

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

First Quarter 2007

CONTENTS

- 1 **Highlights**
- 2 **Market Environment**
- 3 **Asset Allocation**
- 4 **Performance Evaluation**
- 5 **Appendices**

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.

HIGHLIGHTS

HIGHLIGHTS

First Quarter 2007

Market Comments

The financial markets entered 2007 hopeful that the favorable momentum of 2006 would be carried forward. Certainly there were challenges. Most notably, the U.S. housing market remained in a slump, and related financial instruments (sub-prime mortgages and their related financial derivatives) provided cause for concern. Also, central banks around the world demonstrated an urge to raise interest rates in response to inflation fears. However, prospects for continued growth and a surplus of investable funds continued to propel markets higher.

Despite economic weakness, U.S. stocks continued to recover from their sharp declines in February and early March. The Russell 3000 Index gained 1.3% during the quarter, resulting in a one-year return of 11.3%. Materials and utilities were the best performing sectors during the quarter, returning 5.7% and 8.0% respectively. The financial sector lagged the return of the Index during the quarter, declining 2.4%, as concerns in the housing and sub-prime lending market began to materialize as home loan defaults increased. Value-oriented stocks performed modestly better than growth stocks, while small- and mid-cap stocks outperformed their larger-sized brethren by a significant margin, contrary to the expectations at the start of the year of many market strategists.

The U.S. dollar rallied early in the quarter but gave up those gains later on, losing ground against most major foreign currencies. The dollar's depreciation supported the returns of foreign stocks and helped the MSCI All Country World ex-U.S. Index post a relatively strong 3.8% return during the quarter. Over the past year, global economic growth, high commodity prices, and increased liquidity propelled the Index to a 19.8% return. The Pacific ex-Japan region, which includes publicly traded securities in Australia, Hong Kong, New Zealand, and Singapore, was the best performing region during the quarter and trailing one-year period, returning 7.4% and 33.2%, respectively. After a strong start, Japan was hit hard as foreign investors retreated amidst a global sell off and ended up 3.5% for the quarter. Despite falling sharply due to the Chinese equity market decline that occurred on February 27th, emerging markets ended the quarter in positive territory. South Africa and Latin America were the best performing emerging market regions during the quarter, advancing 7.1% and 6.1%, respectively.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, advanced 1.5% during the quarter and 6.6% over the past year. Renewed concerns about sub-prime mortgages, rising stock market volatility and risk aversion pushed investors towards the safety of Treasuries. High-yield bonds continued to perform well, advancing 2.6% during the quarter and 11.6% over the past year. The Federal Reserve held interest rates steady at 5.25% at the January and March meetings, as expected.

RETURN SUMMARY

ENDING 03/31/07

	First Quarter	1 Year Ending 3/31/07	3 Years Ending 3/31/07
Russell 3000 Index	1.3%	11.3%	10.8%
MSCI All Country World Ex-U.S. Index	3.8	19.8	20.9
LB Aggregate Bond Index	1.5	6.6	3.3

First Quarter 2007
Asset Growth

As shown below, VCERA's Total Fund asset value increased by approximately \$18.3 million during the first quarter. The growth in assets was attributable to investment gains of \$49.7 million and net withdrawals of \$31.4 million.

Market Value (millions) as of 12/31/06	\$2,954.4
Income/Appreciation	49.7
Net Contributions/Withdrawals	(31.4)
Market Value (millions) at 3/31/07	\$2,972.7

Asset Allocation

The table below highlights VCERA's current investment allocations relative to its policy. As of March 31, 2007, the Fund was overweight relative to its policy within the non-U.S and global equity components. A corresponding underweight was experienced within the U.S. equity and fixed income components. As of quarter-end, the portfolio was within the appropriate policy target ranges set forth in the Investment Policy Statement's rebalancing policy.

During the quarter, VCERA made three withdrawals totaling \$31.5 million from the BGI U.S. Equity Index Fund. In March, BGI's ACWI ex-U.S. product was funded with \$112.0 million from the Capital Guardian non-U.S. equity portfolio.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	46.4%	47.0%	-0.6
Non-U.S. Equity	14.7	14.0	+0.7
Global Equity	4.4	4.0	+0.4
U.S. Fixed Income	27.5	28.0	-0.5
Real Estate	7.0	7.0	0.0

HIGHLIGHTS

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	1.6%	99	11.2%	65	10.4%	69	8.9%	72	9.2%	41	9.9%	--	3/31/80
Policy Portfolio	1.9	88	11.6	45	10.6	64	8.8	75	8.8	61	--	--	
Public Fund Index	2.5	45	11.3	54	11.1	60	9.4	55	8.9	60	--	--	
Total U.S. Equity	0.9	88	10.4	36	10.2	80	7.1	76	8.9	63	10.4	70	12/31/93
Russell 3000 Index	1.3	69	11.3	20	10.8	57	7.2	70	8.7	68	10.8	64	
Total Non-U.S. Equity	2.7	89	18.6	52	20.2	35	16.3	39	10.1	41	10.4	35	3/31/94
Performance Benchmark	3.8	51	19.8	31	20.9	25	16.9	26	8.8	66	8.3	73	
Total Global Equity	1.8	57	13.9	49	--	--	--	--	--	--	17.9	--	4/30/05
MSCI All Country World Index	2.5	34	15.9	38	--	--	--	--	--	--	20.0	--	
Total U.S. Fixed Income	1.6	34	7.3	30	4.2	26	6.1	36	6.8	40	6.3	--	2/28/94
LB Aggregate Bond Index	1.5	68	6.6	52	3.3	72	5.4	60	6.5	65	6.3	--	
Total Real Estate	3.4	--	15.7	--	17.0	--	14.5	--	12.4	--	11.7	--	3/31/94
Policy Benchmark	3.5	--	15.4	--	16.9	--	13.5	--	12.7	--	11.7	--	

Commentary on Investment Performance

The table above highlights VCERA's Total Fund return for the quarter, as well as the returns for each of the individual asset class components. The ranks in the table shown above are from 1 to 99 with 1 representing the best performer and 99 the worst. The individual managers are ranked within style specific universes provided by Mellon Analytical Solutions. A description of each universe is provided in Appendix II of this report.

During the first quarter, the Total Fund gained 1.6 percent and lagged the result of policy portfolio by approximately 0.3 percentage points, net of fees. Underperformance within the U.S. equity, non-U.S. equity, global equity, and real estate components detracted from the quarter's relative results. Specifically, active management hindered results as only three of the program's thirteen active managers (Reams, Prudential, and Guggenheim) managed to outpace the results of their respective benchmark indices. The attribution analysis exhibits on page 18 provide additional information regarding each sub-components' contribution to performance during the quarter and trailing one-year period.

Over the trailing one-year period, the Total Fund advanced an impressive 11.2% but lagged the result of the policy portfolio by approximately 0.4 percentage points. Positives during the period included the outperformance of the fixed income and real estate components. However, underperformance from within the U.S. equity, non-U.S. equity, and global equity components detracted from the period's relative result.

Longer-term relative performance of the Total Fund remained mixed. The Total Fund's trailing three-year return lagged those of the benchmark, while the trailing five- and ten-year returns modestly exceeded the policy portfolio.

MARKET ENVIRONMENT
First Quarter 2007

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/07	3 Years Ending 3/31/07	5 Years Ending 3/31/07	10 Years Ending 3/31/07
Dow Jones Wilshire 5000 Index	1.4 %	11.3 %	11.0 %	7.7 %	8.7 %
MSCI All-Country World Ex-US Free	3.8	19.8	20.9	16.9	8.7
MSCI EAFE Free	4.1	20.2	19.8	15.8	8.3
MSCI Emerging Markets	2.3	20.7	27.5	24.5	8.5
MSCI All Country World Index	2.5	15.9	15.4	11.2	8.0
Lehman Brothers Aggregate Bond Index	1.5	6.6	3.3	5.4	6.5

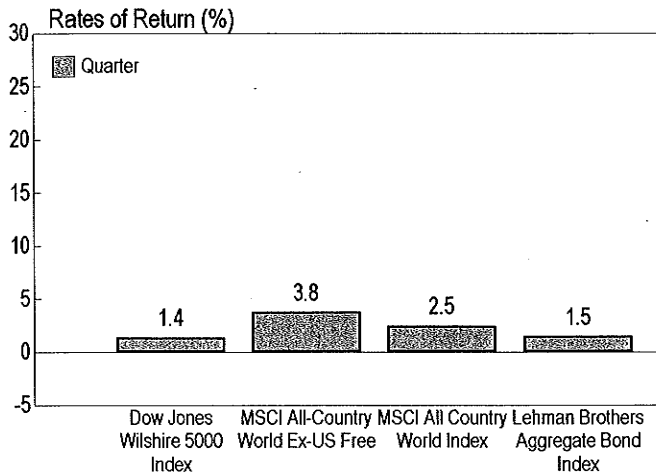
The broad U.S. equity market finished the first quarter of 2007 in positive territory after overcoming an unsteady month of February. The first quarter started out as the market had left off in December, with the Dow Jones Wilshire 5000 advancing 1.9% during the month of January. Much of this gain was wiped out in February as the U.S. equity market reacted to comments made by former Federal Reserve Chairman Alan Greenspan regarding the potential for a recession in the U.S. economy. In addition to Mr. Greenspan's comments, a market correction beginning in China and stretching across the globe caused the Dow Jones Industrial Average to fall 416 points on February 27th. This was the largest single-day decline since September 17, 2001, which was the first day of trading after the September 11th terrorist attacks. In addition to the overseas market correction, housing worries continued to plague investors as many feared the slowing housing market will begin to affect the entire economy. The broad U.S. equity market seemed to put the overseas correction and housing worries behind it to advance 1.1% during the month of March.

The Dow Jones Wilshire 5000 Index gained 1.4% during the first quarter, resulting in a one-year return of 11.3%. Utilities and materials were the best performing sectors during the first quarter, returning 8.0% and 5.7% respectively. The financial sector lagged the return of the Index during the quarter, declining 2.4%, as concerns in the housing and sub-prime lending market began to materialize as home loan defaults increased. Utilities and energy were the top performing sectors over the past year, gaining 29.9% and 15.4%, respectively. During the first quarter, small and mid-cap stocks once again outperformed their large-cap counterparts.

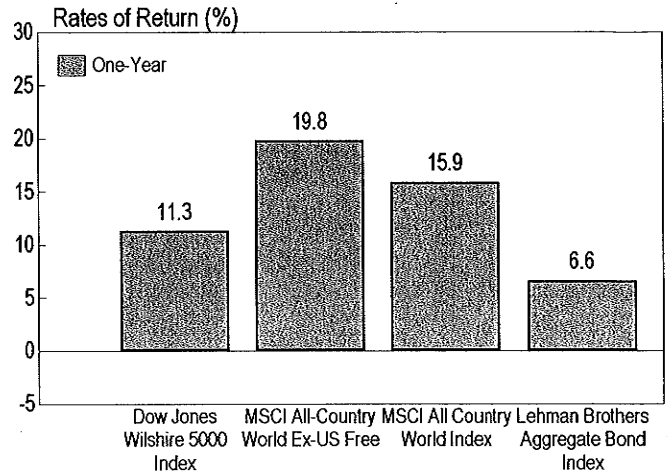
Non-U.S. stocks continued to outperform the U.S. equity market as the MSCI All Country World ex-U.S. Index advanced 3.8% during the first quarter. Global economic growth, high commodity prices, and increased liquidity have propelled the Index to a 19.8% return over the past year. The Pacific ex-Japan region, which includes publicly traded securities in Australia, Hong Kong, New Zealand, and Singapore, was the best performing region during the first quarter and trailing one-year period, returning 7.4% and 33.2%, respectively. Emerging markets advanced 2.3% during the first quarter, down from the 17.6% gain recorded during the fourth quarter of 2006. Nevertheless, the MSCI Emerging Markets Index has advanced 20.7% over the past twelve months. South Africa and Latin America were the best performing emerging market regions during the quarter, advancing 7.1% and 6.1%, respectively. Asia lagged the MSCI Emerging Markets Index, advancing 0.2%, due in part to the Chinese equity market decline that occurred on February 27th. The Latin American region has gained an impressive 31.6% over the past year.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, advanced 1.5% during the quarter and 6.6% over the past year. High-yield bonds continued to perform well, advancing 2.6% during the quarter and 11.6% over the past year. The Federal Reserve continued to hold interest rates steady at 5.25% and the yield curve remained inverted.

**MAJOR MARKET RETURNS
FIRST QUARTER**

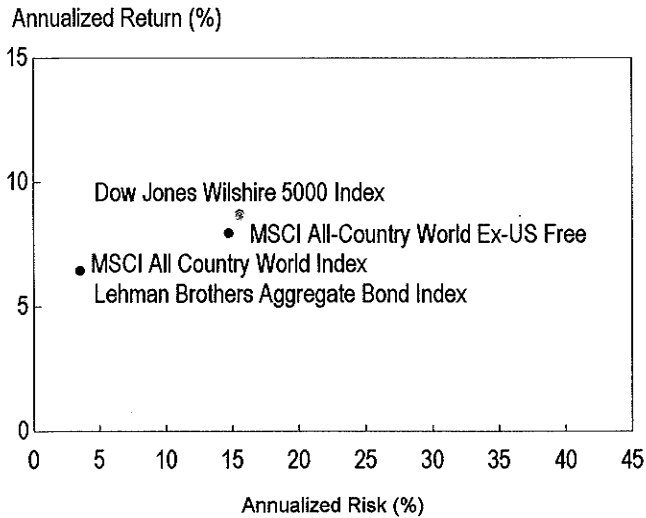


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 03/31/07**

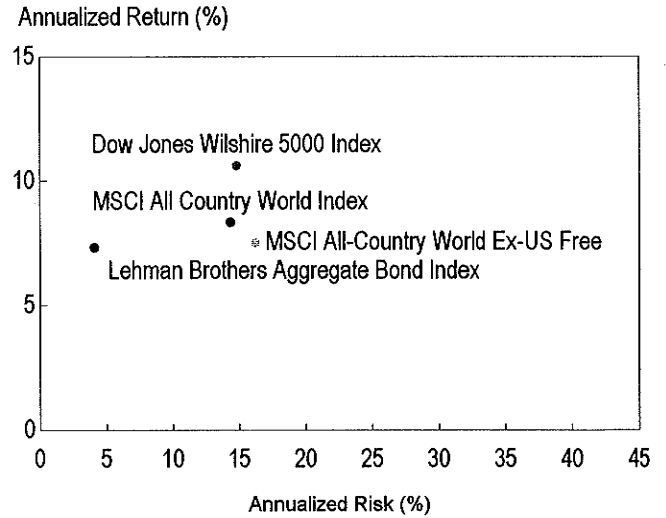


The exhibits above show the performance of the major capital markets during the first quarter and one-year period.

**MARKET RISK/RETURN
10 YEARS ENDING 03/31/07**



**MARKET RISK/RETURN
20 YEARS ENDING 03/31/07**

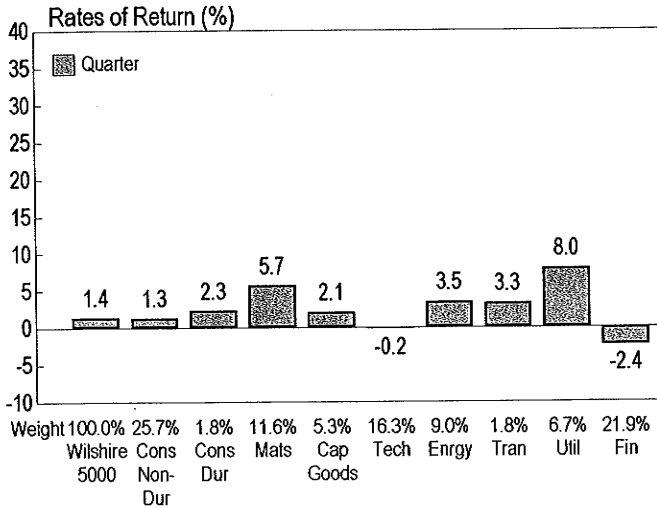


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

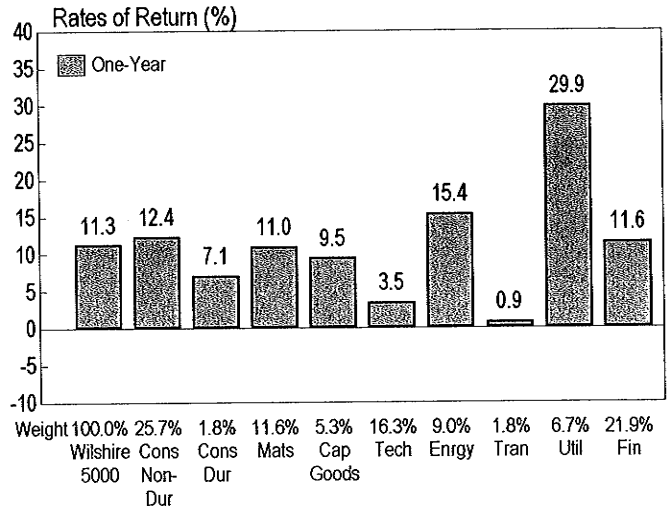
MARKET ENVIRONMENT

U.S. STOCK MARKET

**SECTOR RETURNS
FIRST QUARTER**



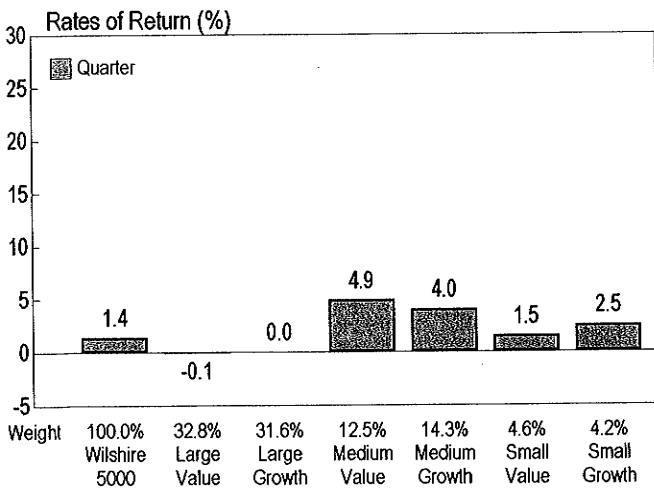
**SECTOR RETURNS
ONE-YEAR ENDING 03/31/07**



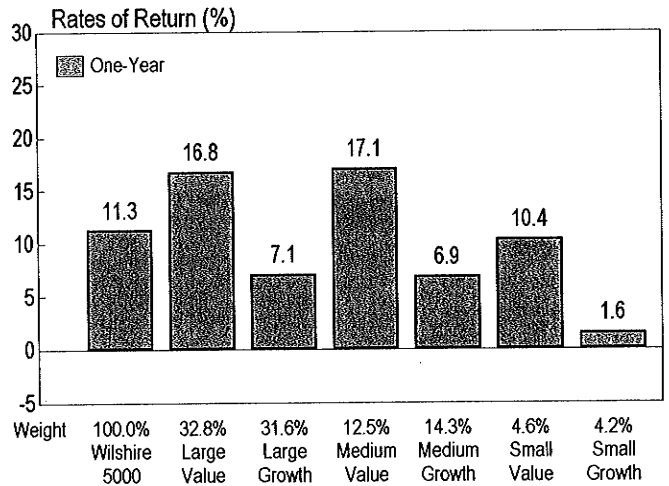
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

The exhibits above show the performance of the sectors that comprise the Dow Jones Wilshire 5000 Index. The percentage below each bar indicates the sector's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**STYLE RETURNS
FIRST QUARTER**

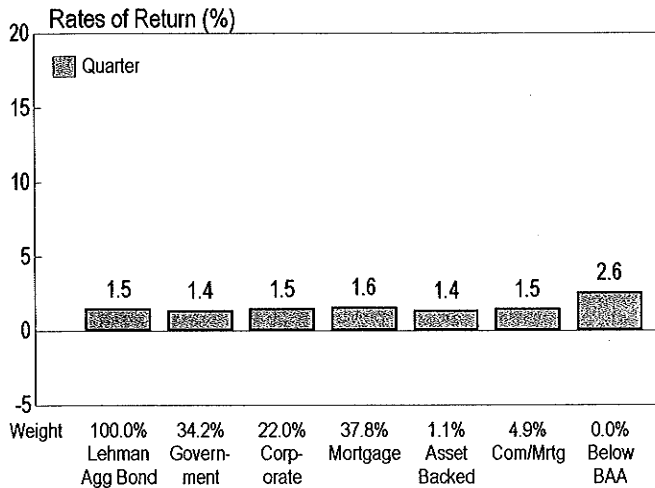


**STYLE RETURNS
ONE-YEAR ENDING 03/31/07**

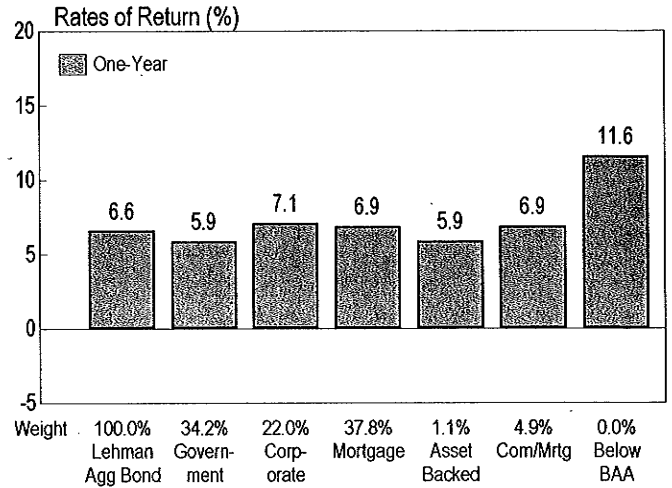


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**SECTOR RETURNS
FIRST QUARTER**



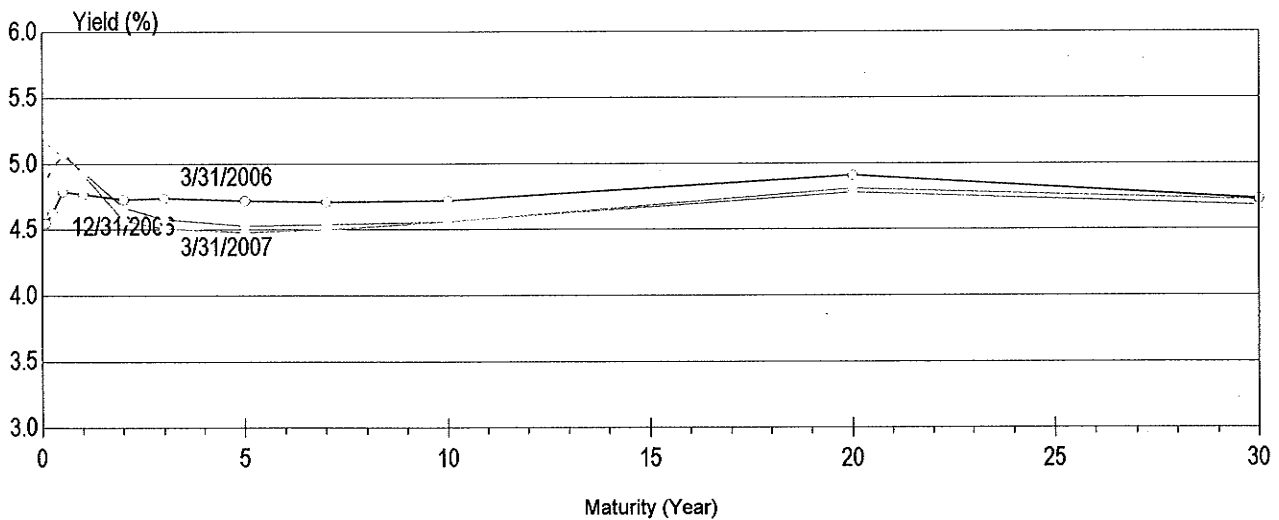
**SECTOR RETURNS
ONE-YEAR ENDING 03/31/07**



The Lehman Brothers Aggregate Bond Index is a broad measure of the U.S. investment grade fixed income market. The Index consists of the corporate, government, and mortgage-backed indexes 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 Lehman Brothers Aggregate Bond Index at quarter-end.

