

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Fourth Quarter 2008

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

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HIGHLIGHTS

HIGHLIGHTS

Fourth Quarter 2008

Market Comments

U.S. stocks suffered substantial losses during the fourth quarter, denoting one of the worst years in financial market history. The Dow Jones Wilshire 5000 Index decreased 22.9% during the quarter. All Index sectors declined during the quarter as the telecommunication (-5.0%) and utilities (-11.9%) sectors produced the smallest losses while basic materials (-34.7%) and financials (-32.5%) detracted the most. Concerns over market instability, effects of recession on corporate profitability, questionable earnings forecast, lack of liquidity, and a rising unemployment rate weighed on equity markets. The government remained proactive in its attempts to stop the deterioration in market conditions, as the Federal Reserve and the Treasury Department announced \$800 billion in new lending programs designed to revive the banking system and help finance consumer loans. During the quarter, the government also provided emergency bridge loans to General Motors and Chrysler among fear of their potential failures.

Non-U.S. stocks also struggled greatly during the fourth quarter. The MSCI EAFE Index fell 22.3% as the turmoil experienced in the U.S. financial markets led to global slowdown. While non-U.S. stocks trailed U.S. stocks during the beginning of the quarter, the weakening of the U.S. dollar benefited foreign stocks and aided in its outperformance of U.S. stocks. Emerging markets also suffered significant losses as a result of global slowdown and declining oil and commodity prices. The MSCI Emerging Markets Index fell 27.6%, faring worst than U.S. and non-U.S. stocks.

The fixed income markets managed to generate gains during the fourth quarter as a result of strong performance in the month of December. The Barclays Capital Aggregate Bond Index advanced 4.6% during the quarter. Bonds benefited from investors' flight to quality, resulting in lower yields for government maturities. Although high yield bonds also advanced significantly in December, this was not enough to mitigate losses experienced at the beginning of the quarter as the Barclays U.S. High Yield Index was down 17.9% in the fourth quarter. The Federal Reserve made several reductions to the target federal rates over the quarter, decreasing the rate to 0%, as means of urging lending activity and in attempts to deter further weakening in the economy.

MAJOR MARKET RETURNS

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08
Dow Jones Wilshire 5000 Index	-22.9%	-37.2%	-8.4%
MSCI All Country World ex-U.S. Index	-22.3	-45.5	-7.0
MSCI EAFE Index	-20.0	-43.4	-7.4
MSCI Emerging Markets Index	-27.6	-53.3	-4.9
MSCI All Country World Index	-22.4	-42.2	-7.9
Barclays Capital Aggregate Bond Index	4.6	5.2	5.5

Fourth Quarter 2008

Asset Growth

As shown below, the asset value of VCERA's Total Fund declined by \$491.8 million during the quarter. The decline in assets was a result of investment losses of \$478.3 million and net withdrawals of approximately \$13.5 million.

Market Value (millions) at 9/30/08	\$2,676.9
Income/Appreciation	(478.3)
Net Contributions/Withdrawals	(13.5)
Market Value (millions) at 12/31/08	\$2,185.1

Asset Allocation

The table below illustrates VCERA's investment allocations relative to its policy. As of December 31, 2008, the Fund was overweight relative to its policy within the cash, real estate, and fixed income components. A corresponding underweight was experienced within the U.S., non-U.S., and global equity components.

Approximately \$13.5 million was withdrawn from the BGI U.S. Debt Index on December 26th, to fund employees benefit payments. In November, a total of \$60.0 million was transferred from Capital Guardian, BGI ACW ex-U.S. Index Fund, and Sprucegrove to fund Artio.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	36.2%	40.0%	-3.8
Non-U.S. Equity	16.1	18.0	-1.9
Global Equity	5.9	7.0	-1.1
Fixed Income	32.2	27.0	+5.2
Real Estate	9.2	8.0	+1.2
Cash	0.2	0.0	+0.2

HIGHLIGHTS

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	5 Years Ending 12/31/08	10 Years Ending 12/31/08	Since Inception	Inception Date
Total Fund	-16.9 %	-30.7 %	-5.5 %	0.2 %	2.3 %	8.1 %	3/31/80
Policy Portfolio	-14.5	-27.2	-3.4	1.5	2.3	--	
Public Fund Index	-13.1	-25.5	-2.7	2.3	3.3	--	
Total U.S. Equity	-23.8	-40.0	-10.3	-3.2	-0.5	5.7	12/31/93
Performance Benchmark*	-22.9	-37.2	-8.5	-1.9	-0.8	6.4	
Total Non-U.S. Equity	-21.4	-44.1	-7.9	2.1	2.5	5.5	3/31/94
Performance Benchmark**	-22.3	-45.5	-7.0	2.6	1.4	3.8	
Total Global Equity	-17.3	-37.3	-5.8	--	--	-1.7	4/30/05
MSCI All Country World Index	-22.4	-42.2	-7.9	--	--	-3.0	
Total U.S. Fixed Income	-3.8	-8.7	0.7	2.1	4.4	5.2	2/28/94
Barclays Capital Aggregate Bond Index	4.6	5.2	5.5	4.7	5.6	6.3	
Total Real Estate	-19.7	-20.5	1.2	7.1	8.6	9.2	3/31/94
Policy Benchmark	-8.8	-8.3	6.8	10.9	10.1	10.4	

Commentary on Investment Performance

The Total Fund declined 16.9% during the quarter and underperformed the return of the Policy Portfolio and the Public Fund Index by 2.4 and 3.8 percentage points, respectively. The Fund's underperformance was attributed to below benchmark returns from the U.S. equity, fixed income, and real estate components. Although producing negative returns, the non-U.S. and global equity components saved value to the Fund.

