



Performance Report  
First Quarter 2010

Ventura County Employees' Retirement Association



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*Ennis, Knupp & Associates calculates rates of return for each investment manager monthly. Occasionally discrepancies arise between returns computed by the managers and those calculated by Ennis, Knupp & Associates due to differences in computational procedures, securities pricing services, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. If a material discrepancy does persist, we will bring the matter to your attention. A description of the policy portfolios and fund universes used throughout this report appears in Appendix II. All rates of return contained in this report for time periods greater than one year are annualized. Returns are calculated net of fees and expenses.*

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## HIGHLIGHTS

## HIGHLIGHTS

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### Market Highlights

The financial markets shook off concerns over the Greek sovereign debt crisis and extended last year's gains with strong performance across major asset classes. The Federal Open Markets Committee left the federal funds rate unchanged at a range of 0.00%-0.25% but raised the discount rate to 0.75% from 0.50%. The U.S. unemployment rate declined to 9.7% from 10.0% at year-end. Oil finished the quarter at about \$80/barrel, little changed from the end of the year.

The U.S. stock market, as measured by the Dow Jones U.S. Total Stock Market Index, returned 6.2% during the first quarter to climb 52.6% over the trailing year. Small-cap stocks outperformed large-cap stocks and the value style outperformed growth. The financial (+11.6%), consumer services (+10.6%), and industrial (+10.3%) sectors earned the highest returns. Telecommunications (-3.6%) and utilities (-2.2%) were the only sectors that lost value.

Developed non-U.S. markets, as measured by the MSCI EAFE Index, returned 0.9% in the first quarter. Emerging markets grew by 2.4%, continuing to outpace developed markets even after a record 2009. Appreciation of the U.S. dollar dampened results. The Latin America (+14.4%) and Nordic (+11.7%) regions performed particularly well. Greece (-5.3%) was the only large developed country to decline.

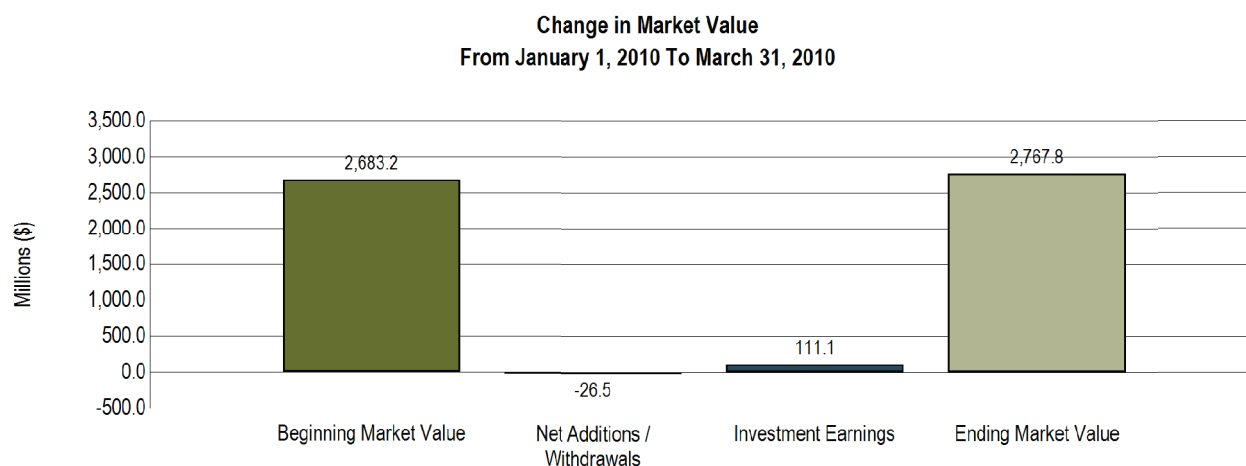
The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 1.8% in the first quarter. All sectors earned positive returns, including government, corporate, and mortgage-backed securities of all maturities, as yields declined. Credit spreads continued to decline, adding to the returns of corporate bonds (+2.3%) and mortgage-backed securities (+1.5%). The high yield sector continued to outperform, gaining 4.6%.

### MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10
<b>Dow Jones US Total Stock Index</b>	<b>6.2%</b>	<b>52.6%</b>	<b>-3.7%</b>
<b>MSCI All Country World ex-U.S. Index</b>	<b>1.6</b>	<b>60.9</b>	<b>-4.2</b>
MSCI EAFE Index	0.9	54.4	-7.0
MSCI Emerging Markets Index	2.4	81.1	5.2
<b>MSCI All Country World Index</b>	<b>3.1</b>	<b>55.5</b>	<b>-4.4</b>
<b>Barclays Capital Aggregate Bond Index</b>	<b>1.8</b>	<b>7.7</b>	<b>6.1</b>

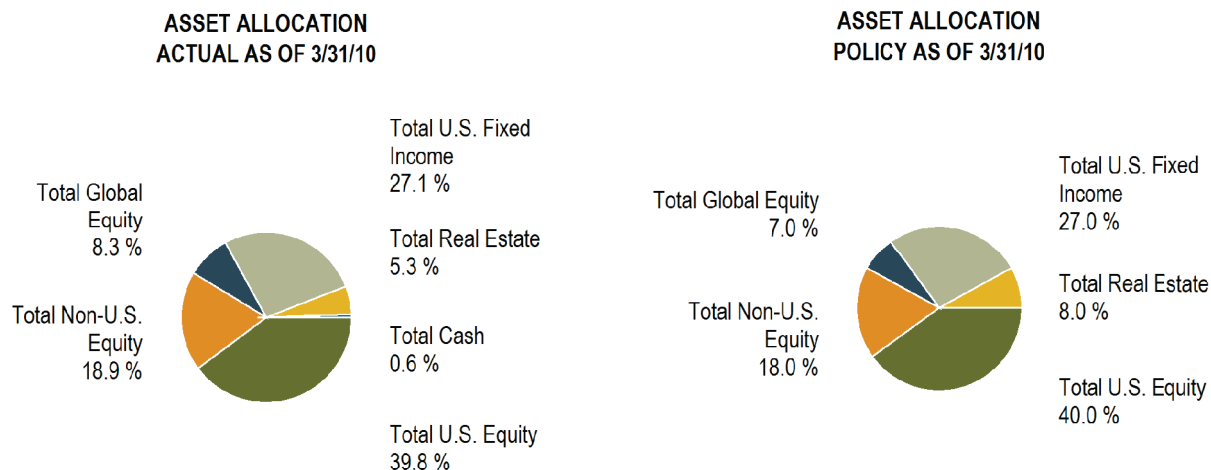
**Asset Growth**

As shown below, the asset value of VCERA's Total Fund increased by \$84.6 million during the quarter. The increase in assets was a result of investment gains of \$111.1 million and an offset of \$26.5 million in net out flows.



**Asset Allocation**

The pie charts below illustrate VCERA's investment allocations relative to its policy. As of March 31, 2010, the Fund was overweight relative to its policy within the non-U.S. equity, global equity, cash, and fixed income components. Corresponding underweights were experienced within the U.S. equity and real estate components.



## HIGHLIGHTS

### RETURN SUMMARY ENDING 3/31/10

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	5 Years Ending 3/31/10	10 Years Ending 3/31/10	Since Inception	Inception Date
<b>Total Fund</b>	<b>4.1%</b>	<b>41.4%</b>	<b>-2.0%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>7.7%</b>	<b>3/31/94</b>
Policy Portfolio	3.6	35.4	-1.0	4.1	2.9	7.8	
Public Fund Index	3.5	31.7	-0.7	4.5	3.7	7.7	
<b>Total Fund ex-Clifton</b>	<b>4.1</b>	<b>40.3</b>	<b>-2.0</b>	<b>3.5</b>	<b>3.5</b>	<b>7.7</b>	<b>3/31/94</b>
Policy Portfolio	3.6	35.4	-1.0	4.1	2.9	7.8	
<b>Total U.S. Equity</b>	<b>6.5</b>	<b>54.9</b>	<b>-5.2</b>	<b>1.4</b>	<b>1.0</b>	<b>7.4</b>	<b>12/31/93</b>
Performance Benchmark*	6.2	52.6	-3.7	2.6	0.0	7.9	
<b>Total Non-U.S. Equity</b>	<b>2.1</b>	<b>57.4</b>	<b>-5.1</b>	<b>5.5</b>	<b>2.4</b>	<b>7.3</b>	<b>3/31/94</b>
Performance Benchmark*	1.6	60.9	-4.2	6.1	2.7	5.8	
<b>Total Global Equity</b>	<b>2.3</b>	<b>39.7</b>	<b>-6.1</b>	<b>--</b>	<b>--</b>	<b>2.6</b>	<b>4/30/05</b>
MSCI All Country World Index	3.1	55.5	-4.4	--	--	4.5	
<b>Total U.S. Fixed Income</b>	<b>3.4</b>	<b>31.3</b>	<b>7.4</b>	<b>6.6</b>	<b>7.1</b>	<b>6.5</b>	<b>2/28/94</b>
Barclays Capital Aggregate Bond Index	1.8	7.7	6.1	5.4	6.3	6.3	
<b>Total Real Estate</b>	<b>4.8</b>	<b>-14.9</b>	<b>-12.9</b>	<b>-1.4</b>	<b>4.6</b>	<b>6.6</b>	<b>3/31/94</b>
Policy Benchmark	1.2	-8.9	-5.3	3.3	6.6	8.3	

#### Commentary on Investment Performance

The Total Fund returned 4.1% during the first quarter and outperformed the Policy Portfolio by 50 basis points. The Fund's U.S. equity, non-U.S. equity, fixed income, and real estate components contributed to outperformance. Partially offsetting results was the below-benchmark return from the Fund's global equity component.

For the one-year ending March 31st, 2010, the Total Fund advanced 41.4%, outpacing the return of the Policy Portfolio by 6.0 percentage points. Outperformance was mainly attributed to significant above-benchmark returns from the fixed income component and a smaller but meaningful contribution from the U.S. equity asset class. Results were partially offset by underperformance from the non-U.S. equity, global equity, and real estate components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has outperformed the return of its benchmark during the trailing ten-year period, it has lagged the benchmark during the remaining periods. The Fund's annualized since inception return remains favorable in absolute terms at 7.7%.

The attribution analysis exhibits on page 18 provide additional information regarding each sub-component's contribution to performance during the quarter and trailing one-year period.

\*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

\*\*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.



**MARKET ENVIRONMENT**  
**First Quarter 2010**

# MARKET ENVIRONMENT

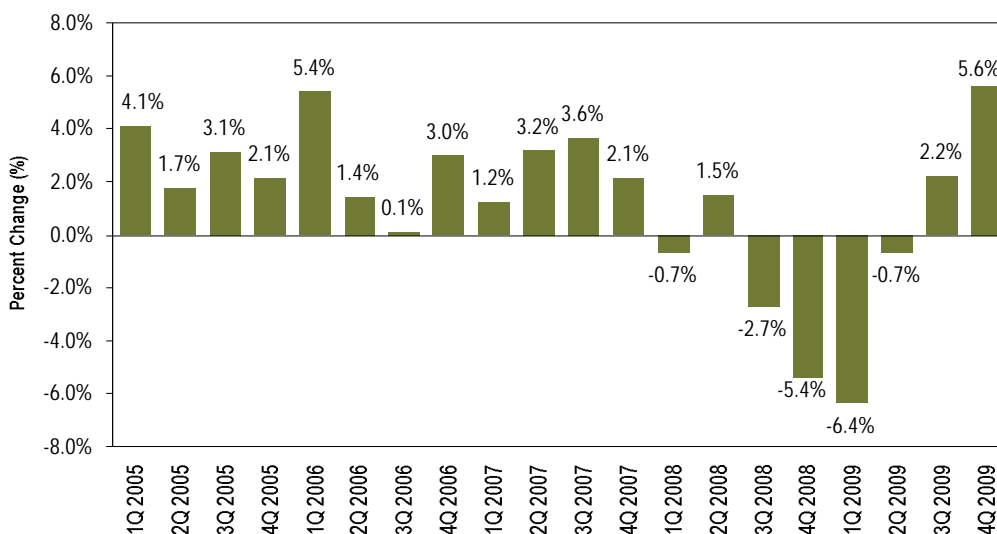
## MACRO HIGHLIGHTS

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At its March meeting, the Federal Open Market Committee (FOMC) left the Fed Funds Rate target at 0 – 0.25% as expected and maintained its pledge to keep rates low for “an extended period.” Thomas Hoenig, president of the Federal Reserve Bank of Kansas City, was the lone dissenter and again voted against the policy decision, arguing that the excessively easy monetary policy was “no longer warranted because it could lead to the buildup of financial imbalances and increase risk to longer-run macroeconomic and financial stability.” The FOMC also confirmed that the \$1.25T Agency MBS Purchase Program will conclude at the end of March, achieving its targeted amount.

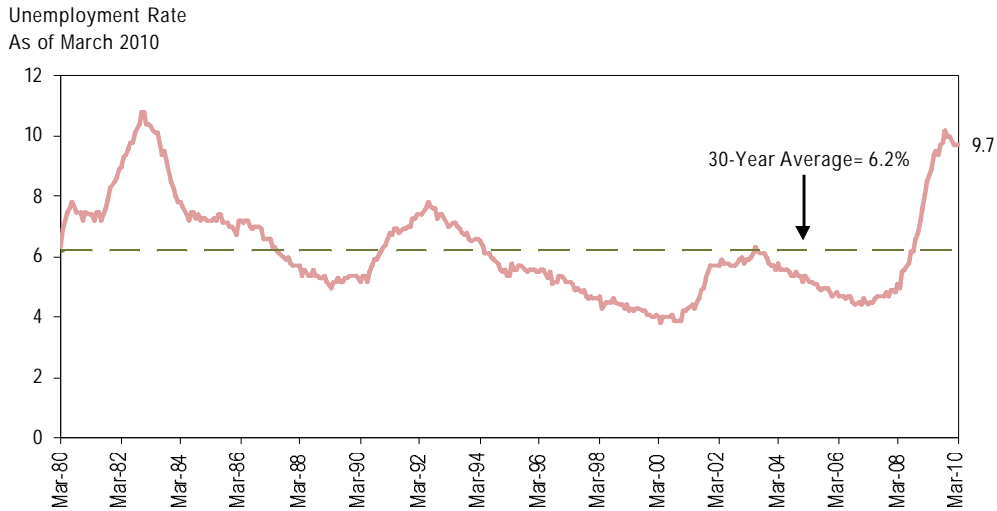
According to the final estimate released by the Bureau of Economic Analysis, real GDP increased 5.6% in the fourth quarter of 2009. This was a downward revision of 0.3 percentage points from the first estimate in January. The notable decrease in the revision during the fourth quarter was attributable to downward revisions in commercial construction, residential investment, and changes in inventories. During 2009, real GDP growth was -2.4% in contrast to an increase of 0.4% in 2008. This marked the first negative year since 1991 and the largest economic contraction since 1946.

Quarterly Gross Domestic Product (Annualized)



Source: Bureau of Economics Statistics

According to the Bureau of Labor Statistics, the unemployment rate remained unchanged in March at 9.7%. The nonfarm payrolls added 169k jobs in March just below expectations of 184k. This marks the highest nonfarm payroll monthly gain in three years. Employment continued to increase with gains in the healthcare (+37k), temporary help services (+40k), and federal government jobs with temporary census hiring (+39k). With the additional hiring in temporary help services, this brought temporary employment up +323k since reaching the lowest point in September 2009, signaling that the job market has stabilized but that employers are hesitant to hire permanently in the face of uncertainty about health costs and business prospects. The unemployment rate, shown on the following page, remains at 9.7%, the highest levels since the early 1980s.



Source: Bureau of Labor Statistics

According to figures released by the U.S. Commerce Department, overall housing starts decreased 5.9% to a seasonally adjusted annual rate of 575,000 units in February. The overall decline in housing starts was a result of single-family starts decreasing 0.6% and the more volatile multifamily starts experiencing a large decrease. While the combined pace of single- and multi-family housing starts fell 5.9% in February, the decline was mostly due to a 30.3% decline in multi-family starts following a double-digit increase in the previous month.

Single Family Housing Starts  
Seasonally Adjusted Annual Rate  
As of February 2010



Source: U.S. Census Bureau

## MARKET ENVIRONMENT

### MACRO HIGHLIGHTS

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According to the Bureau of Labor Statistics, March's Consumer Price Index (CPI-U) increased 0.1% month-over-month on a seasonally adjusted basis. The increase was mainly a result of an increase in food prices, which rose 4.6% in March and accounted for over 60% of the CPI-U increase. The medical care index increased 0.3% in March for a third straight positive month resulting in a positive 3.8% twelve month change on a seasonally unadjusted basis. The CPI-U increased 2.3% for the trailing twelve months.

The core CPI, which excludes volatile food and energy prices, remained unchanged (0.0%) in March after rising 0.1% in February and declining 0.1% in January, the first monthly decline since December 1982. The consensus estimate in March was for a rise of 0.1 percent, so core inflation has been less than expected. New vehicles, used cars and trucks, and shelter continued to post positive results. The medical care index contributed for the third straight month, namely medical care service, medical care commodities (e.g. RX and OTC drugs), as well as medical supplies. Over the last twelve months, core CPI has risen 1.1 percent. This constitutes its smallest increase since January 2004 largely due to the continued deceleration of the shelter index, which has declined 0.6% for the trailing twelve months.

At the wholesale level, the Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. After a 1.4% increase in January, PPI for February was -0.6% as energy components of the index declined. Producer prices remain volatile and any increases have yet to meaningfully filter through to the consumer level.

Without any real sign of inflation and the expectation that the Fed will remain on hold in the near future, equity markets seem content to move in the path of least resistance, rallying to the highest levels since September 2008. Equity volatility remains at the lowest levels since mid-2008. As of quarter end, 10 -year Treasury notes were yielding 3.83% with Treasury volatility at the lowest levels since July 2007.

## MARKET ENVIRONMENT

### MARKET HIGHLIGHTS

#### MAJOR MARKET RETURNS

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Dow Jones US Total Stock Index	6.2 %	52.6 %	-3.7 %	2.7 %	0.0 %
MSCI All Country World ex-U.S. Index	1.6	60.9	-4.2	6.1	2.8
MSCI EAFE Index	0.9	54.4	-7.0	3.7	1.3
MSCI Emerging Markets Index	2.4	81.1	5.2	15.6	9.8
MSCI All Country World Index	3.1	55.5	-4.4	3.9	0.6
Barclays Capital Aggregate Bond Index	1.8	7.7	6.1	5.4	6.3

U.S. equity markets continued to post positive returns in the first quarter, outperforming international equities for the second consecutive quarter. In one of the strongest responses to a bear market in U.S. history, the Dow Jones U.S. Total Stock Market Index rallied 77% from the bear market low on March 9, 2009. Developed international equities and emerging markets exhibited superior one-year returns posting 54.4% and 81.1%, respectively. In the first quarter of 2010, non-U.S. developed market currencies depreciated and emerging market currencies appreciated relative to the U.S. dollar. This proved beneficial to investors holding hedged non-U.S. developed equity securities. Currencies across Europe came under pressure as mounting concerns from Greece weighed on sentiment. Greece dominated the financial headlines while negotiating a financial aid package with the European Union and International Monetary Fund. European equities continued to suffer during the first quarter over the fiscal instability in Greece.

As the economic news continues to show signs of improvement, corporate spreads and Treasury rates are beginning to move into a more natural correlation. Ten-year Treasury yields were little changed on the quarter at 3.83%. However, disappointing results for the Treasury's 2-, 5- and 7-year auctions (total new supply of \$118 billion) after the historic health care reform bill passed in March resulted in a sell-off that re-priced intermediate rates by +20 basis points. Investor caution manifested itself in a steeper yield curve as the spread between the 2-year to 30-year increased from 350 basis points to 370 basis points. The FOMC's message that rates will be "exceptionally low" for "an extended period" continued to drive demand for higher yielding instruments as interest rates remained close to zero and market volatility remained low.

# MARKET ENVIRONMENT

## MARKET HIGHLIGHTS

Continuing the trend seen in 2009, riskier sectors continued to post strong relative returns in the first quarter with asset-backed securities (+2.3%), commercial mortgage-backed securities (+9.1%), and high yield bonds (+4.6%) leading the way. Expiration of the Fed's TALF financing for ABS and legacy CMBS at quarter-end helped drive these returns. The turnaround in the corporate debt market over the past 12 months has been extraordinary with all sectors within corporates posting positive 12-month returns, led by financials.

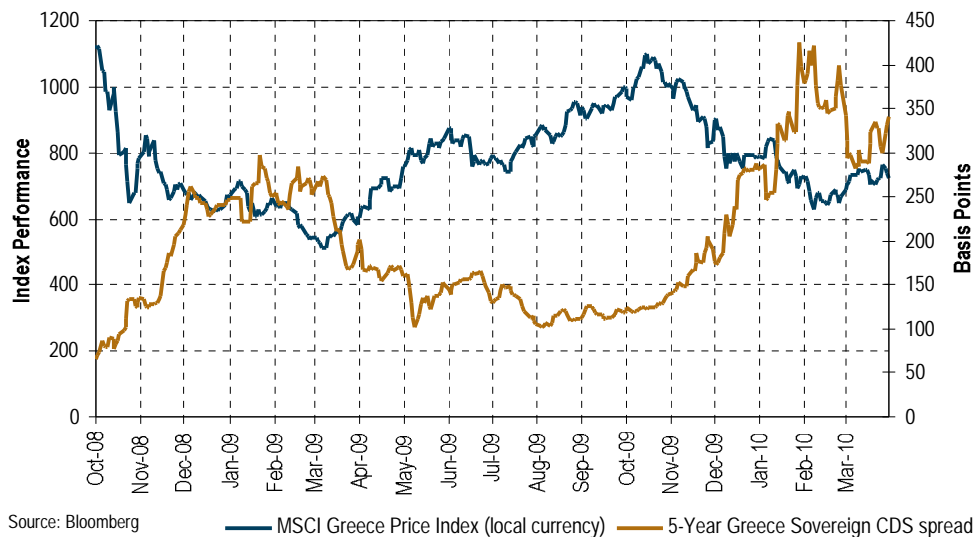
Credit Spreads (bps) (Based on Barclays indices and OAS <sup>a</sup> )	12/31/08	3/31/09	12/31/09	3/31/10	Quarterly Chg (bps)	Annual Chg (bps)
Aggregate	79	51	92	0	1	-75
CMBS	10	10	10	4	9	4
ABS	9	5	6	6	8	1
IG Corporates	5	5	5	4	3	1
IG Financials	6	2	9	7	6	9
High Yield	1	6	6	9	1	5
Ba	1	2	1	1	1	0
B	1	5	2	0	1	3
Caa	2	4	4	5	2	3
Quasi-Sovereign (Caa - Ba)	1	2	3	4	1	3
Treasury Yields (% unless noted)						
3-month	0.080	0.210	0.050	0.16	11	-5
2-year	0.770	0.801	1.141	0.2	-1	2
5-year	1.551	1.662	1.682	0.55	-1	3
10-year	2.212	2.673	2.843	0.83	-1	116
30-year	2.683	3.544	3.644	0.71	7	117
3m-10y Spread (bps)	2	1	3	2	4	6
2y-10y Spread (bps)	1	4	4	1	8	7

## MARKET ENVIRONMENT

### MAJOR MARKET ISSUES

Greece's potential sovereign debt default has been well publicized. The size of Greece's debt is around \$400 billion, with over \$70 billion coming due in 2010. The European Monetary Union (EMU) has struggled to alleviate the current situation and disarm the systematic risk in Greece. Most recently, EU finance ministers agreed on a mechanism for a potential loan to Greece at below-market rates. The EU is now under immense political pressure from sources as diverse as the region and talks continue on an IMF contribution. Money managers have sought to benefit from the Greek crisis—much to the dismay of European government officials—through short positions on the euro currency, which has steadily declined since the Greek debt crisis began. Standard & Poor's has recently downgraded Greece's credit rating to BBB+ (still investment-grade) and dropped the outlook to "credit watch negative" rating. A budget cut of 4.8 billion euros (\$6.6 billion) passed in February will cut Greece's deficit to 8.7 percent of gross domestic product this year from 12.7 percent. European equities suffered from concerns over the fiscal policy instability in Greece and the potential for contagion to other fiscally weak EU countries. Greek stocks sold off and the cost of buying protection on Greek sovereign debt, measured by CDS (credit default swaps), rose dramatically.

Greece CDS Spreads and Market Performance  
Through March 31, 2010



# MARKET ENVIRONMENT

## MAJOR MARKET ISSUES

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During 2009, non-U.S. currencies appreciated relative to the U.S. dollar which proved beneficial to investors holding unhedged non-U.S. equity securities. From March 2009 through November 2009, the U.S. dollar declined by 12%, but recovered 2.5% of its value through March 2010 against a broad basket of currencies. During the first quarter, the U.S. dollar improved relative to developed countries, but lost ground versus currencies of commodity-exporting countries, such as Australia (+2.1%) and Canada (+3.2%). The euro (-6.0%) and the pound (-6.5%) each lost ground versus the U.S. dollar. It is widely expected and priced into currency forwards that China will allow the yuan to appreciate in order to ease trade imbalances and temper China's fast-growing economy.

