	0	\$16,390
PIMCO AA	0	0	0	0	0	0	0	0	0	0	17,201	0	\$17,201
Vermont Cash	0	0	0	0	4	0	0	0	0	0	0	53	\$57
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 December 31, 2007

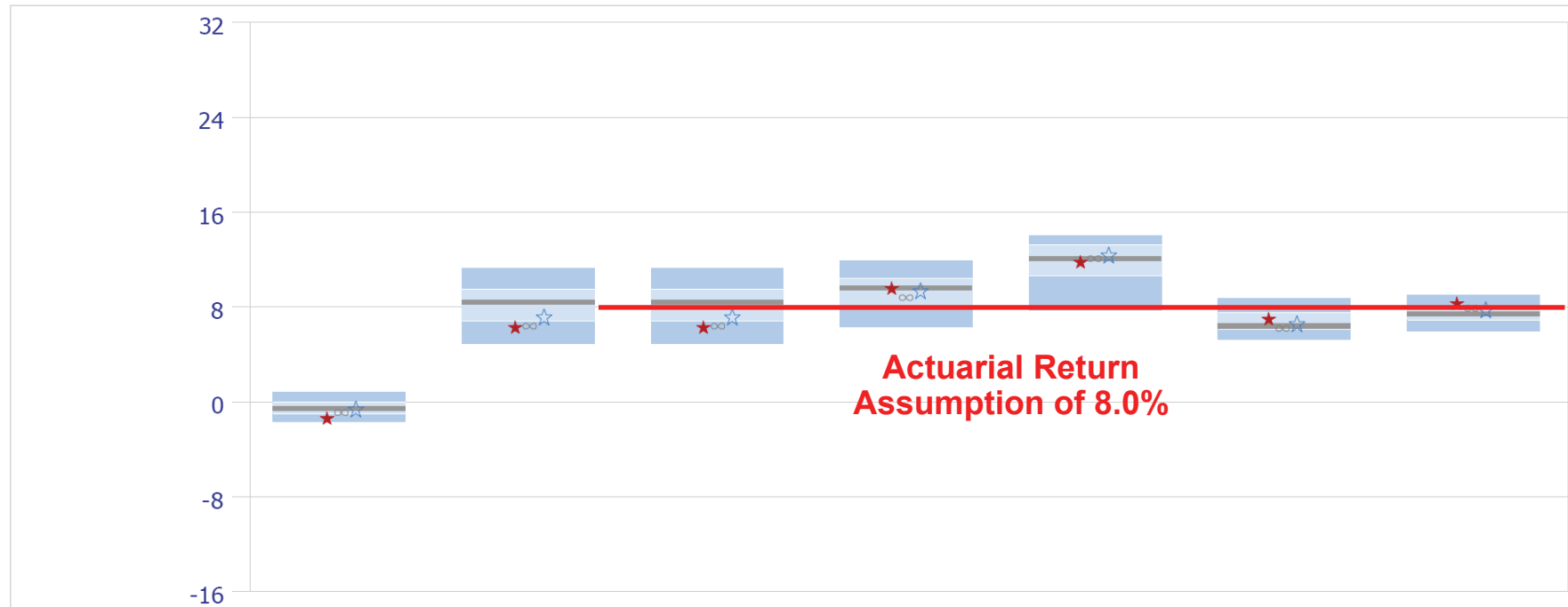
## MUNICIPAL SYSTEM COMPOSITE

	Last Quarter	Year to Date	Last Twelve Months	Since Inception 03/2001
<b>Beginning Market Value</b>	336,302	311,579	311,579	163,148
<b>Net External Growth</b>	1,535	2,452	2,452	41,784
<b>Return on Investment</b>	-4,597	19,210	19,210	128,308
<b>Income Received</b>	7	44	44	25,084
<b>Gain/Loss</b>	-4,603	19,166	19,166	103,224
<b>Ending Market Value</b>	333,240	333,240	333,240	333,240