Similar to the quarter, the Total Fund trailed both the Policy Portfolio and Public Fund Index over the trailing one-year period. U.S. equity, fixed income, and real estate components hindered performance, while the non-U.S. and global equity components saved value.

The Total Fund's longer-term relative performance remains unfavorable. The Fund has underperformed both the Policy Portfolio and Public Fund Index during the trailing three-, five-, and ten-year periods. However, the Fund's since inception return remains strong at 8.1%.

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.

*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index

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

MARKET ENVIRONMENT
Fourth Quarter 2008

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	5 Years Ending 12/31/08	10 Years Ending 12/31/08
Dow Jones Wilshire 5000 Index	-22.9 %	-37.2 %	-8.4 %	-1.7 %	-0.6 %
MSCI All Country World ex-U.S. Index	-22.3	-45.5	-7.0	2.6	1.9
MSCI EAFE Index	-20.0	-43.4	-7.4	1.7	0.8
MSCI Emerging Markets Index	-27.6	-53.3	-4.9	7.7	9.0
MSCI All Country World Index	-22.4	-42.2	-7.9	-0.1	-0.2
Barclays Capital Aggregate Bond Index	4.6	5.2	5.5	4.7	5.6

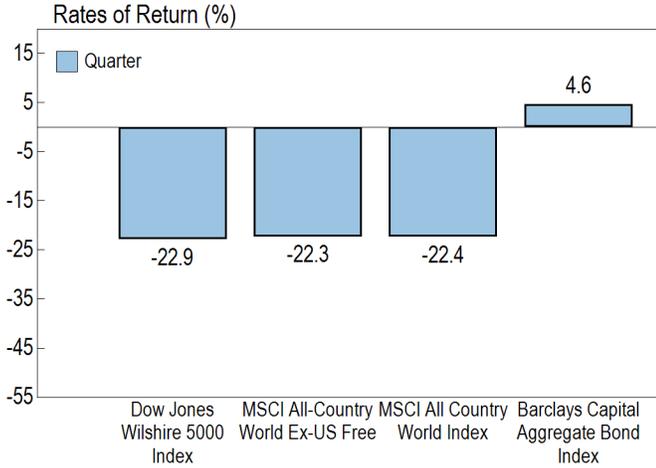
The U.S. broad equity market suffered through one of its worst quarters with most major indices losing more than one fifth of their value. An exceptionally bleak October and November were followed by comparatively small gains in December as the U.S. government allocated \$17.4 billion in TARP (Troubled Asset Relief Program) funds to aid the ailing auto industry, ending the year on an optimistic note. The Federal Reserve Open Markets Committee cut the target federal funds rate by 50 basis points twice during the month of October bringing the rate to 1.5% on the 8th and 1.0% on the 29th. On December 16th, in an unprecedented move, the target rate was cut to a range of 0-0.25%.

The Dow Jones Wilshire 5000 Index ended the year down 22.9% in the fourth quarter, by far the worst performing quarter of 2008. The majority of this decline occurred in October as the markets struggled to digest September's turmoil. Value and growth stocks kept pace in their retreat with value outperforming over the one-year period. Small cap value stocks declined the least over the one-year period, with a return of -28.9%. Consumer durables and financials were the weakest performing sectors at -36.1% and -32.4% respectively, while utilities delivered a strong relative return at -8.5% for the quarter. The DJ Wilshire 5000 Index hit its low for the year in mid-November, reaching levels not seen since 2003. Its total return for the year was -37.2%. It is worth noting that the Index's trailing ten year return is -0.6%.

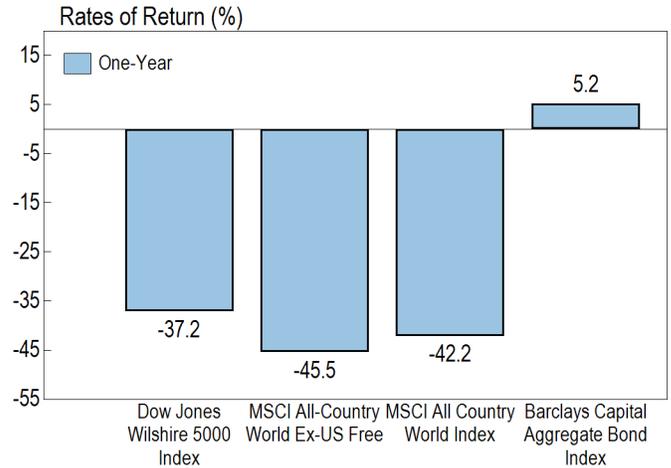
International markets roughly matched their U.S. counterparts for the quarter, though with slightly more volatility. The MSCI All Country World ex-U.S. Index returned -22.3% in the fourth quarter and -45.5% for the year, underperforming the U.S. equity market by 8.3 percentage points for the year. Frontier and emerging markets fared the worst during these periods with the Eastern Europe and Middle East, and Latin American regions yielding quarterly returns of -41.9% and -34.1%, respectively. Japan declined the least with a return of -9.0%. No international regions yielded positive returns for the fourth quarter.