Federal Reserve Trade Weighted Exchange Rate Index (Broad)  
Daily Returns 12/31/2000 - 3/31/2010



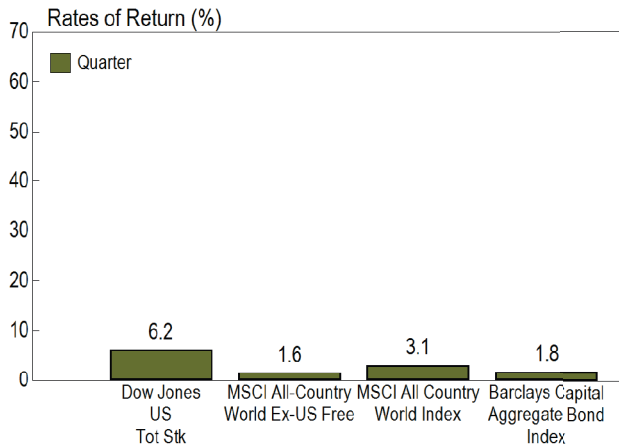
Source: Federal Reserve



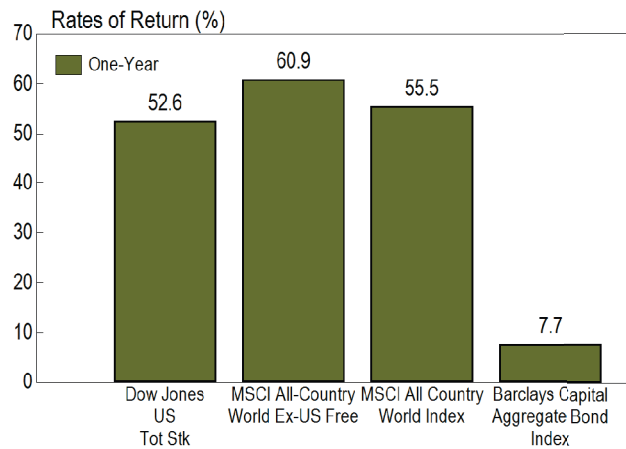
# MARKET ENVIRONMENT

## OVERVIEW

### MAJOR MARKET RETURNS FIRST QUARTER

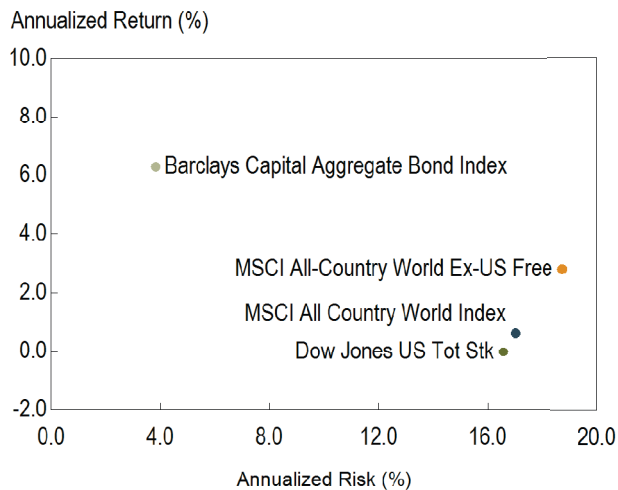


### MAJOR MARKET RETURNS ONE-YEAR ENDING 3/31/10

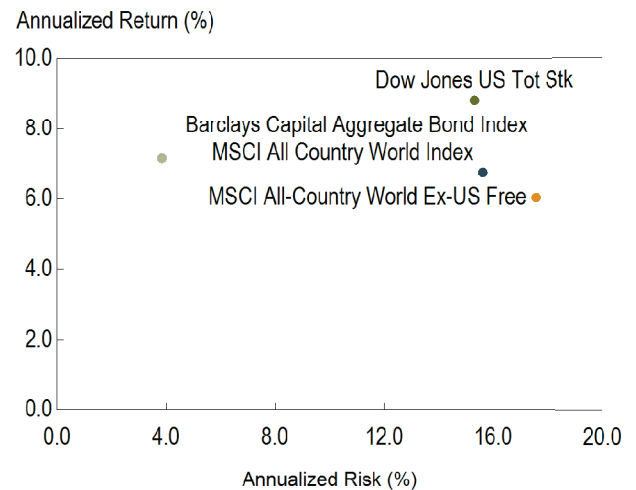


The exhibits above show the performance of the major capital markets during the first quarter and one-year periods.

### MARKET RISK/RETURN 10 YEARS ENDING 3/31/10



### MARKET RISK/RETURN 20 YEARS ENDING 3/31/10

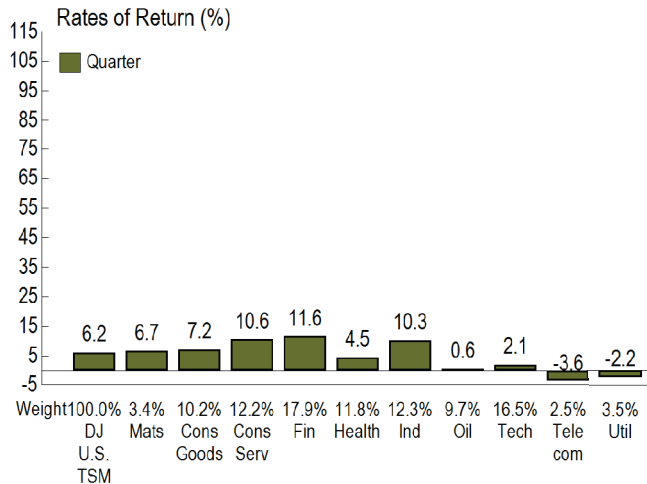


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

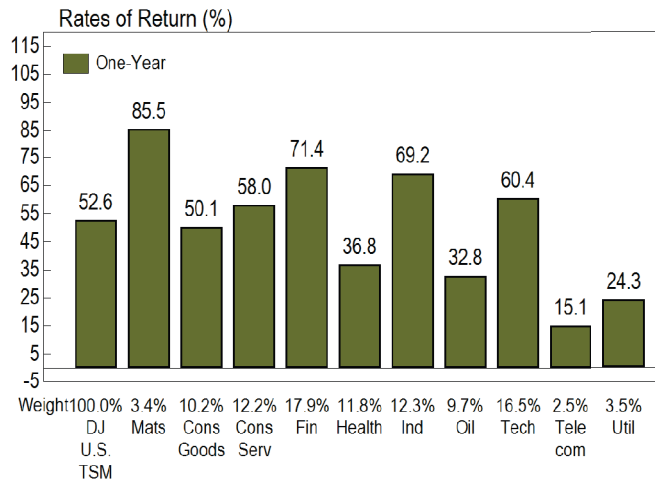
# MARKET ENVIRONMENT

## U.S. STOCK MARKET

**SECTOR RETURNS  
FIRST QUARTER**



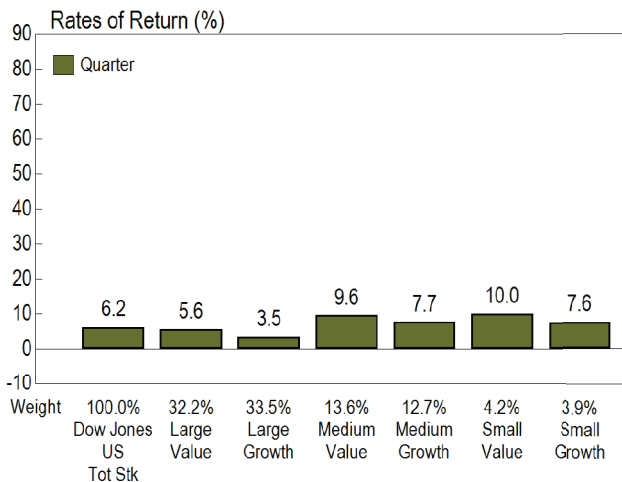
**SECTOR RETURNS  
ONE-YEAR ENDING 3/31/10**



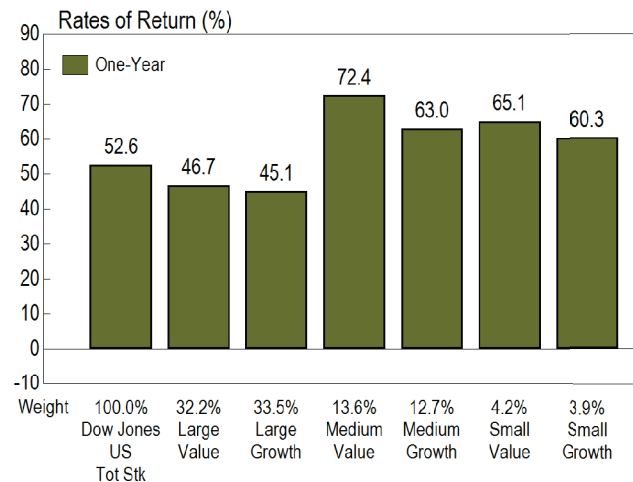
The Dow Jones U.S. Total Stock Market Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

The exhibits above show the performance of the sectors that comprise the Dow Jones U.S. Total Stock Market Index. The percentage below each bar indicates the sector's weight within the Dow Jones U.S. Total Stock Market Index at quarter-end.

**STYLE RETURNS  
FIRST QUARTER**



**STYLE RETURNS  
ONE-YEAR ENDING 3/31/10**

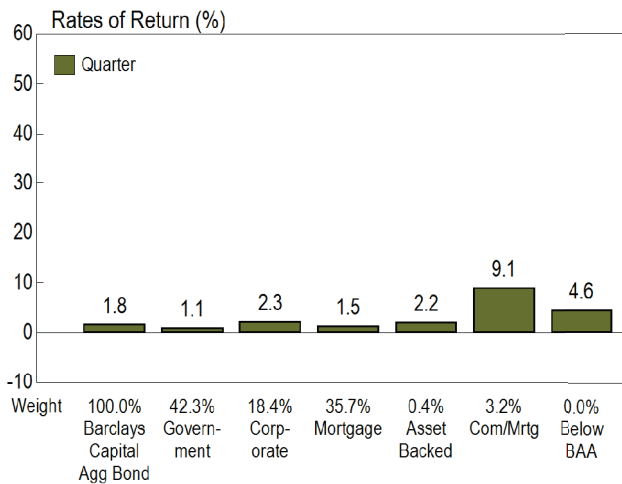


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones U.S. Total Stock Market Index at quarter-end.

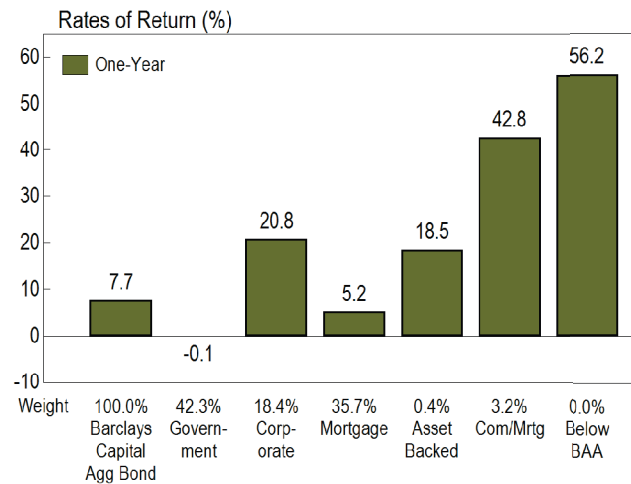
# MARKET ENVIRONMENT

## U.S. BOND MARKET

### SECTOR RETURNS FIRST QUARTER



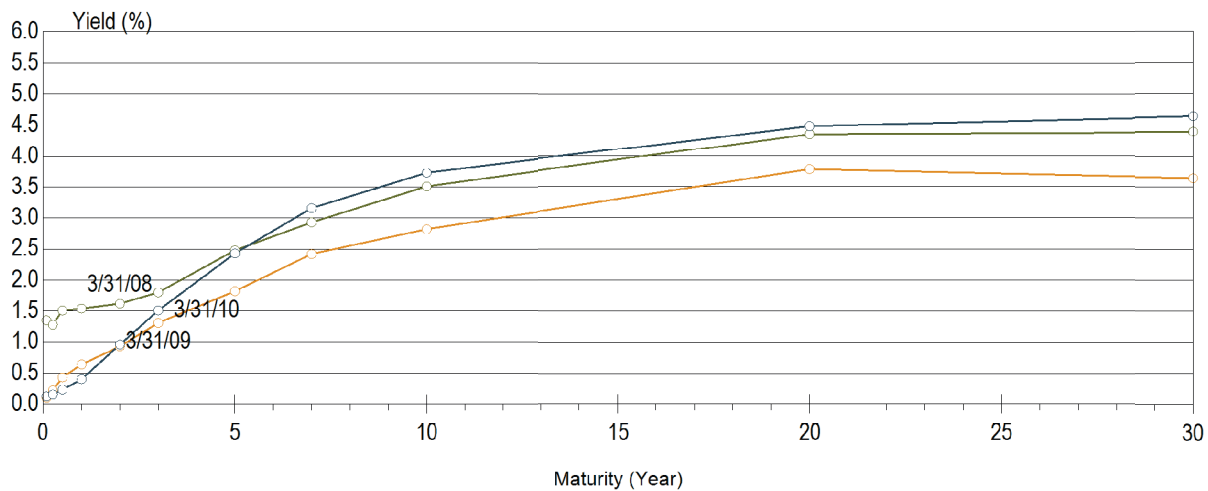
### SECTOR RETURNS ONE-YEAR ENDING 3/31/10



The Barclays Capital Aggregate Bond Index is a broad measure of the U.S. investment grade fixed income market. The Index consists of credit, government, and mortgage-backed securities and includes credit card, auto, and home equity loan-backed securities.

The exhibits above show the performance of the sectors that comprise the broad domestic bond market. The percentage below each bar indicates the sector's weight within the Barclays Capital Aggregate Bond Index at quarter-end.

### U.S. TREASURY CURVE

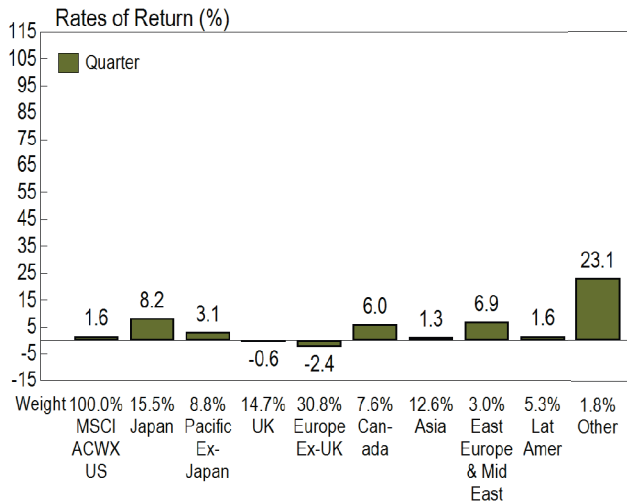


The exhibit above illustrates yields of Treasury securities of various maturities as of March 31, 2010, March 31, 2009, and March 31, 2008.

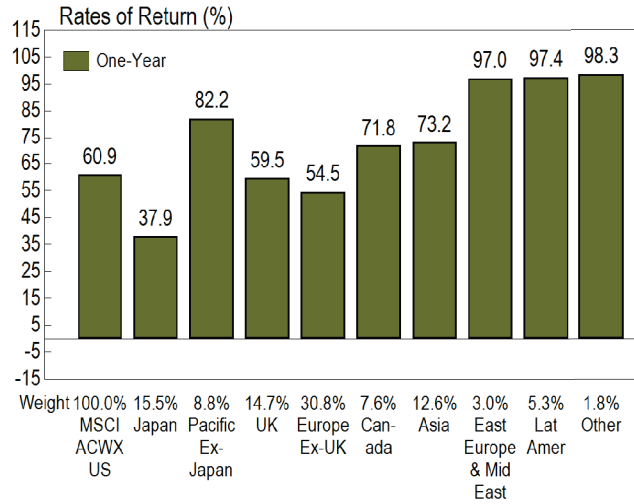
# MARKET ENVIRONMENT

## NON-U.S. STOCK MARKETS

**NON-U.S. STOCK MARKET RETURNS  
FIRST QUARTER**

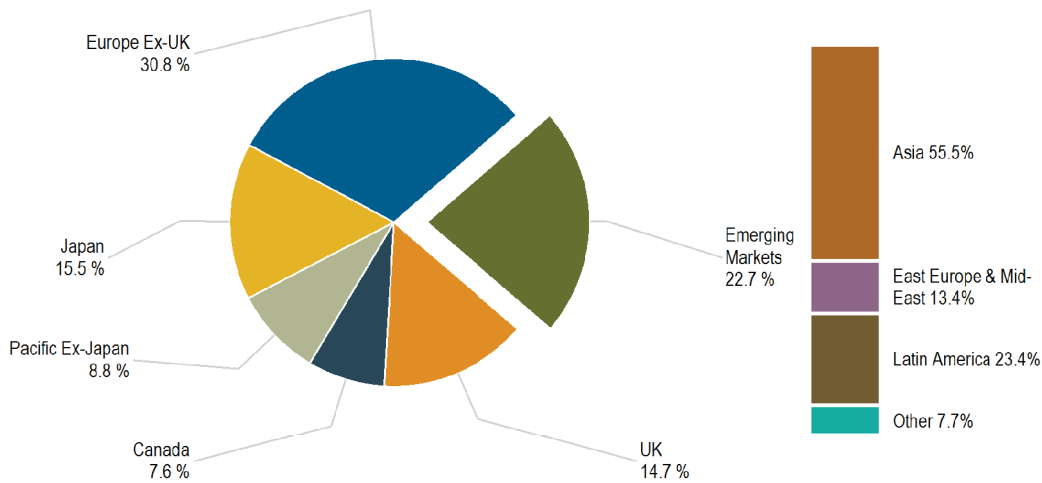


**NON-U.S. STOCK MARKET RETURNS  
ONE-YEAR ENDING 3/31/10**



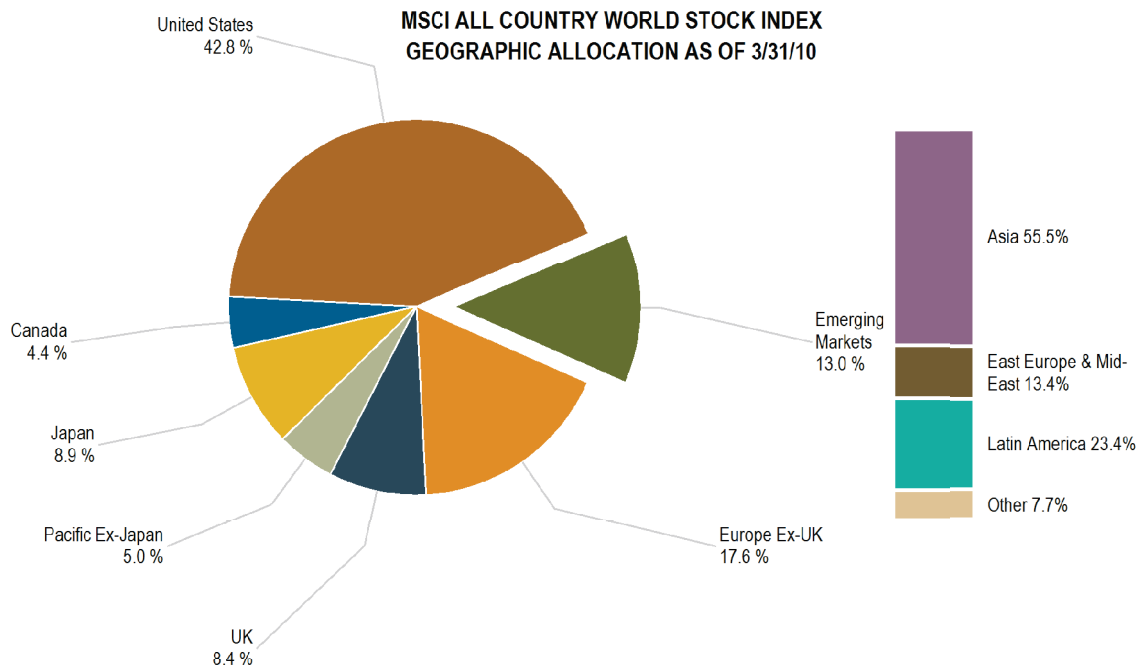
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 22 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX  
GEOGRAPHIC ALLOCATION AS OF 3/31/10**



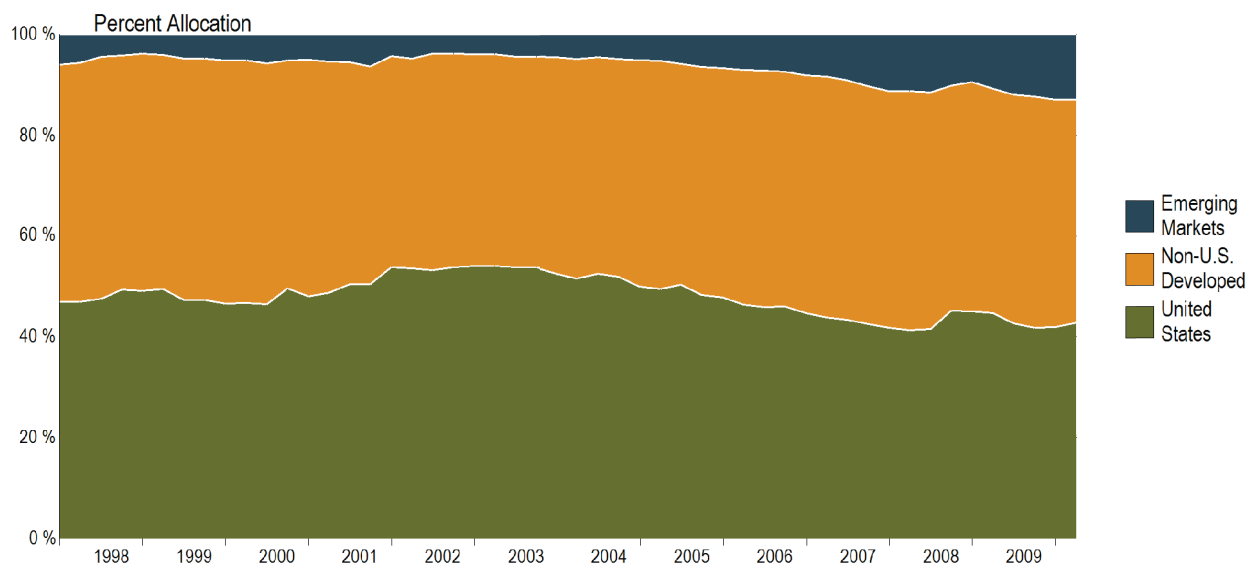
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

Note on Other: Includes South Africa, Egypt, and Morocco. Returns expressed are the weighted average returns.



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 22 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end. Note on Other: Includes South Africa, Egypt, and Morocco.

**ALLOCATION**



The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

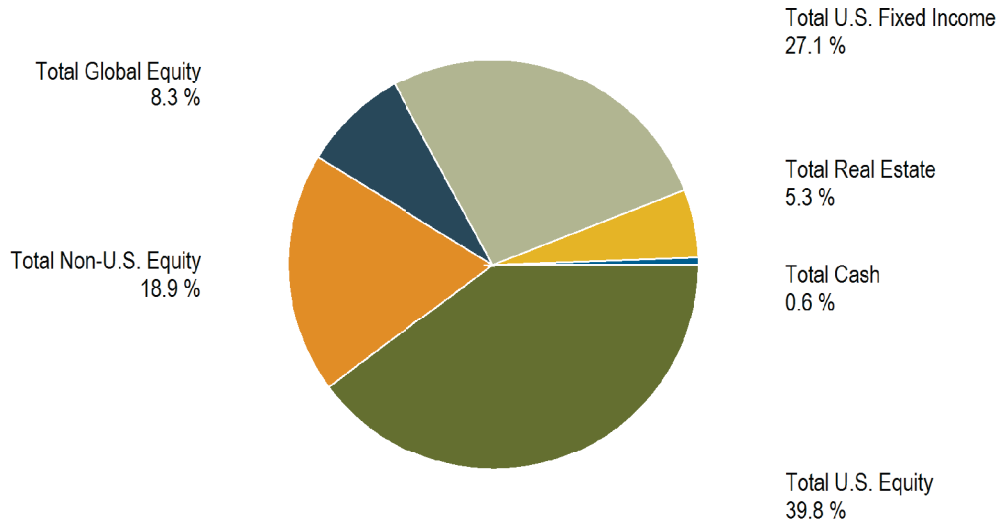
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## ASSET ALLOCATION

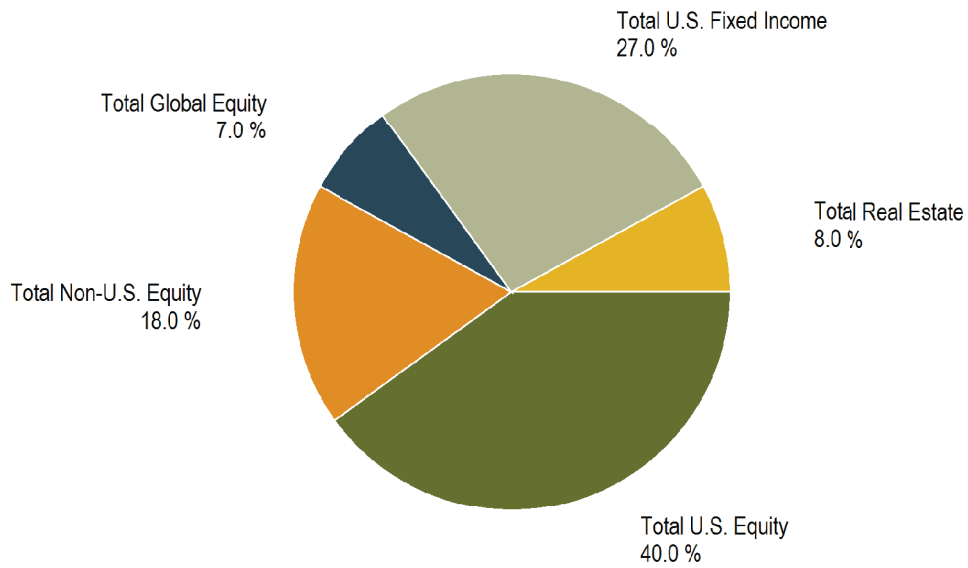
# ASSET ALLOCATION

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ASSET ALLOCATION  
ACTUAL AS OF 3/31/10



ASSET ALLOCATION  
POLICY AS OF 3/31/10





## ASSET ALLOCATION

### ASSET ALLOCATION AS OF 3/31/10

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index Fund	\$27,242	--	--	--	--	--	\$27,242	1.0%	
Western U.S. Index Plus	\$67,554	--	--	--	--	\$18,502	\$86,056	3.1%	
BlackRock Equity Market Fund	\$994,496	--	--	--	--	--	\$994,496	35.7%	
<b>Total U.S. Equity</b>	<b>\$1,089,292</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$18,502</b>	<b>\$1,107,794</b>	<b>39.8%</b>	<b>40.0%</b>
BlackRock ACWI ex-U.S. Index	--	\$231,221	--	--	--	--	\$231,221	8.3%	
Capital Guardian	--	\$107,288	--	--	--	\$3,432	\$110,720	4.0%	
Sprucegrove	--	\$105,823	--	--	--	\$3,725	\$109,547	3.9%	
Artio International Equity II	--	\$71,586	--	--	--	\$3,452	\$75,038	2.7%	
<b>Total Non-U.S. Equity</b>	<b>--</b>	<b>\$515,918</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$10,609</b>	<b>\$526,527</b>	<b>18.9%</b>	<b>18.0%</b>
GMO Global Fund	\$59,133	\$57,012	\$2,869	--	--	\$5,739	\$124,753	4.5%	
Acadian	\$51,790	\$55,513	--	--	--	-\$321	\$106,981	3.8%	
<b>Total Global Equity</b>	<b>\$110,922</b>	<b>\$112,524</b>	<b>\$2,869</b>	<b>--</b>	<b>--</b>	<b>\$5,418</b>	<b>\$231,734</b>	<b>8.3%</b>	<b>7.0%</b>
Western	--	--	\$280,678	\$5,887	--	\$9,259	\$295,824	10.6%	
BlackRock U.S. Debt Fund	--	--	\$82,390	--	--	--	\$82,390	3.0%	
Reams	--	--	\$265,024	--	--	\$13,070	\$278,094	10.0%	
Loomis Sayles	--	--	\$74,980	\$16,975	--	\$5,044	\$96,998	3.5%	
<b>Total U.S. Fixed Income</b>	<b>--</b>	<b>--</b>	<b>\$703,071</b>	<b>\$22,862</b>	<b>--</b>	<b>\$27,374</b>	<b>\$753,307</b>	<b>27.1%</b>	<b>27.0%</b>
Total Prudential Real Estate	--	--	--	--	\$53,556	--	\$53,556	1.9%	
UBS Real Estate	--	--	--	--	\$74,611	--	\$74,611	2.7%	
Guggenheim	--	--	--	--	\$15,425	--	\$15,425	0.6%	
RREEF	--	--	--	--	\$4,804	--	\$4,804	0.2%	
<b>Total Real Estate</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$148,396</b>	<b>--</b>	<b>\$148,396</b>	<b>5.3%</b>	<b>8.0%</b>
Clifton Group	--	--	--	--	--	\$16,226	\$16,226	0.6%	
<b>Total Cash</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$16,226</b>	<b>\$16,226</b>	<b>0.6%</b>	<b>0.0%</b>
<b>Total Fund</b>	<b>\$1,200,214</b>	<b>\$628,442</b>	<b>\$705,941</b>	<b>\$22,862</b>	<b>\$148,396</b>	<b>\$78,128</b>	<b>\$2,783,984</b>	<b>100.0%</b>	<b>100.0%</b>
Percent of Total	43.1%	22.6%	25.4%	0.8%	5.3%	2.8%	100.0%		

### Asset Allocation

In the table above, we detail the Total Fund's allocations among managers. On the right side of the table, we show the actual percent of total. The bottom row of the table shows the Fund's percentage investments in each asset class. These allocations reflect both the Board's decisions on manager allocations as well as the managers' active allocation decisions.