U.S. TREASURY CURVE

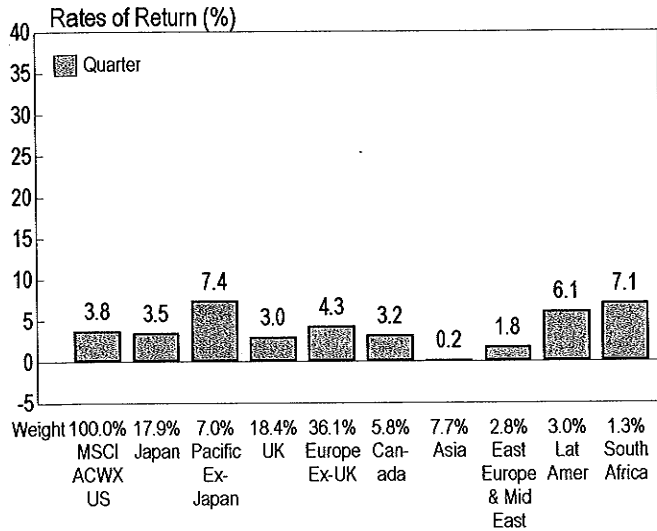


The exhibit above illustrates yields of Treasury securities of various maturities as of March 31, 2006, December 31, 2006, and March 31, 2007.

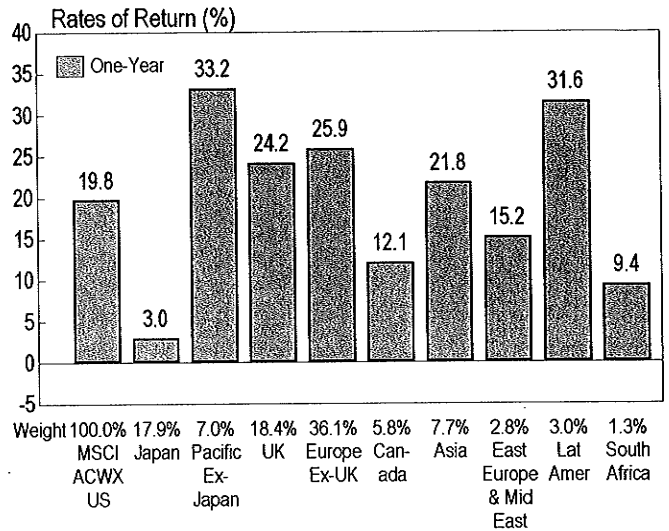
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

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

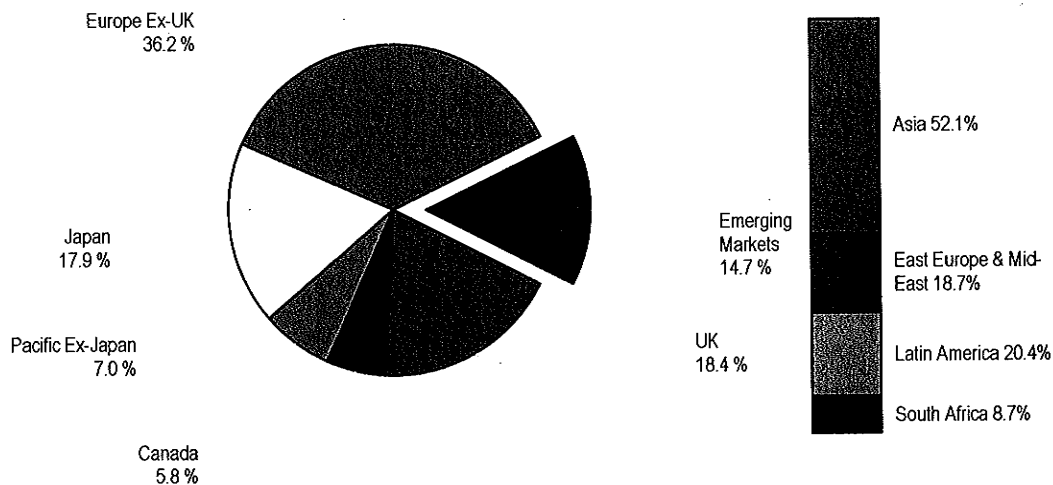


**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 03/31/07**



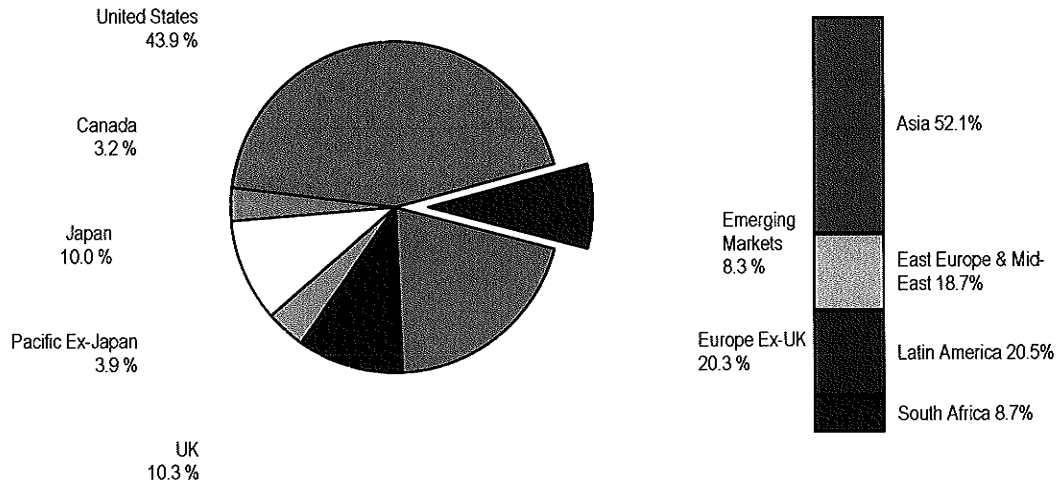
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/07**



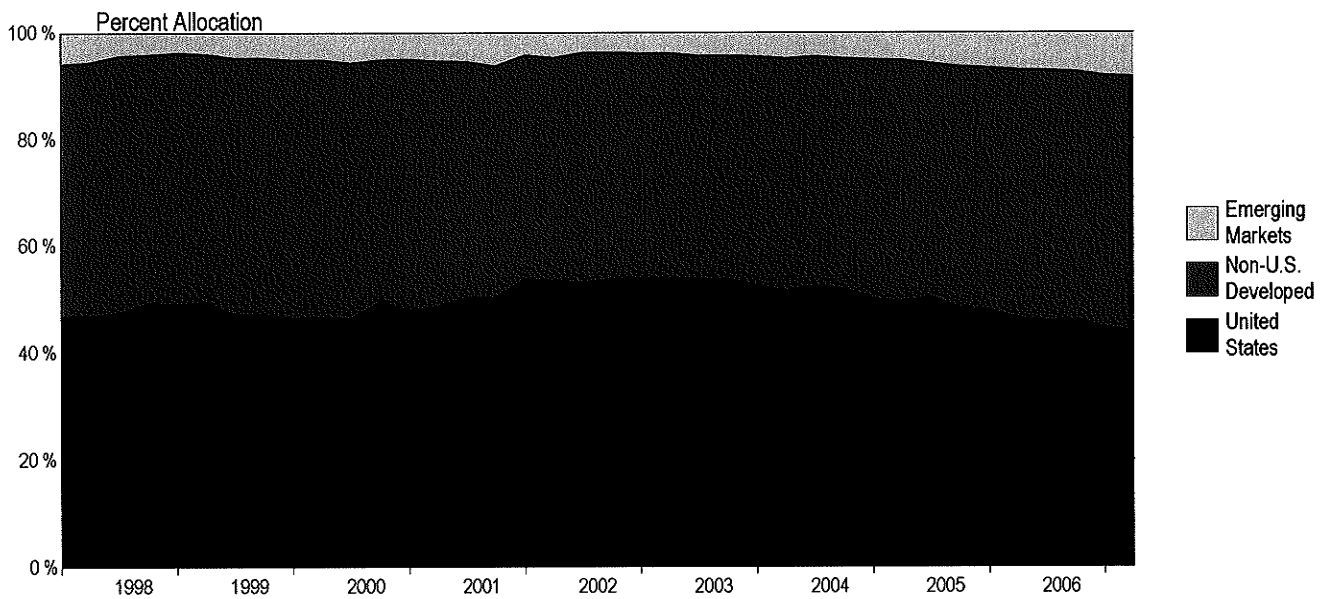
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

**MSCI ALL COUNTRY WORLD STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/07**



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 25 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.

ALLOCATION



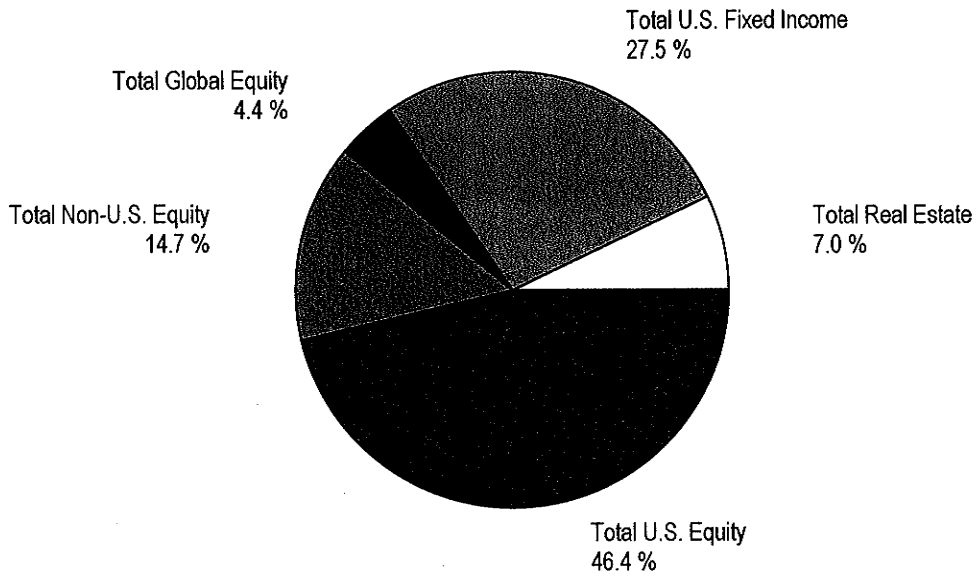
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

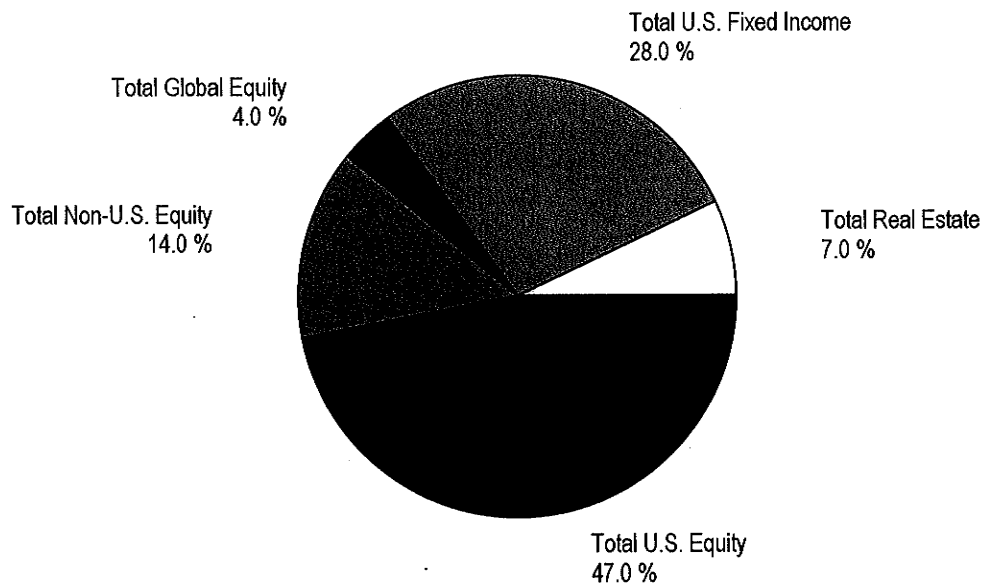
ASSET ALLOCATION

First Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 3/31/2007



ASSET ALLOCATION
POLICY AS OF 3/31/2007



ASSET ALLOCATION

First Quarter 2007

ASSET ALLOCATION AS OF 3/31/07

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
Delta	\$252,705	--	--	--	--	\$9,165	\$261,871	8.8 %	
BGI Equity Index Fund	847,007	--	--	--	--	--	847,007	28.5	
LSV	94,927	--	--	--	--	286	95,213	3.2	
Wasatch	73,125	\$8,010	--	--	--	4,996	86,131	2.9	
BGI Extended Equity	88,225	--	--	--	--	--	88,225	3.0	
Total U.S. Equity	1,355,990	8,010	--	--	--	14,447	1,378,447	46.4	47.0 %
BGI ACWI ex-U.S. Index	--	\$111,339	--	--	--	--	\$111,339	3.7 %	
Capital Guardian	--	161,788	--	--	--	\$2,131	163,919	5.5	
Sprucegrove	--	149,696	--	--	--	12,400	162,096	5.5	
Total Non-U.S. Equity	--	422,823	--	--	--	14,531	437,354	14.7	14.0 %
GMO Global Fund	\$22,492	\$42,642	\$1,807	--	--	--	\$66,942	2.3 %	
Wellington Global Equity	29,020	35,452	--	--	--	\$233	64,704	2.2	
Total Global Equity	51,512	78,094	1,807	--	--	233	131,646	4.4	4.0 %
Western	--	--	\$266,117	\$15,654	--	\$11,924	\$293,695	9.9 %	
BGI U.S. Debt Fund	--	--	181,363	--	--	--	181,363	6.1	
Reams	--	--	239,921	--	--	20,580	260,501	8.8	
Loomis Sayles	--	--	63,230	16,030	--	1,700	80,961	2.7	
Total U.S. Fixed Income	--	--	750,631	31,684	--	34,204	816,519	27.5	28.0 %
Prudential Real Estate	--	--	--	--	\$83,102	--	\$83,102	2.8 %	
UBS Real Estate	--	--	--	--	96,403	--	96,403	3.2	
Guggenheim	--	--	--	--	29,256	--	29,256	1.0	
Total Real Estate	--	--	--	--	208,761	--	208,761	7.0	7.0 %
Total Fund	\$1,407,503	\$508,927	\$752,439	\$31,684	\$208,761	\$63,415	\$2,972,728	100.0 %	100.0 %
Percent of Total	47.3%	17.1%	25.3%	1.1%	7.0%	2.1%	100.0%		

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 Committee's decisions on manager allocations as well as the managers' active allocation decisions.

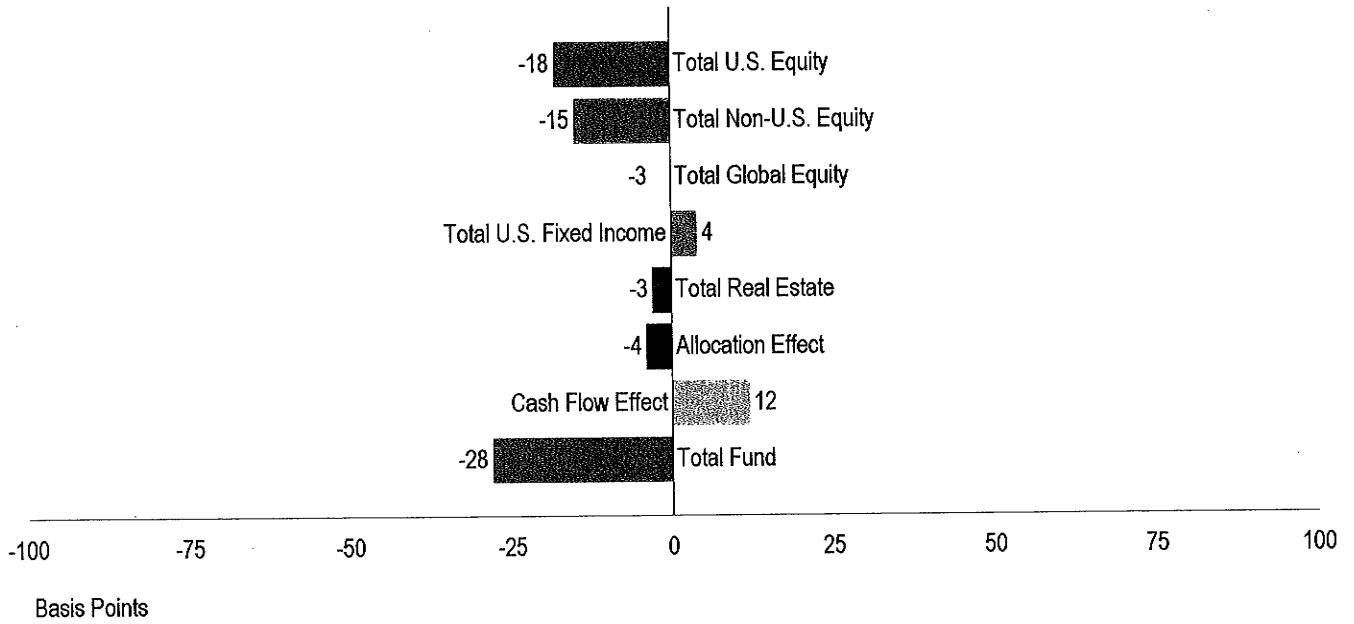
During the quarter, VCERA made three withdrawals totaling \$31.5 million from the BGI U.S. Equity Index Fund. In March, BGI's ACWI ex-U.S. product was funded with \$112.0 million from the Capital Guardian non-U.S. equity portfolio.