The domestic fixed income market, as measured by the Barclays Capital Aggregate Bond Index (formerly the Lehman Brothers Aggregate Bond Index), strongly outperformed all major equity indices, returning 4.6% during the fourth quarter and 5.2% for the year. The government and mortgage sectors were the strongest performers for the quarter, returning 8.1% and 4.3%, respectively. Below-investment grade corporate bonds and commercial mortgages fared the worst at -17.9% and -13.5%, respectively. Corporate bonds, both high-yield and investment grade, performed poorly during the quarter, with steep losses during October and November before moderate gains during December. Treasury yields approached record lows and yields fell across all maturities as investors flocked to the security of U.S. government bonds during the quarter.

**MAJOR MARKET RETURNS
FOURTH QUARTER**

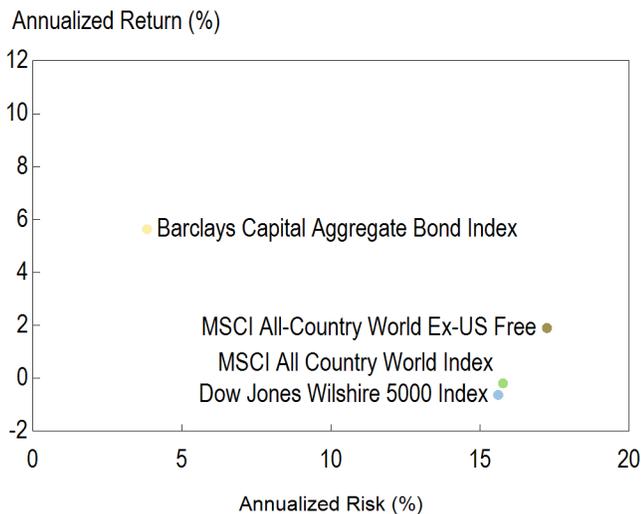


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 12/31/08**

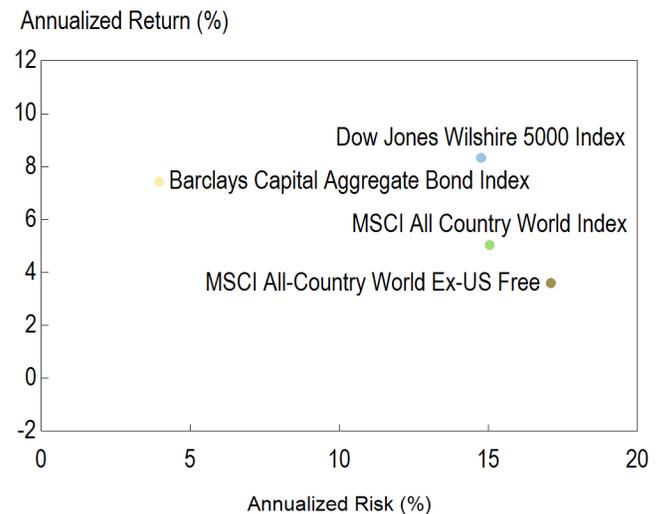


The exhibits above show the performance of the major capital markets during the fourth quarter and one-year periods.