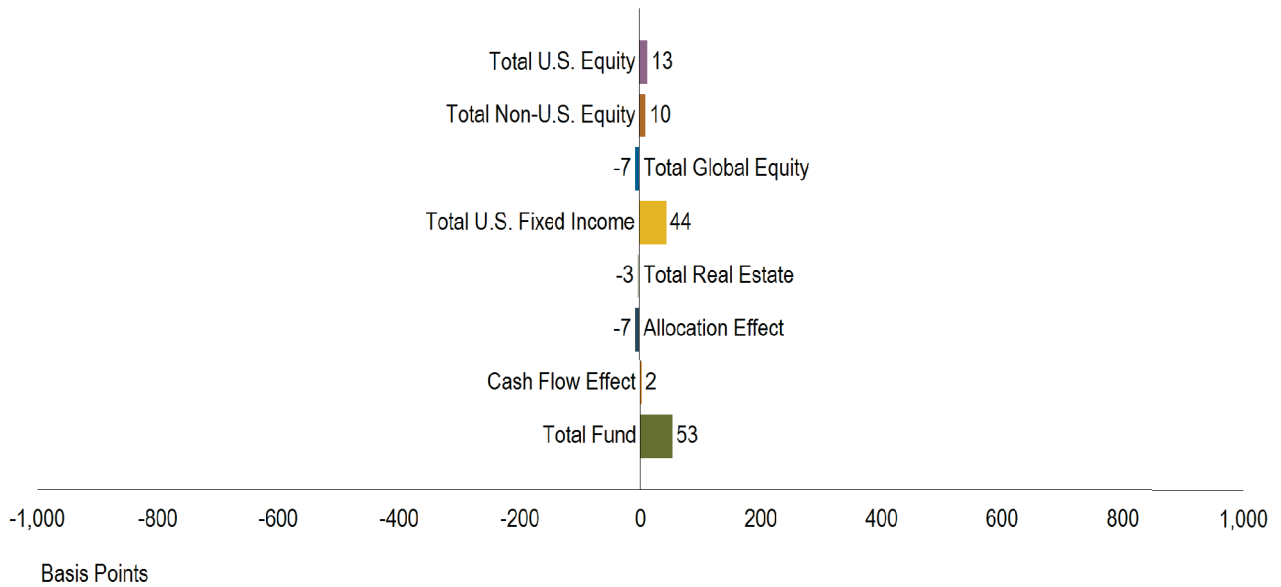
During the quarter, the asset value of VCERA's Total Fund increased by \$84.6 million, composed of investment gains of \$111.1 million and net cash outflows of \$26.5 million.

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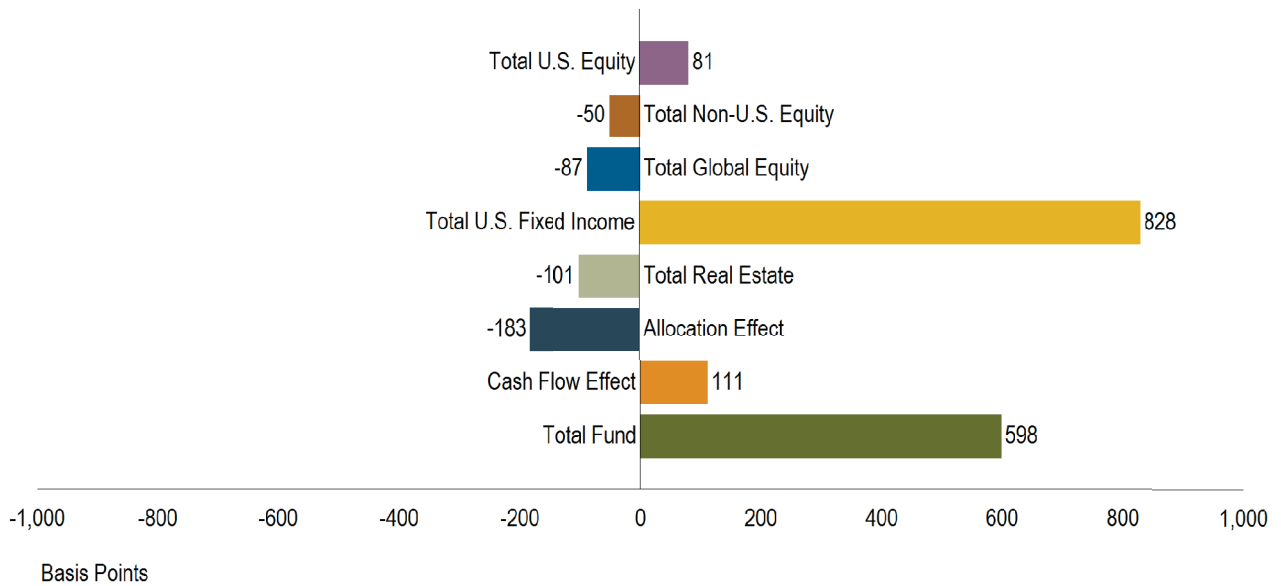
## PERFORMANCE EVALUATION

# TOTAL FUND

## TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/10



## TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/10



**RETURN SUMMARY**  
**ENDING 3/31/10**

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>Total Fund</b>	<b>4.1%</b>	<b>20</b>	<b>41.4%</b>	<b>5</b>	<b>-2.0%</b>	<b>72</b>	<b>3.6%</b>	<b>72</b>	<b>3.5%</b>	<b>53</b>
Policy Portfolio	3.6	52	35.4	31	-1.0	53	4.1	46	2.9	77
Public Fund Index	3.5	54	31.7	57	-0.7	43	4.5	31	3.7	40

**Commentary on Investment Performance**

The Total Fund returned 4.1% during the first quarter and outperformed the Policy Portfolio by 50 basis points. The Fund's U.S. equity, non-U.S. equity, fixed income, and real estate components contributed to outperformance. Partially offsetting results was the below-benchmark return from the Fund's global equity component.

For the one-year ending March 31st, 2010, the Total Fund advanced 41.4%, outpacing the return of the Policy Portfolio by 6.0 percentage points. Outperformance was mainly attributed to significant above-benchmark returns from the fixed income component and a smaller but meaningful contribution from the U.S. equity asset class. Results were partially offset by underperformance from the non-U.S. equity, global equity, and real estate components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has outperformed the return of its benchmark during the trailing ten-year period, it has lagged the benchmark during the remaining periods. The Fund's annualized since inception return remains favorable in absolute terms at 7.7%.

The attribution graphs on the opposite page illustrate each asset class's contribution to the relative performance of the Total Fund over the past three-month and trailing one-year periods. A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates an unfavorable impact. The top five bars indicate the value added or subtracted by each asset class over the specified time period based on the average weight of each asset class multiplied by the amount of its outperformance (or underperformance). The bar labeled Allocation Effect details the impact on performance due to deviations from the policy allocation targets. If the Fund's asset allocation was always identical to that of its policy, the Allocation Effect would be zero. The bar labeled "Cash Flow Effect" illustrates the effect on the Total Fund's performance by the timing of cash contributions, withdrawals, and asset movements between accounts. All of the effects combine to equal the "Total Fund" bar in these graphs. This is the difference between the Total Fund's return and that of the Policy Portfolio.

## TOTAL FUND

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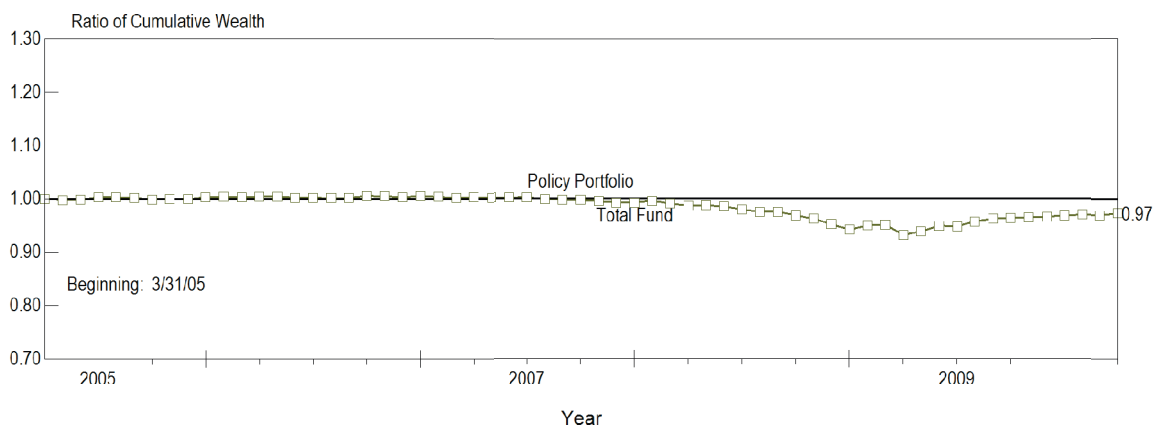
### HISTORICAL RETURNS

(BY Years)

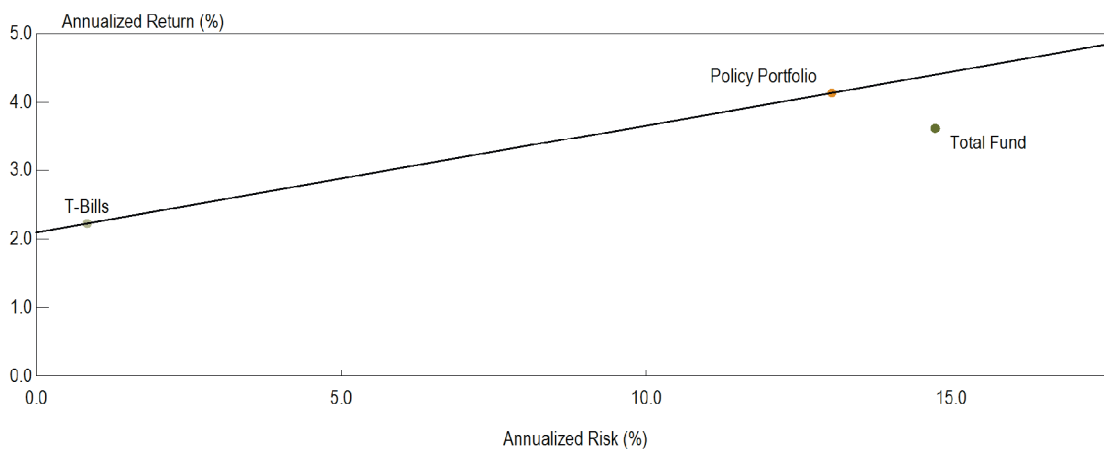
	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1995 (9 months)	17.8%	17.0%	0.8
1996	14.8	13.6	1.2
1997	18.9	19.9	-1.0
1998	16.7	20.3	-3.6
1999	13.5	14.4	-0.9
2000	0.6	-1.8	2.4
2001	-2.2	-6.0	3.8
2002	-10.6	-10.1	-0.5
2003	24.4	22.9	1.5
2004	10.9	11.3	-0.4
2005	7.8	7.6	0.2
2006	14.2	14.0	0.2
2007	7.0	8.5	-1.5
2008	-30.9	-27.1	-3.8
2009	24.2	20.8	3.4
2010 (3 months)	4.1	3.6	0.5
Trailing 1-Year	41.4%	35.4%	6.0
Trailing 3-Year	-2.0	-1.0	-1.0
Trailing 5-Year	3.6	4.1	-0.5
Trailing 10-Year	3.5	2.9	0.6
Trailing 15-Year	7.7	7.6	0.1

The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

**RATIO OF CUMULATIVE WEALTH  
5 YEARS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
5 YEARS ENDING 3/31/10**



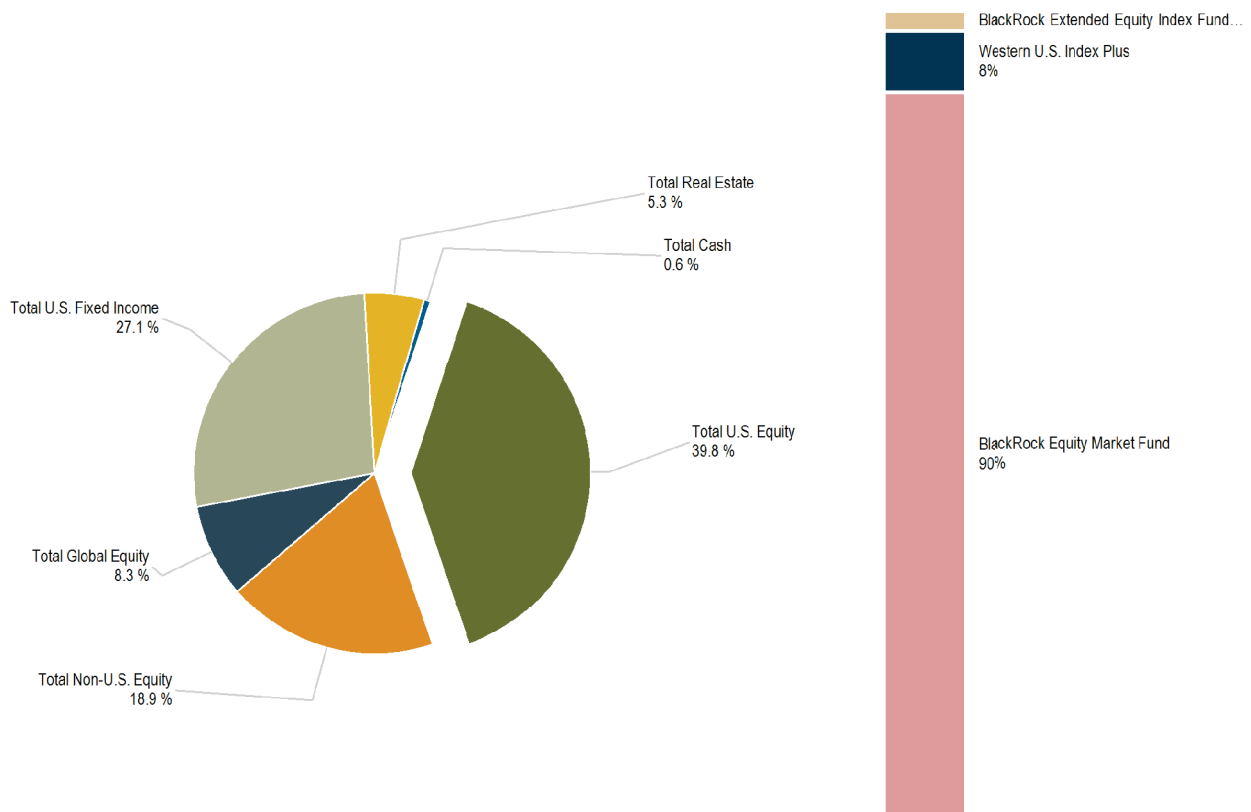
The Ratio of Cumulative Wealth graph on the top of the page illustrates the Total Fund's cumulative performance relative to the Policy Portfolio. An upward sloping line between two points indicates that the component's return exceeded that of the Policy Portfolio, while a downward sloping line indicates a lesser return. A flat line is indicative of benchmark-like performance. As shown, the Total Fund has underperformed the return of the Policy Portfolio over the trailing five-years.

The risk/return graph on the bottom of the page illustrates the historical risk (volatility of returns) and return of VCERA's Total Fund to that of its Policy Portfolio. During the trailing five-years, the Total Fund experienced a lower rate of return while incurring a higher level of risk.

# TOTAL U.S. EQUITY

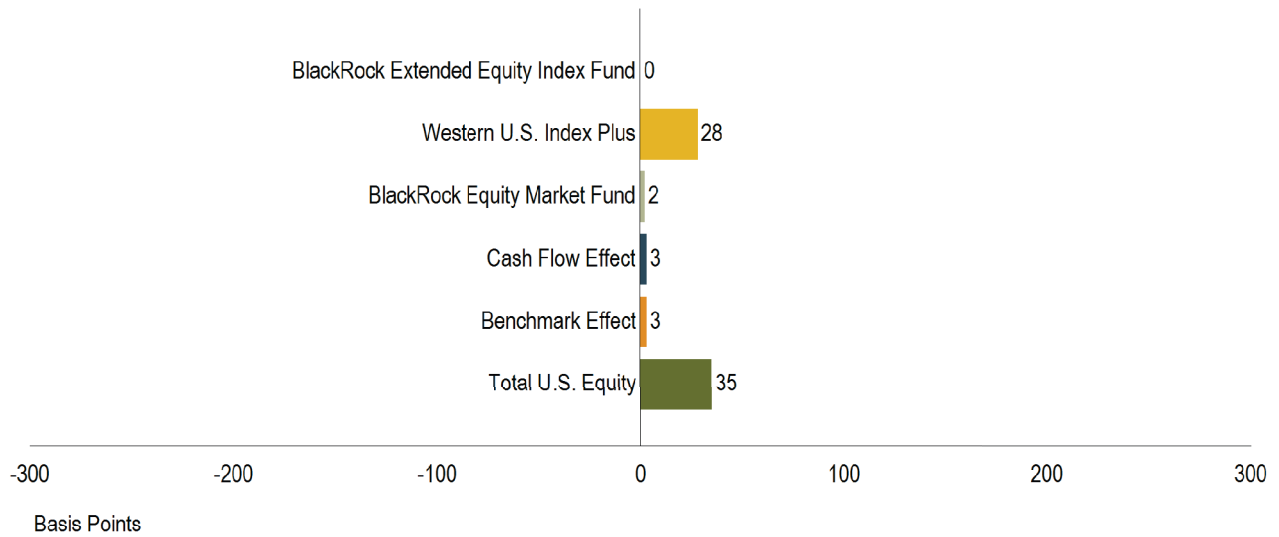
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## ASSET ALLOCATION ACTUAL AS OF 3/31/10

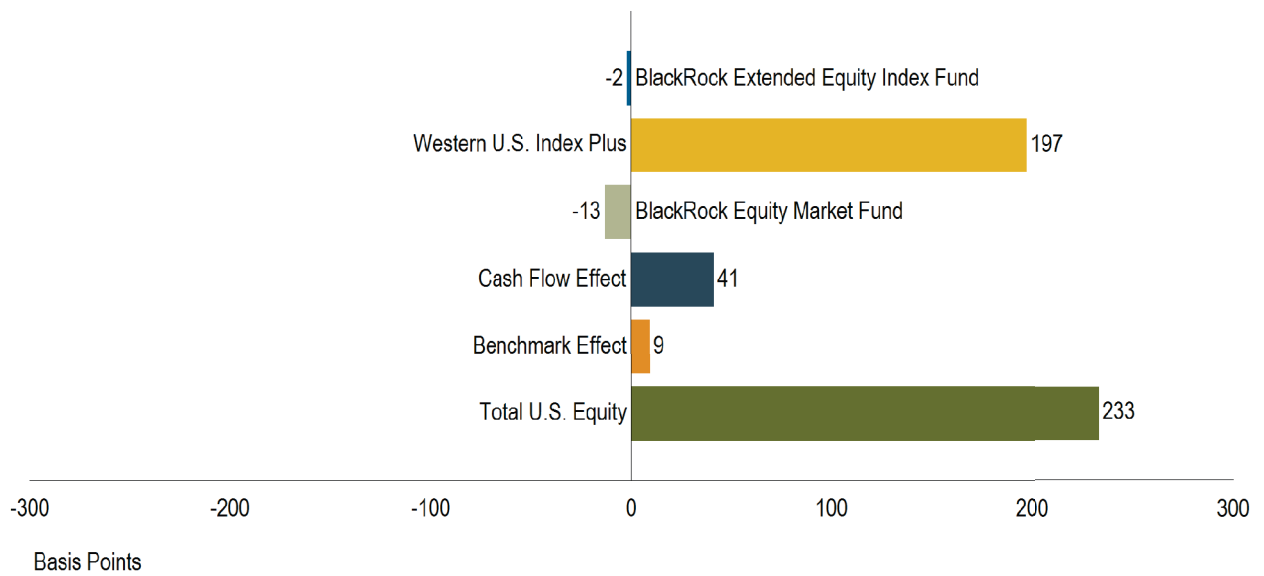




**MANAGER ATTRIBUTION ANALYSIS**  
**3 MONTHS ENDING 3/31/10**



**MANAGER ATTRIBUTION ANALYSIS**  
**1 YEAR ENDING 3/31/10**



## TOTAL U.S. EQUITY

### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Total U.S. Equity</b>	<b>6.5%</b>	<b>20</b>	<b>54.9%</b>	<b>24</b>	<b>-5.2%</b>	<b>76</b>	<b>1.4%</b>	<b>85</b>	<b>1.0%</b>	<b>40</b>	<b>7.4%</b>	<b>68</b>	<b>12/31/93</b>
Performance Benchmark*	6.2	38	52.6	43	-3.7	38	2.6	40	0.0	68	7.9	42	
<b>BlackRock Extended Equity Index Fund</b>	<b>9.9</b>	<b>14</b>	<b>65.5</b>	<b>28</b>	<b>-2.5</b>	<b>37</b>	<b>4.8</b>	<b>27</b>	--	--	<b>10.6</b>	--	<b>10/31/02</b>
Dow Jones U.S. Completion Total Stock Market Index	9.8	16	66.5	25	-2.3	34	5.0	26	--	--	10.8	--	
<b>Western U.S. Index Plus</b>	<b>9.1</b>	<b>2</b>	<b>83.7</b>	<b>1</b>	--	--	--	--	--	--	<b>-12.3</b>	--	<b>5/31/07</b>
S&P 500 Index	5.4	44	49.8	43	--	--	--	--	--	--	-7.0	--	
<b>BlackRock Equity Market Fund</b>	<b>6.2</b>	<b>52</b>	<b>52.5</b>	<b>55</b>	--	--	--	--	--	--	<b>-6.5</b>	--	<b>5/31/08</b>
Dow Jones U.S. Total Stock Market Index	6.2	53	52.6	55	--	--	--	--	--	--	-6.5	--	

### Commentary on Investment Performance

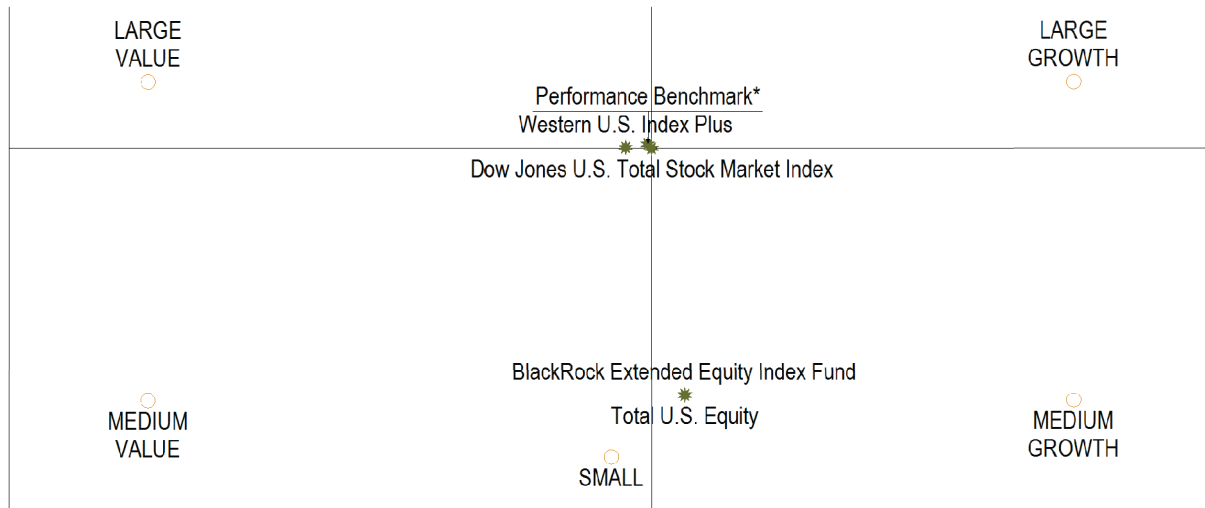
The Total Fund's U.S. equity component advanced 6.5% during the first quarter, outpacing the return of the Performance Benchmark by 30 basis points. Once again, Western's significant outperformance was responsible for the component's above-benchmark result. The BlackRock Extended Equity Index Fund experienced a negligible but positive tracking error for the quarter, while BlackRock Equity Market Fund approximated the return of its benchmark.

Similar to the quarter, the U.S. equity component outperformed its benchmark during the trailing one-year period. During this period, Western returned an impressive 83.7%, outperforming its benchmark by 33.9 percentage points. Longer-term performance remains mixed for the U.S. equity component, as the asset class has outperformed during the trailing ten-year period, but has underperformed during the trailing three, five, and since inception periods.