PERFORMANCE EVALUATION

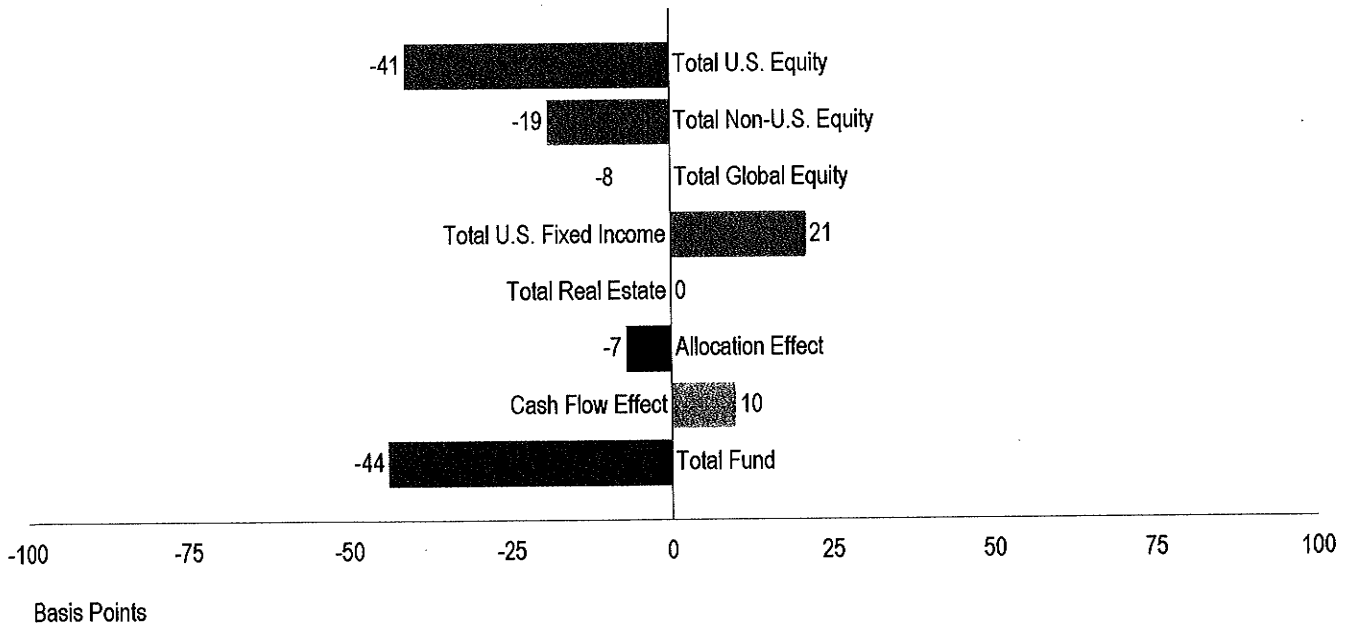
TOTAL FUND

First Quarter 2007

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/07



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/07



First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	1.6 %	99	11.2 %	65	10.4 %	69	8.9 %	72	9.2 %	41
Policy Portfolio	1.9	88	11.6	45	10.6	64	8.8	75	8.8	61

Commentary on Investment Performance

During the first quarter, the Total Fund gained 1.6 percent and lagged the result of policy portfolio by approximately 0.3 percentage points, net of fees. During the quarter, the U.S. equity component advanced 0.9% and underperformed the Russell 3000 Index by 0.4 percentage points. Delta, LSV, and Wasatch each underperformed their respective benchmarks. The collective return of the non-U.S. equity component lagged the performance benchmark by approximately 1.1 percentage point as both Capital Guardian and Sprucegrove struggled in relative terms. Further impeding the quarter's relative return was underperformance within the global equity component as both GMO and Wellington turned in below-benchmark returns. Somewhat offsetting the period's underperformance, however, was the strong relative return generated by Reams in the fixed income component and Prudential and Guggenheim in the real estate component.

Over the trailing one-year period, the Total Fund advanced an impressive 11.2% but lagged the result of the policy portfolio by approximately 0.4 percentage points. Positives during the period included the outperformance of the fixed income and real estate components. However, underperformance from within the U.S. equity, non-U.S. equity, and global equity components detracted from the period's relative result.

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 a detrimental 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

First Quarter 2007

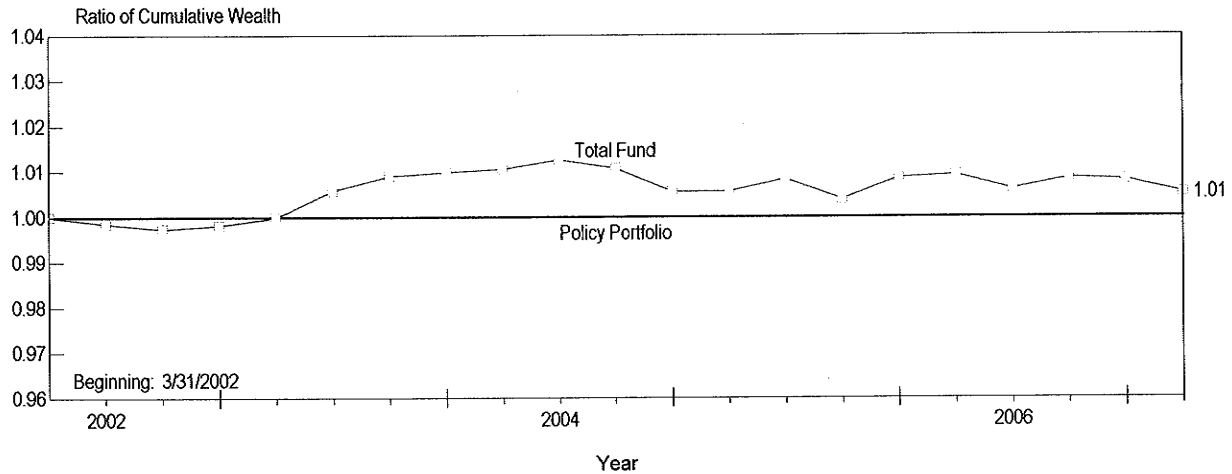
HISTORICAL RETURNS (BY YEAR)

	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1980	7.7%	9.1%	-1.4
1981	2.2	4.5	-2.3
1982	32.4	26.4	6.0
1983	13.3	11.6	1.7
1984	8.4	11.4	-3.0
1985	22.4	22.8	-0.4
1986	15.4	15.4	0.0
1987	6.6	3.4	3.2
1988	10.1	11.7	-1.6
1989	19.6	21.9	-2.3
1990	6.1	2.9	3.2
1991	19.8	22.1	-2.3
1992	8.6	7.7	0.9
1993	10.0	8.6	1.4
1994	-2.1	0.8	-2.9
1995	25.2	24.6	0.6
1996	14.9	13.6	1.3
1997	18.8	19.9	-1.1
1998	16.8	20.3	-3.5
1999	13.5	14.3	-0.8
2000	0.7	-1.8	2.5
2001	-2.2	-6.0	3.8
2002	-10.4	-10.1	-0.3
2003	24.4	22.9	1.5
2004	10.8	11.3	-0.5
2005	7.9	7.6	0.3
2006	14.0	14.0	0.0
2007 (3 months)	1.6	1.9	-0.3
Trailing 1-Year	11.2%	11.6%	-0.4
Trailing 3-Year	10.4	10.6	-0.2
Trailing 5-Year	8.9	8.8	0.1
Trailing 10-Year	9.2	8.8	0.4

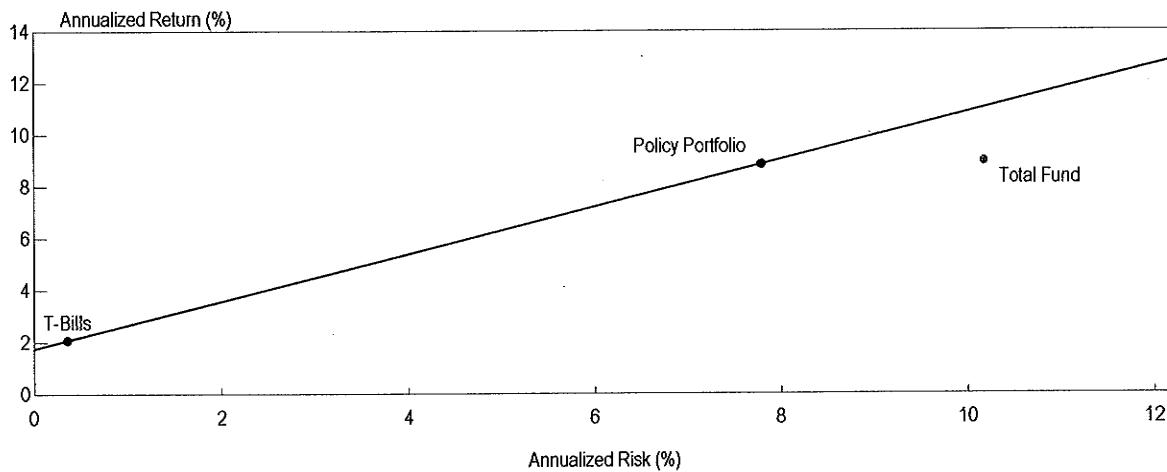
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the policy benchmark. As shown, the Total Fund's trailing five-and ten-year returns have exceeded that of the benchmark by 0.1 and 0.4 percentage points, respectively.

First Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 3/31/07**



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 approximated its benchmark 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. As shown, the Total Fund experienced a similar rate of return while incurring a higher level of risk than that of the policy portfolio.

TOTAL FUND

First Quarter 2007

IMRS SCORES

	IMRS SCORE	IMRS Rating	Any Change During the Quarter
U.S. Equity			
Delta	13	Good	No
LSV	16	Excellent	No
Wasatch	17	Excellent	No
Non-U.S. Equity			
Capital Guardian	19	Excellent	No
Sprucegrove	17	Excellent	No
Global Equity			
GMO	15	Good	No
Wellington	14	Good	No
Fixed Income			
Western	16	Excellent	No
Reams	16	Excellent	No
Loomis Sayles	16	Excellent	No
Real Estate			
Prudential	17.5	Excellent	No
UBS	18	Excellent	No
Guggenheim	14	Good	No

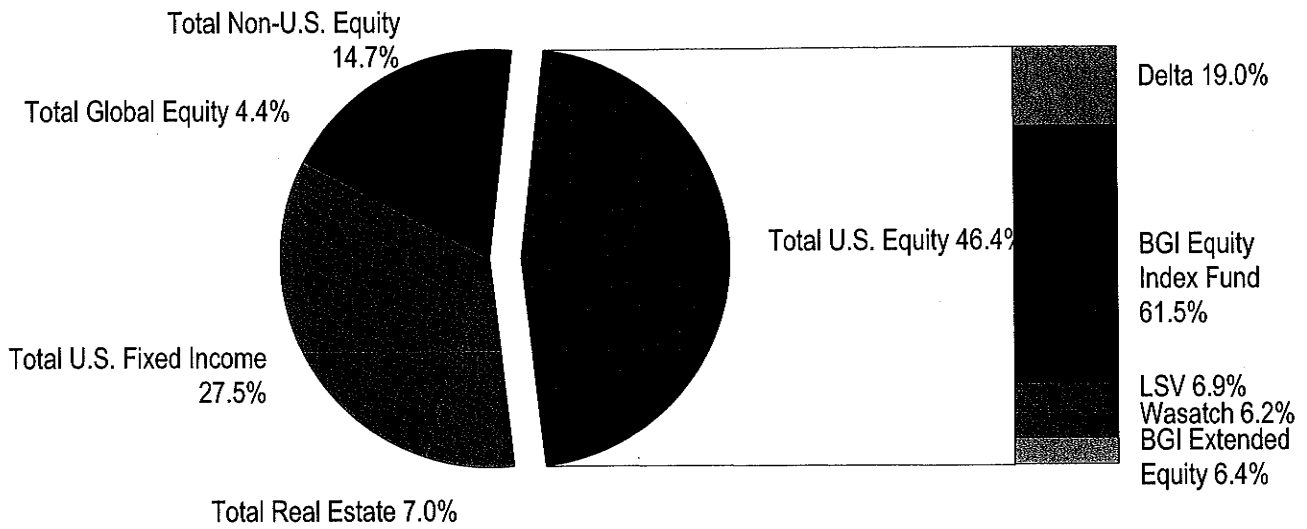
The table above highlights each manager's score within EnnisKnupp's Investment Manager Rating System (IMRS).

During the quarter, we adjusted the score given to Wellington's Global Research Equity product from 15 to 14 as a result of the prolonged spell of underperformance, multiple changes to organization and process, coupled with a fee increase. A memorandum detailing our observations is included with this report.

TOTAL U.S. EQUITY
\$1,378.4 Million and 46.4% of Fund

First Quarter 2007

ASSET ALLOCATION AS OF 3/31/07

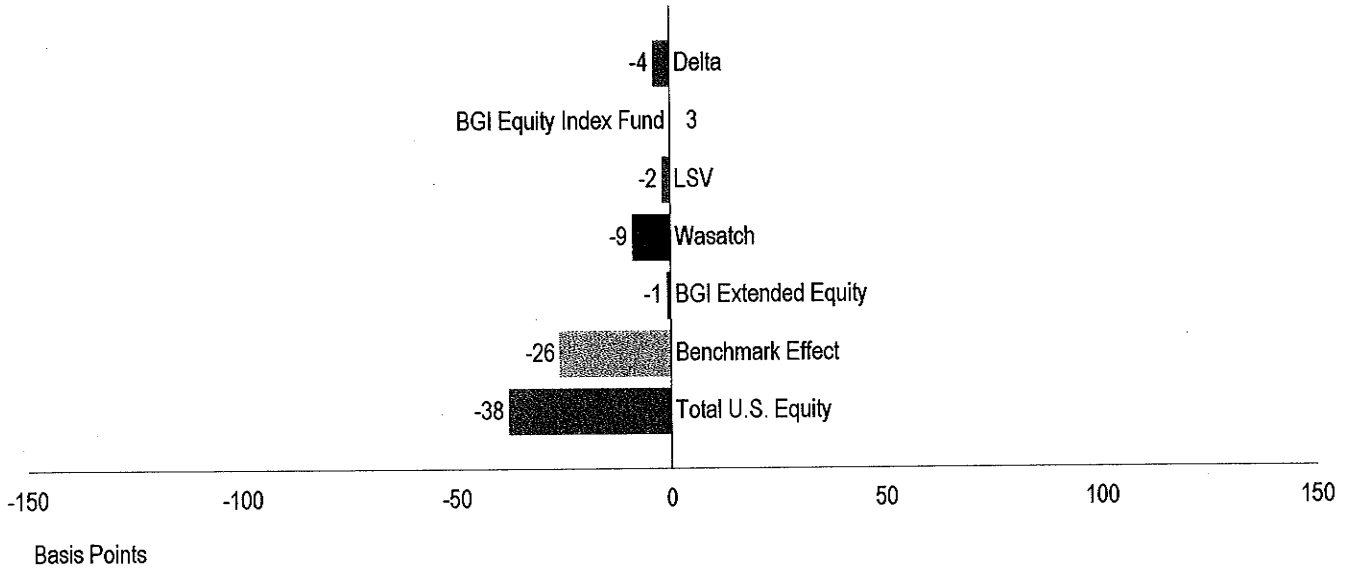


TOTAL U.S. EQUITY

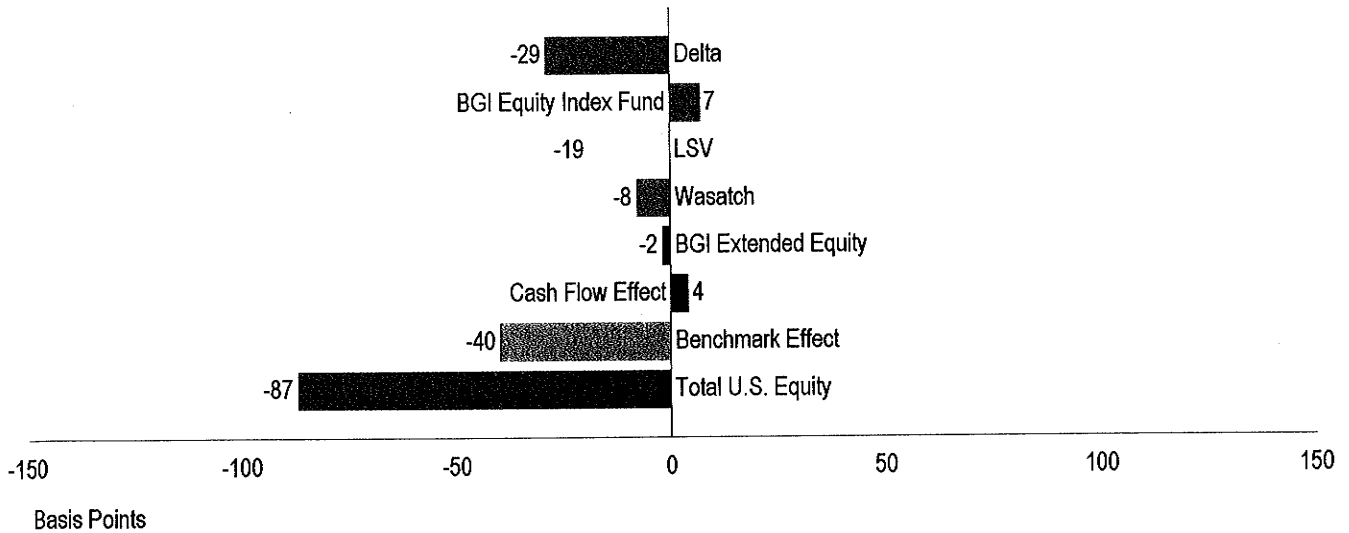
\$1,378.4 Million and 46.4% of Fund

First Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/07



TOTAL U.S. EQUITY**\$1,378.4 Million and 46.4% of Fund****First Quarter 2007****RETURN SUMMARY
ENDING 03/31/07**

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	0.9%	88	10.4%	36	10.2%	80	7.1%	76	8.9%	63	10.4%	70	12/31/93
Russell 3000 Index	1.3	69	11.3	20	10.8	57	7.2	70	8.7	68	10.8	64	
Delta	0.4	71	10.3	53	8.9	67	5.7	66	8.6	59	11.1	59	9/30/91
S&P 500 Index	0.6	66	11.8	40	10.1	54	6.3	58	8.2	65	10.9	63	
BGI Equity Index Fund	0.7	65	11.9	39	10.1	53	6.3	57	--	--	5.9	--	7/31/97
S&P 500 Index	0.6	66	11.8	40	10.1	54	6.3	58	--	--	5.9	--	
LSV	1.2	77	7.6	51	13.2	57	15.8	18	--	--	15.5	46	9/30/98
Russell 2000 Value Index	1.5	74	10.4	30	14.5	44	13.6	47	--	--	14.3	63	
Wasatch	1.1	91	0.6	59	8.7	65	7.8	54	--	--	14.1	--	11/30/99
Performance Benchmark	2.5	71	1.6	47	9.4	55	7.9	53	--	--	6.5	--	
BGI Extended Equity	4.0	31	9.2	15	13.9	30	--	--	--	--	20.6	--	10/31/02
DJ Wilshire 4500 Index	4.1	30	9.6	13	13.8	30	--	--	--	--	20.7	--	

Commentary on Investment Performance

The U.S. equity component advanced 0.9% during the first quarter and underperformed the Russell 3000 Index by 0.4 percentage points. Active management hindered results as Delta, LSV, and Wasatch each underperformed their respective benchmarks during the quarter. The component's passive U.S. equity investments successfully tracked the performance of their respective indices during the quarter.

Despite posting a double-digit gain, the collective return of the U.S. equity component trailed the Index by 0.9 percentage points over the trailing year. Active management was unsuccessful in adding value during the period as Delta, LSV, and Wasatch struggled in relative terms. As expected, the passive U.S. equity investments closely tracked the performance of their respective indices.

While positive on an absolute basis, longer-term relative performance of the U.S. equity component remained mixed. While the component's trailing three- and five-year returns fell short of the Index, the trailing ten-year return remained 0.2 percentage points ahead of the Russell 3000 Index.

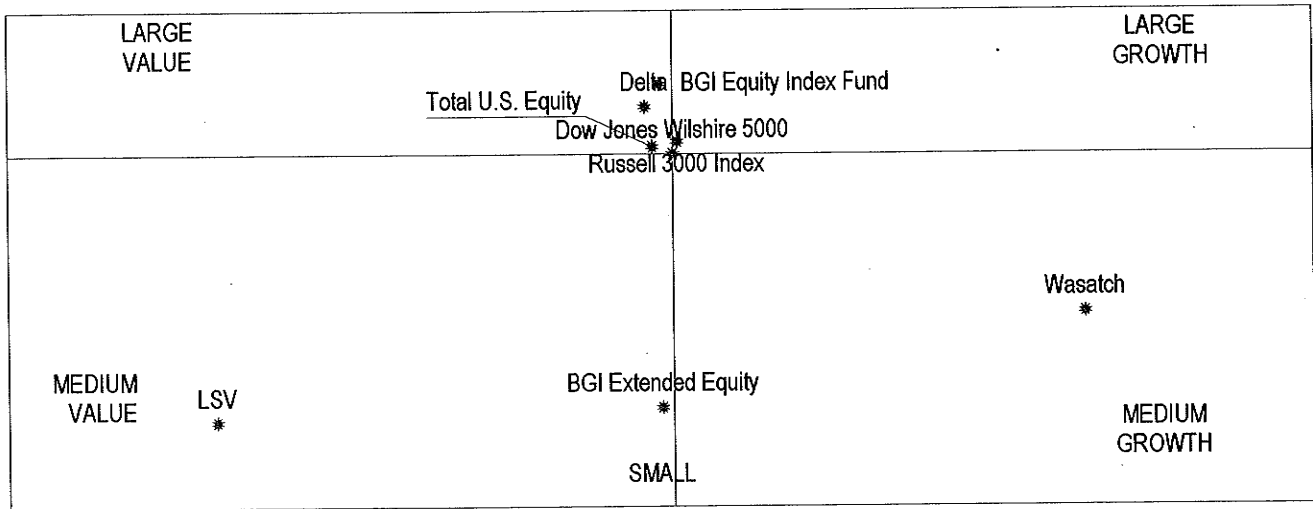
The attribution analysis on the previous page highlights each manager's contribution to the relative performance within VCERA's U.S. equity component over the past three-month and trailing one-year periods. The benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of the individual manager's benchmarks (the S&P 500 Index, the DJ Wilshire 4500 Index, the Russell 2000 Value Index, and the Russell 2000 Value Index) underperforming the U.S. equity component's benchmark (the Russell 3000 Index).