**MARKET RISK/RETURN
10 YEARS ENDING 12/31/08**



**MARKET RISK/RETURN
20 YEARS ENDING 12/31/08**

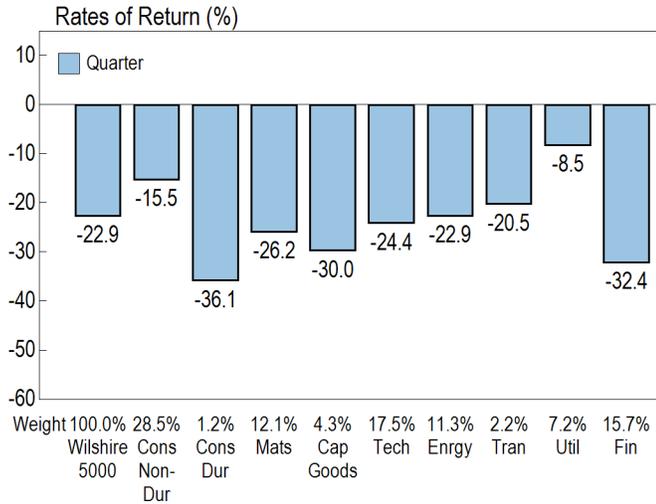


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

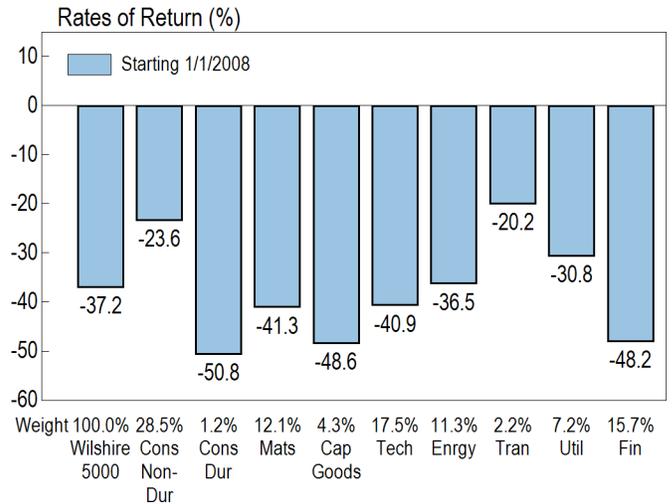
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS FOURTH QUARTER



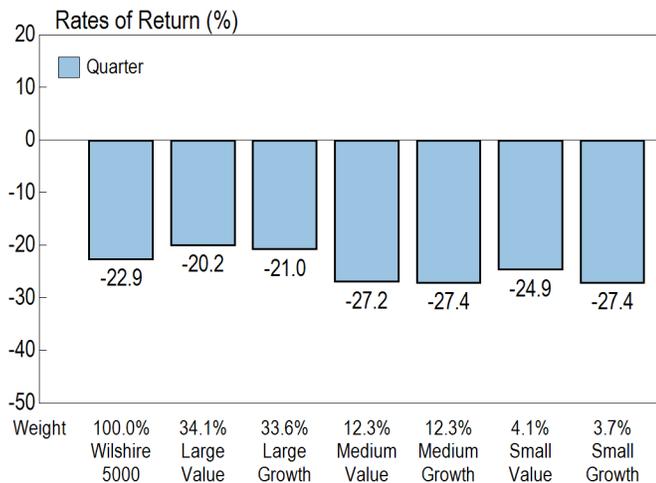
SECTOR RETURNS ONE-YEAR ENDING 12/31/08



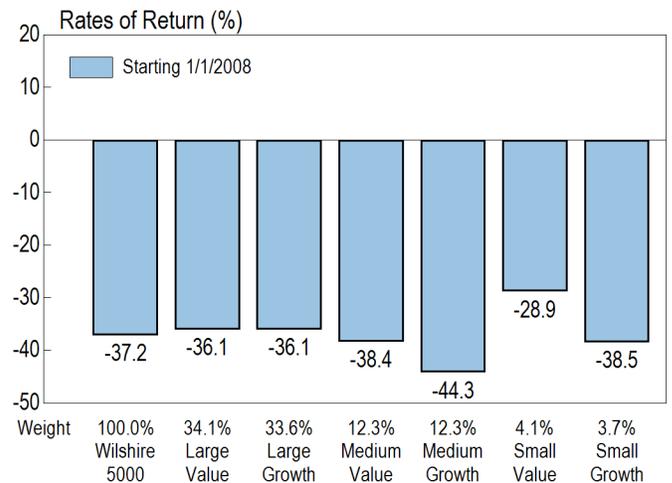
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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 FOURTH QUARTER

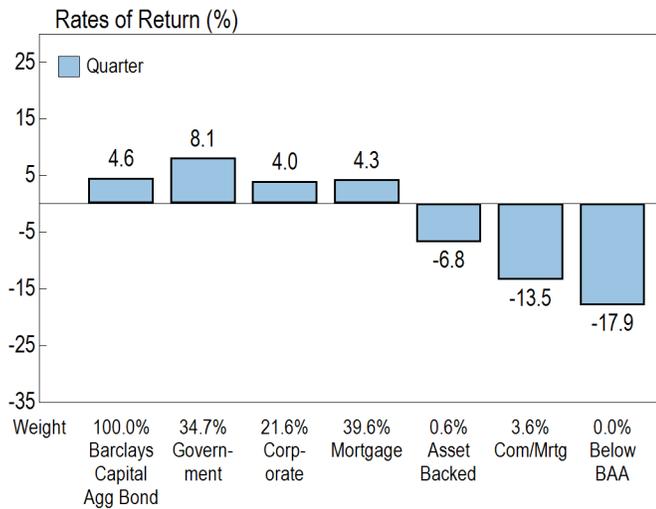


STYLE RETURNS ONE-YEAR ENDING 12/31/08

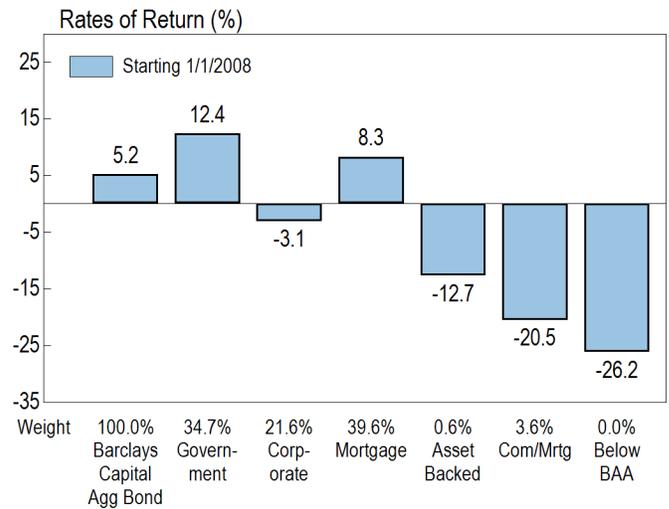


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**SECTOR RETURNS
FOURTH QUARTER**