The attribution analysis on the previous page highlights each manager's contribution to the relative performance within VCERA's U.S. equity component over the past three-month and trailing one-year periods. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The benchmark effect in the one-year attribution graph is a result of the combined performance of the individual managers' benchmarks (the S&P 500 Index and the DJ U.S. Completion Total Stock Market Index) outperforming the U.S. equity component's Performance Benchmark (the DJ U.S. Total Stock Index).

\*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

**EFFECTIVE STYLE MAP  
5 YEARS ENDING 3/31/10**



**U.S. Equity Style Map**

The exhibit above highlights the style and capitalization orientation of the Total U.S. Equity component and the domestic equity managers utilized in VCERA's investment program. Managers plotting above the horizontal crosshair are larger-cap than the DJ U.S. Total Stock Market Index, while those plotting below are smaller-cap. Managers plotting to the left of the vertical crosshair are effectively more value-oriented than the DJ U.S. Total Stock Market Index, while managers plotting to the right are effectively more growth-oriented.

\*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

## BLACKROCK EXTENDED EQUITY INDEX FUND

### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>BlackRock Extended Equity Index Fund</b>	<b>9.9 %</b>	<b>14</b>	<b>65.5%</b>	<b>28</b>	<b>-2.5%</b>	<b>37</b>	<b>4.8%</b>	<b>27</b>	<b>10.6%</b>	<b>--</b>	<b>10/31/02</b>
Dow Jones U.S. Completion Total Stock Market Index	9.8	16	66.5	25	-2.3	34	5.0	26	10.8	--	

### Philosophy and Process

The BlackRock Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks in the Index and in a representative sample of the remainder. Stocks are selected based on appropriate industry weightings, market capitalizations, and certain fundamental characteristics (e.g. price/earnings ratio and dividend yield) that closely align the Fund's characteristics with those of its benchmark.

The Fund does not hold publicly traded partnerships (PTPs) because of their potential to distribute unrelated business taxable income. However, the DJ U.S. Completion Total Stock Market Index includes PTPs which result in the Fund experiencing tracking discrepancies. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the difference to be minimal over longer time periods.

### HISTORICAL RETURNS (BY YEAR)

	BlackRock Extended Equity Index Fund		Dow Jones U.S. Completion Total Stock Market Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1 %	--	2.4 %	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
2007	5.4	30	5.4	30	0.0
2008	-38.4	58	-39.0	65	0.6
2009	35.0	30	37.5	23	-2.5
2010 (3 months)	9.9	14	9.8	16	0.1
Trailing 1-Year	65.5 %	28	66.5%	25	-1.0
Trailing 3-Year	-2.5	37	-2.3	34	-0.2
Trailing 5-Year	4.8	27	5.0	26	-0.2
Since Inception (10/31/02)	10.6	--	10.8	--	-0.2

**RETURN SUMMARY  
ENDING 3/31/10**

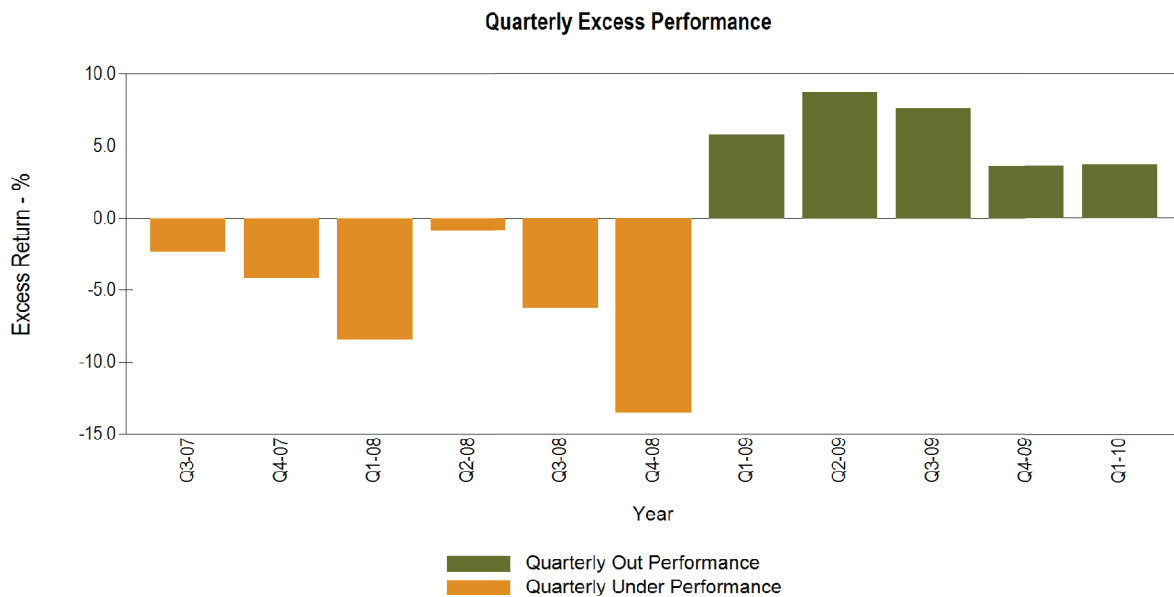
	First Quarter		1 Year Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
<b>Western U.S. Index Plus</b>	<b>9.1%</b>	<b>2</b>	<b>83.7%</b>	<b>1</b>	<b>-12.3%</b>	<b>--</b>	<b>5/31/07</b>
S&P 500 Index	5.4	44	49.8	43	-7.0	--	

**Philosophy and Process**

Western employs a value-oriented investment approach that has proven successful in adding excess returns across various market cycles. This versatility comes from the manager's multiple sources of value-added and focus on finding long-term fundamental value. Western seeks to achieve balance between multiple sources of value added - duration management, yield curve positioning, sector allocation, and security selection - while diversifying risk. Western has one of the deepest teams of investment/risk professionals in the industry. The manager also has dedicated significant resources to analytics and risk management. We would highlight that active sector rotation and portfolio construction are key strengths of Western.

**Manager Monitoring**

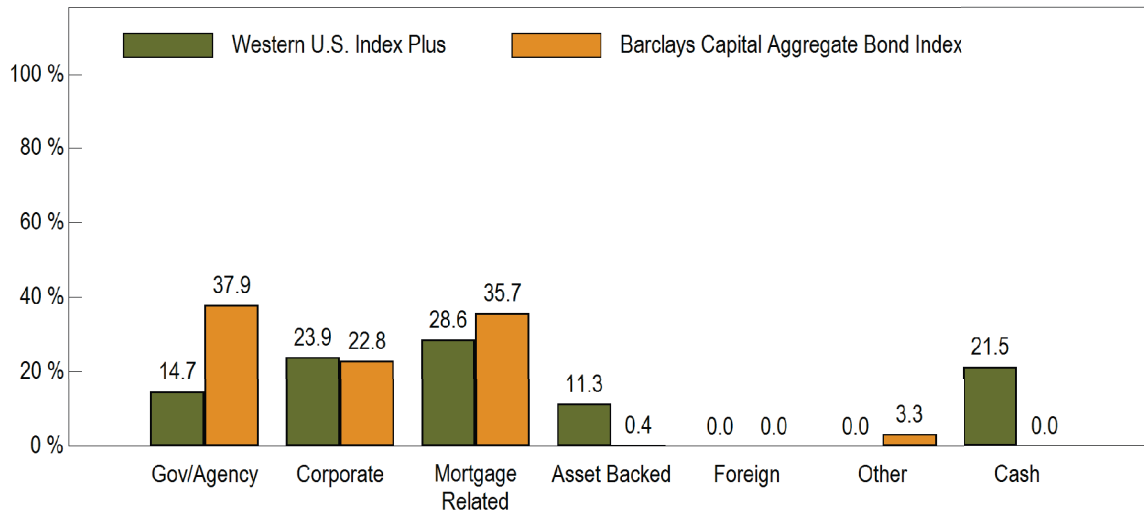
As of March 31, 2010, the manager reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 13.8% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines. In addition, the portfolio held a 1.6% allocation to GMAC and a 1.1% allocation to Washington Mutual, which are both rated below investment grade. VCERA's account guidelines allow for a maximum of 1% to any one holding rated below investment grade. Additionally, the portfolio had a 14.4% allocation to below investment grade securities, which was above the allowable 10% allocation.



# WESTERN U.S. INDEX PLUS

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SECTOR ALLOCATION AS OF 3/31/10  
Western U.S. Index Plus



The exhibit above illustrates the sector allocations of the Western U.S. Index Plus portfolio as of March 31, 2010.

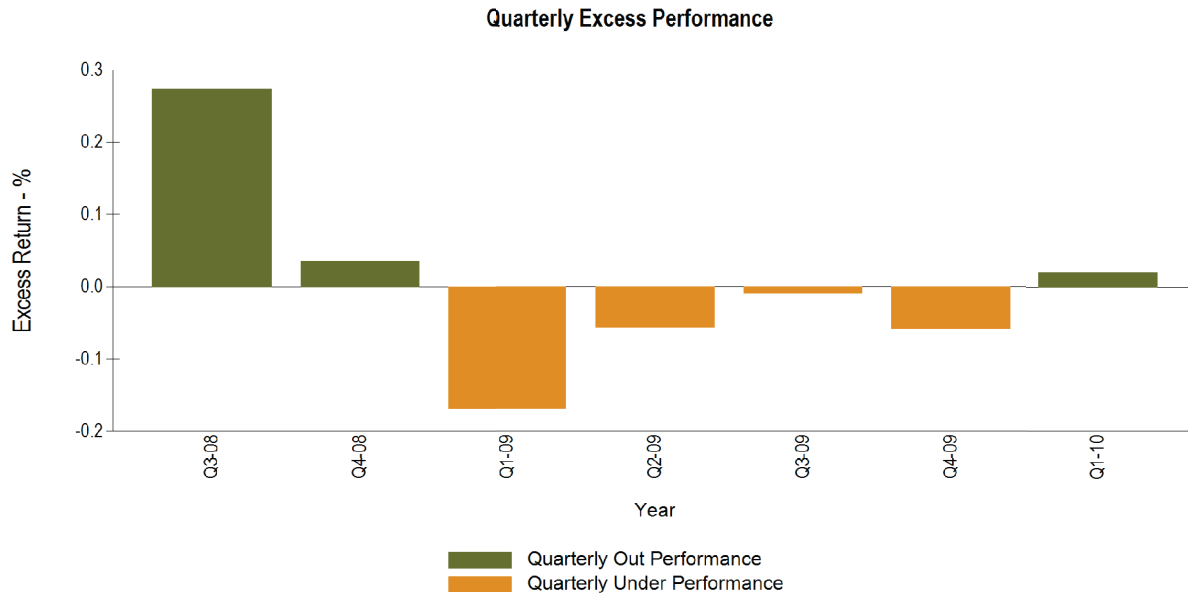
# BLACKROCK EQUITY MARKET FUND

## RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
<b>BlackRock Equity Market Fund</b>	<b>6.2%</b>	<b>52</b>	<b>52.5%</b>	<b>55</b>	<b>-6.5%</b>	<b>--</b>	<b>5/31/08</b>
Dow Jones U.S. Total Stock Market Index	6.2	53	52.6	55	-6.5	--	

### Philosophy and Process

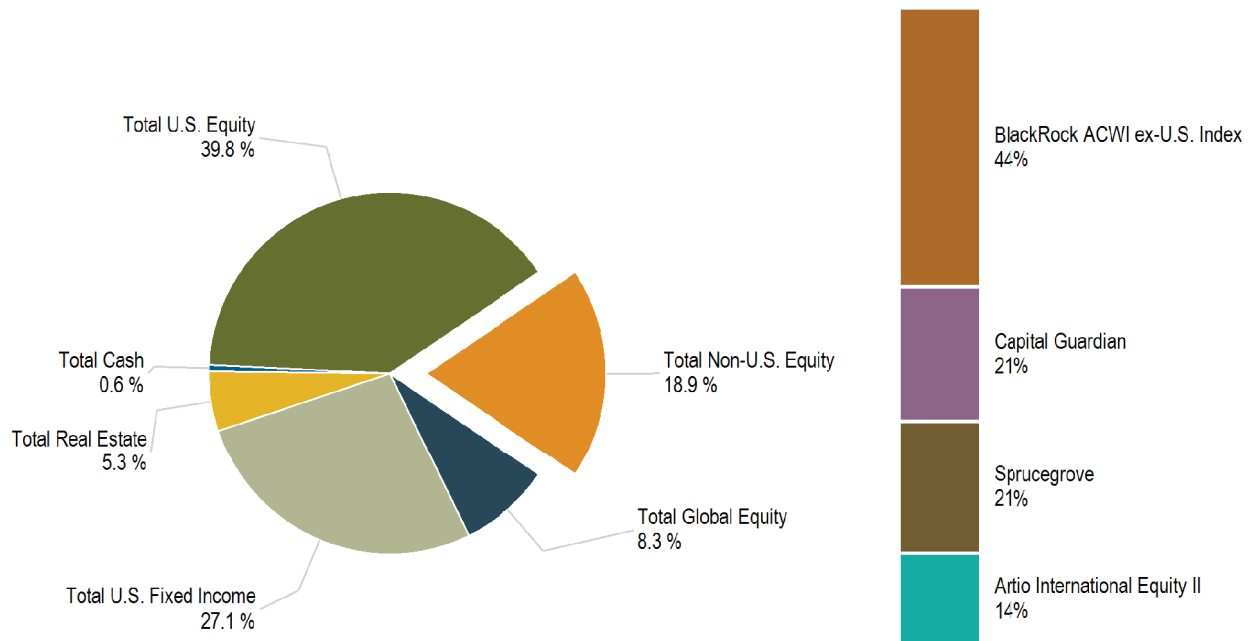
The objective of the BlackRock U.S. Equity Market Fund is to approximate the return of the Dow Jones U.S. Total Stock Market Index. The Dow Jones U.S. Total Stock Market Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.



# TOTAL NON-U.S. EQUITY

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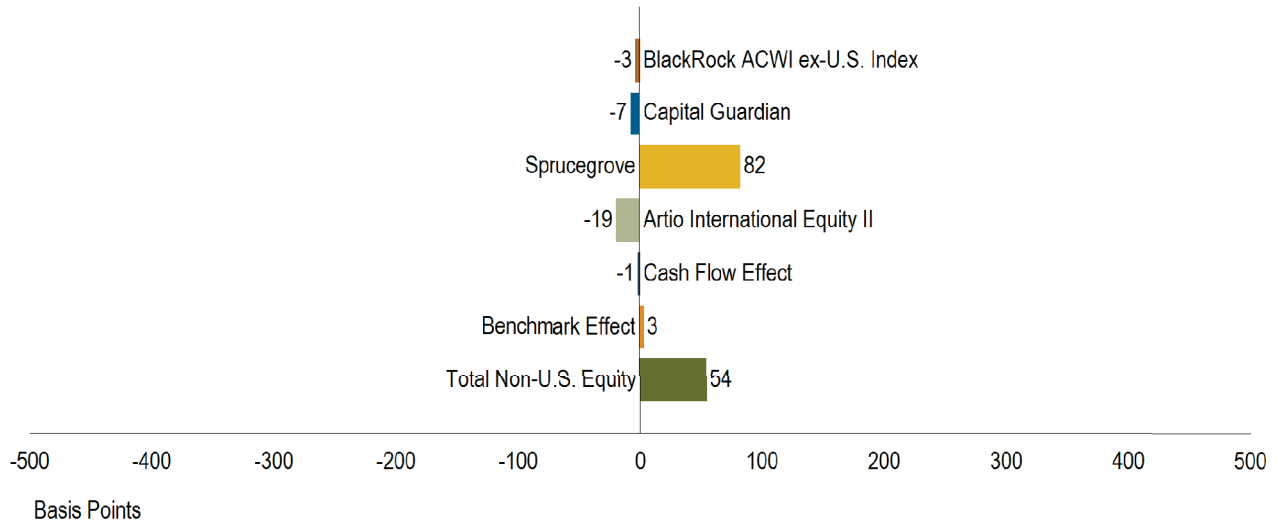
## ASSET ALLOCATION ACTUAL AS OF 3/31/10



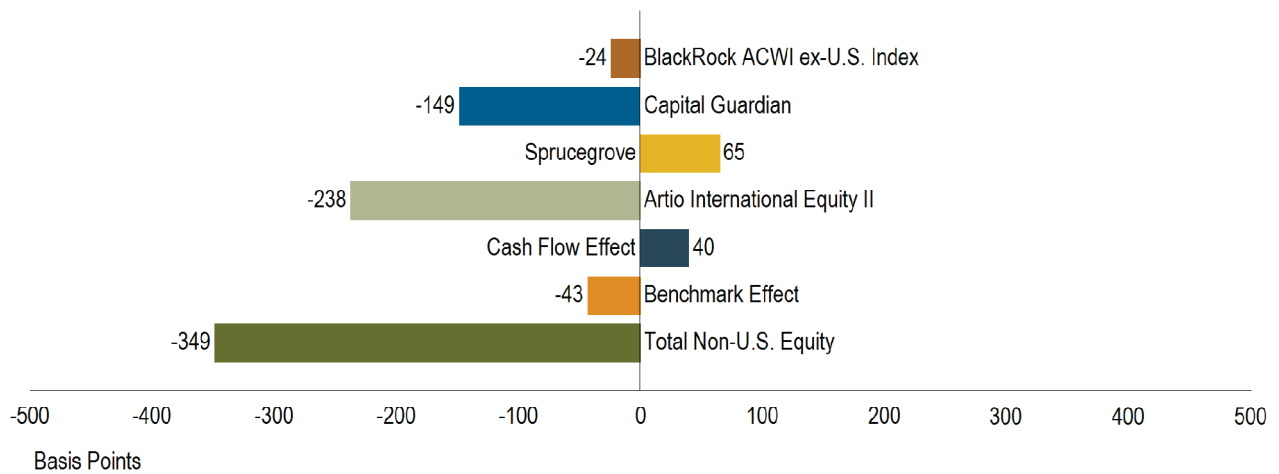


# TOTAL NON-U.S. EQUITY

## MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/10



## MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/10



## TOTAL NON-U.S. EQUITY

### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Total Non-U.S. Equity</b>	<b>2.1%</b>	<b>37</b>	<b>57.4%</b>	<b>43</b>	<b>-5.1%</b>	<b>52</b>	<b>5.5%</b>	<b>41</b>	<b>2.4%</b>	<b>60</b>	<b>7.3%</b>	<b>40</b>	<b>3/31/94</b>
Performance Benchmark*	1.6	53	60.9	28	-4.2	36	6.1	31	2.7	50	5.8	71	
<b>BlackRock ACWI ex-U.S. Index</b>	<b>1.9</b>	<b>38</b>	<b>62.7</b>	<b>19</b>	<b>-3.7</b>	<b>23</b>	--	--	--	--	<b>-3.7</b>	<b>23</b>	<b>3/31/07</b>
Performance Benchmark	2.0	36	63.3	18	-3.8	23	--	--	--	--	-3.8	23	
<b>Capital Guardian</b>	<b>1.2</b>	<b>53</b>	<b>54.3</b>	<b>46</b>	<b>-4.0</b>	<b>24</b>	<b>6.6</b>	<b>18</b>	--	--	<b>3.0</b>	--	<b>7/31/00</b>
Performance Benchmark*	1.6	42	60.9	20	-4.2	25	6.1	22	--	--	3.7	--	
<b>Sprucegrove</b>	<b>4.9</b>	<b>3</b>	<b>57.8</b>	<b>30</b>	<b>-5.4</b>	<b>42</b>	<b>5.0</b>	<b>41</b>	--	--	<b>8.9</b>	<b>22</b>	<b>3/31/02</b>
MSCI EAFE Index	0.9	68	54.4	45	-7.0	61	3.7	62	--	--	6.6	66	
<b>Artio International Equity II</b>	<b>0.3</b>	<b>78</b>	<b>46.0</b>	<b>84</b>	--	--	--	--	--	--	<b>16.3</b>	--	<b>10/31/08</b>
MSCI All Country World ex-U.S. Index	1.6	42	60.9	20	--	--	--	--	--	--	28.8	--	

### Commentary on Investment Performance

The non-U.S. equity component gained 2.1% and added 50 basis points of value over the return of the MSCI All Country World ex-U.S. Index during the quarter. Outperformance was mainly attributed to positive results by Sprucegrove while Capital Guardian and Artio lagged. Sprucegrove's stock selection within the consumer discretionary and industrial sectors, as well as an advantageous overweight to the information technology sector were additive to performance. Conversely, an underweight to Japan hurt Artio for the quarter, while poor stock selection amongst Spanish banks hindered Capital Guardian.

With the exception of since-inception, the component has trailed its benchmark during all longer-term periods illustrated above.

Additionally, during the quarter EnnisKnupp conducted a manager search in the non-U.S. equity space to determine whether Capital Guardian would remain in the portfolio. After deliberating over several managers, the Board decided to terminate Capital Guardian, and allocate money to two new managers, Walter Scott and Hexavest, and boost Artio's existing mandate. The incumbent manager has been notified of this move on the Board's part and the process has begun to identify an appropriate transition manager to aid in appropriately transferring assets.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's non-U.S. equity component. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The benchmark effect in the quarter attribution graph is a result of the cumulative performance of the individual managers' benchmarks (the MSCI EAFE Index and the MSCI All Country World ex-U.S. IMI Index) underperforming the non-U.S. equity component's performance benchmark (the MSCI All Country World ex-U.S. Index).

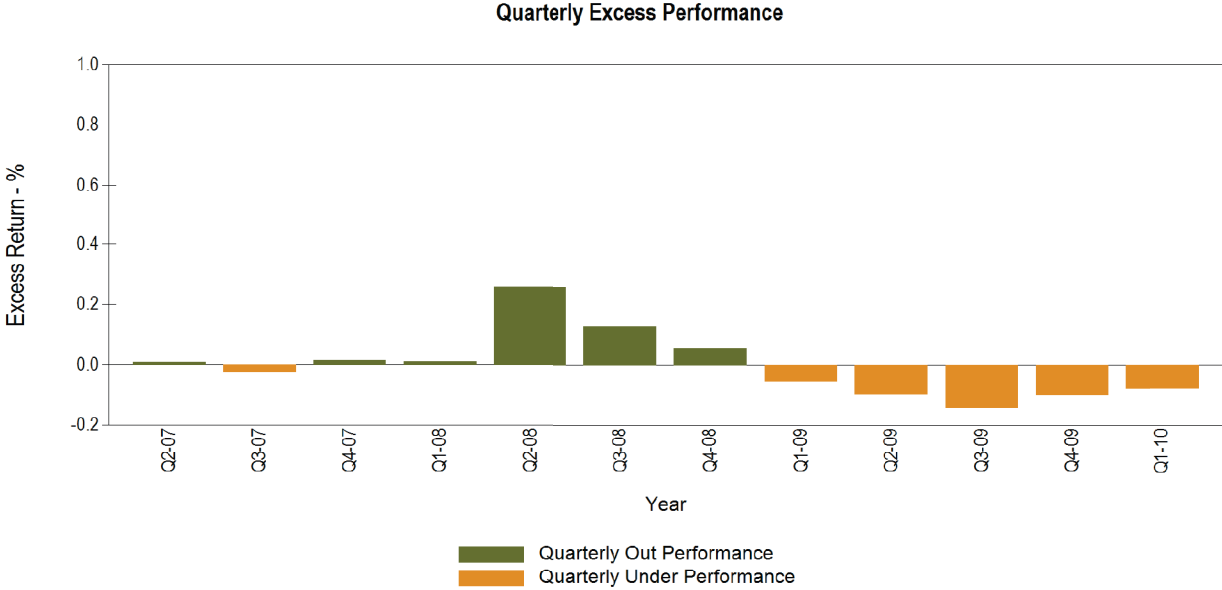
\*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

**RETURN SUMMARY  
ENDING 3/31/10**

	First Quarter		1 Year Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
<b>BlackRock ACWI ex-U.S. Index</b>	<b>1.9%</b>	<b>38</b>	<b>62.7%</b>	<b>19</b>	<b>-3.7%</b>	<b>23</b>	<b>3/31/07</b>
Performance Benchmark	2.0	36	63.3	18	-3.8	23	

**Philosophy and Process**

The BlackRock ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.



# CAPITAL GUARDIAN

## RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Capital Guardian</b>	<b>1.2%</b>	<b>53</b>	<b>54.3%</b>	<b>46</b>	<b>-4.0%</b>	<b>24</b>	<b>6.6%</b>	<b>18</b>	<b>3.0%</b>	<b>--</b>	<b>7/31/00</b>
Performance Benchmark*	1.6	42	60.9	20	-4.2	25	6.1	22	3.7	--	

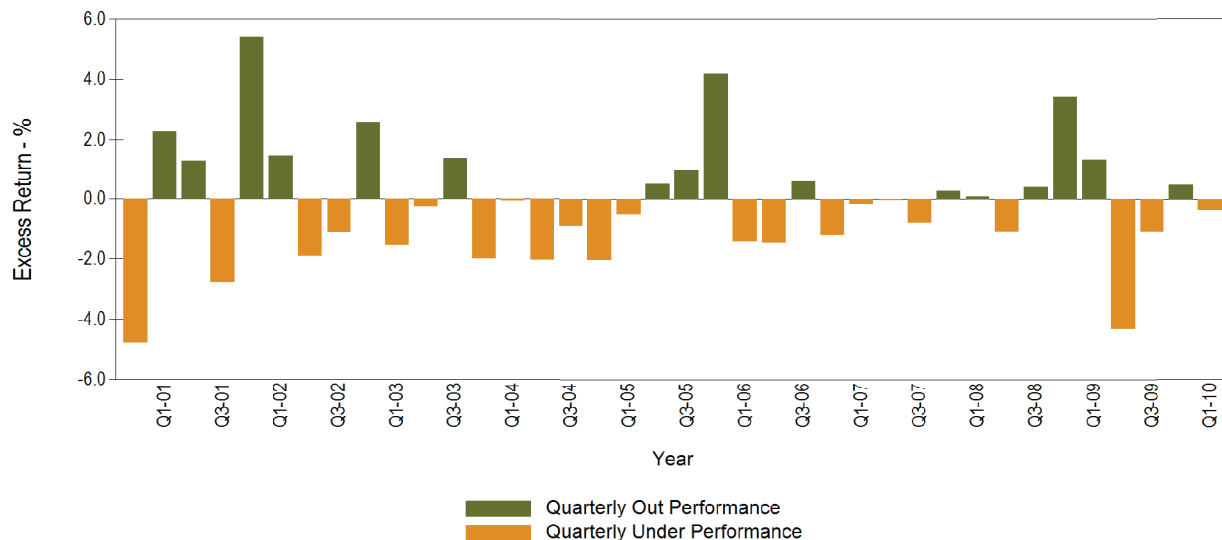
## Philosophy and Process

Capital Guardian refers to its investment approach as a multiple-manager system. Under this system, portfolios are divided among the firm's portfolio managers (75%) and research analysts (25%). Each sub-portfolio is invested in an individual portfolio at the discretion of the portfolio manager or analyst team. For the analysts' research portfolio, each analyst manages a small percentage of the portfolio based on their industry and/or country research responsibility. All stocks are selected from the firm's "buy" list of about 200 companies. To minimize transaction costs, all sales are posted to an internal list that other portfolio managers have the opportunity to buy. All portfolio managers have the discretion to hedge their portfolio. The firm's investment process is driven by value-oriented stock selection. The firm attempts to identify the difference between the underlying value of a company and its stock price through fundamental analysis and direct company contact. Individual company analysis is blended with the firm's macroeconomic and political judgments based on its outlook for world economies, industries, markets, and currencies.