TOTAL U.S. EQUITY

\$1,378.4 Million and 46.4% of Fund

First Quarter 2007

EFFECTIVE STYLE MAP
4 YEARS 5 MONTHS ENDING 3/31/07



The exhibit above highlights the style and capitalization orientation of the U.S. equity component and the U.S. equity managers utilized in VCERA's investment program.

As shown, the U.S. equity component exhibits a style and capitalization bias similar to that of the DJ Wilshire 5000 Index.

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	0.4 %	71	10.3 %	53	8.9 %	67	5.7 %	66	8.6 %	59	11.1 %	59	9/30/91
S&P 500 Index	0.6	66	11.8	40	10.1	54	6.3	58	8.2	65	10.9	63	

Philosophy and Process

Delta Asset Management attempts to identify changes in the economic/business environment that could positively impact groupings of stocks. The macroeconomic analysis determines the types of sectors/industries upon which the firm focuses. The manager conducts analysis at the security level to identify those companies that are well positioned to benefit from its economic outlook. The manager uses fundamental research to identify those companies that are expected to show an increase in revenue and earnings as a result of changes in the company's business, products or market position.

Commentary on Investment Performance

Delta's return of 0.4% lagged the S&P 500 Index by 0.2 percentage points during the quarter due primarily to poor sector allocation decisions. A zero percent allocation to the utilities sector was once again the principal detractor from the portfolio's performance, as investors continued to favor it as a safe haven in a turbulent market. In addition, an overweight allocation to information technology further hindered results. Positive contributors to the portfolio's relative returns were holdings in the information technology, industrials, and materials sectors which benefited from increased investor confidence in the sustainability of future economic growth.

While strong in absolute terms, the portfolio's 10.3% return lagged the S&P 500 Index by 1.5 percentage points over the trailing one-year period. As was the case during the quarter, a zero percent weighting in the utilities sector provided the largest drag on relative performance.

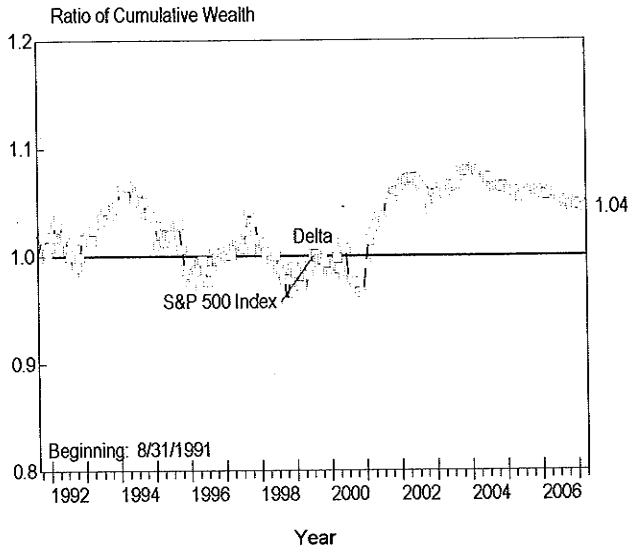
Delta's longer-period returns are mixed when compared to those of the S&P 500 Index. The portfolio's trailing three- and five-year return underperformed the benchmark, while the trailing ten-year and since-inception results remained favorable.

DELTA

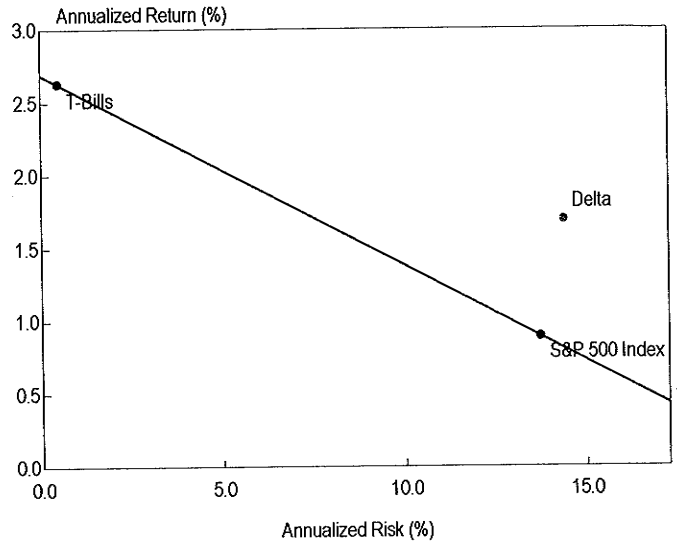
\$261.9 Million and 8.8% of Fund

First Quarter 2007

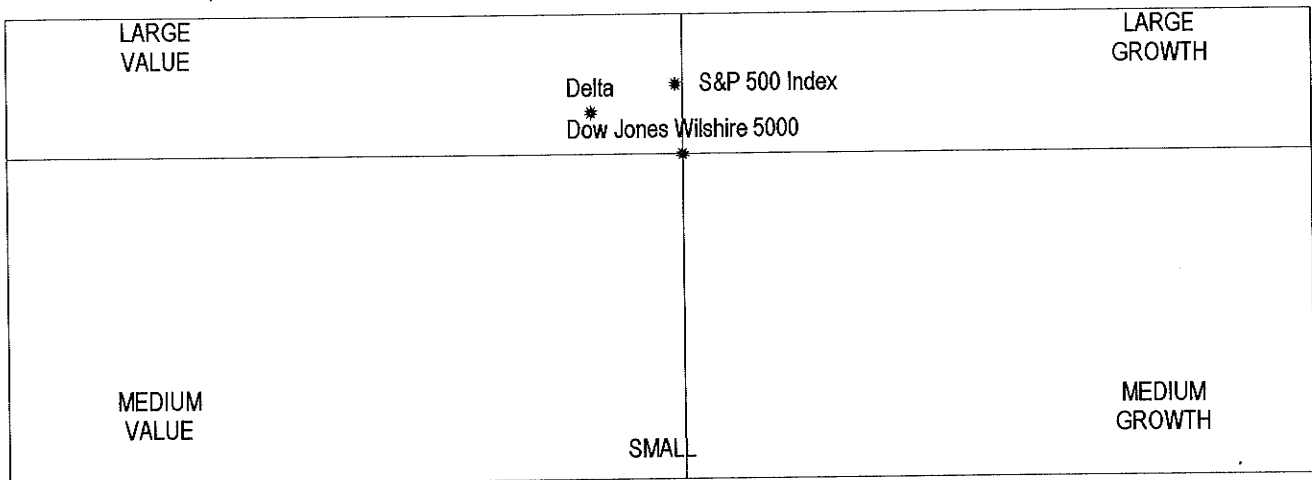
**RATIO OF CUMULATIVE WEALTH
15 YEARS 7 MONTHS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
7 YEARS ENDING 3/31/07**



**EFFECTIVE STYLE MAP
15 YEARS 7 MONTHS ENDING 3/31/07**



First Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Delta		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1991 (3 months)	7.5%	67	8.4%	58	-0.9
1992	8.3	59	7.7	64	0.6
1993	15.0	35	10.1	75	4.9
1994	-1.8	74	-1.3	36	-3.1
1995	30.2	86	37.6	34	-7.4
1996	26.5	19	23.0	47	3.5
1997	34.0	27	33.4	33	0.6
1998	25.9	47	28.6	39	-2.7
1999	20.7	46	21.0	45	-0.3
2000	-8.1	67	-9.1	71	1.0
2001	-5.4	30	-11.9	57	6.5
2002	-22.8	57	-22.1	53	-0.7
2003	31.4	28	28.7	51	2.7
2004	9.0	68	10.9	51	-1.9
2005	4.7	70	4.9	68	-0.2
2006	14.6	50	15.8	41	-1.2
2007 (3 months)	0.4	71	0.6	66	-0.2
Trailing 1-Year	10.3%	53	11.8%	40	-1.5
Trailing 3-Year	8.9	67	10.1	54	-1.2
Trailing 5-Year	5.7	66	6.3	58	-0.6
Trailing 10-Year	8.6	59	8.2	65	0.4
Since Inception (9/30/91)	11.1	59	10.9	63	0.2

The table above compares the historical annual and cumulative annualized returns of the Delta portfolio and its benchmark, the S&P 500 Index. The table below compares the characteristics of the Delta portfolio with those of the S&P 500 Index.

	Delta	S&P 500
Capitalization Focus	Large	Large
Number of Holdings	105	500
Top 5 Holdings	ExxonMobil General Electric Citigroup Bank of America Microsoft	ExxonMobil General Electric Citigroup AT&T Microsoft
Sector Emphasis	Information Technology	Financial Services
Cash Allocation	3.5%	0.0%
Total Strategy Assets	\$4.1 Billion	--
Inception Date	9/30/91	--
Portfolio Manager(s)	Carl Goldsmith, Marla Ryan	--

BGI EQUITY INDEX FUND

\$847.0 Million and 28.5% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Equity Index Fund	0.7 %	65	11.9 %	39	10.1 %	53	6.3 %	57	5.9 %	--	7/31/97
S&P 500 Index	0.6	66	11.8	40	10.1	54	6.3	58	5.9	--	

Philosophy and Process

The BGI Equity Index Fund is an index fund which is designed to replicate the performance of the S&P 500 Index. BGI looks to replicate the performance of the S&P 500 Index by holding each security within the Index.

Commentary on Investment Performance

The BGI Equity Index Fund Fund experienced 10 basis points of positive tracking relative to the S&P 500 Index during the quarter. Utilities (+9.3%) and materials (+8.8%) were among the Index's best performers during the quarter, as investors sought stability in a rocky market. Telecommunication services (+7.6%) saw significant gains as well. The quarter's weakest performer was the financials sector (-2.8%), which was buffeted by investors' concerns about the sub-prime mortgage market. Also slumping in the period were the information technology (-0.9%) and consumer discretionary (-0.7%) sectors.

As expected, the Fund closely tracked the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS

(BY YEAR)

	BGI Equity Index Fund		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1997 (5 months)	2.4 %	--	2.4 %	--	0.0
1998	28.6	39	28.6	39	0.0
1999	21.0	45	21.0	45	0.0
2000	-9.1	71	-9.1	71	0.0
2001	-11.9	57	-11.9	57	0.0
2002	-22.1	53	-22.1	53	0.0
2003	28.7	50	28.7	51	0.0
2004	10.9	51	10.9	51	0.0
2005	5.0	67	4.9	68	0.1
2006	15.9	40	15.8	41	0.1
2007 (3 months)	0.7	65	0.6	66	0.1
Trailing 1-Year	11.9 %	39	11.8 %	40	0.1
Trailing 3-Year	10.1	53	10.1	54	0.0
Trailing 5-Year	6.3	57	6.3	58	0.0
Since Inception (7/31/97)	5.9	--	5.9	--	0.0

BGI EXTENDED EQUITY INDEX FUND**\$88.2 Million and 3.0% of Fund****First Quarter 2007****RETURN SUMMARY
ENDING 03/31/07**

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity	4.0 %	31	9.2 %	15	13.9 %	30	20.6 %	--	10/31/02
DJ Wilshire 4500 Index	4.1	30	9.6	13	13.8	30	20.7	--	

Philosophy and Process

The BGI 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.

Commentary on Investment Performance

The BGI Extended Equity Index Fund experienced 10 basis points of negative tracking relative to the DJ Wilshire 4500 Index during the quarter. The index's best-performing sectors during the quarter were materials (+13.1%) and utilities (+8.7%). The sectors with the smallest gains were financials (-0.7%) and telecommunication services (+4.8%).

As expected, the Fund closely tracked the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS**(BY YEAR)**

	BGI Extended Equity		DJ Wilshire 4500 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 (3 months)	4.0	31	4.1	30	-0.1
Trailing 1-Year	9.2 %	15	9.6 %	13	-0.4
Trailing 3-Year	13.9	30	13.8	30	0.1
Since Inception (10/31/02)	20.6	--	20.7	--	-0.1

LSV

\$95.2 Million and 3.2% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	1.2%	77	7.6%	51	13.2%	57	15.8%	18	15.5%	46	9/30/98
Russell 2000 Value Index	1.5	74	10.4	30	14.5	44	13.6	47	14.3	63	

Philosophy and Process

LSV's small-cap value philosophy attempts to purchase undervalued securities with the expectation that they will appreciate in value. The process uses a quantitative three-factor model that looks at how cheap a security is relative to the company's earnings and cash flows, long-term performance (1 to 5 years before a security is purchased), and momentum factors. Once securities are selected from LSV's 7,500 stock universe, they are ranked and given an expected return. The most attractive stocks make it into the portfolio.

Commentary on Investment Performance

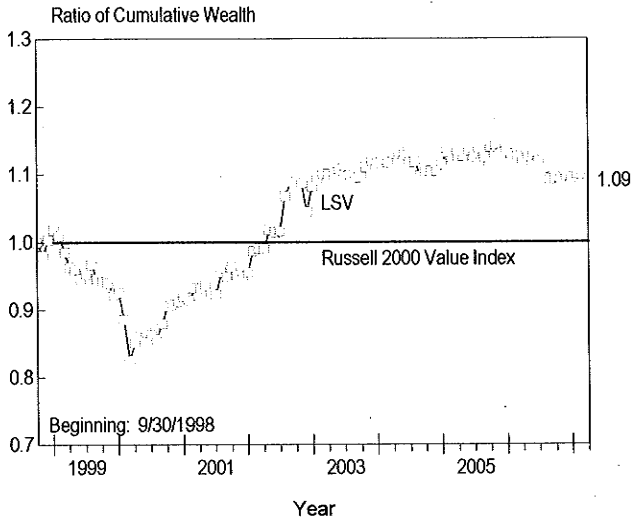
LSV's first-quarter return trailed the Russell 2000 Value Index by approximately 0.3 percentage points. The manager cited their deep value emphasis as an impediment to returns during the quarter as non-earnings and more expensive names led the way in the Index. Moreover, stock selection within financials and REITs further detracted from results as these sectors were impacted by the sub-prime lending fallout. Conversely, the portfolio benefited from an overweight allocation to materials and an underweight to REITs.

For the trailing one-year period, LSV underperformed the return of the index by 2.8 percentage points as the manager's deep value approach struggled to keep up with the benchmark. The majority of the period's underperformance was due to poor stock selection in the industrials and consumer discretionary sectors. In addition, an underweight to REITs combined with poor relative performance further detracted from results. While good stock selection in energy, health care, and utilities had a positive impact, it was insufficient to overcome the main detractors over the year.

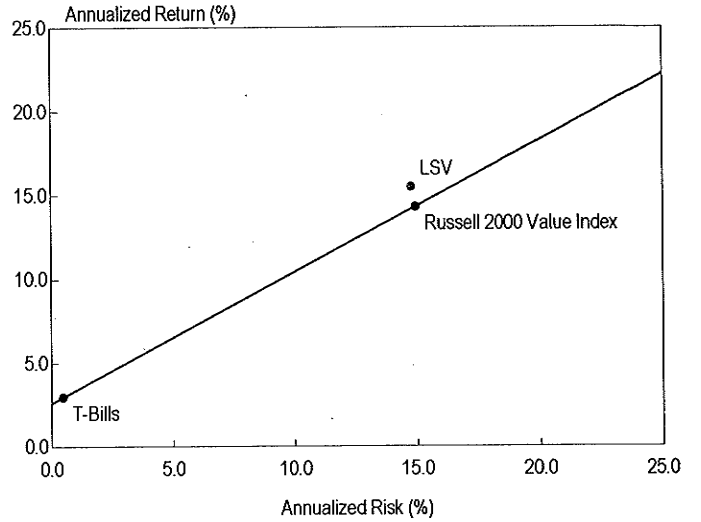
While the trailing three-year return modestly lagged that of the Index, longer-term returns continued to compare favorably.

First Quarter 2007

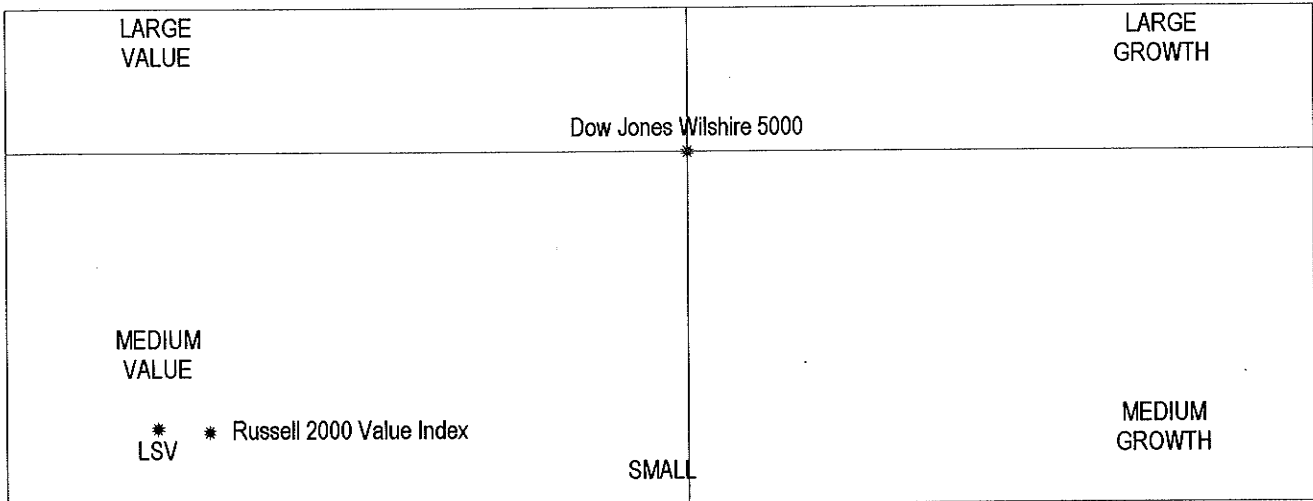
**RATIO OF CUMULATIVE WEALTH
8 YEARS 6 MONTHS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
8 YEARS 6 MONTHS ENDING 3/31/07**



**EFFECTIVE STYLE MAP
8 YEARS 6 MONTHS ENDING 3/31/07**



LSV

\$95.2 Million and 3.2% of Fund

First Quarter 2007

HISTORICAL RETURNS

(BY YEAR)

	LSV		Russell 2000 Value Index		Return Difference
	Return	Rank	Return	Rank	
1998 (3 months)	11.1%	57	9.1%	71	2.0
1999	-10.5	99	-1.5	74	-9.0
2000	22.1	47	22.8	44	-0.7
2001	18.4	43	14.0	68	4.4
2002	0.4	4	-11.4	50	11.8
2003	50.5	21	46.0	36	4.5
2004	22.1	44	22.3	43	-0.2
2005	6.4	67	4.7	76	1.7
2006	19.3	33	23.5	7	-4.2
2007 (3 months)	1.2	77	1.5	74	-0.3
Trailing 1-Year	7.6%	51	10.4%	30	-2.8
Trailing 3-Year	13.2	57	14.5	44	-1.3
Trailing 5-Year	15.8	18	13.6	47	2.2
Since Inception (9/30/98)	15.5	46	14.3	63	1.2

The table above compares the historical annual and cumulative annualized returns of the LSV portfolio and its benchmark, the Russell 2000 Value Index. The table below compares the characteristics of the LSV portfolio with those of the Russell 2000 Value Index.

	LSV	Russell 2000 Value
Capitalization Focus	Small	Small
Number of Holdings	165	1,312
Top 5 Holdings	FMC Corp. LandAmerica Financial Group Techitrol Inc. Ryerson Inc. Ohio Casualty Corp.	Big Lots Inc. Realty Income Corp. Lear Corp. Nationwide Health Properties NBTY Inc.
Sector Emphasis	Financial Services	Financial Services
Cash Allocation	0.2%	0.0%
Total Strategy Assets	\$2.7 Billion	--
Inception Date	9/30/98	--
Portfolio Manager(s)	Team Managed	--

First Quarter 2007

**RETURN SUMMARY
ENDING 03/31/07**

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	1.1%	91	0.6%	59	8.7%	65	7.8%	54	14.1%	--	11/30/99
Performance Benchmark*	2.5	71	1.6	47	9.4	55	7.9	53	6.5	--	

Philosophy and Process

Wasatch is a bottom-up qualitative manager that typically invests in companies that are ignored by Wall Street analysts because they are too small. The firm conducts hundreds of on-site research visits per year with companies that may or may not end up in their portfolios.

In early December 2001, the portfolio was transitioned from the Small Cap Core Growth strategy to the Small Cap Growth strategy in an effort to move VCERA's total equity portfolio towards a higher degree of style neutrality. The portfolio's benchmark changed from the Russell 2000 Index to the Russell 2000 Growth Index as of December 31, 2001 as a result of the transition.