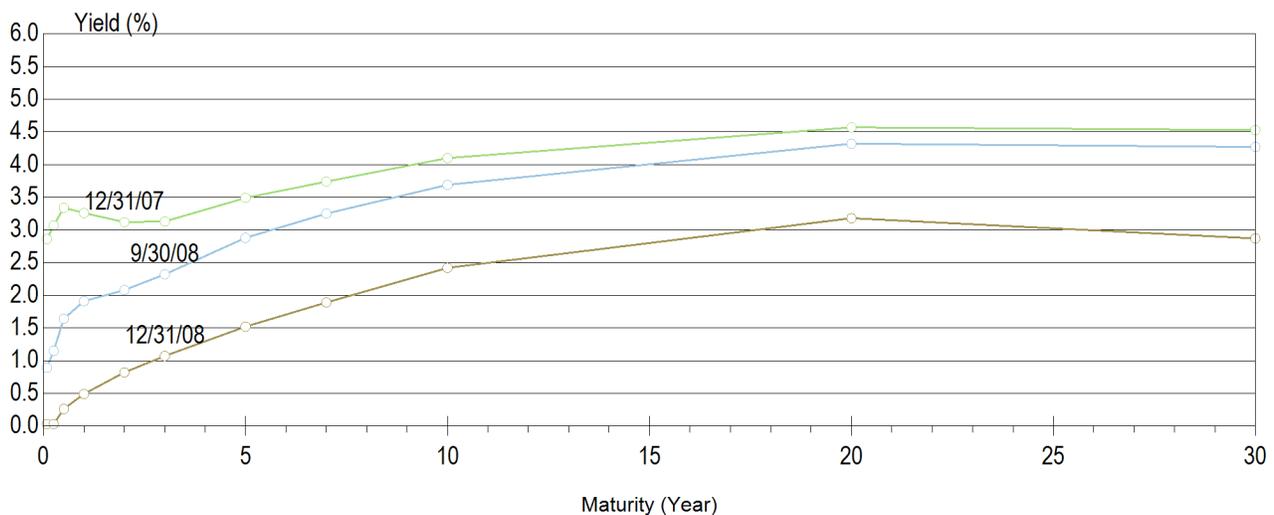
**SECTOR RETURNS
ONE-YEAR ENDING 12/31/08**



The Barclays Capital 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 Barclays Capital Aggregate Bond Index at quarter-end.

U.S. TREASURY CURVE

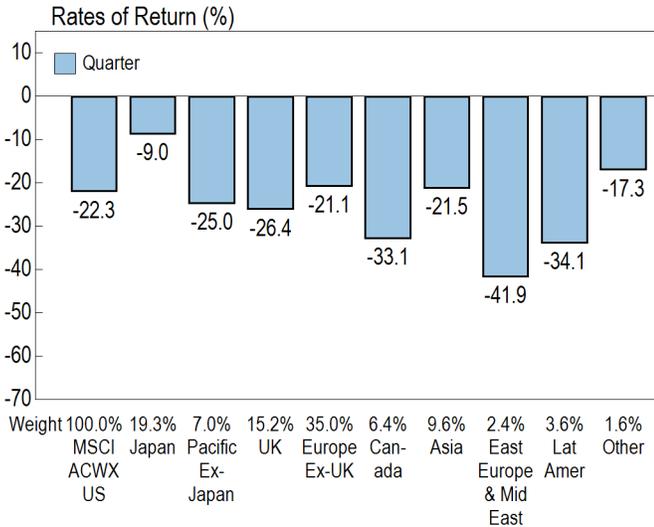


The exhibit above illustrates yields of Treasury securities of various maturities as of December 31, 2007, September 30, 2008, and December 31, 2008.