Return    -1.4%                      +6.3%                      +6.3%



# Total Public Funds – Total Rates of Return\*



	One Quarter		Year to Date		One Year		Three Years		Five Years		Seven Years		Ten Years	
★ MUNI COMPOSITE	-1.4	88	6.3	88	6.3	88	9.6	53	11.8	62	7.0	33	8.3	23
∞ ALLOC INDEX	-0.9	62	6.4	85	6.4	85	8.8	65	12.1	49	6.2	69	7.9	32
☆ POLICY INDEX	-0.6	47	7.2	71	7.2	71	9.4	56	12.4	43	6.6	47	7.8	32
<b>Median</b>	-0.6	--	8.4	--	8.4	--	9.6	--	12.1	--	6.4	--	7.4	--

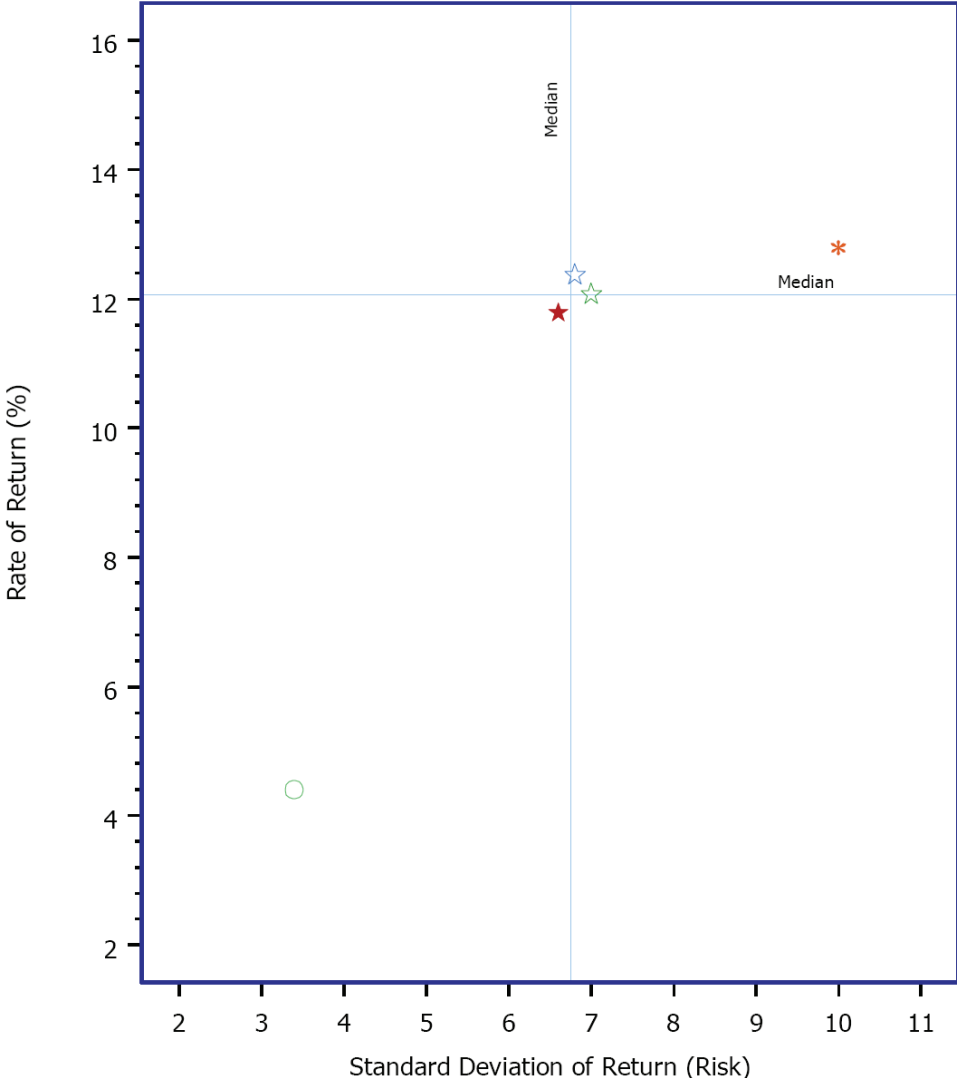
•*Policy Index*: Measures the effectiveness of *Plan Structure*. (Target asset class weights X Return of the respective passive benchmark)