Commentary on Investment Performance

Wasatch underperformed the Russell 2000 Growth Index by 1.4 percentage points during the quarter and ranked below the 75th percentile within a universe of peers. Negative contributions from sectors including technology, autos, and transportation eclipsed positive contributions from other sectors, particularly health care, materials, and processing. Top holdings that performed poorly included PLX Technology Inc. (-25.3%), Cache Inc. (-29.7%), and HDFC Bank Ltd. (-14.6%).

In March, the manager violated its guidelines by allowing the weighted-average market capitalization of the portfolio to exceed \$2 billion for approximately half of the month. VCERA was made aware of the infringement and the infraction was rectified.

Wasatch's trailing one-year result was weak relative to the benchmark due mostly the portfolio's concentration in technology names. The list of the sector's top detractors was dominated by semiconductor companies. The portfolio's producer durables sector also generated a double-digit decline, largely due to the manager's homebuilding investments.

The manager's longer-term returns are mixed when compared with those of the performance benchmark. While the portfolio's trailing three-year return lagged the benchmark, the since-inception result exceeded the benchmark by an impressive 7.6 percentage points, annually.

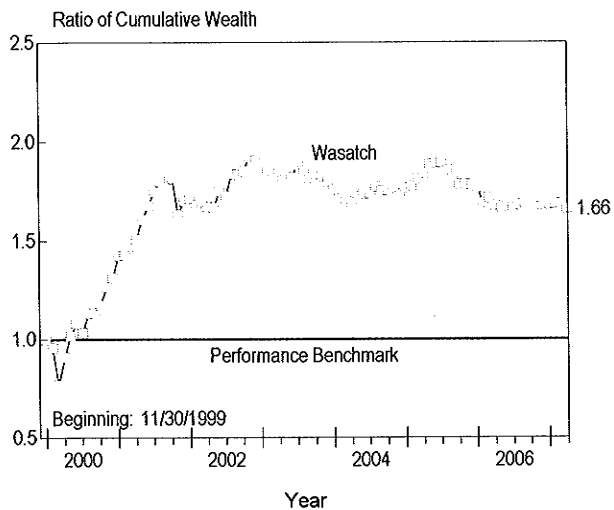
*The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

WASATCH

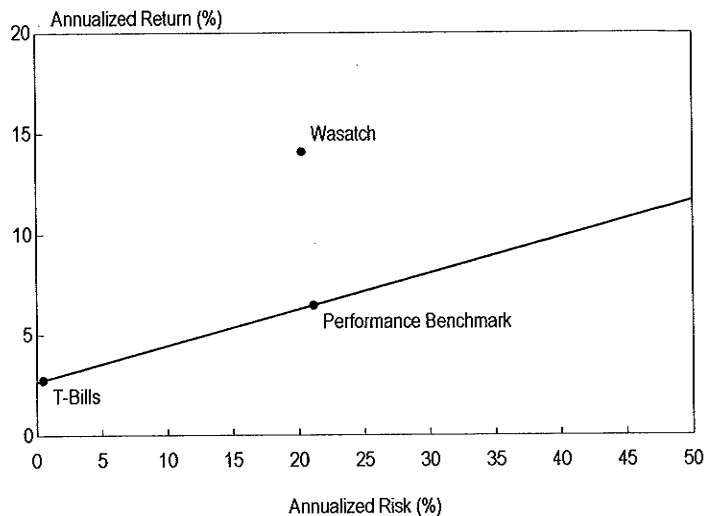
\$86.1 Million and 2.9% of Fund

First Quarter 2007

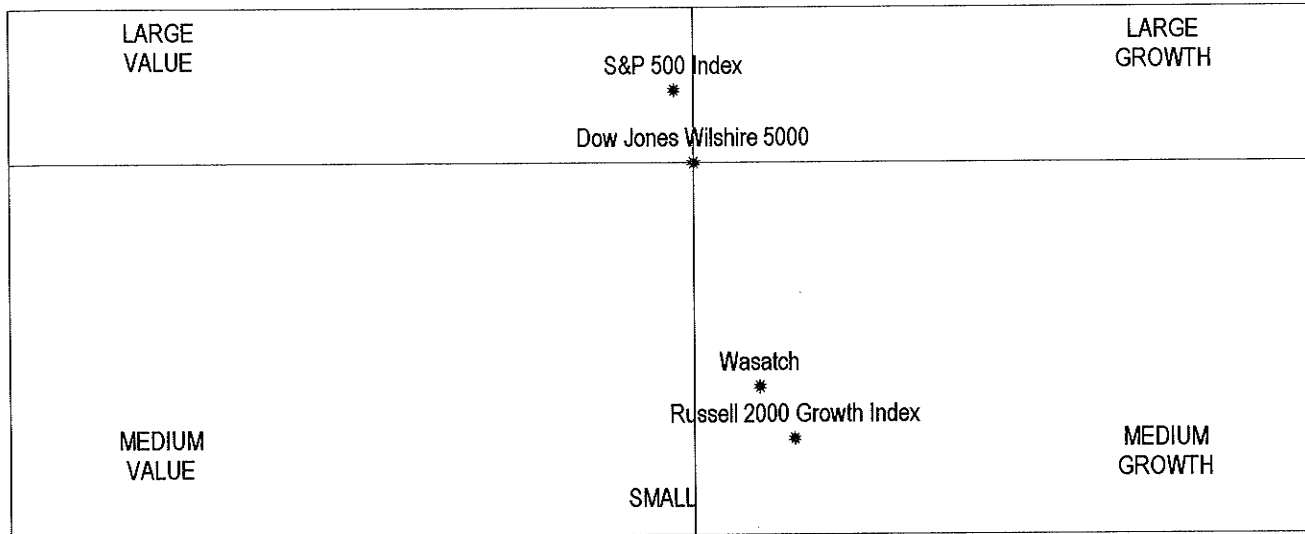
RATIO OF CUMULATIVE WEALTH 7 YEARS 4 MONTHS ENDING 3/31/07



ANNUALIZED RISK RETURN 7 YEARS 4 MONTHS ENDING 3/31/07



EFFECTIVE STYLE MAP 7 YEARS 4 MONTHS ENDING 3/31/07



The style map above reflects VCERA's actual experience since switching from the small cap core strategy to the small cap growth strategy at year-end 2001. Data prior to that represents the manager's small cap growth composite history.

First Quarter 2007

**HISTORICAL RETURNS
(BY YEAR)**

	Wasatch		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
1999 (1 month)	11.4 %	--	11.3 %	--	0.1
2000	37.6	1	-3.0	33	40.6
2001	23.5	5	2.5	16	21.0
2002	-23.0	25	-30.3	58	7.3
2003	38.3	87	48.5	47	-10.2
2004	14.7	30	14.3	32	0.4
2005	4.3	76	4.1	77	0.2
2006	8.0	78	13.3	34	-5.3
2007 (3 months)	1.1	91	2.5	71	-1.4
Trailing 1-Year	0.6 %	59	1.6 %	47	-1.0
Trailing 3-Year	8.7	65	9.4	55	-0.7
Trailing 5-Year	7.8	54	7.9	53	-0.1
Since Inception (11/30/99)	14.1	--	6.5	--	7.6

The table above compares the historical annual and cumulative annualized returns of the Wasatch portfolio and the Performance Benchmark. The table below compares the characteristics of the Wasatch portfolio with those of the Russell 2000 Growth Index.

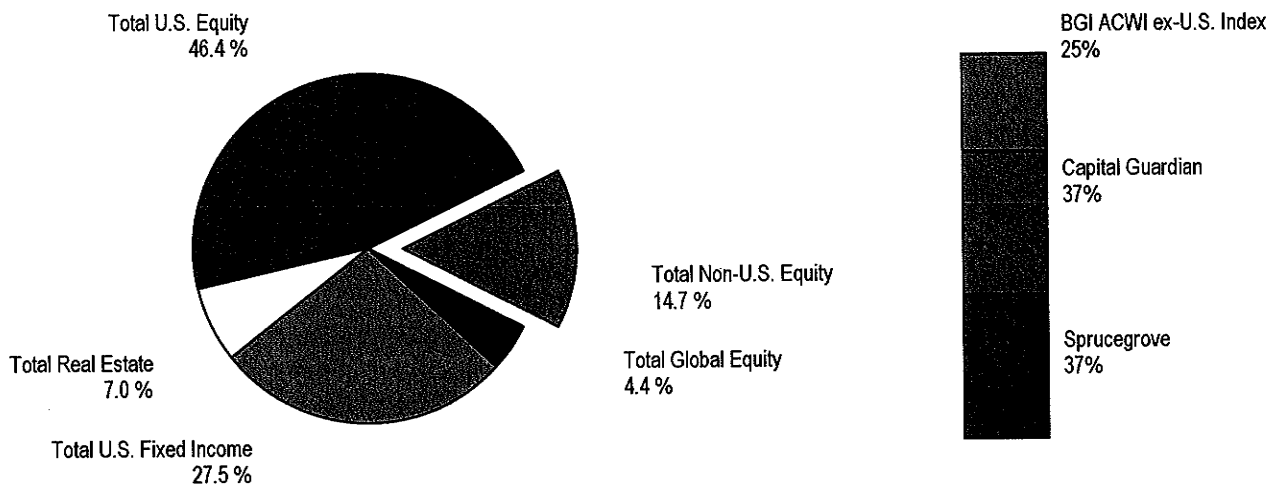
	Wasatch	Russell 2000 Growth
Capitalization Focus	Small	Small
Number of Holdings	88	1,297
Top 5 Holdings	O'Reilly Automotive, Inc. Knight Transportation Inc. Techne Corp. Resources Connection Inc. Copart Inc.	Hologic Inc. Sotheby's Varian Semiconductor AK Steel Holding Corp. Webex Inc.
Sector Emphasis	Information Technology	Consumer Discretionary
Cash Allocation	5.8%	0.0%
Total Strategy Assets	\$0.9 billion	--
Inception Date	11/30/99	--
Portfolio Manager(s)	Jeff Cardon	--

TOTAL NON-U.S. EQUITY

\$437.4 Million and 14.7% of Fund

First Quarter 2007

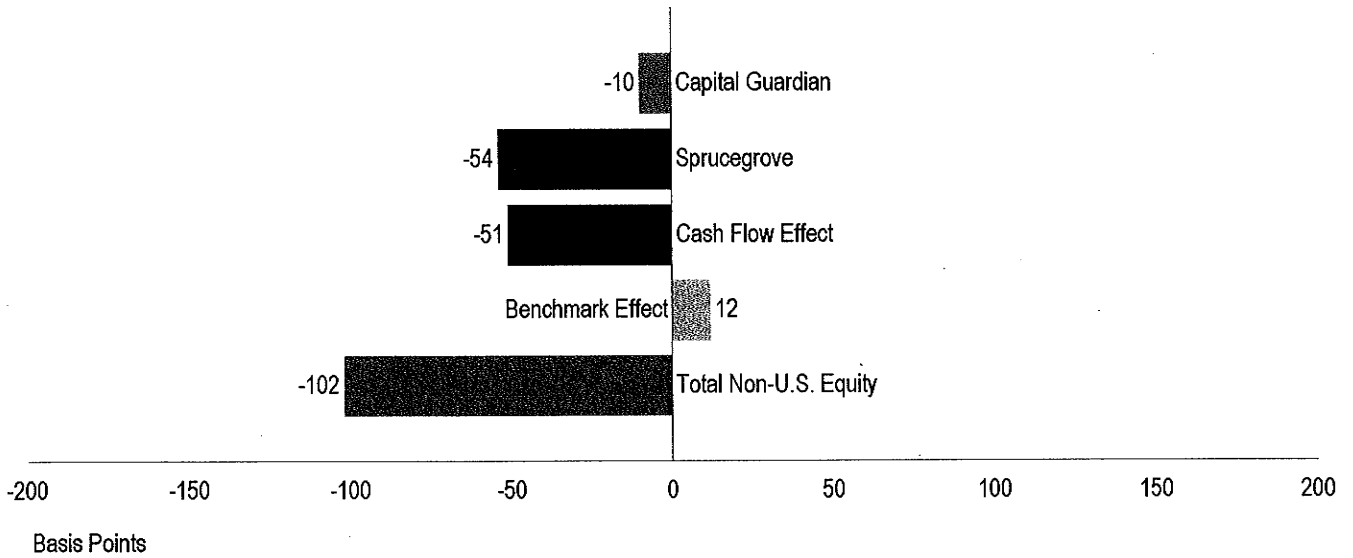
ASSET ALLOCATION ACTUAL AS OF 03/31/07



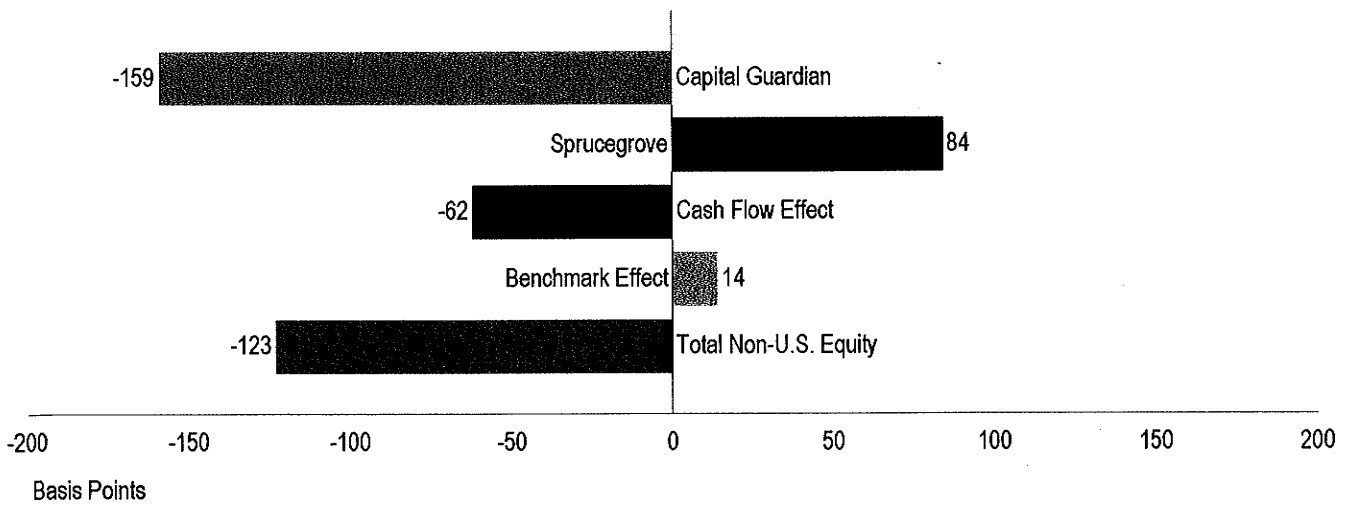
TOTAL NON-U.S. EQUITY
\$437.4 Million and 14.7% of Fund

First Quarter 2007

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 3/31/07



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 3/31/07



TOTAL NON-U.S. EQUITY

\$437.4 Million and 14.7% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	2.7%	89	18.6%	52	20.2%	35	16.3%	39	10.1%	41	10.4%	35	3/31/94
Performance Benchmark*	3.8	51	19.8	31	20.9	25	16.9	26	8.8	66	8.3	73	
Capital Guardian	3.6	39	17.3	62	19.6	53	15.4	54	--	--	6.3	--	7/31/00
Performance Benchmark	3.8	31	19.8	42	20.9	35	16.9	38	--	--	7.4	--	
Sprucegrove	2.6	72	22.5	20	21.7	24	18.4	19	--	--	18.4	19	3/31/02
MSCI EAFE Index	4.1	22	20.2	40	19.8	48	15.8	47	--	--	15.8	47	

Commentary on Investment Performance

In March, \$112 million was transitioned from Capital Guardian's non-U.S. equity strategy (commingled fund) to a BGI ACWI ex-U.S. Index Fund. Performance reporting for the BGI ACWI ex-U.S. Index Fund will begin in April 2007.

The collective return of the non-U.S. equity component advanced 2.7% during the first quarter and underperformed the MSCI All Country World ex-U.S. Index by 1.1 percentage point. Below-benchmark results generated by Sprucegrove and Capital Guardian detracted from relative results.

Over the one-year period, the non-U.S. equity component advanced an impressive 18.6% but underperformed the Performance Benchmark by 1.2 percentage points. Capital Guardian underperformed the Performance Benchmark by approximately 2.5 percentage points and offset Sprucegrove's 2.3 percentage points of value-added.

While strong on an absolute basis, longer-term relative performance of the non-U.S. equity component remained mixed. While the component's trailing three- and five-year returns fell short of the Index, the trailing ten-year and since-inception returns remained ahead of the Performance Benchmark.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's non-U.S. equity component. The benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of the individual managers' benchmarks (the MSCI All Country World ex-U.S. Index and the MSCI EAFE Index) underperforming the non-U.S. equity components 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.

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	3.6%	39	17.3%	62	19.6%	53	15.4%	54	6.3%	--	7/31/00
Performance Benchmark	3.8	31	19.8	42	20.9	35	16.9	38	7.4	--	

Philosophy and Process

Capital Guardian refers to its investment approach as a multiple-manager system. Under this system, portfolios are divided among nine portfolio managers (75%) and the firm's 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 Monitoring

In March, \$112 million was transitioned from Capital Guardian's non-U.S. equity strategy (commingled fund) to a BGI ACWI ex-U.S. Index Fund. Performance reporting for the BGI ACWI ex-U.S. Index Fund will begin in April 2007.

Commentary on Investment Performance

Capital Guardian's non-U.S. equity strategy returned 3.6% during the quarter, trailing the 3.8% return of the Performance Benchmark. Weak stock selection within the materials (BHP Billiton, Barrick Gold, Methanex), information technology (SAP), and healthcare sectors (Sanofi-Aventis) negatively impacted this quarter's results. Performance within the financial sector, specifically in Japan, was mixed. While some Japanese financial holdings (Mitsubishi Estate, HSBC Holdings) helped, others such as Sumitomo Mitsui Financial Group continued to detract from results. The lack of exposure to investment banking stocks negatively impacted relative performance as this industry experienced a broad-based rally during the quarter.

On a positive note, astute stock selection within the telecommunication services sector, particularly Softbank and Bouygues, offset some of the negative results. The manager also noted that they are finding opportunities within the telecommunication and technology sectors and they continue to see growing profitability in Japan, specifically in financials.