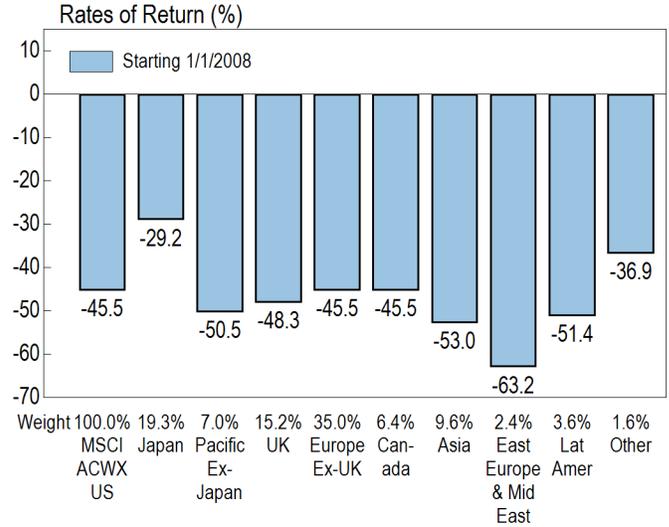
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

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

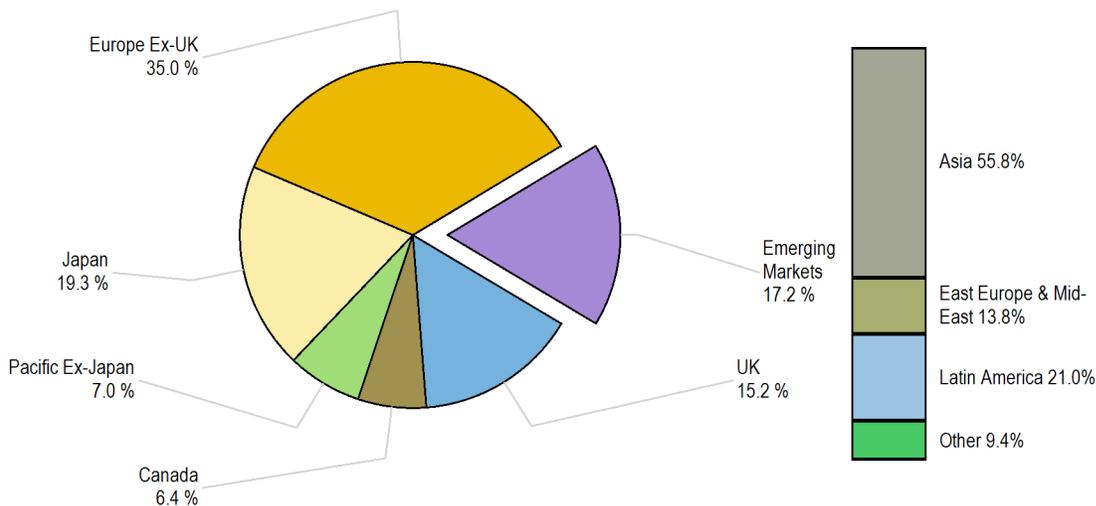


**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 12/31/08**



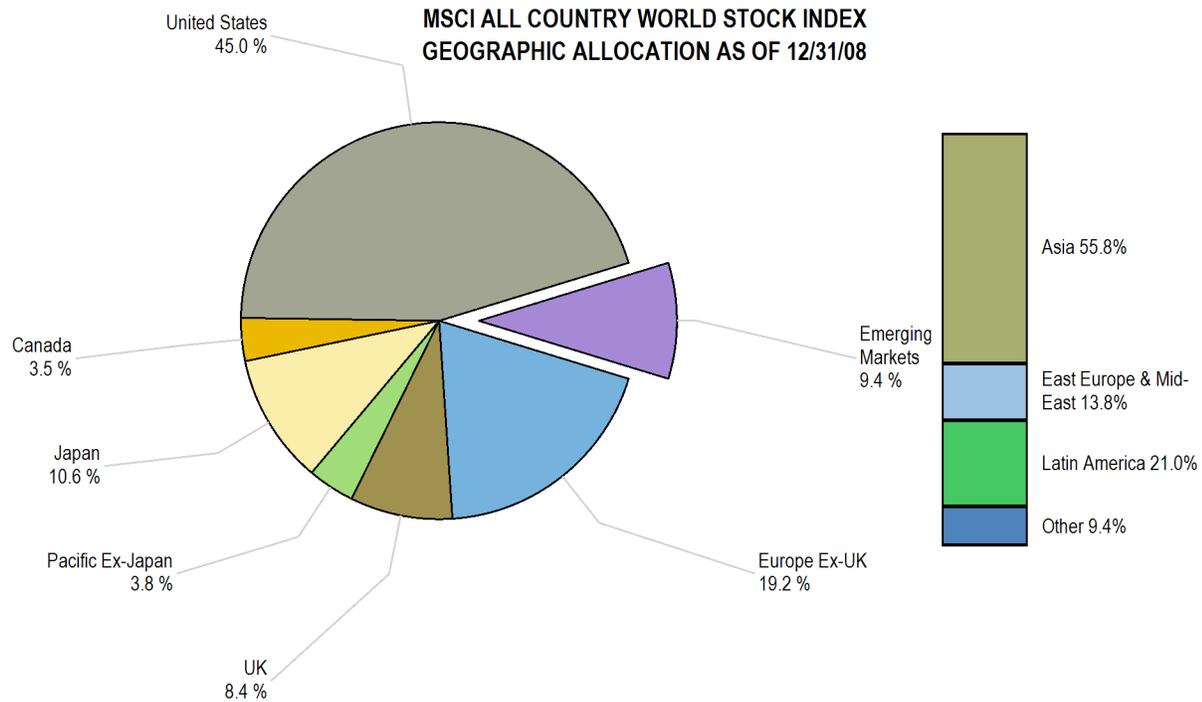
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/08**