•*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\*

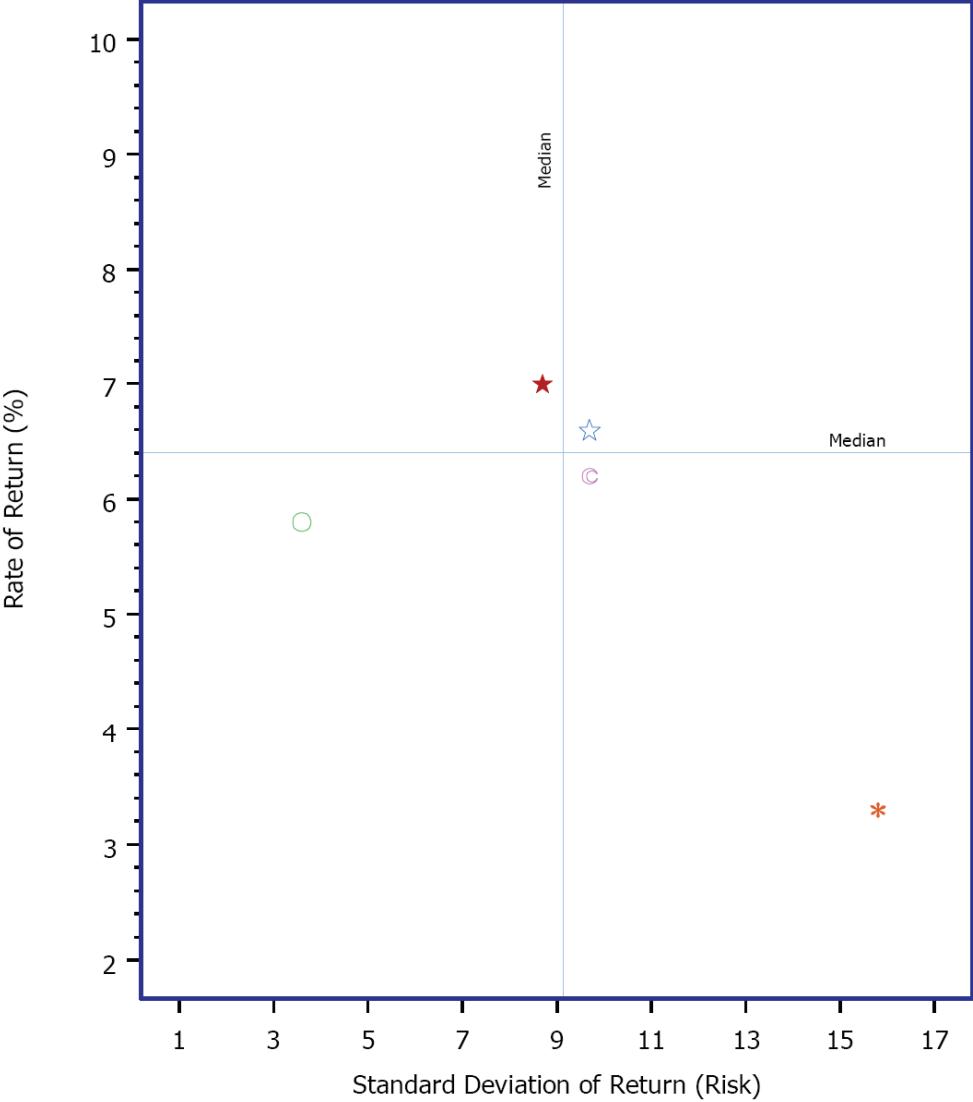


	Return	Standard Deviation	Sharpe Ratio
★ MUNI COMPOSITE	11.8	6.6	1.3
☆ ALLOC INDEX	12.1	7.0	1.2
☆ POLICY INDEX	12.4	6.8	1.3
★ S&P 500	12.8	10.0	1.0
○ LB AGGREGATE	4.4	3.4	0.4
<b>Median</b>	12.1	6.8	1.3