## Manager Update

As mentioned on page 38, the Board has decided to terminate Capital Guardian and allocate assets to two new non-U.S. equity managers, Walter Scott, based out of the U.K., and Hexavest, from Canada. Capital Guardian has been notified of their pending termination and a transition manager is being sought to unwind its portfolio.

Quarterly Excess Performance



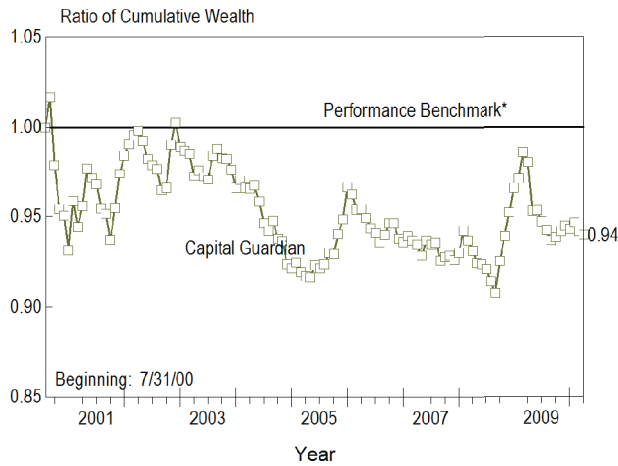
\*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

**COUNTRY ALLOCATION RETURNS**  
**3 MONTHS ENDING 3/31/10**

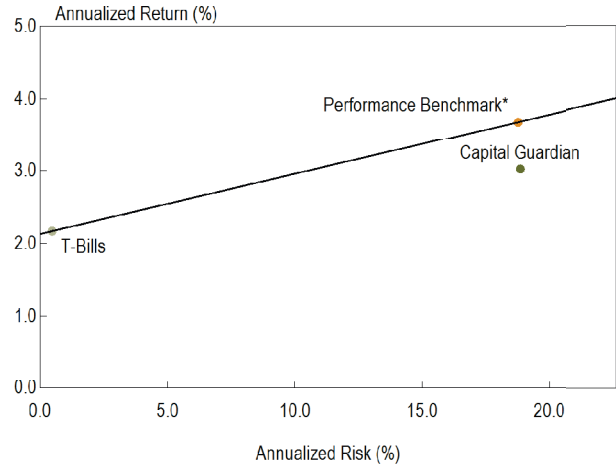
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.4%	0.2%	-1.2%
Belgium	0.0	0.7	-1.0
Czech Republic*	0.0	0.1	-0.2
Denmark	1.1	0.7	9.7
Finland	0.4	0.9	11.9
France	10.9	7.4	-3.9
Germany	7.9	5.5	-2.7
Greece	0.0	0.3	-13.2
Hungary*	0.0	0.1	12.6
Ireland	1.2	0.2	-0.5
Italy	0.8	2.3	-7.3
Netherlands	4.0	1.8	-1.1
Norway	0.3	0.5	-6.4
Poland*	0.3	0.3	4.2
Portugal	0.0	0.2	-10.3
Russia*	1.0	1.5	6.8
Spain	1.9	2.7	-15.3
Sweden	1.0	1.9	7.6
Switzerland	6.7	5.5	4.0
United Kingdom	12.1	14.7	-0.6
Asia/Pacific			
Australia	2.3%	6.0%	4.2%
China*	4.9	4.0	4.9
Hong Kong	1.4	1.7	2.4
India*	3.7	1.7	4.9
Indonesia*	0.4	0.4	10.0
Japan	13.1	15.5	8.2
Korea*	3.1	2.9	3.8
Malaysia*	0.7	0.6	9.1
New Zealand	0.0	0.1	-3.9
Pakistan*	0.0	--	--
Philippines*	0.0	0.1	4.7
Singapore	0.4	1.0	-1.3
Sri Lanka*	0.0	--	--
Taiwan, China*	2.2	2.4	-3.8
Thailand*	0.2	0.3	13.2
Americas			
Argentina*	0.0%	--	--
Brazil*	3.4	3.7%	-0.1%
Canada	3.8	7.6	6.0
Chile*	0.0	0.3	0.3
Colombia*	0.0	0.2	10.4
Mexico*	3.3	1.0	7.8
Peru*	0.0	0.1	0.6
United States	0.6	--	5.3
Venezuela*	0.0	--	--
Other			
Egypt*	0.1%	0.1%	11.9%
Israel*	1.7	0.7	10.0
Morocco*	0.0	0.0	6.7
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	2.0	1.6	4.6
Turkey*	0.2	0.3	4.0
Cash			
Cash	2.6%	--	--
Total	100.0%	100.0%	1.6%
Developed	70.2	77.3	
Emerging*	27.2	22.7	
Cash	2.6	--	

# CAPITAL GUARDIAN

**RATIO OF CUMULATIVE WEALTH  
9 YEARS 8 MONTHS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
9 YEARS 8 MONTHS ENDING 3/31/10**



## HISTORICAL RETURNS (BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0 %	--	-6.6 %	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
2007	15.9	29	16.7	25	-0.8
2008	-43.4	40	-45.5	60	2.1
2009	38.1	30	41.4	21	-3.3
2010 (3 months)	1.2	53	1.6	42	-0.4
Trailing 1-Year	54.3 %	46	60.9 %	20	-6.6
Trailing 3-Year	-4.0	24	-4.2	25	0.2
Trailing 5-Year	6.6	18	6.1	22	0.5
Since Inception (7/31/00)	3.0	--	3.7	--	-0.7

The table above compares the historical annual and cumulative annualized returns of the Capital Guardian portfolio and its Performance Benchmark.

\*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

\*\* Capital Guardian International Non-U.S. Equity Fund

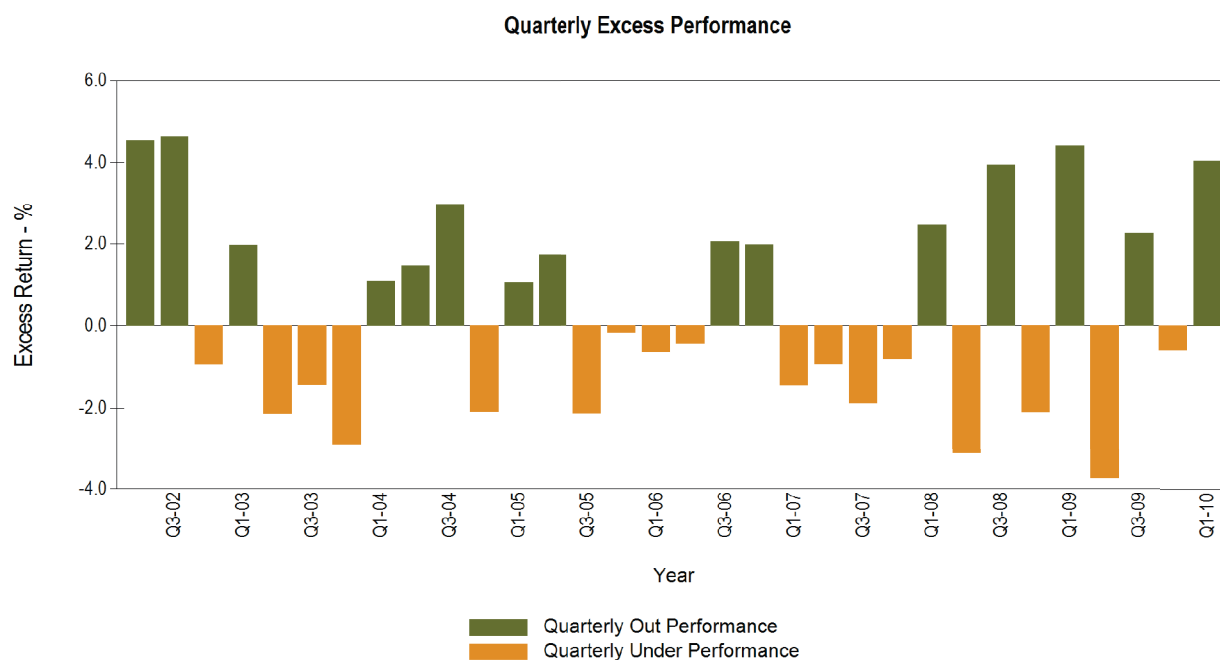
**RETURN SUMMARY  
ENDING 3/31/10**

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Sprucegrove</b>	<b>4.9%</b>	<b>3</b>	<b>57.8%</b>	<b>30</b>	<b>-5.4%</b>	<b>42</b>	<b>5.0%</b>	<b>41</b>	<b>8.9%</b>	<b>22</b>	<b>3/31/02</b>
MSCI EAFE Index	0.9	68	54.4	45	-7.0	61	3.7	62	6.6	66	

**Philosophy and Process**

Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and by maintaining a long term perspective, they can capitalize on mispricings in the market. Investment objectives are: to maximize the long-term rate of return while preserving the investment capital of the fund by avoiding investment strategies that expose fund assets to excessive risk; to outperform the benchmark over a full market cycle; and to achieve a high ranking relative to similar funds over a market cycle.

High emphasis is given to balance sheet fundamentals, historical operating results, and company management. If a company is truly promising, the portfolio management team instructs the analyst to do a full research report to ensure the company qualifies for inclusion in Sprucegrove's investable universe. There are approximately 300 companies on Sprucegrove's working list.



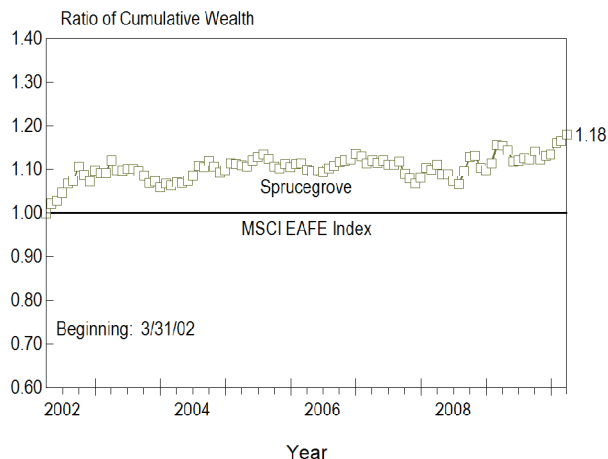
# SPRUCEGROVE

## COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 3/31/10

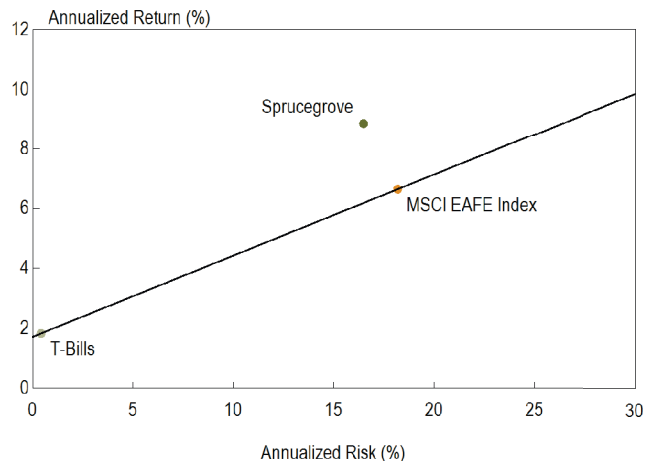
	Manager Allocation	Index Allocation	Index Return
<b>Europe</b>			
Austria	0.0%	0.3%	-1.2%
Belgium	0.0	1.0	-1.0
Czech Republic*	0.0	--	-0.2
Denmark	0.0	0.9	9.7
Finland	1.5	1.2	11.9
France	3.2	10.6	-3.9
Germany	3.7	7.8	-2.7
Greece	0.0	0.4	-13.2
Hungary*	0.7	--	12.6
Ireland	4.8	0.3	-0.5
Italy	2.5	3.3	-7.3
Netherlands	1.7	2.6	-1.1
Norway	0.0	0.7	-6.4
Poland*	0.0	--	4.2
Portugal	0.0	0.3	-10.3
Russia*	0.0	--	6.8
Spain	1.9	3.9	-15.3
Sweden	0.0	2.8	7.6
Switzerland	10.6	7.9	4.0
United Kingdom	17.3	21.0	-0.6
<b>Asia/Pacific</b>			
Australia	2.5%	8.7%	4.2%
China*	0.9	--	4.9
Hong Kong	4.5	2.4	2.4
India*	2.0	--	4.9
Indonesia*	0.0	--	10.0
Japan	20.4	22.2	8.2
Korea*	3.8	--	3.8
Malaysia*	0.6	--	9.1
New Zealand	0.0	0.1	-3.9
Pakistan*	0.0	--	--
Philippines*	0.0	--	4.7
Singapore	4.8	1.5	-1.3
Sri Lanka*	0.0	--	--
Taiwan, China*	0.0	--	-3.8
Thailand*	0.0	--	13.2
<b>Americas</b>			
Argentina*	0.0%	--	--
Brazil*	1.4	--	-0.1%
Canada	2.3	--	6.0
Chile*	0.0	--	0.3
Colombia*	0.0	--	10.4
Mexico*	0.0	--	7.8
Peru*	0.0	--	0.6
United States	0.0	--	5.3
Venezuela*	0.0	--	--
<b>Other</b>			
Egypt*	0.0%	--	11.9%
Israel*	0.0	--	10.0
Morocco*	0.0	--	6.7
Jordan*	0.0	--	--
Other Countries*	3.3	--	--
South Africa*	1.9	--	4.6
Turkey*	0.0	--	4.0
<b>Cash</b>			
Cash	3.6%	--	--
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.9%</b>
Developed	81.9	100.0	
Emerging*	14.6	--	
Cash	3.6	--	



**RATIO OF CUMULATIVE WEALTH  
8 YEARS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
8 YEARS ENDING 3/31/10**



**HISTORICAL RETURNS  
(BY YEAR)**

	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2 %	22	-16.4 %	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.5	69	0.8
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008	-42.5	33	-43.4	40	0.9
2009	36.1	34	31.8	55	4.3
2010 (3 months)	4.9	3	0.9	68	4.0
Trailing 1-Year	57.8 %	30	54.4 %	45	3.4
Trailing 3-Year	-5.4	42	-7.0	61	1.6
Trailing 5-Year	5.0	41	3.7	62	1.3
Since Inception (3/31/02)	8.9	22	6.6	66	2.3

The table above compares the historical annual and cumulative annualized returns of the Sprucegrove portfolio and its benchmark, the MSCI EAFE Index.

## ARTIO INTERNATIONAL EQUITY II

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### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
<b>Artio International Equity II</b>	<b>0.3 %</b>	<b>78</b>	<b>46.0 %</b>	<b>84</b>	<b>16.3 %</b>	<b>--</b>	<b>10/31/08</b>
MSCI All Country World ex-U.S. Index	1.6	42	60.9	20	28.8	--	

### Philosophy and Process

Artio's International Equity II strategy is a core, primarily top-down, non-U.S. equity product offering with market capitalization exposure similar to that of the MSCI All Country World ex-U.S. Index. The investment process starts from a macro perspective with focus on how changing global factors will impact individual industries, sectors, and countries. While every member of the investment team is involved at each step of the investment process, it is Mr. Younes who is the primary driver of investment thought and new idea generation. The team applies different fundamental factors to each industry, sector, and country. Country factor analysis is a dominating tool as it pertains to emerging markets. While the investment process is predominately theme-based, bottom-up analysis is employed once specific pockets of relative value are discovered through the top-down process. Artio's bottom-up analysis focuses on industry/country fundamentals, growth expectations, assessment of management, and relative valuation.

### Manager Update

As mentioned on page 38, in addition to allocating money to two new non-U.S. managers, the Board has decided to boost Artio's asset allocation to bring it within a comparable level of Sprucegrove.

## ARTIO INTERNATIONAL EQUITY II

### COUNTRY ALLOCATION/RETURNS

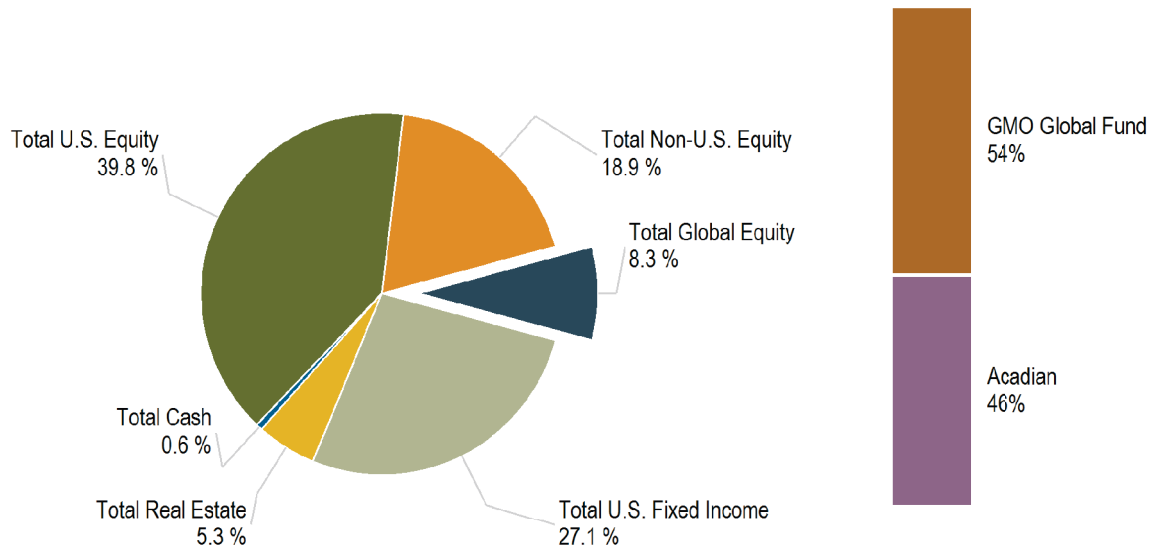
3 MONTHS ENDING 3/31/10

	Manager Allocation	Index Allocation	Index Return
<b>Europe</b>			
Austria	1.4%	0.2%	-1.2%
Belgium	0.4	0.7	-1.0
Czech Republic*	1.2	0.1	-0.2
Denmark	0.8	0.7	9.7
Finland	0.4	0.9	11.9
France	7.7	7.4	-3.9
Germany	7.1	5.5	-2.7
Greece	0.2	0.3	-13.2
Hungary*	0.8	0.1	12.6
Ireland	0.5	0.2	-0.5
Italy	2.4	2.3	-7.3
Netherlands	5.0	1.8	-1.1
Norway	1.1	0.5	-6.4
Poland*	1.4	0.3	4.2
Portugal	0.1	0.2	-10.3
Russia*	4.0	1.5	6.8
Spain	0.6	2.7	-15.3
Sweden	1.1	1.9	7.6
Switzerland	7.6	5.5	4.0
United Kingdom	13.7	14.7	-0.6
<b>Asia/Pacific</b>			
Australia	5.6%	6.0%	4.2%
China*	1.7	4.0	4.9
Hong Kong	0.0	1.7	2.4
India*	3.0	1.7	4.9
Indonesia*	0.2	0.4	10.0
Japan	10.5	15.5	8.2
Korea*	2.2	2.9	3.8
Malaysia*	0.0	0.6	9.1
New Zealand	0.0	0.1	-3.9
Pakistan*	0.0	--	--
Philippines*	0.0	0.1	4.7
Singapore	0.0	1.0	-1.3
Sri Lanka*	0.0	--	--
Taiwan, China*	3.1	2.4	-3.8
Thailand*	0.1	0.3	13.2
<b>Americas</b>			
Argentina*	0.0%	--	--
Brazil*	1.1	3.7%	-0.1%
Canada	5.8	7.6	6.0
Chile*	0.0	0.3	0.3
Colombia*	0.0	0.2	10.4
Mexico*	1.8	1.0	7.8
Peru*	0.0	0.1	0.6
United States	1.2	--	5.3
Venezuela*	0.0	--	--
<b>Other</b>			
Egypt*	0.0%	0.1%	11.9%
Israel*	0.5	0.7	10.0
Morocco*	0.0	0.0	6.7
Jordan*	0.0	--	--
Other Countries*	0.1	--	--
South Africa*	1.1	1.6	4.6
Turkey*	0.0	0.3	4.0
<b>Cash</b>			
Cash	4.6%	--	--
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1.6%</b>
Developed	73.0	77.3	
Emerging*	22.3	22.7	
Cash	4.6	--	

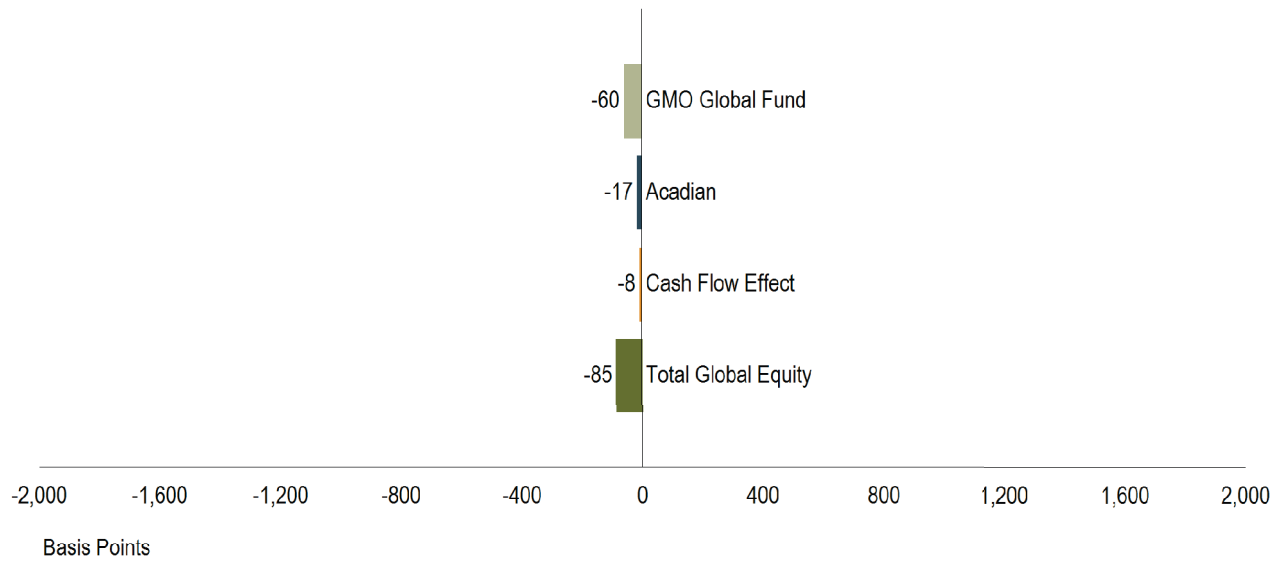
# TOTAL GLOBAL EQUITY

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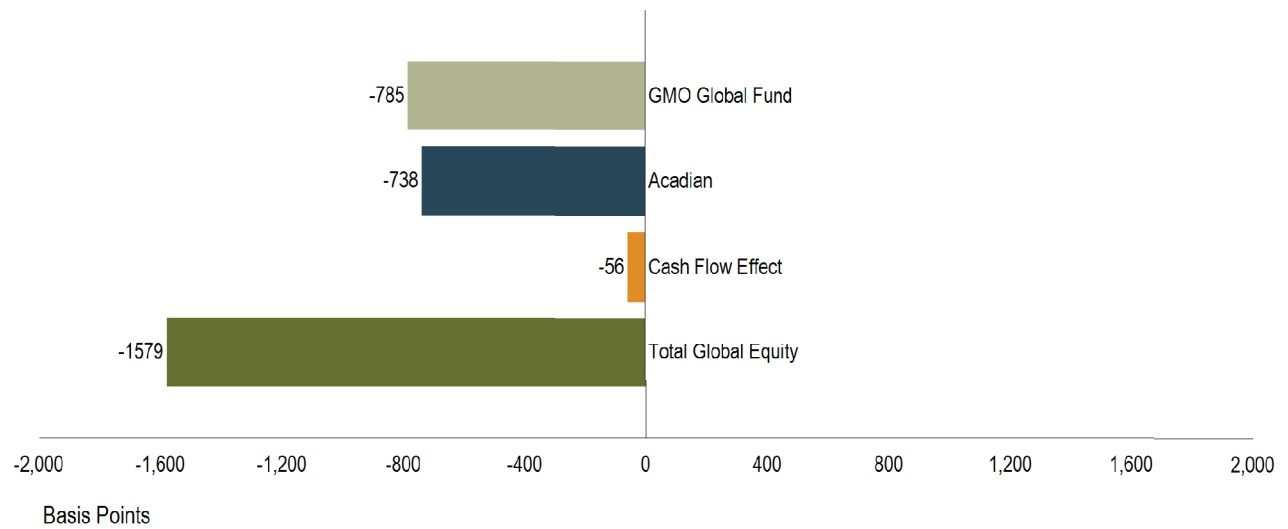
ASSET ALLOCATION  
ACTUAL AS OF 3/31/10



MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 3/31/10



MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 3/31/10



## TOTAL GLOBAL EQUITY

### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Total Global Equity</b>	<b>2.3%</b>	<b>66</b>	<b>39.7%</b>	<b>99</b>	<b>-6.1%</b>	<b>57</b>	<b>2.6%</b>	<b>--</b>	<b>4/30/05</b>
MSCI All Country World Index	3.1	41	55.5	26	-4.4	42	4.5	--	
<b>GMO Global Fund</b>	<b>2.0</b>	<b>76</b>	<b>41.2</b>	<b>96</b>	<b>-2.9</b>	<b>24</b>	<b>5.1</b>	<b>--</b>	<b>4/30/05</b>
MSCI All Country World Index	3.1	41	55.5	26	-4.4	42	4.5	--	
<b>Acadian</b>	<b>2.7</b>	<b>56</b>	<b>38.9</b>	<b>99</b>	<b>--</b>	<b>--</b>	<b>-17.8</b>	<b>--</b>	<b>5/31/08</b>
MSCI All Country World Index	3.1	41	55.5	26	--	--	-10.0	--	

### Commentary on Investment Performance

During the first quarter, the global equity portfolio returned 2.3%, trailing the MSCI All Country World Index by 80 basis points. Both GMO and Acadian underperformed for the quarter. GMO's overweight allocation to the U.S. was not enough to overcome its underweight to the well-performing financial and consumer discretionary sectors for the quarter, while Acadian's overweight allocations to China and the U.S., combined with lagging security selection in these countries hindered its first quarter results.