CAPITAL GUARDIAN

\$163.9 Million and 5.5% of Fund

First Quarter 2007

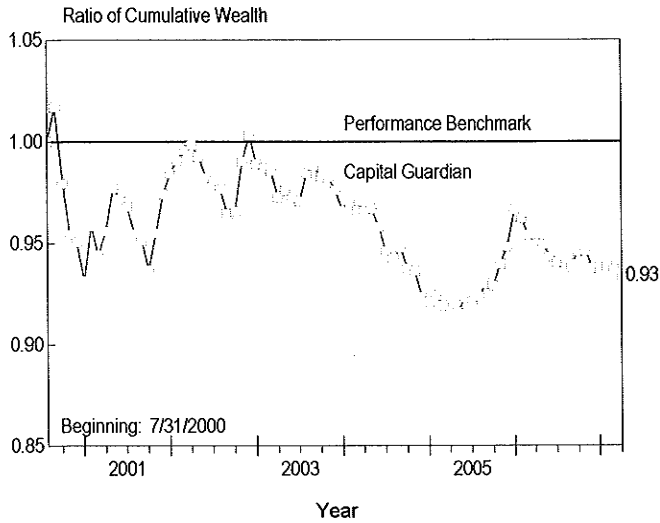
COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 3/31/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.5 %	0.5 %	5.8 %
Belgium	0.7	1.0	4.0
Czech Republic*	0.0	0.1	6.0
Denmark	0.4	0.7	8.0
Finland	1.0	1.2	10.4
France	9.7	8.0	2.8
Germany	4.5	6.1	6.8
Greece	0.1	0.5	5.6
Hungary*	0.0	0.2	-2.5
Ireland	0.5	0.7	-0.9
Italy	0.4	3.0	0.9
Netherlands	3.6	2.8	7.6
Norway	0.3	0.8	7.1
Poland*	0.0	0.3	9.0
Portugal	--	0.3	4.6
Russia*	0.8	1.6	-3.0
Spain	3.3	3.2	4.4
Sweden	0.4	2.1	4.0
Switzerland	8.1	5.4	2.5
United Kingdom	13.9	18.4	3.0
Asia/Pacific			
Australia	2.6 %	4.7 %	9.2 %
China*	1.4	1.7	-2.3
Hong Kong	2.4	1.4	0.5
India*	0.9	0.9	-3.3
Indonesia*	0.4	0.2	-2.1
Japan	22.2	17.9	3.5
Korea*	2.5	2.3	3.0
Malaysia*	0.7	0.4	18.3
New Zealand	--	0.1	1.0
Pakistan*	--	0.0	15.5
Philippines*	0.1	0.1	9.0
Singapore	0.8	0.8	10.3
Taiwan, China*	2.5	1.8	-3.2
Thailand*	0.2	0.2	3.5
Americas			
Argentina*	0.0 %	0.1 %	-2.3 %
Brazil*	1.5	1.6	6.2
Canada	5.6	5.8	3.2
Chile*	0.1	0.2	7.0
Colombia*	--	0.0	-5.6
Mexico*	2.3	0.9	5.9
Peru*	--	0.1	25.0
United States	0.4	--	--
Other			
Egypt*	0.4 %	0.1 %	3.6 %
Israel*	0.4	0.4	10.9
Jordan*	--	0.0	9.7
Morocco*	--	0.1	24.7
South Africa*	2.1	1.3	7.1
Turkey*	0.6	0.2	14.7
Other Countries*	0.3	--	--
Cash			
Cash	1.3 %	--	--
Total	100.0 %	100.0 %	3.8 %
Developed	81.3	85.1	
Emerging*	17.4	14.9	
Cash	1.3	--	

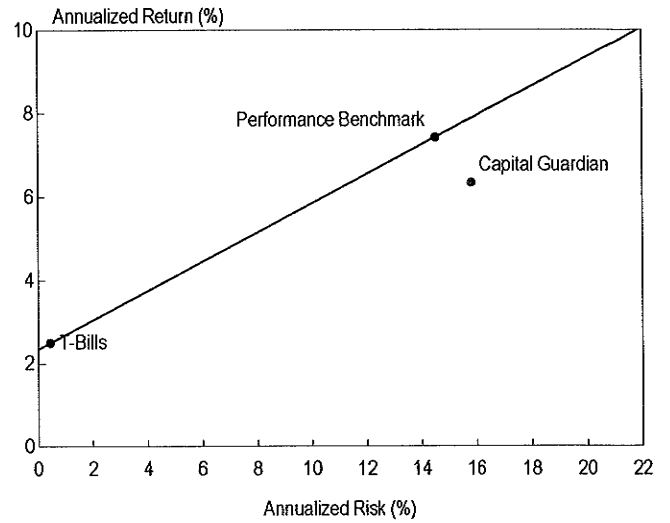
*Emerging market countries

First Quarter 2007

**RATIO OF CUMULATIVE WEALTH
6 YEARS 8 MONTHS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
6 YEARS 8 MONTHS ENDING 3/31/07**



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 22.2% United Kingdom 13.9% France 9.7% Switzerland 8.1% Canada 5.6%	United Kingdom 18.4% Japan 17.9% France 8.0% Germany 6.4% Canada 5.8%
Capitalization/Style Factors	Large Value	Large/Blend
Average Market Capitalization	\$50.4 billion	\$44.3 billion
Number of Holdings	228	1,157
Top 5 Holdings	Sumitomo Mitsui Financial Group Sanofi-Aventis Softbank Bouygues Royal Bank of Scotland	BP PLC HSBC Holding Toyota Motor GlaxoSmithKline Nestle
Sector Emphasis	Financials	N/A
Cash Allocation	1.3%	0.0%
Annual Turnover	26.0%	N/A
Annual Expense Ratio	0.49%	
Total Fund Assets	\$163.9 billion	N/A
Inception Date	7/14/2000	N/A
Portfolio Manager	Team Approach	N/A

CAPITAL GUARDIAN

\$163.9 Million and 5.5% of Fund

First Quarter 2007

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	26.6	46	-4.0
2007 (3 months)	3.6	39	3.8	31	-0.2
Trailing 1-Year	17.3 %	62	19.8 %	42	-2.5
Trailing 3-Year	19.6	53	20.9	35	-1.3
Trailing 5-Year	15.4	54	16.9	38	-1.5
Since Inception (7/31/00)	6.3	--	7.4	--	-1.1

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

First Quarter 2007

**RETURN SUMMARY
ENDING 03/31/07**

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	2.6%	72	22.5%	20	21.7%	24	18.4%	19	18.4%	19	3/31/02
MSCI EAFE Index	4.1	22	20.2	40	19.8	48	15.8	47	15.8	47	

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.

Commentary on Investment Performance

During the first quarter, Sprucegrove gained 2.6% but underperformed its benchmark, the MSCI EAFE Index by 1.5 percentage points. Negative stock selections in the materials and industrials sectors held back results as the portfolio did not hold several of the better performing stocks. In addition, the manager's out-of-benchmark allocation to emerging markets (12.4% at quarter end) detracted from relative results as developed markets outperformed emerging markets during the quarter. On a regional basis, stock selection in Europe, particularly in the United Kingdom, and Japan detracted from results. Positives for the portfolio included gains from within the financial sector, as well as strong stock selection within Switzerland and the Netherlands.

Relative performance over the trailing one-year period remained strong on both an absolute and relative basis. An underweight allocation to Japan combined with an out-of-benchmark allocation to emerging markets benefited results.

Longer-term performance remained favorable as the manager has been successful in consistently adding value over time due to the manager's value orientation and adept stock selection.

SPRUCEGROVE

\$162.1 Million and 5.5% of Fund

First Quarter 2007

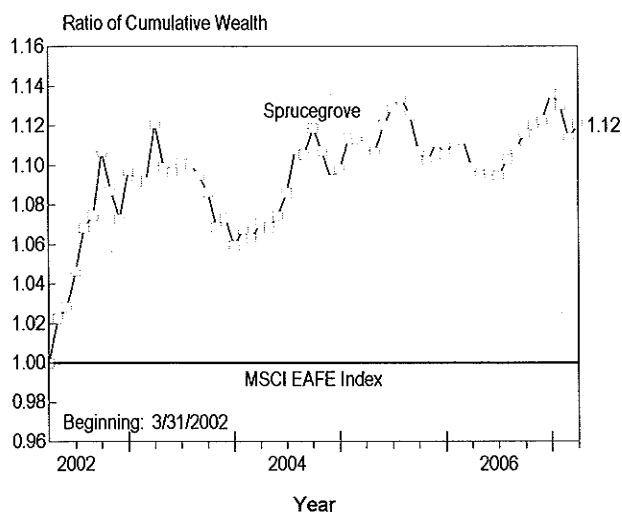
COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 3/31/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.7 %	5.8 %
Belgium	--	1.3	4.0
Czech Republic*	--	0.0	6.0
Denmark	0.5 %	0.9	8.0
Finland	0.3	1.5	10.4
France	3.3	10.0	2.8
Germany	3.5	7.7	6.8
Greece	1.0	0.7	5.6
Hungary*	0.9	0.0	-2.5
Ireland	6.7	0.8	-0.9
Italy	2.9	3.8	0.9
Netherlands	3.9	3.5	7.6
Norway	0.2	0.9	7.1
Poland*	--	0.0	9.0
Portugal	--	0.4	4.6
Russia*	--	0.0	-3.0
Spain	1.9	4.0	4.4
Sweden	--	2.6	4.0
Switzerland	10.4	6.8	2.5
United Kingdom	22.9	23.2	3.0
Asia/Pacific			
Australia	2.0 %	5.9 %	9.2 %
China*	0.2	0.0	-2.3
Hong Kong	4.6	1.7	0.5
India*	1.2	0.0	-3.3
Indonesia*	--	0.0	-2.1
Japan	9.1	22.5	3.5
Korea*	2.8	0.0	3.0
Malaysia*	0.4	0.0	18.3
New Zealand	--	0.2	1.0
Pakistan*	--	0.0	15.5
Philippines*	--	0.0	9.0
Singapore	3.7	1.0	10.3
Sri Lanka*	--	0.0	-0.6
Taiwan, China*	--	0.0	-3.2
Thailand*	--	0.0	3.5
Americas			
Argentina*	--	0.0 %	-2.3 %
Brazil*	1.8 %	0.0	6.2
Canada	3.1	0.0	3.2
Chile*	--	0.0	7.0
Colombia*	--	0.0	-5.6
Mexico*	4.0	0.0	5.9
Peru*	--	0.0	25.0
Other			
Egypt*	--	0.0 %	3.6 %
Israel*	--	0.0	10.9
Jordan*	--	0.0	9.7
Morocco*	--	0.0	24.7
South Africa*	1.0 %	0.0	7.1
Turkey*	--	0.0	14.7
Cash			
Cash	7.6 %	--	--
Total	100.0 %	100.0 %	4.1 %
Developed	79.9	100.0	
Emerging*	12.4	0.0	
Cash	7.6	--	

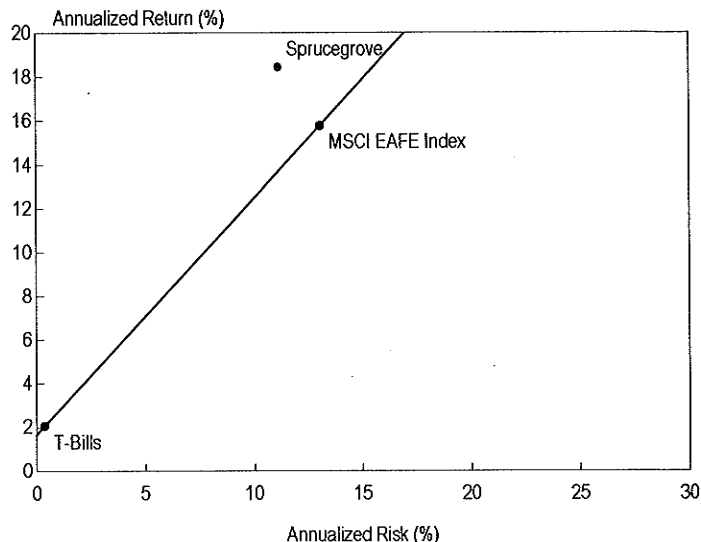
*Emerging market countries

First Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 3/31/07**



	Sprucegrove	MSCI EAFE
Country Emphasis	United Kingdom 22.9% Switzerland 10.4% Japan 9.1% Ireland 6.7% Hong Kong 4.6%	United Kingdom 23.2% Japan 22.5% France 10.0% Germany 7.7% Switzerland 6.8%
Capitalization/Style Factors	Large Value	Large/Blend
Average Market Capitalization	\$33.2 billion	\$11.5 billion
Number of Holdings	107	1,157
Top 5 Holdings	Allied Irish Banks Nestle Total Lloyds TSB CRH	BP PLC HSBC Holding Toyota Motor GlaxoSmithKline Nestle
Sector Emphasis	Financials	N/A
Cash Allocation	7.7%	0.0%
Annual Turnover	8.0%	N/A
Annual Expense Ratio	0.40%	1.18%
Total Fund Assets	\$1,294.4 billion	N/A
Inception Date	4/1/2002	N/A
Portfolio Manager	Team Approach	N/A

SPRUCEGROVE

\$162.1 Million and 5.5% of Fund

First Quarter 2007

HISTORICAL RETURNS

(BY YEAR)

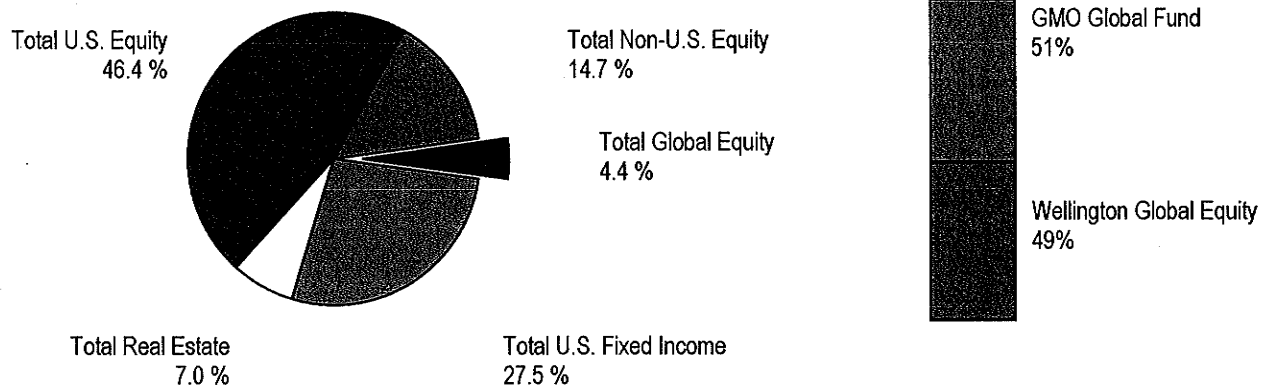
	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.6	69	0.7
2006	29.9	20	26.3	50	3.6
2007 (3 months)	2.6	72	4.1	22	-1.5
Trailing 1-Year	22.5%	20	20.2%	40	2.3
Trailing 3-Year	21.7	24	19.8	48	1.9
Since Inception (3/31/02)	18.4	19	15.8	47	2.6

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

TOTAL GLOBAL EQUITY
\$131.6 Million and 4.4% of Fund

First Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 03/31/07

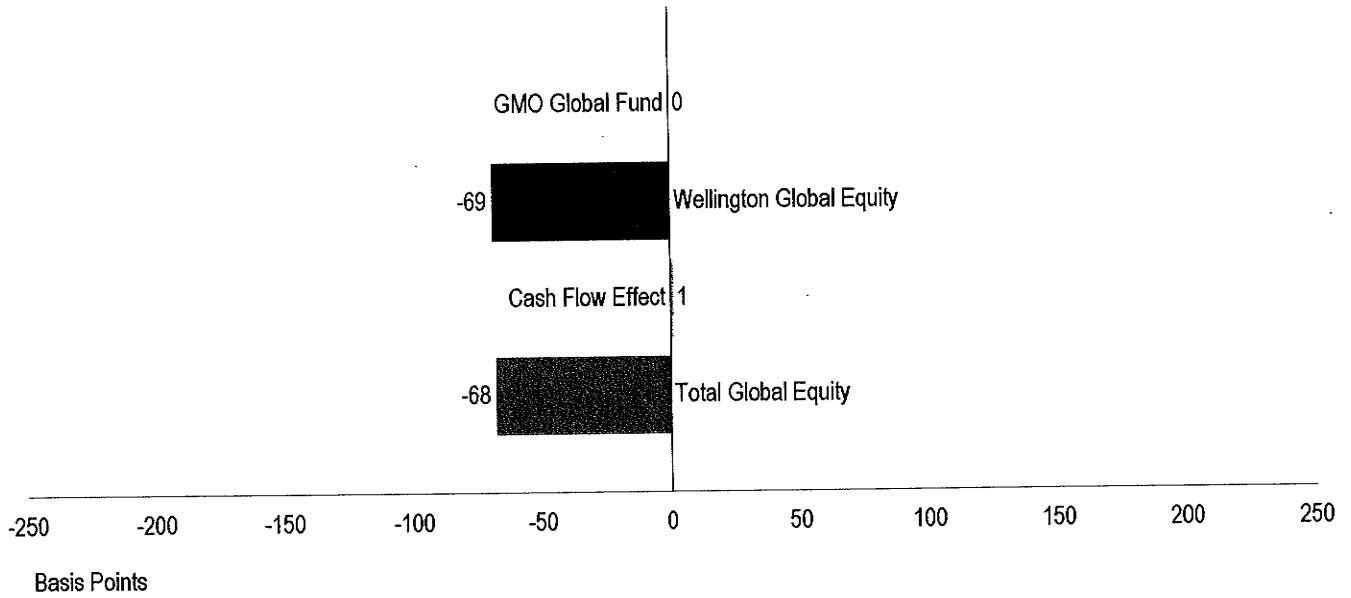


TOTAL GLOBAL EQUITY

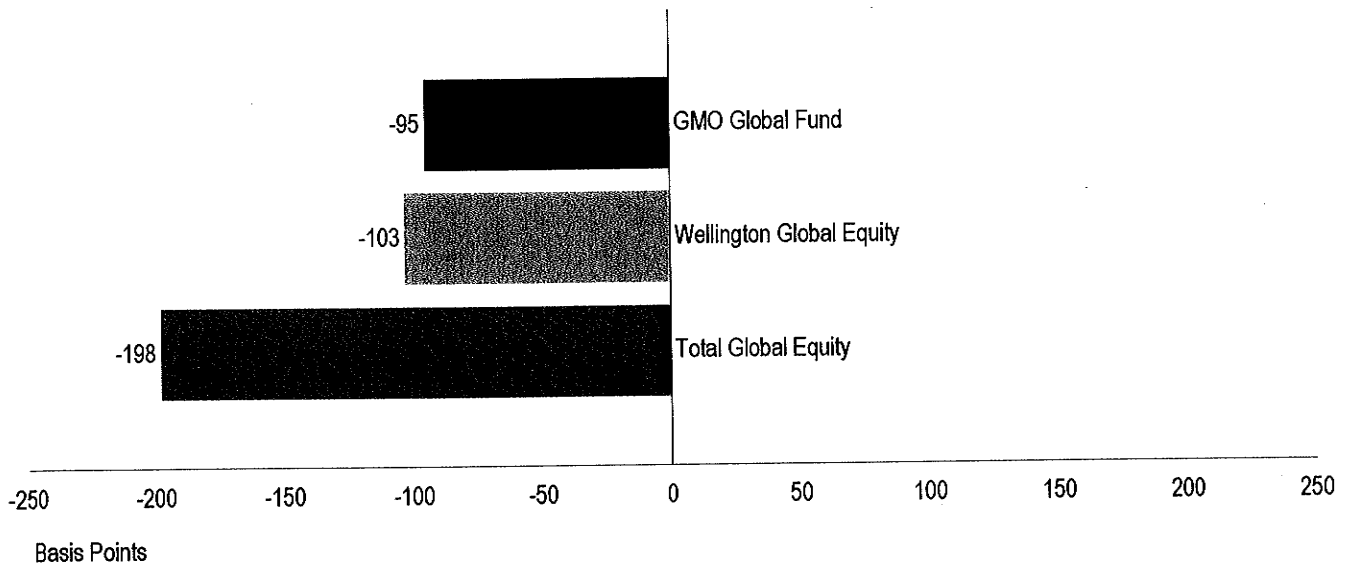
\$131.6 Million and 4.4% of Fund

First Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/07



TOTAL GLOBAL EQUITY

\$131.6 Million and 4.4% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	1.8 %	57	13.9 %	49	17.9 %	--	4/30/05
MSCI All Country World Index	2.5	34	15.9	38	20.0	--	
GMO Global Fund	2.5	34	14.0	48	19.0	--	4/30/05
MSCI All Country World Index	2.5	34	15.9	38	20.0	--	
Wellington Global Equity	1.1	76	13.8	50	16.9	--	5/31/05
MSCI All Country World Index	2.5	34	15.9	38	19.8	--	

Commentary on Investment Performance

The collective return of the global equity component advanced 1.8% during the first quarter and underperformed the MSCI All Country World Index by 0.7 percentage points. Benchmark like performance generated by GMO was offset by poor relative results experienced by Wellington.

Over the trailing twelve months, the global equity component trailed the performance of the Index by 2.0 percentage points. Below-benchmark results generated by GMO and Wellington detracted from relative results.

While strong on an absolute basis, longer-term relative performance of the global equity component fell short of the Index.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's global 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 "Total" bar in these graphs represent the difference between the global equity component's return and that of the Index.

GMO

\$66.9 Million and 2.3% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	2.5%	34	14.0%	48	19.0%	--	4/30/05
MSCI All Country World Index	2.5	34	15.9	38	20.0	--	

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.

Commentary on Investment Performance

The GMO Global Equity Allocation Fund returned 2.5% during the first quarter, approximating the return of the MSCI All Country World Index. GMO noted that their asset allocation decision (large overweight to international stocks and underweight to U.S. stocks) added value, but these gains were offset by individual issue underperformance. Three of the portfolio's eight underlying strategies underperformed their respective benchmarks during the quarter, with the largest laggards being the emerging markets quality and U.S. quality equity strategies. GMO noted that their stock selection within the United States was a large detractor during the quarter, as low-quality and value were the two areas of the U.S. market that GMO liked the least over the trailing three months, and, similar to last quarter, these turned out to be the two areas of the market that performed best.

Since GMO's inception with VCERA, the manager has lagged the return of the MSCI All Country World Index by an annualized 1.0 percentage point.