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



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

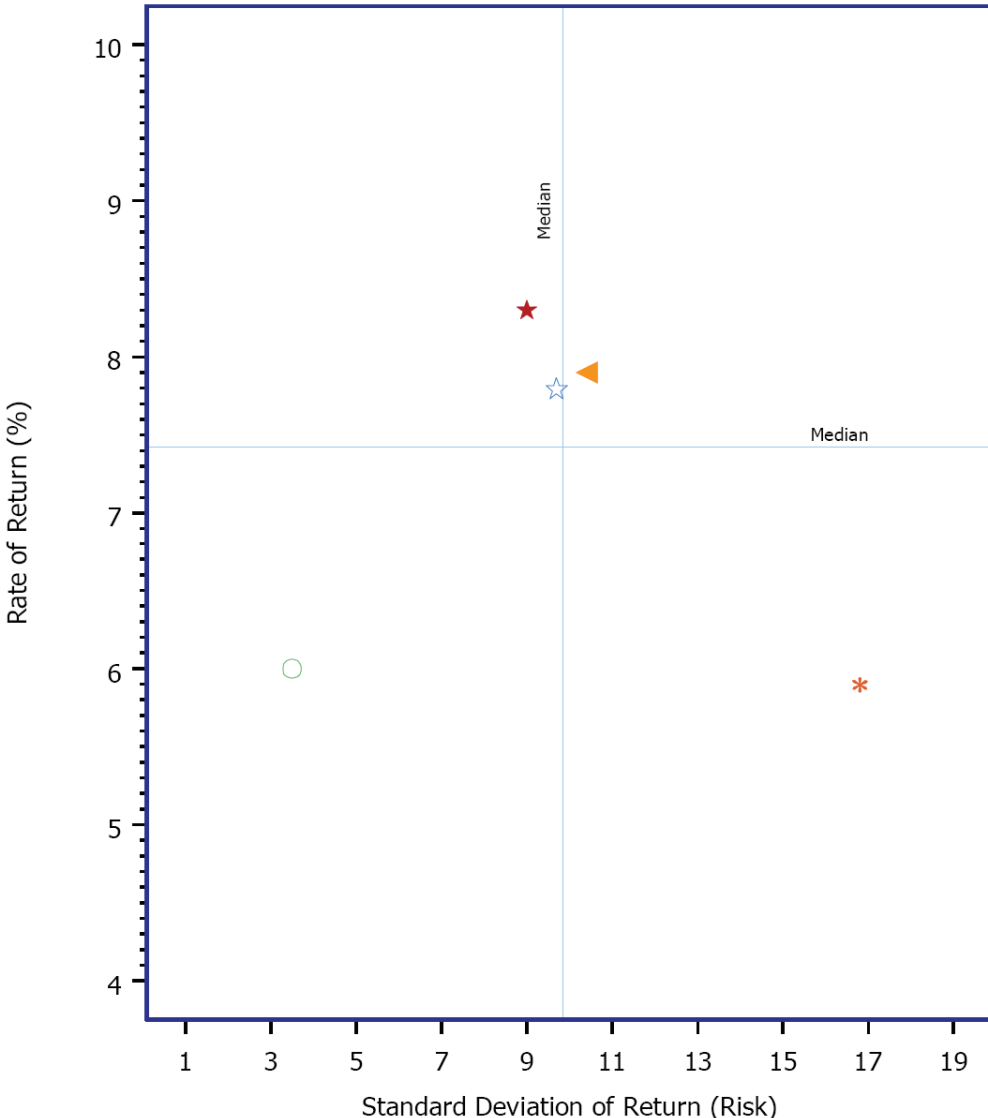


	Return		Standard Deviation		Sharpe Ratio	
★ MUNI COMPOSITE	7.0	33	8.7	34	0.5	30
⊙ ALLOC INDEX	6.2	69	9.7	66	0.4	58
☆ POLICY INDEX	6.6	45	9.7	66	0.4	58
* S&P 500	3.3	100	15.8	100	0.1	100
○ LB AGGREGATE	5.8	84	3.6	2	0.7	4
<b>Median</b>	6.4	--	9.1	--	0.4	--