The global equity portfolio has lagged the return of the MSCI All Country World Index during all long-term periods shown above.

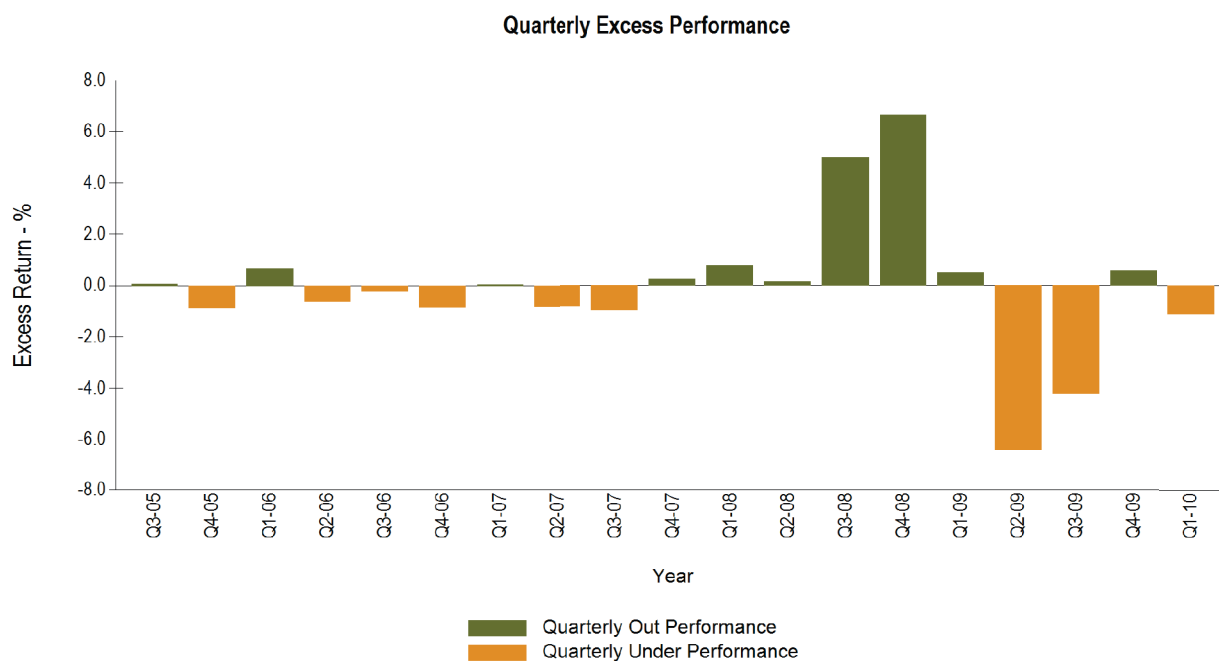
The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's global equity component over the past three-month and trailing one-year periods. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The "Total" bar in these graphs represents the difference between the global equity component's return and that of the Index.

**RETURN SUMMARY  
ENDING 3/31/10**

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>GMO Global Fund</b>	<b>2.0%</b>	<b>76</b>	<b>41.2%</b>	<b>96</b>	<b>-2.9%</b>	<b>24</b>	<b>5.1%</b>	<b>--</b>	<b>4/30/05</b>
MSCI All Country World Index	3.1	41	55.5	26	-4.4	42	4.5	--	

**Philosophy and Process**

Grantham Mayo Van Otterloo's (GMO) Global Asset Allocation strategy uses quantitative methods to allocate among the firm's mutual funds including U.S. equity, non-U.S. developed market equity, emerging markets, fixed income, and real estate funds. GMO attempts to add value from allocations across sectors as well as security selection within sectors. The firm desires to make large bets on a few high-conviction opportunities, while still incurring less absolute risk than the benchmark. GMO does not employ a traditional team of fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They believe their edge lies in their ability to interpret already available information, as opposed to an explicit information edge. Although the process will consider both valuation and momentum factors in selecting stocks, the portfolio will tend to exhibit value characteristics.

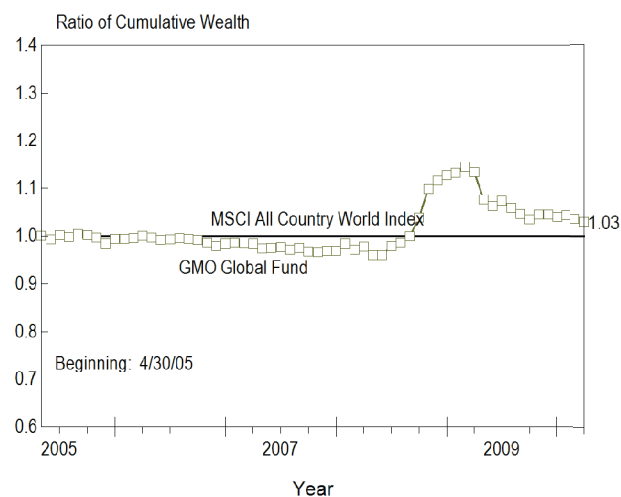


**COUNTRY ALLOCATION/RETURNS**  
**3 MONTHS ENDING 3/31/10**

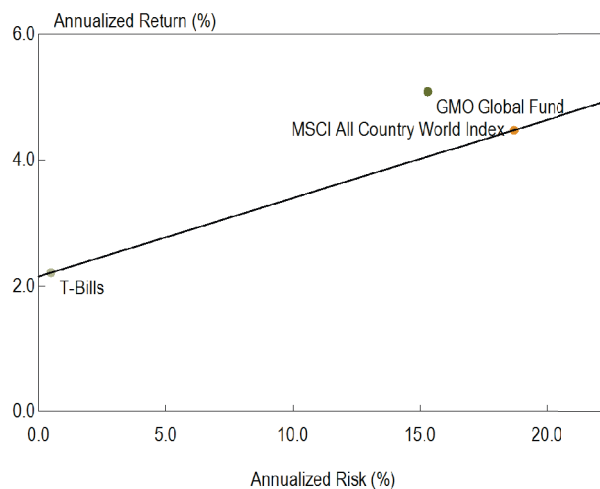
	Manager Allocation	Index Allocation	Index Return
<b>Europe</b>			
Austria	0.2%	0.1%	-1.2%
Belgium	0.6	0.4	-1.0
Czech Republic*	0.2	0.1	-0.2
Denmark	0.3	0.4	9.7
Finland	0.3	0.5	11.9
France	4.2	4.3	-3.9
Germany	2.0	3.1	-2.7
Greece	0.2	0.2	-13.2
Hungary*	0.2	0.1	12.6
Ireland	0.2	0.1	-0.5
Italy	2.2	1.3	-7.3
Netherlands	1.4	1.0	-1.1
Norway	0.5	0.3	-6.4
Poland*	0.2	0.2	4.2
Portugal	0.0	0.1	-10.3
Russia*	2.2	0.9	6.8
Spain	1.2	1.5	-15.3
Sweden	1.7	1.1	7.6
Switzerland	4.4	3.2	4.0
United Kingdom	9.5	8.4	-0.6
<b>Asia/Pacific</b>			
Australia	1.4%	3.5%	4.2%
China*	1.0	2.3	4.9
Hong Kong	0.6	0.9	2.4
India*	0.7	1.0	4.9
Indonesia*	0.2	0.3	10.0
Japan	11.4	8.9	8.2
Korea*	2.3	1.7	3.8
Malaysia*	0.1	0.4	9.1
New Zealand	0.1	0.0	-3.9
Pakistan*	0.0	--	--
Philippines*	0.0	0.1	4.7
Singapore	1.3	0.6	-1.3
Sri Lanka*	0.0	--	--
Taiwan, China*	1.1	1.4	-3.8
Thailand*	0.8	0.2	13.2
<b>Americas</b>			
Argentina*	0.0%	--	--
Brazil*	2.3	2.1%	-0.1%
Canada	0.4	4.4	6.0
Chile*	0.0	0.2	0.3
Colombia*	0.0	0.1	10.4
Mexico*	0.2	0.6	7.8
Peru*	0.0	0.1	0.6
United States	38.8	42.7	5.3
Venezuela*	0.0	--	--
<b>Other</b>			
Egypt*	0.2%	0.1%	11.9%
Israel*	0.0	0.4	10.0
Morocco*	0.0	0.0	6.7
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	0.2	0.9	4.6
Turkey*	1.1	0.2	4.0
<b>Cash</b>			
Cash	3.9%	--	--
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.1%</b>
Developed	83.0	87.0	
Emerging*	13.1	13.0	
Cash	3.9	--	



**RATIO OF CUMULATIVE WEALTH  
4 YEARS 11 MONTHS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
4 YEARS 11 MONTHS ENDING 3/31/10**



**HISTORICAL RETURNS  
(BY YEAR)**

	GMO Global Fund		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (8 months)	13.7 %	--	14.4 %	--	-0.7
2006	19.7	52	21.0	47	-1.3
2007	10.0	56	11.7	46	-1.7
2008	-32.8	9	-42.2	53	9.4
2009	24.3	86	34.6	31	-10.3
2010 (3 months)	2.0	76	3.1	41	-1.1
Trailing 1-Year	41.2 %	96	55.5 %	26	-14.3
Trailing 3-Year	-2.9	24	-4.4	42	1.5
Since Inception (4/30/05)	5.1	--	4.5	--	0.6

# ACADIAN

## RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
<b>Acadian</b>	<b>2.7%</b>	<b>56</b>	<b>38.9%</b>	<b>99</b>	<b>-17.8%</b>	<b>--</b>	<b>5/31/08</b>
MSCI All Country World Index	3.1	41	55.5	26	-10.0	--	

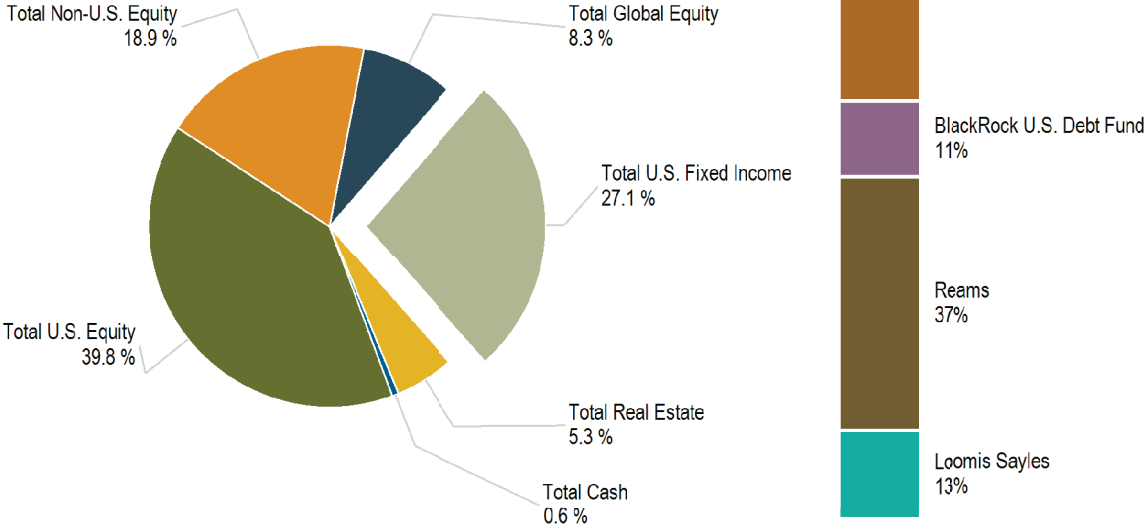
### Philosophy and Process

Acadian Asset Management, Inc. applies a disciplined, multi-factor model to a broad universe of equities with the objective of earning superior returns. The firm utilizes both stock factors (micro) and country/sector factors (macro) to forecast returns from the entire 25,000 stock universe. They evaluate four categories of stock factors: valuation, earnings trends, earnings quality, and price momentum. Acadian combines both micro and macro factors to produce forecasted returns for individual stocks. Positions are then sized by optimizing the return forecasts with expected transaction costs, stock borrowing cost, and liquidity. For the global 130-30 fund, the maximum long is 5% and the maximum short is -3% of portfolio value. The strategy targets gross exposures of 130% long and 30% short for a net exposure of 100% long. The maximum short exposure the fund will take is 50%. As shorting local emerging markets stocks is not feasible, Acadian will occasionally utilize ADRs to short emerging markets.

Quarterly Excess Performance

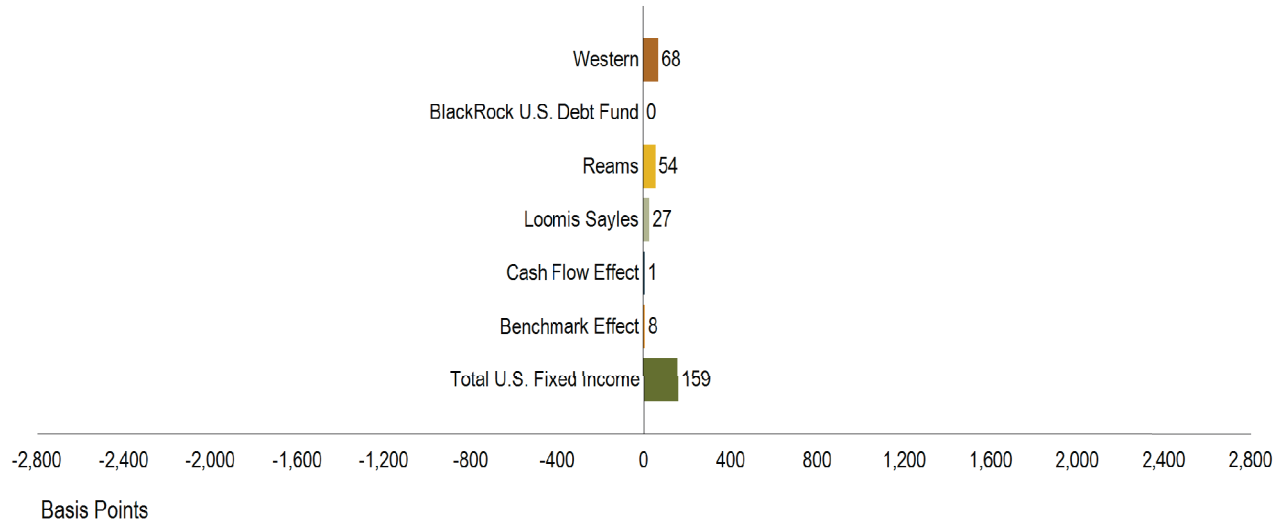


ASSET ALLOCATION  
ACTUAL AS OF 3/31/10

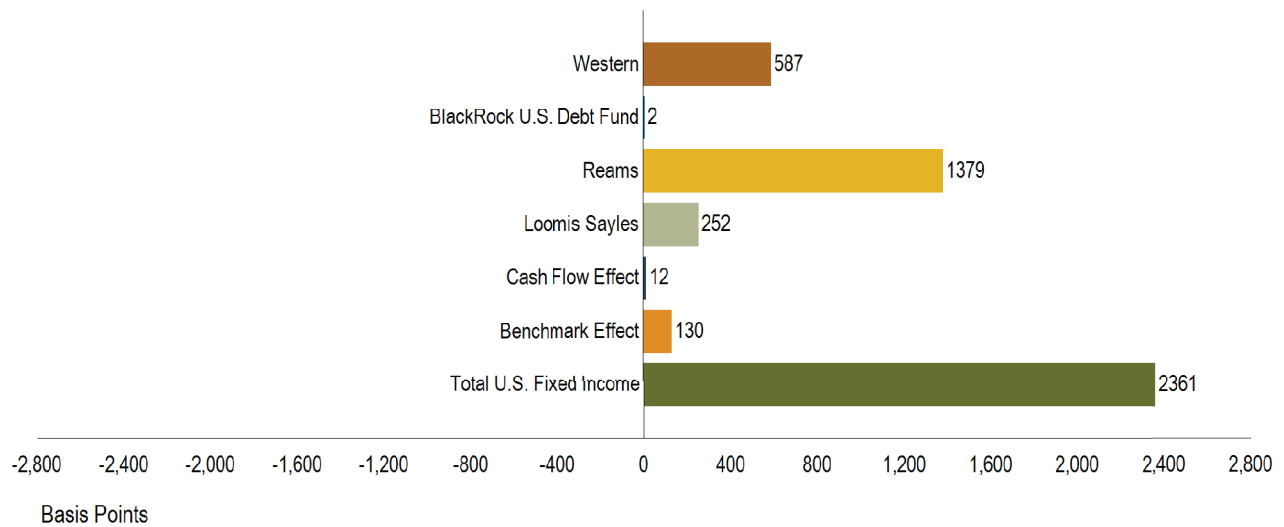


# TOTAL U.S. FIXED INCOME

## MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/10



## MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/10



## TOTAL U.S. FIXED INCOME

### RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Total U.S. Fixed Income</b>	<b>3.4%</b>	<b>8</b>	<b>31.3%</b>	<b>1</b>	<b>7.4%</b>	<b>8</b>	<b>6.6%</b>	<b>6</b>	<b>7.1%</b>	<b>6</b>	<b>6.5%</b>	<b>--</b>	<b>2/28/94</b>
Barclays Capital Aggregate Bond Index	1.8	75	7.7	86	6.1	38	5.4	36	6.3	51	6.3	--	
<b>Western</b>	<b>3.5</b>	<b>11</b>	<b>21.5</b>	<b>19</b>	<b>4.8</b>	<b>83</b>	<b>4.9</b>	<b>77</b>	<b>6.8</b>	<b>25</b>	<b>6.6</b>	<b>24</b>	<b>12/31/96</b>
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	6.3	63	6.2	60	
<b>BlackRock U.S. Debt Fund</b>	<b>1.8</b>	<b>83</b>	<b>7.8</b>	<b>88</b>	<b>6.3</b>	<b>59</b>	<b>5.5</b>	<b>57</b>	<b>6.3</b>	<b>59</b>	<b>6.1</b>	<b>--</b>	<b>11/30/95</b>
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	6.3	63	6.1	--	
<b>Reams</b>	<b>3.2</b>	<b>16</b>	<b>46.8</b>	<b>1</b>	<b>9.6</b>	<b>1</b>	<b>8.1</b>	<b>2</b>	<b>--</b>	<b>--</b>	<b>6.6</b>	<b>7</b>	<b>9/30/01</b>
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	--	--	5.3	65	
<b>Loomis Sayles</b>	<b>4.6</b>	<b>1</b>	<b>43.9</b>	<b>1</b>	<b>6.6</b>	<b>45</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.7</b>	<b>--</b>	<b>7/31/05</b>
Performance Benchmark	2.4	53	19.9	24	6.2	60	--	--	--	--	6.0	--	

### Commentary on Investment Performance

The fixed income portfolio gained 3.4% during the quarter, outpacing the return of the Barclays Capital Aggregate Bond Index by 1.6 percentage points. Each of the portfolio's underlying active managers outperformed their respective benchmarks. Western's overweight to financial credit, as well as an allocation to high yield aided returns for the quarter. Reams' outperformance was attributed to positive security selection within the investment grade credit sector and an overweight allocation to the outperforming high yield sector. Loomis Sayles benefited from its allocation to investment grade credit, high yield, and convertible securities while also benefiting from quality security selection within these sectors.

During the trailing one-year period, the fixed income component outperformed its benchmark by 23.6 percentage points. Each of the component's active managers contributed positively to outperformance. Longer-term performance remains favorable as shown in the table above.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's fixed income component over the past three-month and trailing one-year periods. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The benchmark effect in the quarter graph is a result of one of the individual manager's benchmark (performance benchmark of Loomis Sayles) outperforming the fixed income component's benchmark (Barclays Capital Aggregate Bond Index). Additionally, the benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of one of the individual manager's benchmark (performance benchmark of Loomis Sayles) outperforming the fixed income component's benchmark (Barclays Capital Aggregate Bond Index).

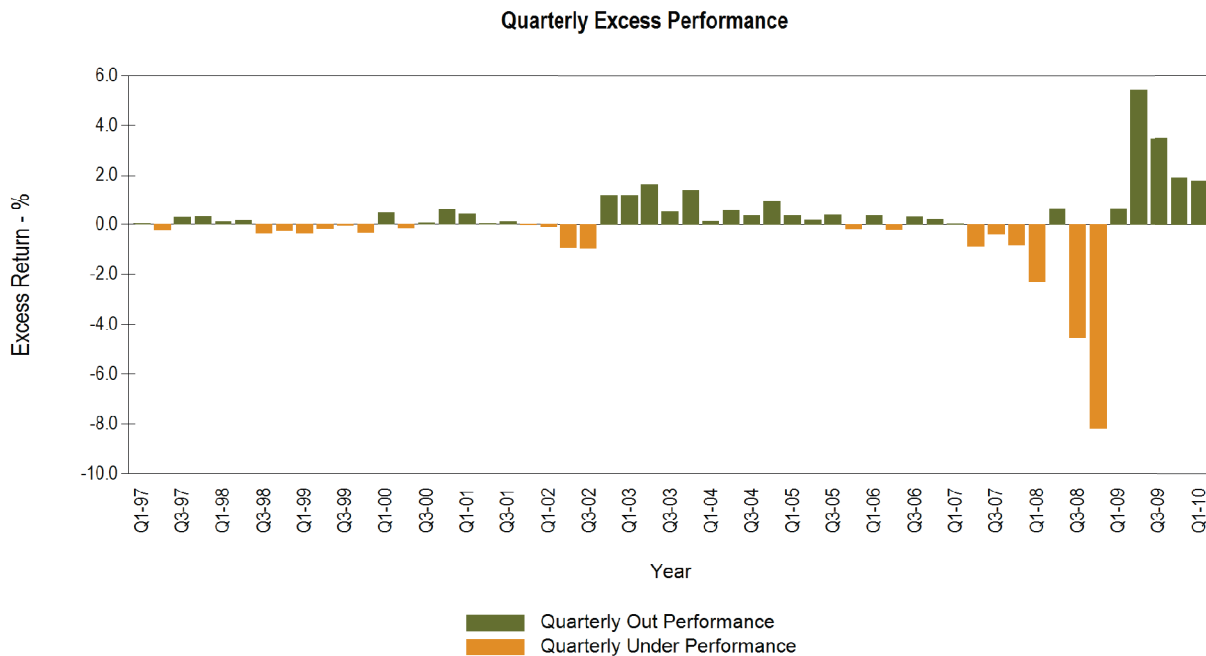
# WESTERN

## RETURN SUMMARY ENDING 3/31/10

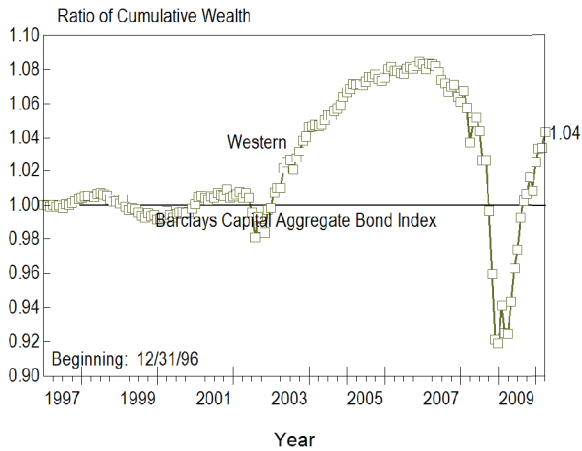
	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Western</b>	<b>3.5%</b>	<b>11</b>	<b>21.5%</b>	<b>19</b>	<b>4.8%</b>	<b>83</b>	<b>4.9%</b>	<b>77</b>	<b>6.8%</b>	<b>25</b>	<b>6.6%</b>	<b>24</b>	12/31/96
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	6.3	63	6.2	60	

### Philosophy and Process

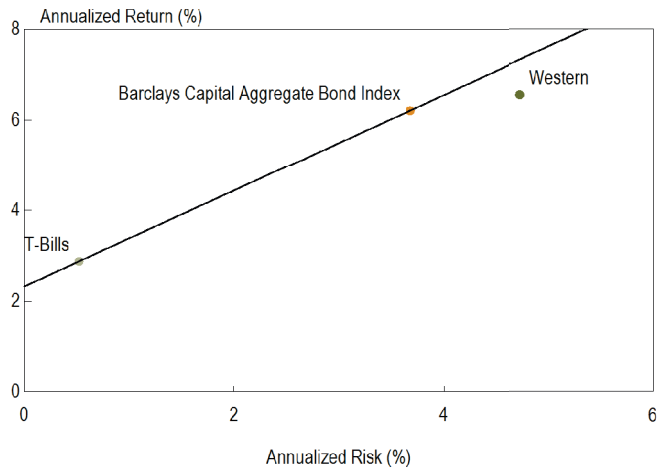
Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate and mortgages. The firm's team approach to fixed income management revolves around an investment outlook developed by the Investment Strategy Group. This group interacts on a daily basis, evaluating developments in both the market and the economy. Additionally, the group meets formally twice a month to review its outlook and investment strategy.



**RATIO OF CUMULATIVE WEALTH  
13 YEARS 3 MONTHS ENDING 3/31/10**

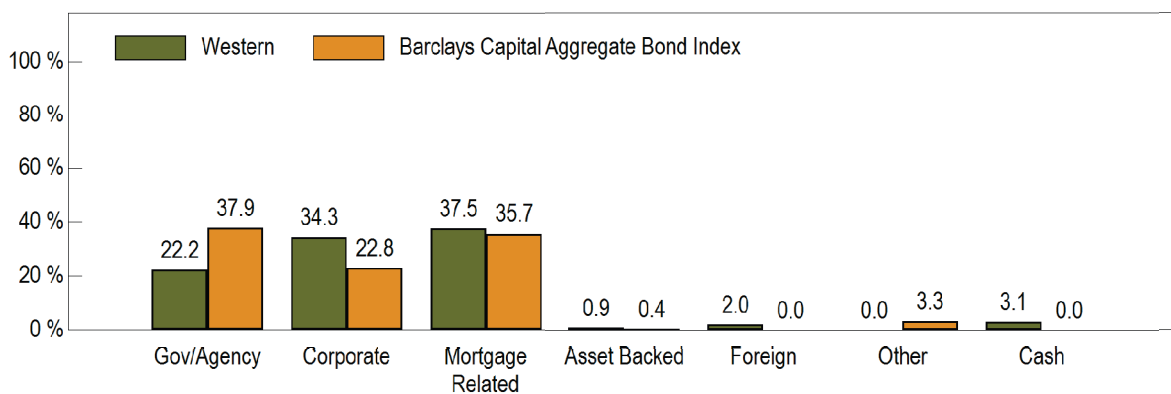


**ANNUALIZED RISK RETURN  
13 YEARS 3 MONTHS ENDING 3/31/10**



The table below details Western's sector allocation relative to the Barclays Capital Aggregate Bond Index. The allocation to cash represents highly-liquid short-term fixed income instruments such as money market funds and commercial paper.