First Quarter 2007

COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 3/31/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.4%	0.3%	5.8%
Belgium	1.4	0.6	4.0
Czech Republic*	--	0.1	6.0
Denmark	0.2	0.4	8.0
Finland	0.8	0.7	10.4
France	6.1	4.5	2.8
Germany	5.7	3.4	6.8
Greece	--	0.3	5.6
Hungary*	0.1	0.1	-2.5
Ireland	0.9	0.4	-0.9
Italy	2.2	1.7	0.9
Netherlands	3.6	1.6	7.6
Norway	0.6	0.4	7.1
Poland*	0.2	0.2	9.0
Portugal	--	0.2	4.6
Russia*	0.9	0.9	-3.0
Spain	1.9	1.8	4.4
Sweden	1.8	1.2	4.0
Switzerland	2.4	3.0	2.5
United Kingdom	11.7	10.3	3.0
Asia/Pacific			
Australia	2.1%	2.6%	9.2%
China*	0.8	0.9	-2.3
Hong Kong	1.5	0.8	0.5
India*	0.5	0.5	-3.3
Indonesia*	0.1	0.1	-2.1
Japan	14.1	10.0	3.5
Korea*	1.2	1.3	3.0
Malaysia*	0.2	0.3	18.3
New Zealand	--	0.1	1.0
Pakistan*	--	0.0	15.5
Philippines*	--	0.1	9.0
Singapore	1.3	0.4	10.3
Taiwan, China*	1.0	1.0	-3.2
Thailand*	0.1	0.1	3.5
Americas			
Argentina*	--	0.1%	-2.3%
Brazil*	0.8%	0.9	6.2
Canada	0.3	3.2	3.2
Chile*	0.1	0.1	7.0
Colombia*	--	0.0	-5.6
Mexico*	0.4	0.5	5.9
Peru*	--	0.1	25.0
United States	32.2	43.8	0.9
Other			
Egypt*	--	0.1%	3.6%
Israel*	0.2%	0.2	10.9
Jordan*	--	0.0	9.7
Morocco*	--	0.0	24.7
South Africa*	0.6	0.7	7.1
Turkey*	--	0.1	14.7
Cash			
Cash	1.6%	--	--
Total	100.0%	100.0%	2.5%
Developed	91.2	91.6	
Emerging*	7.2	8.3	
Cash	1.6	--	

*Emerging market countries

WELLINGTON

\$64.7 Million and 2.2% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Wellington Global Equity	1.1%	76	13.8%	50	16.9%	--	5/31/05
MSCI All Country World Index	2.5	34	15.9	38	19.8	--	

Philosophy and Process

The Wellington Global Research Equity portfolio focuses on stock selection within industries; industry weights are kept similar to those of the MSCI All Country World Index. The strategy is formally re-balanced to the industry weight of the Index on a quarterly basis. Country weights are a result of the security selection process. The Global Research Equity strategy consists of multiple sub-portfolios, each actively managed by one of Wellington's global industry analysts. The allocation of assets to each of the sub-portfolios corresponds to the relative weight of each research analyst's coverage of the MSCI All-Country World Index. Each analyst can hold up to the number of stocks equal to their benchmark weight plus one.

Manager Monitoring

We have remained patient through Wellington's prolonged spell of underperformance. However, multiple changes to organization and process, coupled with a fee increase, cause us great concern. As a result, we adjusted the score given to Wellington's Global Research Equity product from 15 to 14 during the quarter. A memorandum detailing our observations is included with this report.

Commentary on Investment Performance

Wellington trailed its benchmark during the first quarter of 2007. Weak stock selection was the main detractor from performance as eight of the ten broad market sectors within the portfolio, particularly energy, consumer discretionary, and consumer staples underperformed. Within the energy sector, oil companies Gazprom (Russia) and CNOOC (Brazil) negatively impacted performance due to local tax increases and declines in production. Further detracting from results were spirits-maker Constellation Brands. During the quarter, the manager sold out of this position as well as Japan Tobacco, and Gap (United States).

On a positive note, stock selection within the utilities sector proved beneficial to performance. TXU (United States) posted a strong first-quarter return after it was bought out by a private equity firm during the period. Exelon (United States) gained on news of pending government-imposed caps on carbon emissions.

While positive on an absolute basis, the manager has been unable to add relative value since its inception with VCERA in 2005.

First Quarter 2007

COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 3/31/07

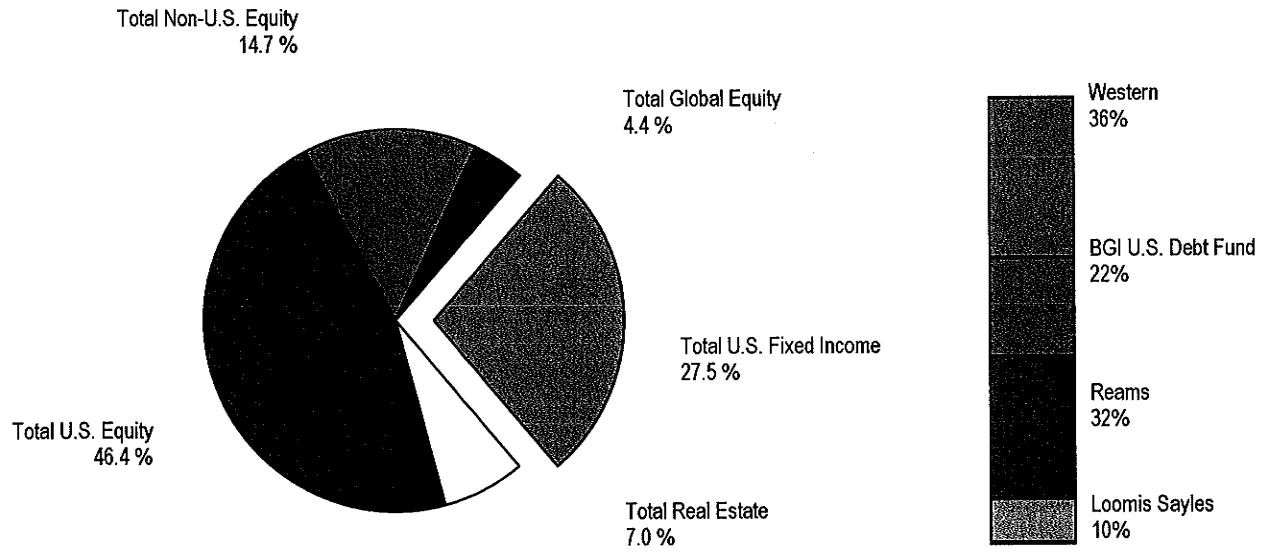
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.3%	5.8%
Belgium	--	0.6	4.0
Czech Republic*	--	0.1	6.0
Denmark	--	0.4	8.0
Finland	--	0.7	10.4
France	7.0%	4.5	2.8
Germany	3.7	3.4	6.8
Greece	--	0.3	5.6
Hungary*	--	0.1	-2.5
Ireland	2.1	0.4	-0.9
Italy	3.1	1.7	0.9
Netherlands	2.0	1.6	7.6
Norway	0.4	0.4	7.1
Poland*	--	0.2	9.0
Portugal	--	0.2	4.6
Russia*	3.3	0.9	-3.0
Spain	2.3	1.8	4.4
Sweden	1.2	1.2	4.0
Switzerland	4.3	3.0	2.5
United Kingdom	5.8	10.3	3.0
Asia/Pacific			
Australia	1.3%	2.6%	9.2%
China*	1.7	0.9	-2.3
Hong Kong	0.7	0.8	0.5
India*	--	0.5	-3.3
Indonesia*	0.2	0.1	-2.1
Japan	8.5	10.0	3.5
Korea*	--	1.3	3.0
Malaysia*	--	0.3	18.3
New Zealand	--	0.1	1.0
Pakistan*	--	0.0	15.5
Philippines*	--	0.1	9.0
Singapore	--	0.4	10.3
Taiwan, China*	0.7	1.0	-3.2
Thailand*	--	0.1	3.5
Americas			
Argentina*	--	0.1%	-2.3%
Brazil*	1.8%	0.9	6.2
Canada	3.6	3.2	3.2
Chile*	--	0.1	7.0
Colombia*	--	0.0	-5.6
Mexico*	--	0.5	5.9
Peru*	--	0.1	25.0
United States	44.9	43.8	0.9
Other			
Egypt*	0.4%	0.1%	3.6%
Israel*	--	0.2	10.9
Jordan*	--	0.0	9.7
Morocco*	--	0.0	24.7
South Africa*	--	0.7	7.1
Turkey*	0.7	0.1	14.7
Cash			
Cash	0.4%	--	--
Total	100.0%	100.0%	2.5%
Developed	90.9	91.6	
Emerging*	8.7	8.3	
Cash	0.4	--	

*Emerging market countries

TOTAL U.S. FIXED INCOME
\$816.5 Million and 27.5% of Fund

First Quarter 2007

**ASSET ALLOCATION
 ACTUAL AS OF 03/31/07**

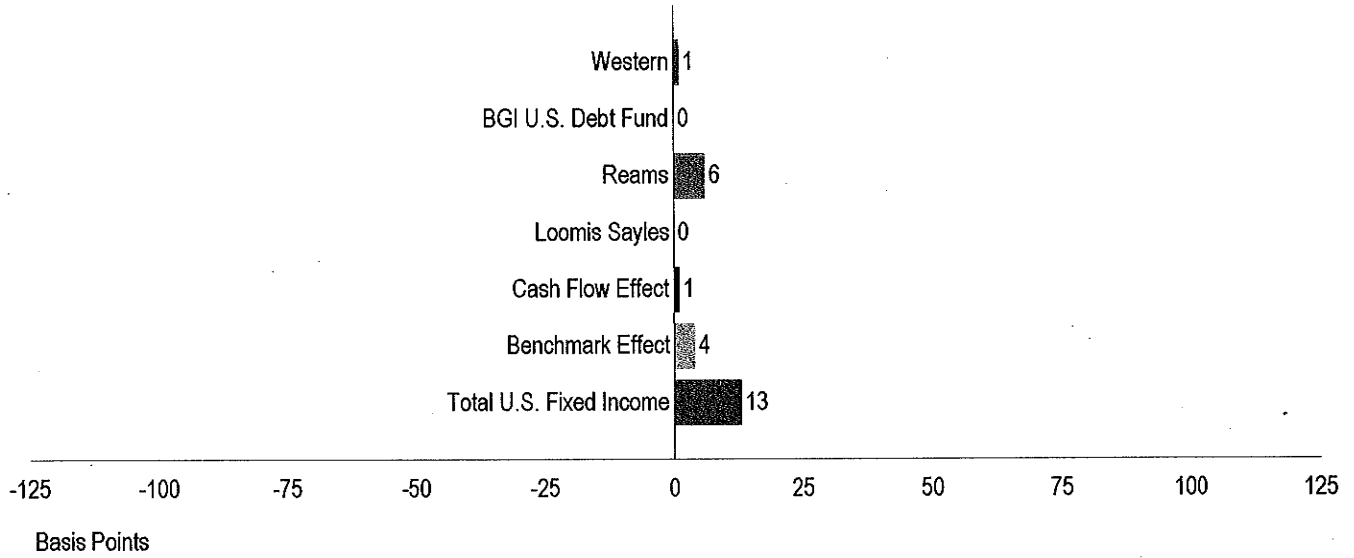


TOTAL U.S. FIXED INCOME

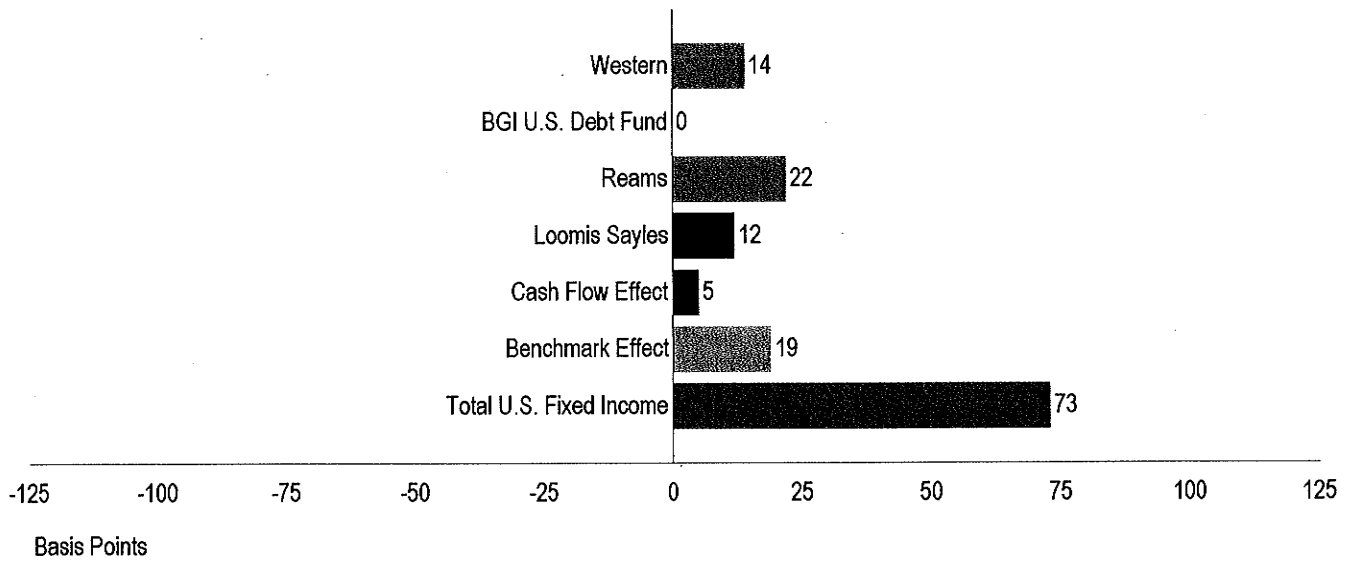
\$816.5 Million and 27.5% of Fund

First Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/07



TOTAL U.S. FIXED INCOME

\$816.5 Million and 27.5% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	1.6%	34	7.3%	30	4.2%	26	6.1%	36	6.8%	40	6.3%	--	2/28/94
LB Aggregate Bond Index	1.5	68	6.6	52	3.3	72	5.4	60	6.5	65	6.3	--	
Western	1.5	48	7.0	20	4.5	5	7.0	5	7.3	4	7.1	4	12/31/96
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	5.4	59	6.5	47	6.2	47	
BGI U.S. Debt Fund	1.5	55	6.6	48	3.3	68	5.4	59	6.5	47	6.1	--	11/30/95
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	5.4	59	6.5	47	6.1	--	
Reams	1.7	9	7.3	11	4.3	6	5.7	32	--	--	5.0	48	9/30/01
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	5.4	59	--	--	4.9	56	
Loomis Sayles	1.9	--	9.8	--	--	--	--	--	--	--	7.0	--	7/31/05
Performance Benchmark	2.0	--	8.6	--	--	--	--	--	--	--	5.8	--	

Commentary on Investment Performance

The fixed income component advanced 1.6% during the quarter and outperformed the Lehman Brothers Aggregate Bond Index by 0.1 percentage point. Above-benchmark results generated by Reams were partially offset by below-benchmark results from Loomis Sayles. Western and BGI produced benchmark-like returns during the period.

The collective return of the fixed income component continued to exceed the Lehman Brothers Aggregate Bond Index over the trailing one-year period. Each of the component's active managers was successful in adding incremental value versus their respective benchmark.

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 and one-year attribution graphs is a result of the cumulative performance of the individual manager's benchmarks outperforming the fixed income component's benchmark.

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	1.5%	48	7.0%	20	4.5%	5	7.0%	5	7.1%	4	12/31/96
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	5.4	59	6.2	47	

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.

Commentary on Investment Performance

The Western Core-Plus portfolio advanced 1.5% and approximated the return of the LB Aggregate Bond Index during the first quarter. A longer than benchmark duration and an overweight to the front end of the yield curve aided relative results, as short to intermediate yields fell during the quarter. The manager's slight exposure to Treasury Inflation Protected Securities (TIPS) further aided results due to investors' expectations of increasing inflation in light of higher energy costs. Finally, the manager's modest exposure to emerging market debt issues contributed to relative results. Offsetting these gains, however, was the manager's overweight allocation to the financial sector and significant allocations to Ford and General Motors as spreads sharply widened during the quarter. Additionally, the manager's exposure to non-dollar bonds was detrimental to performance as these issues underperformed their domestic counterparts.

Over the trailing one-year period, the Fund outperformed the Index by 0.4 percentage points. Sizeable allocations to strong-performing sectors not included in the Index, such as TIPS, foreign bonds, and high-yield bonds, have been significant contributors to relative gains.

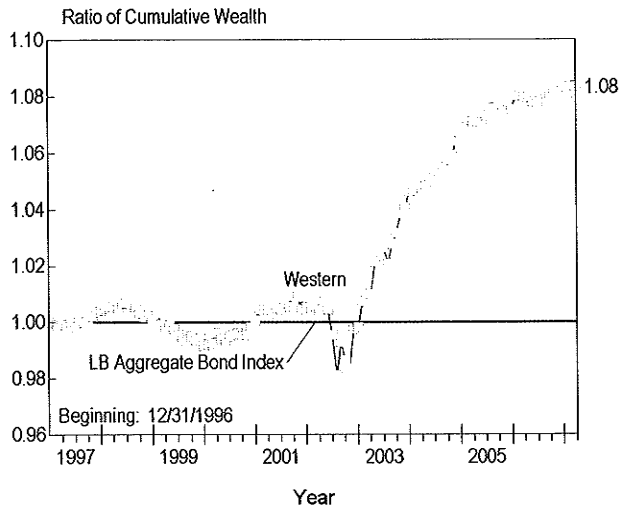
Western's long-term performance relative to its benchmark remained favorable with the Fund outperforming its benchmark in all periods shown above and ranking well within a universe of its fixed income peers. Since its inception with VCERA in 1996, the manager has exceeded the benchmark by an annualized 0.9 percentage points.

WESTERN

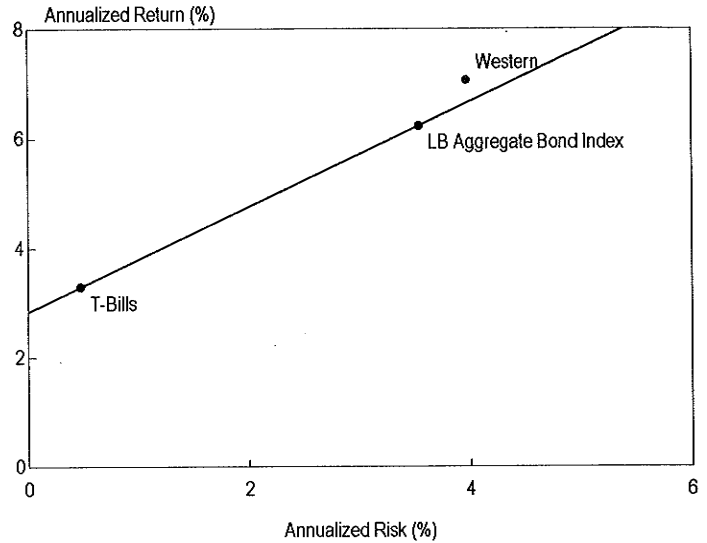
\$293.7 Million and 9.9% of Fund

First Quarter 2007

**RATIO OF CUMULATIVE WEALTH
10 YEARS 3 MONTHS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
10 YEARS 3 MONTHS ENDING 3/31/07**



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

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 12/31/06	% at 3/31/07	% at 3/31/07	First Quarter Return
Sector Weightings:				
Treasury/Agency	18%	18%	34%	1.4%
Corporate	24	23	22	1.5
Mortgage-Related	48	48	43	1.6
Asset-Backed	1	1	1	1.4
Foreign Bonds	6	6	--	--
Other	--	--	--	--
Cash & Equiv.	4	4	--	--
Total	100 %	100 %	100 %	1.5%
Average Duration	4.9 years	5.0 years	4.5 years	--

First Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Western		LB 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 (3 months)	1.5	48	1.5	55	0.0
Trailing 1-Year	7.0%	20	6.6%	48	0.4
Trailing 3-Year	4.5	5	3.3	63	1.2
Trailing 5-Year	7.0	5	5.4	59	1.6
Since Inception (12/31/96)	7.1	4	6.2	47	0.9

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

BGI U.S. DEBT FUND

\$181.4 Million and 6.1% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		5 Years Ending 3/31/07		10 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	1.5%	55	6.6%	48	3.3%	68	5.4%	59	6.5%	47	6.1%	--	11/30/95
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	5.4	59	6.5	47	6.1	--	

Philosophy and Process

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

Commentary on Investment Performance

The BGI U.S. Debt Fund successfully tracked the performance of the LB Aggregate Bond Index during the quarter.

As expected, the Fund closely tracked the LB Aggregate Bond Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS (BY YEAR)

	BGI U.S. Debt Fund		LB 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 (3 months)	1.5	55	1.5	55	0.0
Trailing 1-Year	6.6%	48	6.6%	48	0.0
Trailing 3-Year	3.3	68	3.3	63	0.0
Trailing 5-Year	5.4	59	5.4	59	0.0
Since Inception (11/30/95)	6.1	--	6.1	--	0.0

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter		1 Year Ending 3/31/07		3 Years Ending 3/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	1.7%	9	7.3%	11	4.3%	6	5.0%	48	9/30/01
LB Aggregate Bond Index	1.5	55	6.6	48	3.3	63	4.9	56	

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.

Commentary on Investment Performance

Reams outperformed the LB Aggregate Bond Index by 0.2 percentage points during the first quarter. The biggest contributors during the quarter included an underweight to Asset Backed Securities (ABS) and an overweight to the high yield sector. On a macro level, the manager's longer than benchmark duration benefited relative performance as short to intermediate interest rates fell during the period. From a sector and security selection standpoint, Reams' overweight position to mortgage related securities had a neutral effect on performance as that sector's performance was in line with comparable treasuries.

The portfolio's one-year performance exceeded that of the Index by 0.7 percentage points. The portfolio benefited from positive security selection in mortgage securities, investment grade credit, and high yield. Yield curve positioning also aided results as the portfolio was underweighted in the weaker-performing long end of the curve.

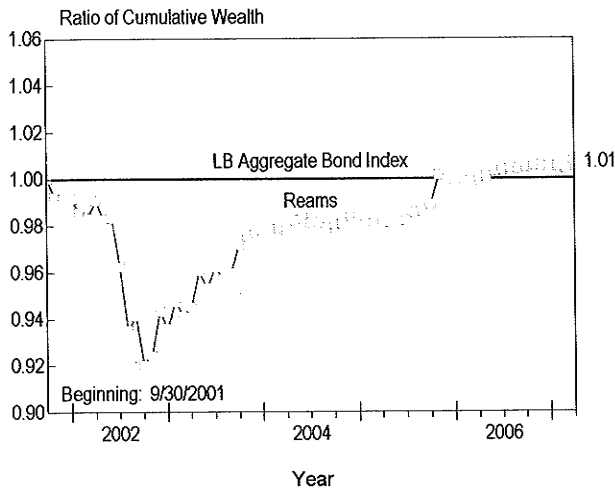
The manager's longer-term results shown above compared favorably versus those of the Index.