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



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



	Return		Standard Deviation		Sharpe Ratio
★ MUNI COMPOSITE	8.3	23	9.0	34	0.5 17
▲ ALLOC INDEX	7.9	32	10.4	72	0.4 58
☆ POLICY INDEX	7.8	32	9.7	48	0.4 58
* S&P 500	5.9	98	16.8	100	0.2 99
○ LB AGGREGATE	6.0	95	3.5	2	0.6 5
<b>Median</b>	7.4	--	9.8	--	0.4 --

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






# VPIC Total Performance Summary

Vermont Pension Investment Committee (VPIC)																
Investment Performance "Flash" Report																
Periods Ending December 31, 2007																
	<u>Quarter</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>	<b>(1.6)%</b>	91	89	6.3%	87	89	9.1%	63	80	12.6%	39	67	<b>(0.1)%</b>	\$1,638,862,816	100%	0.38%
<i>Allocation Index</i>	<b>(1.1)%</b>			6.4%			8.6%			12.4%			0.4%			
<i>Policy Index</i>	<b>(0.7)%</b>			7.3%			9.4%			12.7%			1.3%			
<b>Employees' Composite</b>																
<b>Employees' Composite</b>	<b>(1.3)%</b>	86	86	6.4%	85	88	9.2%	62	78	12.3%	45	71	0.3%	\$1,378,571,759	100%	0.38%
<i>Allocation Index</i>	<b>(1.0)%</b>			6.2%			8.7%			12.1%			0.6%			
<i>Policy Index</i>	<b>(0.5)%</b>			7.3%			9.0%			12.3%			1.6%			
<b>Municipal Composite</b>																
<b>Municipal Composite</b>	<b>(1.4)%</b>	86		6.3%	87		9.6%	49		11.8%	65		0.3%	\$333,240,355	100%	0.38%
<i>Allocation Index</i>	<b>(0.9)%</b>			6.4%			8.8%			12.1%			0.8%			
<i>Policy Index</i>	<b>(0.4)%</b>			7.4%			9.5%			12.5%			1.7%			
<b>Burlington Composite</b>																
<b>Burlington Composite</b>	<b>(3.1)%</b>	100		5.5%	91		8.9%	66		11.3%	73		<b>(1.3)%</b>	\$125,964,930	100%	0.38%
<i>Policy Index</i>	<b>(0.7)%</b>			7.0%			8.5%			11.2%			1.4%			