**SECTOR ALLOCATION AS OF 3/31/10  
Western**



## WESTERN

### HISTORICAL RETURNS

(BY YEAR)

	Western		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
2007	4.8	86	7.0	16	-2.2
2008	-8.9	85	5.2	16	-14.1
2009	18.2	21	5.9	92	12.3
2010 (3 months)	3.5	11	1.8	84	1.7
Trailing 1-Year	21.5%	19	7.7%	90	13.8
Trailing 3-Year	4.8	83	6.1	63	-1.3
Trailing 5-Year	4.9	77	5.4	64	-0.5
Trailing 10-Year	6.8	25	6.3	63	0.5
Since Inception (12/31/96)	6.6	24	6.2	60	0.4

The table above compares the historical annual and cumulative annualized returns of the Western portfolio and its benchmark, the Barclays Capital Aggregate Bond Index.



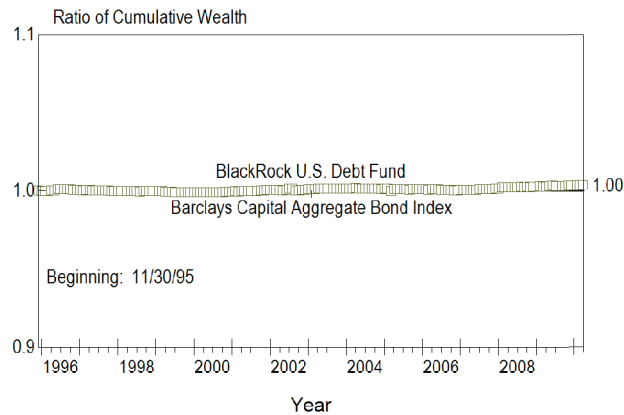
## RETURN SUMMARY ENDING 3/31/10

	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		10 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>BlackRock U.S. Debt Fund</b>	<b>1.8%</b>	<b>83</b>	<b>7.8%</b>	<b>88</b>	<b>6.3%</b>	<b>59</b>	<b>5.5%</b>	<b>57</b>	<b>6.3%</b>	<b>59</b>	<b>6.1%</b>	<b>--</b>	<b>11/30/95</b>
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	6.3	63	6.1	--	

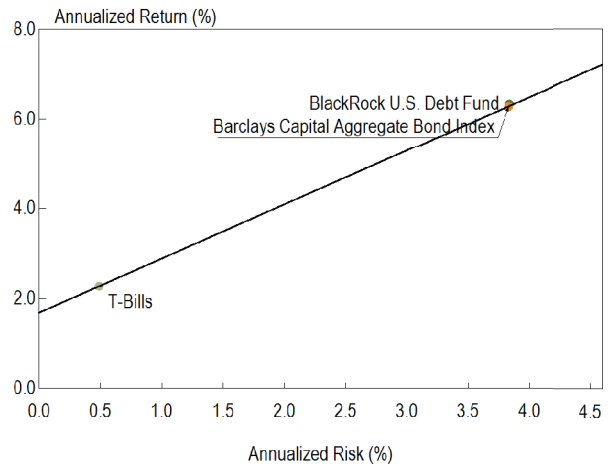
## Philosophy and Process

The BlackRock U.S. Debt Fund is an index fund which is designed to replicate the performance of the Barclays Capital Aggregate Bond Index. The U.S. Debt Fund is constructed by holding 7 different sub-funds that track specific sector/maturity combinations of the Barclays Capital Aggregate Bond Index.

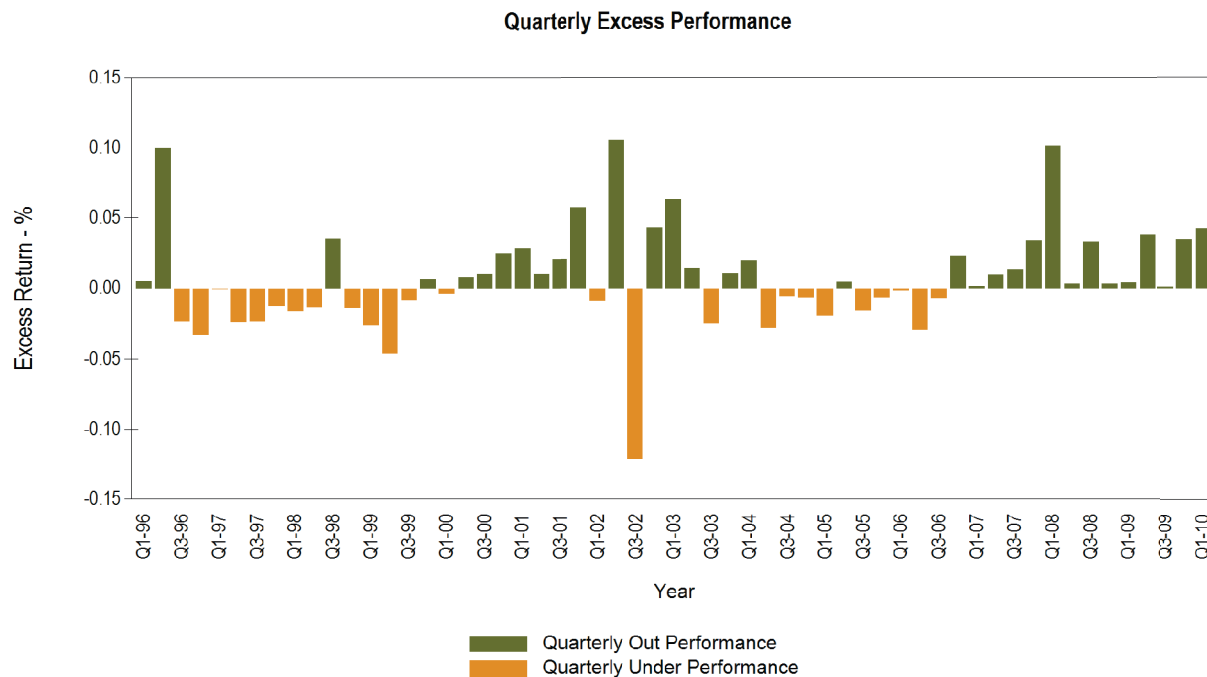
**RATIO OF CUMULATIVE WEALTH  
14 YEARS 4 MONTHS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
10 YEARS ENDING 3/31/10**



# BLACKROCK U.S. DEBT FUND



## HISTORICAL RETURNS (BY YEAR)

	BlackRock U.S. Debt Fund		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2000 (9 months)	9.3 %	31	9.2%	36	0.1
2001	8.6	34	8.4	38	0.2
2002	10.3	24	10.3	24	0.0
2003	4.2	68	4.1	69	0.1
2004	4.3	59	4.3	58	0.0
2005	2.4	60	2.4	58	0.0
2006	4.3	55	4.3	53	0.0
2007	7.0	15	7.0	16	0.0
2008	5.4	16	5.2	16	0.2
2009	6.0	91	5.9	92	0.1
2010 (3 months)	1.8	83	1.8	84	0.0
Trailing 1-Year	7.8 %	88	7.7%	90	0.1
Trailing 3-Year	6.3	59	6.1	63	0.2
Trailing 5-Year	5.5	57	5.4	64	0.1
Trailing 10-Year	6.3	59	6.3	63	0.0
Since Inception (11/30/95)	6.1	--	6.1	--	0.0

**RETURN SUMMARY  
ENDING 3/31/10**

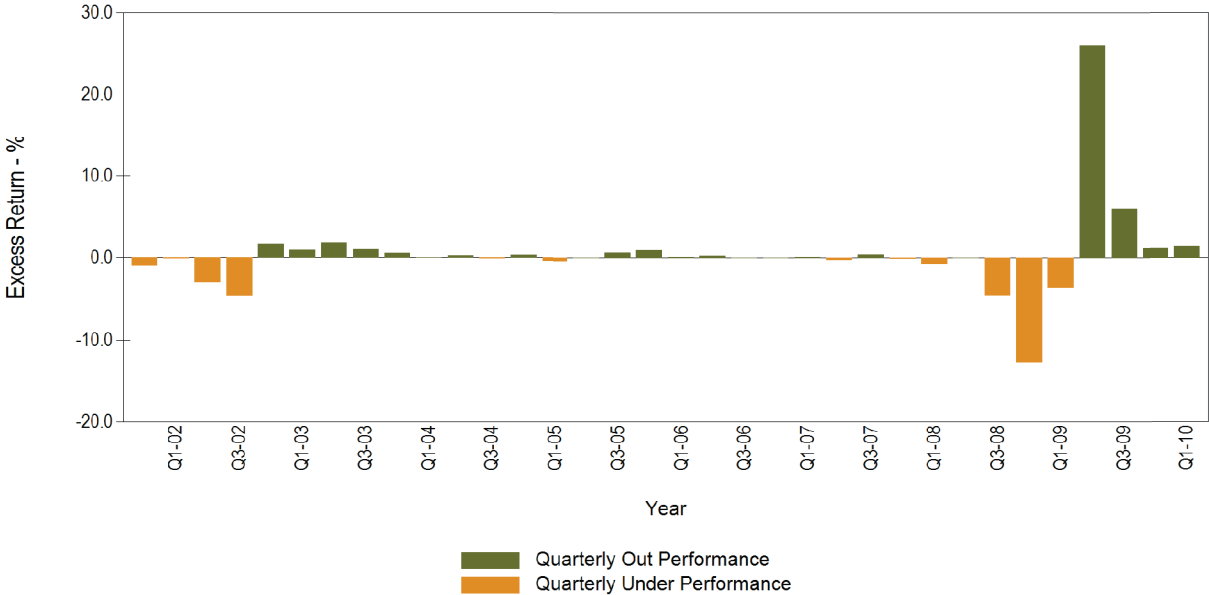
	First Quarter		1 Year Ending 3/31/10		3 Years Ending 3/31/10		5 Years Ending 3/31/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
<b>Reams</b>	<b>3.2%</b>	<b>16</b>	<b>46.8%</b>	<b>1</b>	<b>9.6%</b>	<b>1</b>	<b>8.1%</b>	<b>2</b>	<b>6.6%</b>	<b>7</b>	<b>9/30/01</b>
Barclays Capital Aggregate Bond Index	1.8	84	7.7	90	6.1	63	5.4	64	5.3	65	

**Philosophy and Process**

Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when it is cheap, increasing duration when the market is cheap and decreasing duration when it is expensive.

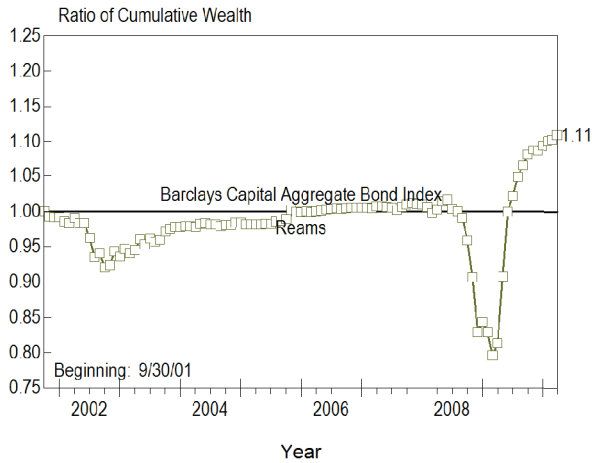
The manager attempts to exploit its relatively small size and uncover issues not widely followed by Wall Street. The manager prefers to hold securities by underlying collateral. The firm tends to avoid residential mortgages in favor of commercial mortgages.

**Quarterly Excess Performance**

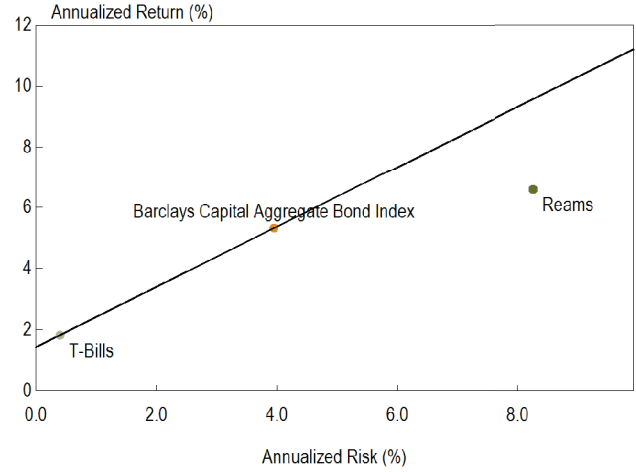


# REAMS

**RATIO OF CUMULATIVE WEALTH  
8 YEARS 6 MONTHS ENDING 3/31/10**

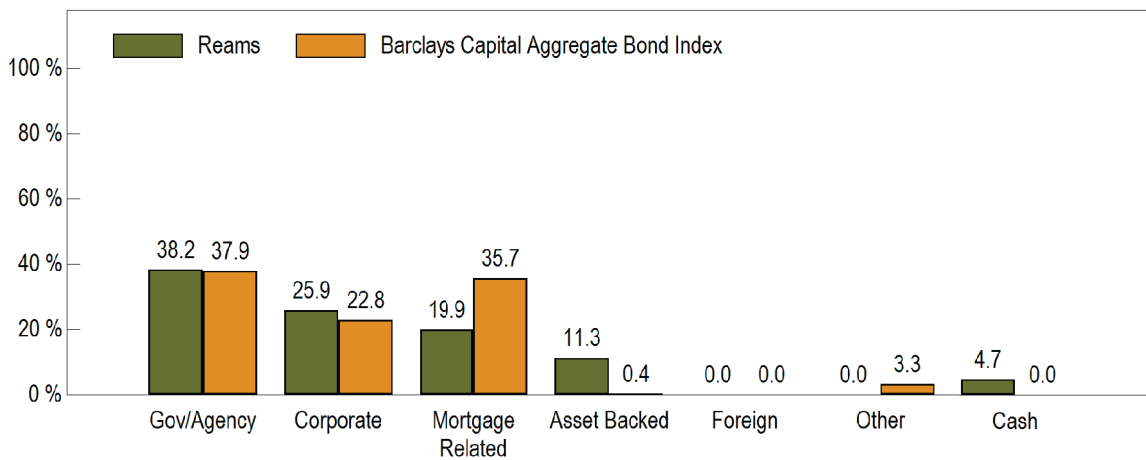


**ANNUALIZED RISK RETURN  
8 YEARS 6 MONTHS ENDING 3/31/10**



The table below details Reams' sector allocations relative to the Barclays Capital Aggregate Bond Index.

**SECTOR ALLOCATION AS OF 3/31/10**  
Reams



**HISTORICAL RETURNS**  
 (BY YEAR)

	Reams		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8 %	91	0.0%	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
2007	7.4	6	7.0	16	0.4
2008	-12.1	95	5.2	16	-17.3
2009	37.3	1	5.9	92	31.4
2010 (3 months)	3.2	16	1.8	84	1.4
Trailing 1-Year	46.8 %	1	7.7 %	90	39.1
Trailing 3-Year	9.6	1	6.1	63	3.5
Trailing 5-Year	8.1	2	5.4	64	2.7
Since Inception (9/30/01)	6.6	7	5.3	65	1.3

The table above compares the historical annual and cumulative annualized returns of the Reams portfolio and its benchmark, the Barclays Capital Aggregate Bond Index.

# LOOMIS SAYLES

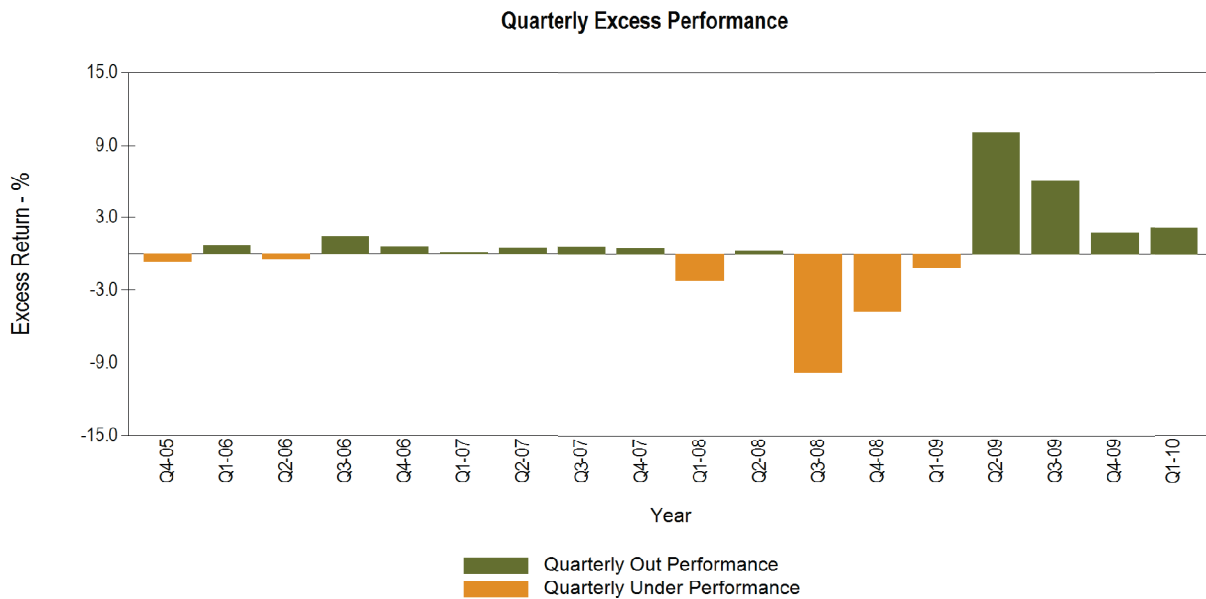
## RETURN SUMMARY ENDING 3/31/10

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	Since Inception	Inception Date
<b>Loomis Sayles</b>	<b>4.6%</b>	<b>43.9%</b>	<b>6.6%</b>	<b>6.7%</b>	<b>7/31/05</b>
Performance Benchmark	2.4	19.9	6.2	6.0	
Barclays Capital Aggregate Bond Index	1.8	7.7	6.1	5.4	

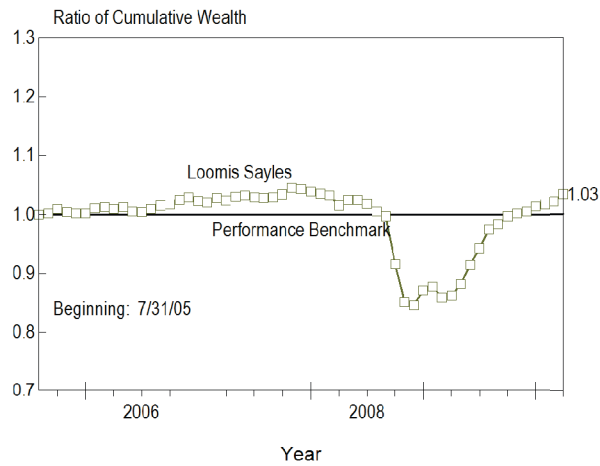
### Philosophy and Process

Loomis Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, along with source and application of funds, to identify factors that may affect a debt issuer's future credit rating. Loomis Sayles believes that considerable value can be added by holding under-rated issues for which the firm has projected a credit upgrading.

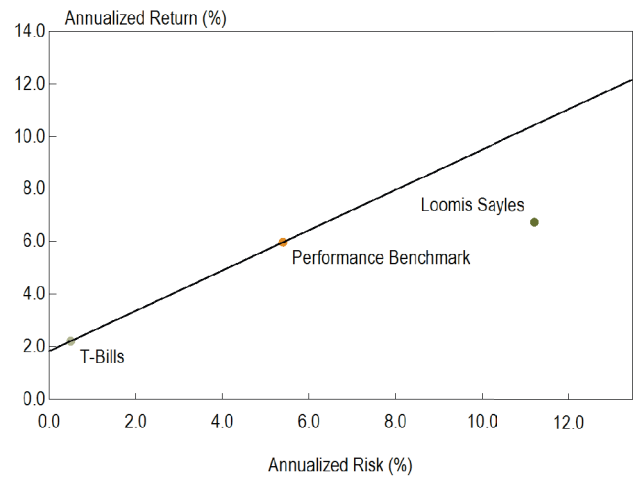
Loomis typically allocates up to 40% of its assets to high yield securities and its portfolio's duration is significantly higher than that of the broad bond market. The manager also invests in convertible securities. The performance benchmark for the strategy is 60% Barclays Capital Aggregate Bond Index and 40% Barclays Capital High Yield Index.



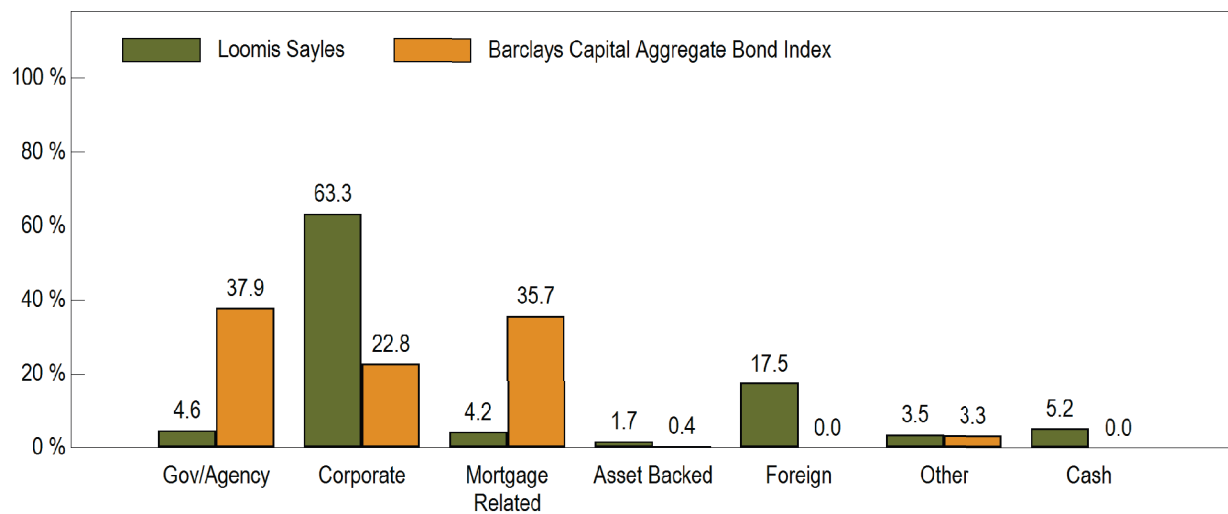
**RATIO OF CUMULATIVE WEALTH  
4 YEARS 8 MONTHS ENDING 3/31/10**



**ANNUALIZED RISK RETURN  
4 YEARS 8 MONTHS ENDING 3/31/10**



**SECTOR ALLOCATION AS OF 3/31/10  
Loomis Sayles**



## LOOMIS SAYLES

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### HISTORICAL RETURNS

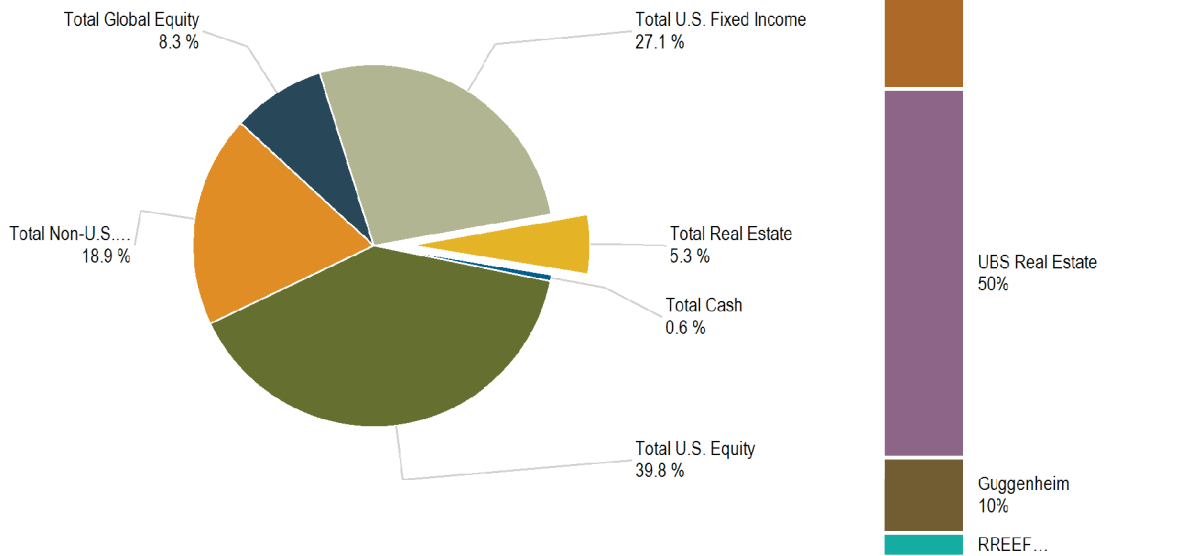
(BY YEAR)

	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7%	--	0.5%	--	0.2
2006	9.0	1	6.8	3	2.2
2007	6.7	23	5.1	77	1.6
2008	-19.9	99	-4.6	73	-15.3
2009	38.1	1	18.8	18	19.3
2010 (3 months)	4.6	1	2.4	53	2.2
Trailing 1-Year	43.9%	1	19.9%	24	24.0
Trailing 3-Year	6.6	45	6.2	60	0.4
Since Inception (7/31/05)	6.7	--	6.0	--	0.7

The table above compares the historical annual and cumulative annualized returns of the Loomis Sayles portfolio and its Performance Benchmark.