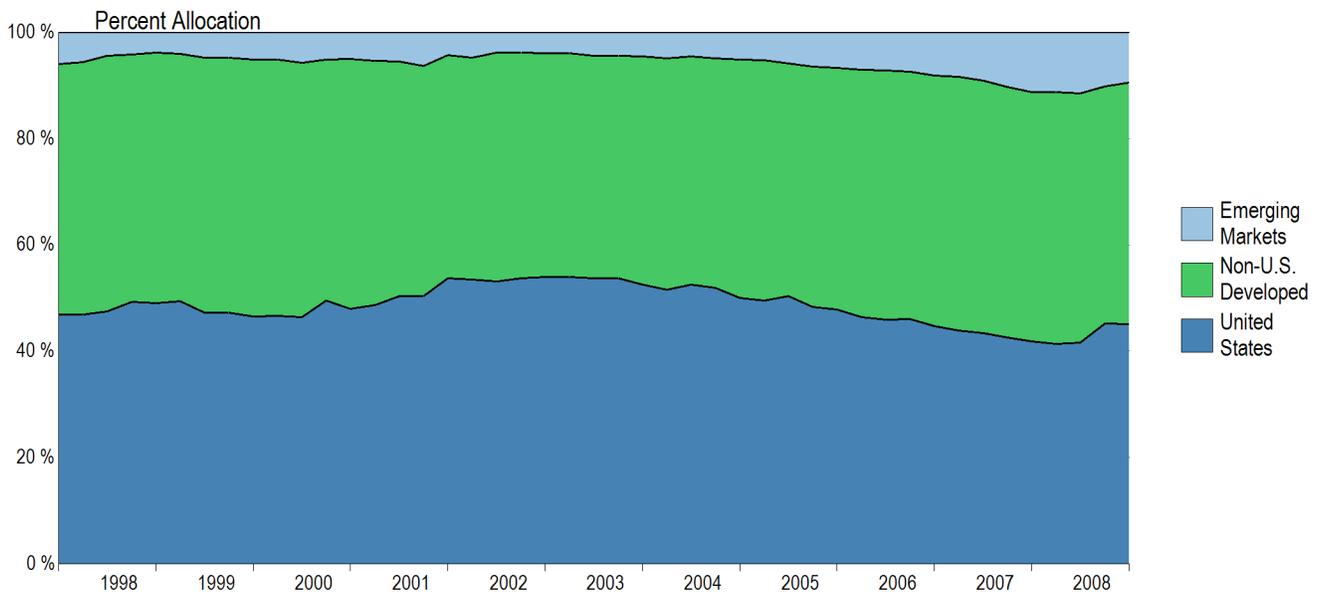
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

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



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 25 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.
Note on Other: Includes South Africa, Egypt and Morocco.

ALLOCATION



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

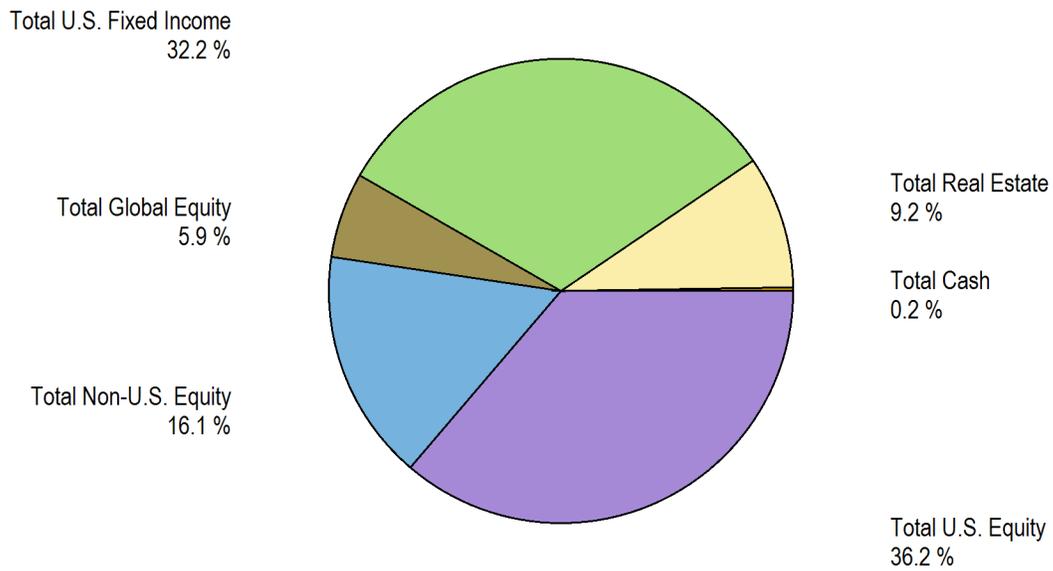
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ASSET ALLOCATION