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 December 31, 2007																
	Quarter	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'	(4.0)%	66	5.4%	55	9.3%	48	13.1%	70	(2.3)%	\$360,404,260	26.1%	-	-			
Large Cap Equity Composite - Teachers'	(4.2)%	73	4.6%	58	8.3%	80	12.4%	92	(3.1)%	\$488,330,445	-	29.8%	-			
Large Cap Equity Composite - Municipal	(4.0)%	66	5.4%	55	10.4%	26	13.4%	66	(2.3)%	\$85,653,859	-	-	25.7%			
Standard & Poors 500	(3.3)%		5.5%		8.6%		12.8%		(1.4)%							
T. Rowe	(3.5)%	59	6.2%	40	n/a	n/a	n/a	n/a	(1.4)%	\$357,272,551	10.5%	10.1%	10.2%	10.2%	Dec-05	0.30%
PIMCO	(3.7)%	61	6.8%	34	n/a	n/a	n/a	n/a	(0.7)%	\$357,877,202	10.6%	10.0%	10.3%	10.0%	Dec-05	0.33%
Standard & Poors 500	(3.3)%		5.5%		8.6%		12.8%		(1.4)%							
SSgA	(5.5)%	88	0.5%	89	n/a	n/a	n/a	n/a	(7.6)%	\$257,055,392	5.0%	9.7%	5.2%	9.9%	Dec-05	0.05%
S&P 500 Equal Weighted	(4.9)%		1.5%		8.3%		16.0%		(6.8)%							
<b>Small Cap Equity</b>																
Small Cap Equity Composite - Employees'	(4.0)%	26	1.9%	34	6.9%	69	14.9%	79	(6.1)%	\$163,839,145	11.9%	-	-			
Small Cap Equity Composite - Teachers'	(4.1)%	26	1.8%	35	5.8%	80	14.4%	85	(6.1)%	\$196,696,603	-	12.0%	-			
Small Cap Equity Composite - Municipal	(4.1)%	26	1.9%	35	6.4%	74	14.4%	85	(6.1)%	\$34,028,691	-	-	10.2%			
Russell 2000	(4.6)%		(1.5)%		6.8%		16.2%		(7.5)%							
SSgA 2500	(4.2)%	29	1.5%	38	n/a	n/a	n/a	n/a	(6.6)%	\$136,323,531	3.9%	4.0%	3.4%	4.0%	Dec-05	0.07%
Russell 2500	(4.3)%		1.4%		8.4%		17.0%		(6.7)%							
Wellington	(5.9)%	36	(2.1)%	35	9.5%	11	n/a	n/a	(9.6)%	\$132,000,566	3.8%	3.9%	3.4%	4.0%	Dec-05	0.49%
Russell 2000 Value	(7.3)%		(9.8)%		5.3%		15.8%		(13.1)%							
SSgA Russell 2000 Growth	(2.1)%	34	n/a	n/a	n/a	n/a	n/a	n/a	(2.1)%	\$141,448,740	4.1%	4.1%	3.5%	4.1%	Dec-06	0.10%
Russell 2000 Growth	(2.1)%		7.0%		8.1%		16.5%		(2.1)%							
<b>International Equity</b>																
International Equity Composite - Employees'	(1.7)%	67	10.6%	65	19.0%	43	22.0%	63	(0.3)%	\$ 197,140,160	14.3%	-	-			
International Equity Composite - Teachers'	(1.3)%	61	10.9%	63	19.2%	41	23.1%	52	0.0%	\$ 228,259,370	-	13.9%	-			
International Equity Composite - Municipal	(1.7)%	68	10.6%	65	18.4%	47	21.7%	67	(0.3)%	\$ 47,810,120	-	-	14.3%			
Acadian	(3.7)%	86	8.7%	80	n/a	n/a	n/a	n/a	(2.3)%	\$214,420,331	6.9%	5.4%	7.1%	5.2%	Oct-05	0.48%
Mondrian	0.2%	31	12.4%	51	18.7%	45	24.3%	24	1.7%	\$275,860,708	7.4%	8.5%	7.3%	8.3%	Oct-05	0.36%
EAFE (After Taxes)	(1.8)%		11.2%		16.8%		21.6%		0.4%							
CITI EPAC	(1.4)%		12.9%		17.7%		22.1%		1.3%							
<b>Core Fixed Income</b>																
Logan Circle**	1.0%	95	4.4%	92	4.1%	92	4.9%	35	3.1%	\$642,168,826	20.6%	15.6%	24.6%	15.9%	Apr-06	0.33%
LB Aggregate	3.0%		7.0%		4.6%		4.4%		5.9%							
<b>High Yield Fixed Income</b>																
Post Advisory	(0.1)%	34	4.7%	21	6.0%	45	n/a	n/a	1.1%	\$176,890,734	5.1%	5.1%	5.0%	5.1%	Apr-06	0.42%
LB High Yield	(1.3)%		1.9%		5.4%		10.9%		(1.0)%							
<b>Global Fixed Income</b>																
Brandywine	2.6%	50	10.8%	24	n/a	n/a	n/a	n/a	8.5%	\$81,692,224	2.4%	2.5%	1.4%	2.3%	May-06	0.42%
Mondrian**	4.3%	1	11.5%	9	4.3%	46	7.1%	50	12.1%	\$83,101,341	2.6%	2.5%	1.4%	2.4%	May-06	0.36%
CITI WGBI	3.9%		10.9%		3.1%		6.8%		11.4%							

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 Delaware, which includes the legacy global portfolio.