REAMS

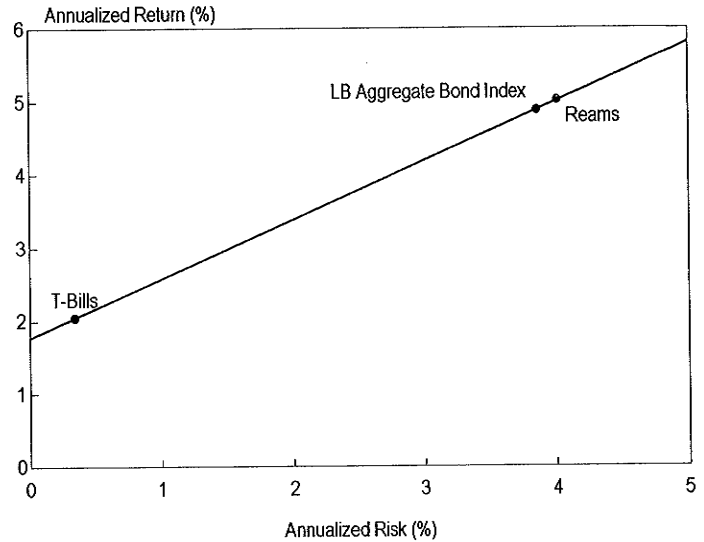
\$260.5 Million and 8.8% of Fund

First Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS 6 MONTHS ENDING 3/31/07**



**ANNUALIZED RISK RETURN
5 YEARS 6 MONTHS ENDING 3/31/07**



The table below details Reams' sector allocation relative to the LB Aggregate Bond Index.

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 12/31/06	% at 3/31/07	% at 3/31/07	First Quarter Return
Sector Weightings:				
Treasury/Agency	39%	11%	34%	1.4%
Corporate	13	16	22	1.5
Mortgage-Related	44	65	43	1.6
Asset-Backed	--	--	1	1.4
Foreign Bonds	--	--	--	--
Other	--	--	--	--
Cash & Equiv.	3	8	--	--
Total	100 %	100 %	100 %	1.5%
Average Duration	4.7 years	4.7 years	4.5 years	--

First Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Reams		LB 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 (3 months)	1.7	9	1.5	55	0.2
Trailing 1-Year	7.3%	11	6.6%	48	0.7
Trailing 3-Year	4.3	6	3.3	63	1.0
Since Inception (9/30/01)	5.0	48	4.9	56	0.1

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

LOOMIS SAYLES

\$81.0 Million and 2.7% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter	1 Year Ending 3/31/07	Since Inception	Inception Date
Loomis Sayles	1.9%	9.8%	7.0%	7/31/05
Performance Benchmark	2.0	8.6	5.8	
LB Aggregate Bond Index	1.5	6.6	4.0	

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% Lehman Brothers Aggregate Bond Index and 40% Lehman Brothers High Yield Index.

Commentary on Investment Performance

Loomis Sayles earned 1.9% during the first quarter and underperformed the Performance Benchmark by 0.1 percentage point. The portfolio's underweight in the high yield sector proved to be a detractor to overall performance. In addition, the manager's decision to buy 30-year U.S. Treasury notes to extend duration detracted from relative performance during the quarter. Conversely, the manager's non-dollar and high yield positions were the primary contributors to the strategy's favorable relative performance. The strategy's non-dollar holdings benefited from owning issues in high interest rate environments such as Iceland and New Zealand and buying local currency denominated bonds as the U.S. dollar weakened against most currencies. The manager's exposure to high yield industrials and utilities also added to the favorable performance.

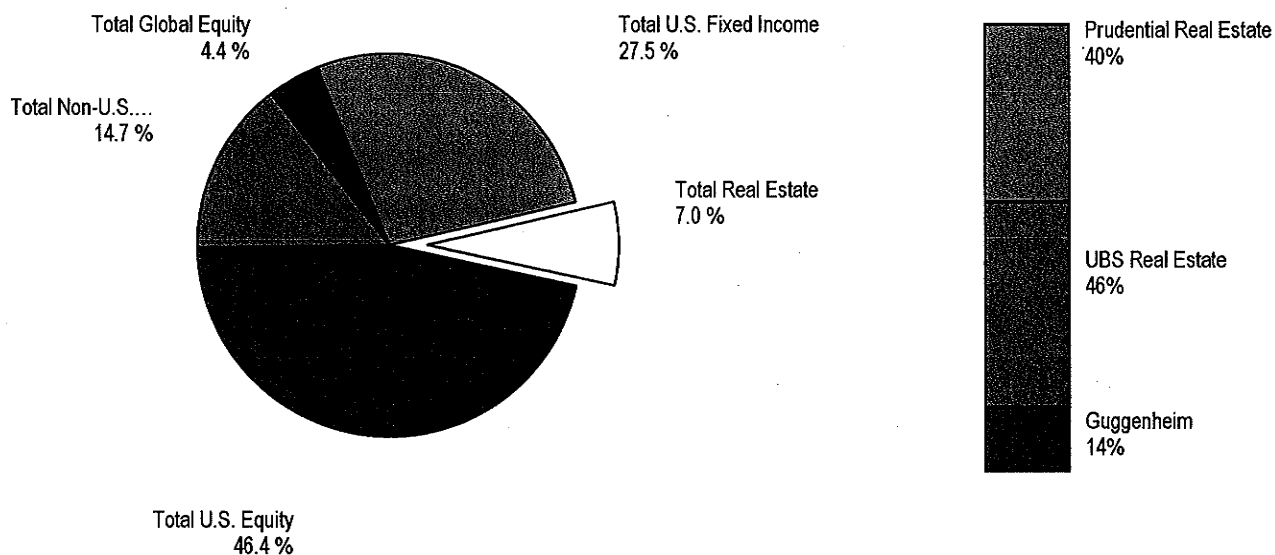
Loomis Sayles has outperformed the Performance Benchmark by a comfortable margin over the longer time periods analyzed above. Historically, the manager has benefited greatly from its interest rate positioning. Additionally, allocations to non-U.S. bonds (both in developed and emerging countries) and high-yield bonds have greatly impacted results.

TOTAL REAL ESTATE

\$208.8 Million and 7.0% of Fund

First Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 03/31/07



TOTAL REAL ESTATE

\$208.8 Million and 7.0% of Fund

First Quarter 2007

RETURN SUMMARY

ENDING 03/31/07

	First Quarter	1 Year Ending 3/31/07	3 Years Ending 3/31/07	5 Years Ending 3/31/07	Since Inception	Inception Date
Total Real Estate	3.4%	15.7%	17.0%	14.5%	11.7%	3/31/94
Policy Benchmark	3.5	15.4	16.9	13.5	11.7	
Prudential Real Estate	3.8	14.9	--	--	12.7	6/30/04
Policy Benchmark	3.5	15.4	--	--	17.3	
UBS Real Estate	3.2	16.1	16.8	--	14.8	3/31/03
NCREIF Open End Fund Index	3.5	15.4	16.3	--	14.7	
Guggenheim	4.0	--	--	--	15.8	6/30/06
Performance Benchmark	3.7	--	--	--	15.6	

The Board approved the change of the total real estate policy benchmark from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index). Both of these indices are sponsored by the 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. The new benchmark went into effect in January 2006 and is represented as the Policy Benchmark for the real estate asset class.

Commentary on Investment Performance

The real estate component's first quarter collective return of 3.4% trailed the Policy Benchmark by 0.1 percentage point. Impeding the period's relative return was underperformance within the UBS RESA portfolio. Partially offsetting the period's underperformance was the strong relative return generated by Prudential and Guggenheim.

During the trailing one-year period, the real estate component advanced an impressive 15.7% and exceeded the Policy Benchmark by 0.3 percentage points. Positive relative results generated by UBS RESA contributed to relative gains.

Over the long-term periods analyzed, the real estate component enjoyed relative success versus the benchmark.

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter	1 Year Ending 3/31/07	Since Inception	Inception Date
Prudential Real Estate	3.8%	14.9%	12.7%	6/30/04
Policy Benchmark	3.5	15.4	17.3	
PRISA Fund I	3.8	14.8	18.6	3/31/05
NCREIF Open End Fund Index	3.5	15.4	17.1	

Prudential Real Estate assumed control of the INVESCO portfolio in the third quarter of 2004. The portfolio's performance track record began July 1, 2004. Prudential took over the properties that were historically managed by Invesco. Those properties were sold and an investment has been made into Prudential's open-end core real estate fund, PRISA. The returns shown above for Prudential include the separate account properties and the investment in the commingled fund, which was initially funded at the end of the first quarter 2005. Beginning January 2006, the return stream for Prudential solely represents the commingled fund as the sale of the remaining separate account property took place in December 2005.

Investment Approach

Prudential's PRISA is a core-only product with no value-added component. In addition 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.

Manager Monitoring

It was announced during the quarter that J. Allen Smith, current Senior Portfolio Manager for PRISA, will be transitioning to the role of Head of U.S. Real Estate throughout 2007. Kevin R. Smith, who has been a member of the portfolio management team for a number of years, will be taking over as the Senior Portfolio Manager for PRISA. Given the team management approach of the product, we do not believe this change will have much of an impact on the management or performance of the PRISA portfolio going forward.

Commentary on Investment Performance

The PRISA portfolio exceeded the return of the NCREIF Open-End Fund Property Index during the quarter. Performance was driven by stronger than expected performance from the portfolio's office properties. In particular, the fund's suburban and central business district office properties saw significant appreciation during the quarter, while office properties as a whole contributed 65% of the portfolio's value-added. The residential, industrial, and hotel sectors also gained value, while the retail portfolio value declined slightly.

As of quarter-end, the PRISA portfolio was diversified as follows: 30% office properties, 21% retail, 21% industrial, 17% apartments, 6% self-storage, and 5% hotels. Prudential's 2007 strategy is to further increase the Fund's office and residential properties while decreasing retail properties.

UBS REALTY

\$96.4 Million and 3.2% of Fund

First Quarter 2007

RETURN SUMMARY ENDING 03/31/07

	First Quarter	1 Year Ending 3/31/07	3 Years Ending 3/31/07	Since Inception	Inception Date
UBS Real Estate	3.2%	16.1%	16.8%	14.8%	3/31/03
NCREIF Open End Fund Index	3.5	15.4	16.3	14.7	
NCREIF NPI	3.6	16.6	17.4	15.4	

Portfolio Characteristics

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 modify continually 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.

Commentary on Investment Performance

RESA experienced gains of 3.2% during the first quarter, underperforming the NCREIF Open-End Fund Property Index by 0.3 percentage points. The Fund's underweight to the office sector (relative to NCREIF) hurt results. Offices were the highest performing sector during first quarter, posting a 4.6% return. As of March 31, 2007, RESA's total asset value was \$10.6 billion; an increase compared to its fourth quarter value of \$10.2 billion. At 9.9%, the Fund utilizes a modest amount of leverage when compared to other core funds. RESA's portfolio currently holds 152 properties. UBS reports that current property type and geographic allocations are in line with long term targets. They will, however, increase their allocation to properties located in the Midwest region as opportunities arise.

During the quarter, RESA acquired one new property, a large apartment complex, totaling \$80.6 million. RESA also sold one property, an office investment, for \$52.9 million during the quarter.

The RESA portfolio exceeded the return of the NCREIF Open-End Fund Property Index over the longer-term periods shown above.

First Quarter 2007

RETURN SUMMARY
ENDING 03/31/07

	First Quarter	Since Inception	Inception Date
Guggenheim	4.0%	15.8%	6/30/06
Performance Benchmark	3.7	15.6	

Portfolio Characteristics

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.

Commentary on Investment Performance

As of the date of publishing this report, Guggenheim had yet to publish audited reports for the first quarter. The manager's preliminary performance analysis indicated a first quarter net-return of 4.0% which exceeded the performance benchmark by approximately 0.3 percentage points. At the end of the quarter, the Fund held 29% of its assets in public real estate securities and the remaining 71% in private real estate investments. The Fund remained well diversified both across geographic regions and amongst property types.

EnnisKnupp will incorporate finalized audited numbers when they become available and inform you if any material deviations occur between the actual returns and those estimated by the manager. The audited numbers are typically available between six to eight weeks after the end of the quarter.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	First Quarter	Annualized Periods Ending 3/31/07			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
DJ Wilshire 5000 Index	1.4%	11.3%	11.0%	7.7%	8.7%
S&P 500 Index	0.6	11.8	10.1	6.3	8.2
Russell 3000 Index	1.3	11.3	10.8	7.2	8.7
Russell 1000 Value Index	1.2	16.8	14.4	10.2	10.9
Russell 1000 Growth Index	1.2	7.1	7.0	3.5	5.5
Russell MidCap Value Index	4.9	17.1	18.6	15.2	14.0
Russell MidCap Growth Index	4.0	6.9	12.4	9.5	9.4
Russell 2000 Value Index	1.5	10.4	14.5	13.6	13.5
Russell 2000 Growth Index	2.5	1.6	9.4	7.9	6.3
Bond Indices:					
Lehman Brothers Aggregate	1.5%	6.6%	3.3%	5.4%	6.5%
Lehman Brothers Gov't/Credit	1.5	6.4	2.9	5.6	6.5
Lehman Brothers Long-Term Gov't/Credit	1.0	7.4	4.1	7.9	8.1
Lehman Brothers Intermed. Gov't/Credit	1.6	6.1	2.6	4.9	6.0
Lehman Brothers Mortgage Backed	1.6	6.9	4.1	5.0	6.3
Lehman Brothers 1-3 Yr Gov't	1.4	5.1	2.4	3.3	4.9
Lehman Brothers Universal	1.6	7.0	3.9	5.9	6.6
Real Estate Indices:					
NCREIF Open End Fund Index	3.5%	15.4%	16.3%	13.2%	12.5%
Wilshire Real Estate Securities Index	3.6	21.9	24.5	22.8	15.2
Foreign Indices:					
MSCI All Country World ex-U.S. Index	3.8%	19.8%	20.9%	16.9%	8.7%
MSCI EAFE Free	4.1	20.2	19.8	15.8	8.3
MSCI Emerging Markets	2.3	20.7	27.5	24.5	8.5
MSCI Hedged EAFE Foreign Stock Index	3.8	13.7	20.1	8.8	7.9
SSB Non U.S. World Gov't Bond	1.1	8.3	2.7	10.2	5.4
Citigroup World Gov't Bond Hedged	0.9	5.0	4.4	4.8	6.3
Cash Equivalents:					
Treasury Bills (30-Day)	0.9%	4.0%	2.7%	2.1%	3.3%
EnnisKnupp STIF Index	1.3	5.4	3.6	2.8	4.0
Inflation Index:					
Consumer Price Index	1.8%	2.8%	3.1%	2.8%	2.5%

APPENDIX II

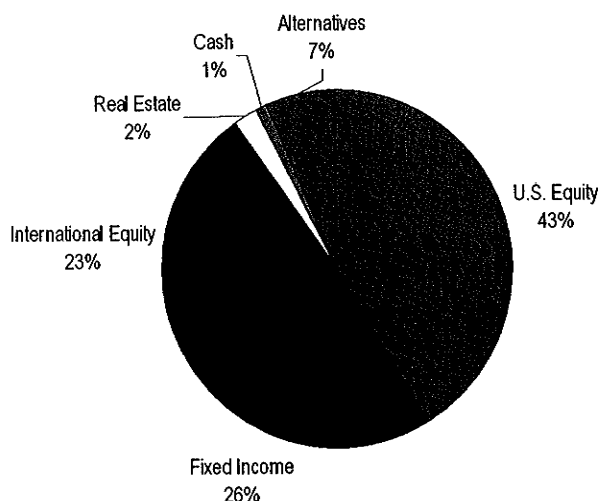
Description of Fund Benchmarks and Universe Rankings

Total Fund

Policy Portfolio- As of June 2005, the return was based on a combination of 47% Russell 3000 Index, 29% Lehman Brothers 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% Lehman Brothers 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% Lehman Brothers 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% Lehman Brothers 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% Lehman Brothers 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% Lehman Brothers 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 52 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$717.0 billion as of 3/31/2007.

Russell/Mellon Aggregate Public Fund as of 3/31/2007



Total U.S. Equity

Benchmark. The Russell 3000 Index.

Universe. A universe of 403 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$606.6 billion as of 3/31/2007.

Delta

Benchmark. The S&P 500 Index.

Universe. A universe of 407 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$815.3 billion as of 3/31/2007.

BGI Equity Index Fund

Benchmark. The S&P 500 Index.

Universe. A universe of 407 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$815.3 billion as of 3/31/2007.

BGI Extended Equity Index Fund

Benchmark. The DJ Wilshire 4500 Index.

Universe. A universe of 71 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$76.4 billion as of 3/31/2007.

LSV

Benchmark. The Russell 2000 Value Index.

Universe. A universe of 104 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$86.9 billion as of 3/31/2007.

APPENDIX II

Wasatch Advisors

Benchmark. The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

Universe. A universe of 95 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$62.4 billion as of 3/31/2007.

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 382 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$334.4 billion as of 3/31/2007.

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 382 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$334.4 billion as of 3/31/2007.

Sprucegrove

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

Universe. A universe of 382 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$334.4 billion as of 3/31/2007.

Total Global Equity

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

Universe. A universe of 53 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$99.0 billion as of 3/31/2007.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 53 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$99.0 billion as of 3/31/2007.

Wellington

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

Universe. A universe of 53 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$99.0 billion as of 3/31/2007.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$542.1 billion as of 3/31/2007.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$542.1 billion as of 3/31/2007.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$542.1 billion as of 3/31/2007.

APPENDIX II

Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$542.1 billion as of 3/31/2007.

Loomis Sayles

Benchmark. 60% of the Lehman Brothers Aggregate Bond Index and 40% of the Lehman Brothers High Yield Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$542.1 billion as of 3/31/2007.

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.

Description of Benchmarks (continued)

Russell 3000 Stock 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 Stock Index- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

Russell 1000 Value Stock Index - An index that measures the performance of those stocks included in the Russell 1000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

Russell 2000 Stock Index - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest-and smallest-capitalization issues in the domestic stock market.

Russell 2000 Value Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

Russell 2000 Growth Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.

MSCI Europe, Australasia, Far East (EAFE) Foreign Stock 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.

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

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

APPENDIX II

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 Mellon Analytical Solutions, and includes 472 funds with an equity aggregate market value of \$612.5 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 Mellon Analytical Solutions, and includes 429 funds with an international equity aggregate market value of \$306.2 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 Mellon Analytical Solutions, and includes 54 funds with a global equity aggregate market value of \$93.2 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 Mellon Analytical Solutions, and includes 462 funds with a fixed income aggregate market value of \$340.1 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 Wilshire 5000). 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.

Capital Guardian is currently on watch for performance reasons.

Wellington is currently on watch for potentially adverse information, trends or developments that the Board feels might impair the investment manager's ability to deliver a successful outcome.

APPENDIX II

Manager	Restrictions	In Compliance as of 3/31/07
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Delta	-Holdings range from 50 to 110 securities -Maximum allocation to one stock is no greater than 5% of the portfolio's value -Maximum cash allocation is 10% under normal circumstances -Median market capitalization greater than or equal to the S&P 500 -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
LSV	-Holdings range from 90 to 140 securities -Maximum allocation to one security is no greater than 3% of the portfolio's value -The market capitalization of securities purchased falls between \$100 million and \$2.5 billion -The market capitalization of any one stock can not exceed \$4 billion -Maximum cash allocation is 3% under normal circumstances -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
Wasatch	-Holdings range from 50 to 120 securities -Maximum allocation to one security is no greater than 10% of the portfolio's value -Maximum cash allocation is 10% with a long-term target maximum of 5% -The weighted average market capitalization of the portfolio should not exceed \$2.0 billion -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES NO 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
Wellington	-Portfolio is a commingled fund.	N/A
BGI 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
Loomis Sayles	-At least 50% of the portfolio must invested in investment grade securities at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -60% of the portfolio must be invested in U.S. domiciled issues	YES YES YES
Western	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of AA -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase -A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase -A maximum of 1% per issue for below investment grade securities -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase -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 -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES NO YES YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

An update on each of the violations can be found in the manager's quarterly writeup found earlier in this report.

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
Delta	23	Daily	Separate Acct.
BGI Equity Index	1	Daily	Commingled Fund
BGI Extended Market Fund	4	Daily	Commingled Fund
LSV	63	Daily	Separate Acct.
Wasatch	79	Daily	Separate Acct.
Capital Guardian	49	Monthly	Commingled Fund
Sprucegrove	40	Monthly	Commingled Fund
GMO	66	Daily	Commingled Fund
Wellington	73	Monthly	Commingled Fund
BGI U.S. Debt Fund	6	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	23	Daily	Separate Acct.
Loomis Sayles	31	Daily	Separate Acct.
Prudential	100	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Guggenheim	225	Quarterly	Commingled Fund
Total Fund	25	--	--