ASSET ALLOCATION  
ACTUAL AS OF 3/31/10



## TOTAL REAL ESTATE

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### RETURN SUMMARY ENDING 3/31/10

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	5 Years Ending 3/31/10	10 Years Ending 3/31/10	Since Inception	Inception Date
<b>Total Real Estate</b>	4.8%	-14.9%	-12.9%	-1.4%	4.6%	6.6%	3/31/94
Policy Benchmark	1.2	-8.9	-5.3	3.3	6.6	8.3	
<b>Total Prudential Real Estate</b>	-0.4	-23.0	-14.3	-3.0	--	-3.4	6/30/04
Policy Benchmark	1.2	-8.9	-5.3	3.3	--	4.9	
<b>UBS Real Estate</b>	1.7	-12.5	-7.9	1.4	--	4.5	3/31/03
NCREIF Open End Fund Index	1.2	-8.9	-5.3	3.1	--	5.6	
<b>Guggenheim</b>	1.8	-4.0	-19.4	--	--	-12.2	6/30/06
Performance Benchmark	3.6	17.7	-4.6	--	--	0.1	
<b>RREEF</b>	-7.4	-52.2	--	--	--	-49.5	10/1/07
NCREIF Open End Fund Index	1.2	-8.9	--	--	--	-9.5	

In January 2006, the Board approved the change of the total real estate policy benchmark from the NCREIF Property Index to the NCREIF Open-End Fund Property Index. Both of these indices are sponsored by the National Council of Real Estate Investment Fiduciaries (NCREIF), a leading real estate investment management advocacy group.

Consistent with the motion approved, the benchmark changed when the funding of a second open-end real estate fund manager (Prudential PRISA Fund) was complete and no separate account properties remained.

#### Commentary on Investment Performance

During the quarter the real estate portfolio improved 4.8%, adding 3.6 percentage points of value over the benchmark. Prudential and UBS outperformed their benchmarks for the quarter while Guggenheim and RREEF underperformed for the quarter. The portfolio's longer-term performance remains unfavorable on a relative basis, mostly due to recent underperformance. Since the portfolio's inception, it has returned 6.6% annually.

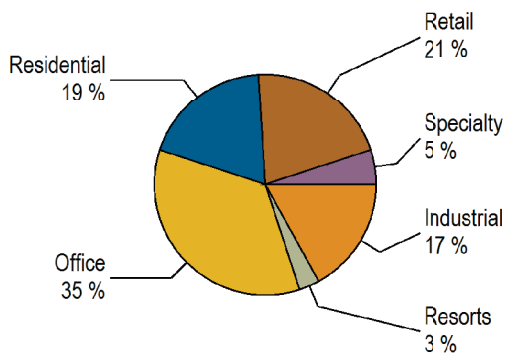
**RETURN SUMMARY  
ENDING 3/31/10**

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	5 Years Ending 3/31/10	Since Inception	Inception Date
<b>Total Prudential Real Estate</b>	-0.4%	-23.0%	-14.3%	-3.0%	-3.4%	6/30/04
Policy Benchmark	1.2	-8.9	-5.3	3.3	4.9	

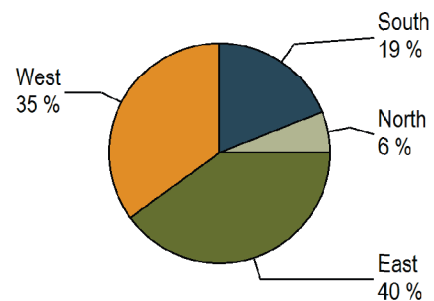
**Philosophy and Process**

Prudential's PRISA is a core-only product with no value-added component. The manager utilizes low leverage (max 30%) and is diversified across both property types and regions. PRISA has a dedicated team of 15 regional research professionals who work on the portfolio. In constructing the PRISA portfolio, the lead portfolio manager annually develops a forward-looking three-year forecast. The forecast is based on macroeconomic predictions, along with input from the manager's proprietary software systems. The transaction team utilizes this forward-looking forecast in its search for potential properties.

**PROPERTY TYPE ALLOCATION  
ALLOCATION AS OF 3/31/10**



**GEOGRAPHIC DIVERSIFICATION  
ALLOCATION AS OF 3/31/10**



# UBS REALTY

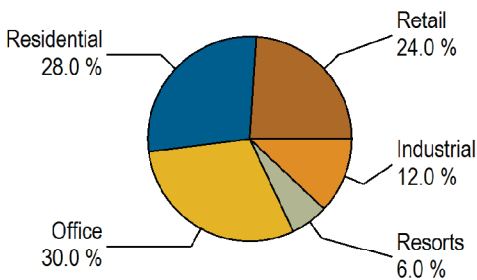
## RETURN SUMMARY ENDING 3/31/10

	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	5 Years Ending 3/31/10	Since Inception	Inception Date
<b>UBS Real Estate</b>	<b>1.7%</b>	<b>-12.5%</b>	<b>-7.9%</b>	<b>1.4%</b>	<b>4.5%</b>	<b>3/31/03</b>
NCREIF Open End Fund Index	1.2	-8.9	-5.3	3.1	5.6	
NCREIF NPI	0.8	-9.6	-4.3	4.2	6.5	

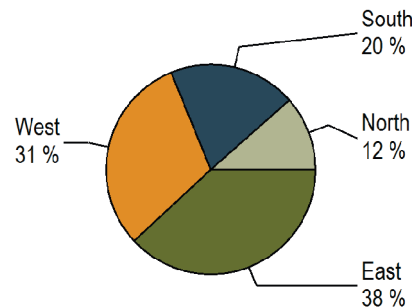
### Philosophy and Process

UBS Realty's Real Estate Separate Account (RESA) is an actively managed core portfolio that utilizes broad market and economic trends to provide attractive returns while limiting downside risk. The investment process for the portfolio is very analytic and research intensive. The RESA team relies on multiple proprietary pricing and asset allocation models which analyze different property types in over 25 national markets. The UBS Realty Strategy Team, which is composed of the senior-most professionals from the different areas of UBS Realty, works on an ongoing basis with the research department to continually modify the proprietary modeling systems. RESA management tends to purchase properties in slower-growing markets, as they believe that faster-growth areas generate more attention by the investment community, and thus the ability for value-added is diminished.

**PROPERTY TYPE ALLOCATION**  
ALLOCATION AS OF 3/31/10



**GEOGRAPHIC DIVERSIFICATION**  
ALLOCATION AS OF 3/31/10



**RETURN SUMMARY  
ENDING 3/31/10**

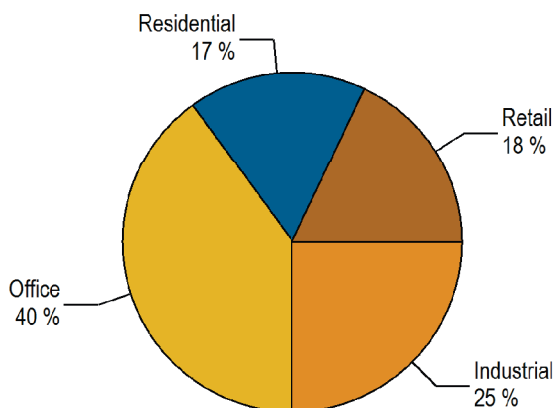
	First Quarter	1 Year Ending 3/31/10	3 Years Ending 3/31/10	Since Inception	Inception Date
<b>Guggenheim</b>	<b>1.8%</b>	<b>-4.0%</b>	<b>-19.4%</b>	<b>-12.2%</b>	<b>6/30/06</b>
Performance Benchmark	3.6	17.7	-4.6	0.1	

**Philosophy and Process**

The Guggenheim Real Estate PLUS Trust invests 70% of its assets in private real estate equity and 30% of its assets in public real estate securities. The firm employs considerable leverage in implementing the strategy, both through its REIT holdings and its limited partnership investments. The manager attempts to add value through exploiting pricing differentials between public and private real estate markets and emphasizes diversification both in structure of investment vehicles as well as by property type and location.

The benchmark for this strategy comprises 70% of the NCREIF Index and 30% of the NAREIT Index, reflective of the blend between public and private real estate that characterizes the strategy.

**PROPERTY TYPE ALLOCATION  
ALLOCATION AS OF 3/31/10**



# RREEF

## RETURN SUMMARY ENDING 3/31/10

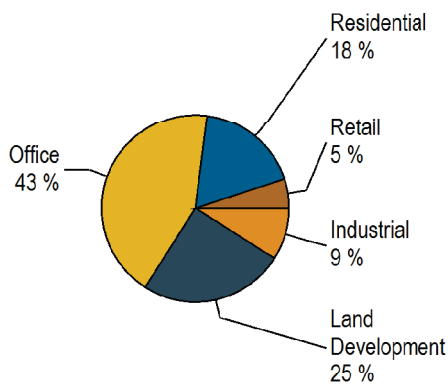
	First Quarter	1 Year Ending 3/31/10	Since Inception	Inception Date
<b>RREEF</b>	<b>-7.4%</b>	<b>-52.2%</b>	<b>-48.4%</b>	<b>10/1/07</b>
NCREIF Open End Fund Index	1.2	-8.9	-9.5	

### Philosophy and Process

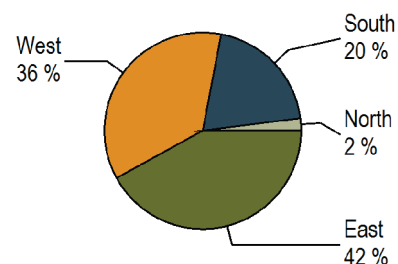
RREEF employs 625 real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a \$600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market Profile Process, is led by Asieh Mansour, Ph. D and is roughly 65% bottom up asset-specific fundamental research and 25% top down market and demographic research. The remainder focuses on the investment performance of real estate in both public market and private market settings. This process is executed by the 17 members of the full-time research staff.

RA III has a target total fund size of \$1-2 billion, which RA III management expects to reach over a five year period. RREEF expects RA III to produce more than one-half of its total return from realized and unrealized gains resulting from the improvements it makes in the fund's assets. RA III investments will include income-producing properties, properties requiring re-positioning, and speculative development. The fund is scheduled to have a 15-year life and will commence an orderly liquidation of assets on January 22, 2016. RA III shareholders and the Board of Directors are considering a proposal to extend product life. As a REIT, oversight of RA III is maintained by an independent board that approves: the investment plan, dispositions, financing, and quarterly valuations.

**PROPERTY TYPE ALLOCATION**  
ALLOCATION AS OF 3/31/10



**GEOGRAPHIC DIVERSIFICATION**  
ALLOCATION AS OF 3/31/10



## RETURNS OF THE MAJOR CAPITAL MARKETS

## RETURNS OF THE MAJOR CAPITAL MARKETS

	First Quarter	Annualized Periods Ending 3/31/10				
		1-Year	3-Year	5-Year	10-Year	15-Year
<b>Domestic Stock Indices:</b>						
Dow Jones US Total Stock Index	6.2%	52.6%	-3.7%	2.7%	0.0%	7.9%
S&P 500 Index	5.4	49.8	-4.2	1.9	-0.7	7.8
Russell 3000 Index	5.9	52.4	-4.0	2.4	-0.1	7.9
Russell 1000 Value Index	6.8	53.6	-7.3	1.0	3.1	8.7
Russell 1000 Growth Index	4.6	49.8	-0.8	3.4	-4.2	6.5
Russell MidCap Value Index	9.6	72.4	-5.2	3.7	8.5	10.9
Russell MidCap Growth Index	7.7	63.0	-2.0	4.3	-1.7	8.0
Russell 2000 Value Index	10.0	65.1	-5.7	2.8	8.9	10.3
Russell 2000 Growth Index	7.6	60.3	-2.4	3.8	-1.5	5.1
<b>Domestic Bond Indices:</b>						
Barclays Capital Aggregate Index	1.8%	7.7%	6.1%	5.4%	6.3%	6.6%
Barclays Capital Govt/Credit Index	1.5	7.5	5.8	5.2	6.2	6.5
Barclays Capital Long Govt/Credit Index	1.6	10.3	5.8	5.3	7.3	7.8
Barclays Capital 1-3 Year Govt/Credit Index	0.9	4.2	5.0	4.6	4.8	5.3
Barclays Capital U.S. MBS Index	1.5	5.2	7.0	6.1	6.5	6.7
Barclays Capital High Yield Index	4.6	56.2	6.7	7.8	7.5	7.5
Barclays Capital Universal Index	2.0	10.4	6.0	5.6	6.4	6.7
<b>Real Estate Indices:</b>						
NCREIF Property Index	0.8%	-9.6%	-4.3%	4.2%	7.1%	8.7%
NCREIF ODCE Index	0.5	-18.8	-11.6	-1.0	3.8	6.4
Dow Jones Real Estate Securities Index	10.2	114.8	-12.1	3.1	11.2	10.4
FTSE NAREIT US Real Estate Index	10.0	106.7	-10.6	3.8	11.4	10.5
<b>Foreign/Global Stock Indices:</b>						
MSCI All Country World Index	3.1%	55.5%	-4.4%	3.9%	0.6%	6.2%
MSCI All Country World IMI	3.6	58.0	-4.6	4.0	0.9	6.1
MSCI All Country World ex-U.S. Index	1.6	60.9	-4.2	6.1	2.8	5.8
MSCI All Country World ex-U.S. IMI	2.0	63.3	-4.1	6.3	2.9	5.5
MSCI All Country World ex-U.S. Small Cap Index	5.3	83.7	-4.1	7.3	6.6	5.8
MSCI EAFE Index	0.9	54.4	-7.0	3.7	1.3	4.8
MSCI EAFE IMI	1.3	56.0	-7.0	3.9	1.2	4.8
MSCI EAFE Index (in local currency)	4.3	44.7	-8.0	3.2	-0.9	5.1
MSCI Emerging Markets IMI	2.7	85.1	5.6	15.9	9.4	6.1
<b>Foreign Bond Indices:</b>						
Citigroup World Gov't Bond Index	-2.1%	8.4%	7.5%	4.7%	6.5%	5.3%
Citigroup Hedged World Gov't Bond Index	1.1	3.5	5.1	4.8	5.2	6.9
<b>Cash Equivalents:</b>						
Treasury Bills (30-Day)	0.0%	0.1%	1.4%	2.2%	2.3%	3.1%
EnnisKnupp STIF Index	0.1	0.4	2.5	3.3	3.1	3.9
<b>Inflation Index:</b>						
Consumer Price Index	0.8%	2.3%	2.0%	2.4%	2.4%	2.4%

## APPENDIX II

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### Description of Fund Benchmarks and Universe Rankings

#### Total Fund

Policy Portfolio- As of June 2008, the return was based on a combination of 40% DJ U.S. Total Stock Market Index, 27% Barclays Capital Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 7% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to June 2008, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 27% Barclays Capital Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to October 2007, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 29% Barclays Capital Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Barclays Capital Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Capital Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Capital Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32% Barclays Capital Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Barclays Capital Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index, 3% NCREIF Real Estate Index, and 10% Solomon Brothers World Government Bond Index Hedged. Historically, the policy return is based on the historic policy allocations provided by the VCERA staff.

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 125 funds compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$1.1 trillion as of 3/31/2010.



**Total U.S. Equity**

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 480 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$555.8 billion as of 3/31/2010.

**BlackRock Extended Equity Index Fund**

Benchmark. The DJ U.S. Completion Total Stock Market Index.

Universe. A universe of 66 actively managed domestic large cap stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$60.8 billion as of 3/31/2010.

**Western U.S. Index Plus**

Benchmark. The S&P 500 Index.

Universe. A universe of 414 actively managed domestic large cap stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$654.4 billion as of 3/31/2010.

**BlackRock Equity Market Fund**

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 414 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$654.4 billion as of 3/31/2010.

**Total Non-U.S. Equity**

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 427 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$245.1 billion as of 3/31/2010.

**BlackRock ACWI ex U.S.**

Benchmark. The MSCI All Country World ex-U.S. IMI Index

Universe. A universe of 104 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$266.0 billion as of 3/31/2010.

## APPENDIX II

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### Capital Guardian

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 104 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$266.0 billion as of 3/31/2010.

### Sprucegrove

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 104 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$266.0 billion as of 3/31/2010.

### Artio Global

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 104 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$266.0 billion as of 3/31/2010.

### Total Global Equity

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 66 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$160.4 billion as of 3/31/2010.

### Grantham Mayo Van Otterloo (GMO)

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 66 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$160.4 billion as of 3/31/2010.

### Acadian

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 66 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$160.4 billion as of 3/31/2010.

**Total Fixed Income**

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 87 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$224.3 billion as of 3/31/2010.

**Western Asset Management**

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 103 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$644.3 billion as of 3/31/2010.

**BlackRock U.S. Debt Index Fund**

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 103 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$644.3 billion as of 3/31/2010.

**Reams**

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 103 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$644.3 billion as of 3/31/2010.

**Loomis Sayles**

Benchmark. 60% of the Barclays Capital Aggregate Bond Index and 40% of the Barclays Capital High Yield Index.

Universe. A universe of 103 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$644.3 billion as of 3/31/2010.

## APPENDIX II

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### **Total Real Estate**

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

### **Prudential Real Estate**

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

### **Prudential Real Estate PRISA**

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

### **UBS RESA**

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

### **Guggenheim**

Benchmark. 70% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund and 30% of the NAREIT Index.

### **RREEF**

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

**Description of Benchmarks (continued)**

**Russell 3000 Index**- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

**S&P 500 Index**- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

**MSCI Europe, Australasia, Far East (EAFE) Foreign Index**- A capitalization-weighted index of 20 stock markets in Europe, Australia, Asia and the Far East.

**MSCI All Country World Index** - An index of major world stock markets, including the U.S., representing countries according to their approximate share of world market capitalization. The weights are adjusted to reflect foreign currency fluctuations relative to the U.S. dollar.

**Barclays Capital Aggregate Bond Index**- A market value-weighted index consisting of the Barclays Capital Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

**NCREIF Open End Fund Index**- A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately \$67 billion in assets.

## APPENDIX II

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### Description of Terms

**Rank** - A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

**Universe** - A distribution of the returns achieved by a group of funds with similar investment objectives.

**U.S. Stock Universe** - The rankings are based on a universe that is designed to represent the average equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, and includes 480 funds with an equity aggregate market value of \$555.8 billion.

**Non-U.S. Equity Universe** - The rankings are based on a universe that is designed to represent the average international equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 427 funds with an international equity aggregate market value of \$245.1 billion.

**Global Equity Universe** - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 66 funds with a global equity aggregate market value of \$160.4 billion.

**Fixed Income Universe** - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 87 funds with a fixed income aggregate market value of \$224.3 billion.

**Ratio of Cumulative Wealth Graph** - An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates superior fund performance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Risk-Return Graph** - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios or index funds.

**Style Map** - This illustration represents the manager's style compared to that of the broadest stock index (the DJ U.S. Total Stock Market Index). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

**Manager "Watch" Status Policy**

A manager may be placed on "Watch" status for:

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

The Board may take action to place a manager on Watch status. Managers placed on Watch status shall be notified in writing, and be made aware of the reason for the action and the required remediation. Watch status is an optional interim step that may be used to formally communicate dissatisfaction to the investment manager and the potential for termination. Watch status is not a required step in terminating a manager. Watch status will normally be for a period of six months, but the time frame may be determined by action of the Board. The Board retains the right to terminate the manager at any time, extend the period of the Watch status, or remove the manager from Watch status at any time.

Watch status indicates that the manager shall be subject to increased focus on the remediation of the factors that caused the manager to be placed on Watch status. Discussion of the manager on Watch status shall become a regular monthly reporting agenda item for the Board. Staff or retained Consultant shall prepare a written monthly report addressing the progress of the manager in the remediation of the dissatisfaction.

**"Watch" status:**

- Capital Guardian, Western, and RREEF are currently on watch for performance reasons.

## APPENDIX II

Manager	Restrictions	In Compliance as of 3/31/10
BlackRock	-Portfolio is a commingled fund.	N/A
BlackRock	-Portfolio is a commingled fund.	N/A
Western Index Plus	- Average weighted Duration of portfolio security holdings are one year or less -Bonds rated investment grade by either Moody's, Standard & Poor's, or Fitch's must comprise at least 90% of the total portfolio at the time of purchase -Below-investment grade holdings must not exceed 1% in any single issuer -A maximum of 10% of the portfolio may be invested in non-dollar denominated securities -A maximum of 5% of the portfolio may be invested in un-hedged non-dollar denominated securities -A maximum of 5% of the portfolio may be invested in U.S. securities rated below investment grade -A maximum of 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated below investment grade -A maximum of 10% of the portfolio may be invested in CDOs, CBOs & CLOs -A maximum of 10% per issuer for obligations of their national governments -A maximum of 10% per issuer of private mortgage-backed and asset-backed securities, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which the maximum is 25% per issuer -A maximum of 3% per issuer of investment grade corporations -A maximum of 2% per issuer for obligations of other issuers excluding investments in commingled vehicles -A maximum of 10% of portfolio may be invested in issuers rated below Baa3 or BBB- / A2 or P2 -A maximum of 20% of the portfolio may be invested in original futures, margin, and option premiums, exclusive of any in-the-money portion of premiums. -No leverage is permitted in the portfolio	YES YES <b>NO</b> YES YES <b>NO</b> <b>NO</b> YES YES YES  YES YES  YES YES YES
Capital Guardian	-Portfolio is a commingled fund.	N/A
Sprucegrove	-Portfolio is a commingled fund.	N/A
GMO	-Portfolio is a separate account of mutual funds.	N/A
BlackRock U.S. Debt	-Portfolio is a commingled fund.	N/A
Reams	-Duration may be managed to a maximum 25% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of A -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity -A maximum of 15% of the portfolio may be invested in high yield bonds -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES YES YES YES YES YES YES

\*Based on affirmative statement from manager



## APPENDIX II

Manager	Restrictions	In Compliance as of 3/31/10
Loomis Sayles	<ul style="list-style-type: none"> <li>-At least 50% of the portfolio must be invested in investment grade securities at time of purchase</li> <li>-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer</li> <li>-60% of the portfolio must be invested in U.S. domiciled issues</li> </ul>	<ul style="list-style-type: none"> <li>YES</li> <li>YES</li> <li>YES</li> </ul>
Western Core Plus	<ul style="list-style-type: none"> <li>-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index</li> <li>-The total portfolio shall maintain an average quality rating of AA</li> <li>-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase</li> <li>-A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase</li> <li>-A maximum of 1% per issue for below investment grade securities</li> <li>-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase</li> <li>-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase</li> <li>-The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating</li> <li>-Bonds rated investment grade by either Moody's or Standard &amp; Poor's must comprise at least 90% of the total portfolio at the time of purchase</li> <li>-The portfolio contains no prohibited securities named in the investment guidelines</li> <li>-Derivatives are not used to lever the portfolio*</li> </ul>	<ul style="list-style-type: none"> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> <li>YES</li> </ul>

\* Based on affirmative statement from manager

## APPENDIX II

Account	Fee Schedule	Market Value As of 3/31/2010	% of Portfolio	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
<b>Total U.S. Equity</b>	<b>No Fee</b>	<b>\$1,107,794,061</b>	<b>39.8%</b>		--	--
BlackRock Extended Equity Index Fund	0.10% of First \$50.0 Mil, 0.08% of Next \$50.0 Mil, 0.04% Thereafter	\$27,241,743	1.0%	\$0	\$27,242	0.10%
Western U.S. Index Plus	0.20% of Assets	\$86,055,898	3.1%		\$172,112	0.20%
BlackRock Equity Market Fund	0.03% of First \$250.0 Mil, 0.02% Thereafter	\$994,496,420	35.7%	\$0	\$223,899	0.02%
<b>Total Non-U.S. Equity</b>	<b>No Fee</b>	<b>\$526,526,654</b>	<b>18.9%</b>		--	--
BlackRock ACWI ex-U.S. Index	0.14% of First \$100.0 Mil, 0.12% Thereafter	\$231,221,097	8.3%	\$0	\$297,465	0.13%
Capital Guardian	0.70% of First \$25.0 Mil, 0.55% of Next \$25.0 Mil, 0.42% of Next \$200.0 Mil, 0.38% Thereafter	\$110,720,224	4.0%	\$0	\$570,561	0.52%
Sprucegrove	0.90% of First \$5.0 Mil, 0.65% of Next \$10.0 Mil, 0.55% of Next \$25.0 Mil, 0.50% of Next \$35.0 Mil, 0.25% Thereafter	\$109,547,225	3.9%	\$0	\$508,868	0.46%
Artio International Equity II	0.85% of First \$20.0 Mil, 0.65% of Next \$20.0 Mil, 0.55% of Next \$40.0 Mil, 0.45% Thereafter	\$75,038,108	2.7%	\$0	\$492,710	0.66%
<b>Total Global Equity</b>	<b>No Fee</b>	<b>\$231,733,828</b>	<b>8.3%</b>		--	--
GMO Global Fund	0.66% of Assets	\$124,752,619	4.5%	\$0	\$823,367	0.66%
Acadian	0.95% of First \$25.0 Mil, 0.90% Thereafter	\$106,981,208	3.8%	\$0	\$975,331	0.91%
<b>Total U.S. Fixed Income</b>	<b>No Fee</b>	<b>\$753,306,715</b>	<b>27.1%</b>		--	--
Western	0.30% of First \$150.0 Mil, 0.15% Thereafter	\$295,823,987	10.6%		\$668,736	0.23%
BlackRock U.S. Debt Fund	0.15% of First \$25.0 Mil, 0.08% of Next \$25.0 Mil, 0.05% of Next \$50.0 Mil, 0.04% of Next \$100.0 Mil, 0.03% of Next \$300.0 Mil, 0.02% Thereafter	\$82,390,270	3.0%	\$0	\$73,695	0.09%
Reams	0.20% of First \$150.0 Mil, 0.15% Thereafter	\$278,094,045	10.0%	\$0	\$492,141	0.18%
Loomis Sayles	0.50% of First \$20.0 Mil, 0.40% of Next \$30.0 Mil, 0.30% Thereafter	\$96,998,414	3.5%	\$0	\$360,995	0.37%
<b>Total Real Estate</b>	<b>No Fee</b>	<b>\$148,395,964</b>	<b>5.3%</b>		--	--
Total Prudential Real Estate	0.81% of Assets	\$53,556,274	1.9%	\$0	\$433,806	0.81%
UBS Real Estate	0.90% of Assets	\$74,610,524	2.7%	\$0	\$671,495	0.90%
Guggenheim	0.50% of Assets	\$15,425,390	0.6%		\$77,127	0.50%
RREEF	0.60% of Assets	\$4,803,776	0.2%	\$0	\$28,823	0.60%
<b>Total Cash</b>	<b>No Fee</b>	<b>\$16,226,432</b>	<b>0.6%</b>		--	--
Clifton Group	0.15% of First \$25.0 Mil, 0.10% of Next \$75.0 Mil, 0.04% Thereafter	\$16,226,432	0.6%	\$0	\$24,340	0.15%
<b>Investment Management Fee</b>		<b>\$2,783,983,655</b>	<b>100.0%</b>		<b>\$6,922,712</b>	<b>0.25%</b>