# VPIC Manager Performance Summary

State of Vermont																
Investment Performance "Flash" Report																
Periods Ending December 31, 2007																
	Quarter	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>											6.3%	8.0%	7.2%	8.5%		
Morgan Stanley	2.2%	24	16.2%	37	18.2%	33	16.7%	39	4.4%	\$81,074,665	2.0%	2.6%	2.3%	2.7%	Sep-06	0.88%
UBS Realty	1.9%	33	13.9%	50	17.2%	39	15.1%	50	4.3%	\$91,677,414	2.3%	2.9%	2.6%	3.1%	Sep-06	0.90%
RREEF	0.1%	57	18.1%	25	n/a		n/a		6.9%	\$12,142,971	0.3%	0.4%	0.3%	0.4%	Sep-06	
Transwestern / Aslan	0.0%	60	3.5%	76	n/a		n/a		-5.3%	\$3,456,130	0.1%	0.1%	0.1%	0.1%	Sep-06	
Real Estate Cash	1.0%	47	5.3%	72	n/a		n/a		2.6%	\$64,010,287	1.6%	2.0%	1.8%	2.2%	Sep-06	
NCREIF Property Index <sup>^</sup>	0.0%		12.2%		16.3%		14.4%		3.6%							
<b>Private Investment</b>																
Pru & VVC	7.3%		13.6%		11.5%		4.4%		8.8%	\$5,944,767	0.0%	0.4%	0.0%	0.0%		
Vermont Investments	0.0%		9.2%		(12.7)%		(8.4)%		0.2%	\$2,266,460	0.2%	0.0%	0.0%	0.0%		
Alternative Investments	0.0%		n/a		n/a		n/a		0.0%	\$474,144	0.0%	0.0%	0.1%	0.0%		
RMK Timber <sup>^</sup>	(0.3)%		(0.0)%		21.1%		13.3%		4.7%	\$2,796,949	0.2%	0.0%	0.0%	0.0%		1.00%
NCREIF Timber Index <sup>^</sup>	3.9%		15.3%		15.9%		12.0%		6.3%							
<b>Global Asset Allocation</b>																
Pimco All Asset	1.7%		9.6%		n/a		n/a		5.9%	\$183,102,632	5.3%	5.3%	5.2%	5.1%	May-06	0.83%
T-Bill + 5%	2.3%		10.2%		9.5%		8.2%		4.9%							
Mellon Global Alpha	(3.8)%		1.7%		n/a		n/a		(1.2)%	\$172,230,783	5.0%	4.9%	4.9%	4.9%	May-06	0.65%
60%MSCI World / 40% CITI WGBI	(0.3)%		7.9%		9.3%		11.7%		2.5%							
<b>Cash</b>																
Employees' Cash	1.4%		6.3%		6.7%		4.6%		3.3%	\$468,946	0.0%	0.0%	0.0%	0.0%		
Teachers' Cash	1.4%		6.4%		5.7%		4.4%		3.3%	\$608,845	0.0%	0.0%	0.0%	0.0%		
Municipal Cash	1.4%		6.3%		5.2%		3.8%		3.2%	\$57,230	0.0%	0.0%	0.0%	0.0%		
Burlington Cash	n/a		n/a		n/a		n/a		n/a	\$215,491	0.0%	0.0%	0.0%	0.2%		
90 Day U.S. T-Bills	1.1%		5.0%		4.3%		3.1%		2.4%							

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 is available 45 days after quarter end.