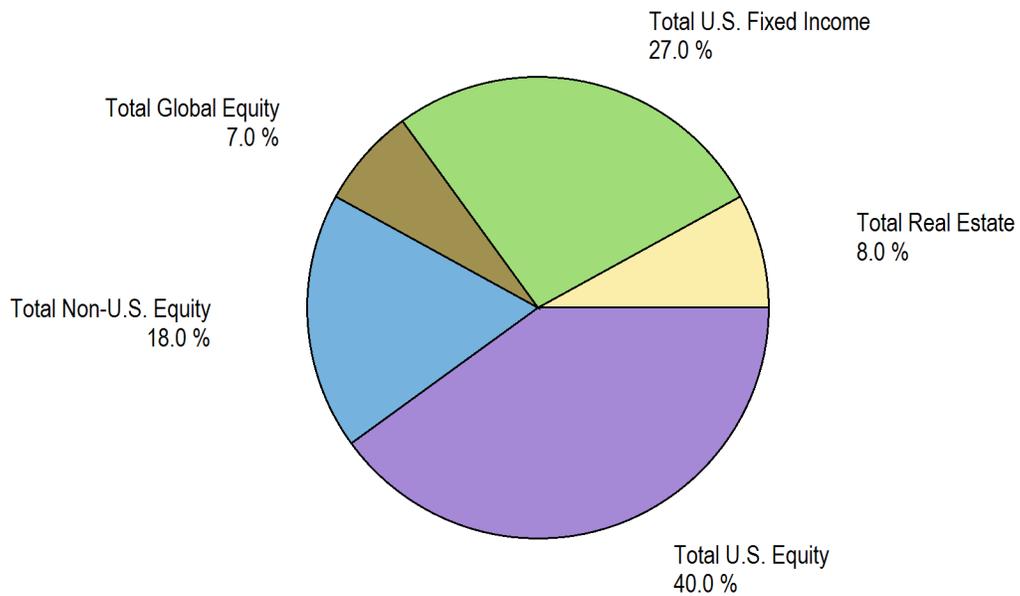
ASSET ALLOCATION

Fourth Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 12/31/08



ASSET ALLOCATION
POLICY AS OF 12/31/08



ASSET ALLOCATION

Fourth Quarter 2008

ASSET ALLOCATION AS OF 12/31/08

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
BGI Extended Equity Index Fund	\$14,509	--	--	--	--	--	\$14,509	0.7 %	
Western U.S. Index Plus	36,783	--	--	--	--	\$10,740	47,524	2.2	
BGI Equity Market Fund	729,891	--	--	--	--	--	729,891	33.4	
Total U.S. Equity	781,184	--	--	--	--	10,740	791,924	36.2	40.0 %
BGI ACWI ex-U.S. Index	--	\$136,697	--	--	--	--	\$136,697	6.3 %	
Capital Guardian	--	71,915	--	--	--	\$6,767	78,682	3.6	
Sprucegrove	--	72,618	--	--	--	3,581	76,199	3.5	
Artio International Equity II	--	56,296	--	--	--	4,043	60,338	2.8	
Total Non-U.S. Equity	--	337,525	--	--	--	14,391	351,916	16.1	18.0 %
GMO Global Fund	\$32,178	\$30,794	\$2,145	--	--	\$4,083	\$69,200	3.2 %	
Acadian	30,022	27,409	--	--	--	3,343	60,773	2.8	
Total Global Equity	62,200	58,203	2,145	--	--	7,425	129,973	5.9	7.0 %
Western	--	--	\$256,217	\$5,176	--	\$4,061	\$265,455	12.1 %	
BGI U.S. Debt Fund	--	--	136,551	--	--	--	136,551	6.2	
Reams	--	--	229,430	--	--	5,642	235,072	10.8	
Loomis Sayles	--	--	54,645	9,330	--	2,861	66,835	3.1	
Total U.S. Fixed Income	--	--	676,843	14,507	--	12,564	703,913	32.2	27.0 %
Total Prudential Real Estate	--	--	--	--	\$81,610	--	\$81,610	3.7 %	
UBS Real Estate	--	--	--	--	84,946	--	84,946	3.9	
Guggenheim	--	--	--	--	20,820	--	20,820	1.0	
RREEF	--	--	--	--	14,697	--	14,697	0.7	
Total Real Estate	--	--	--	--	202,073	--	202,073	9.2	8.0 %
Clifton Group	--	--	--	--	--	\$5,327	\$5,327	0.2 %	
Total Cash	--	--	--	--	--	5,327	5,327	0.2	0.0 %
Total Fund	\$843,384	\$395,727	\$678,988	\$14,507	\$202,073	\$50,447	\$2,185,126	100.0 %	100.0 %
Percent of Total	38.6%	18.1%	31.1%	0.7%	9.2%	2.3%	100.0%		

Asset Allocation

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

The asset value of VCERA's Total Fund declined by \$491.8 million during the quarter. The decline in assets was a result of investment losses of \$478.3 million and net withdrawals of approximately \$13.5 million.

Approximately \$13.5 million was withdrawn from the BGI U.S. Debt Index on December 26th, to fund employees benefit payments. In November, a total of \$60.0 million was transferred from Capital Guardian, BGI ACW ex-U.S. Index Fund, and Sprucegrove to fund Artio.

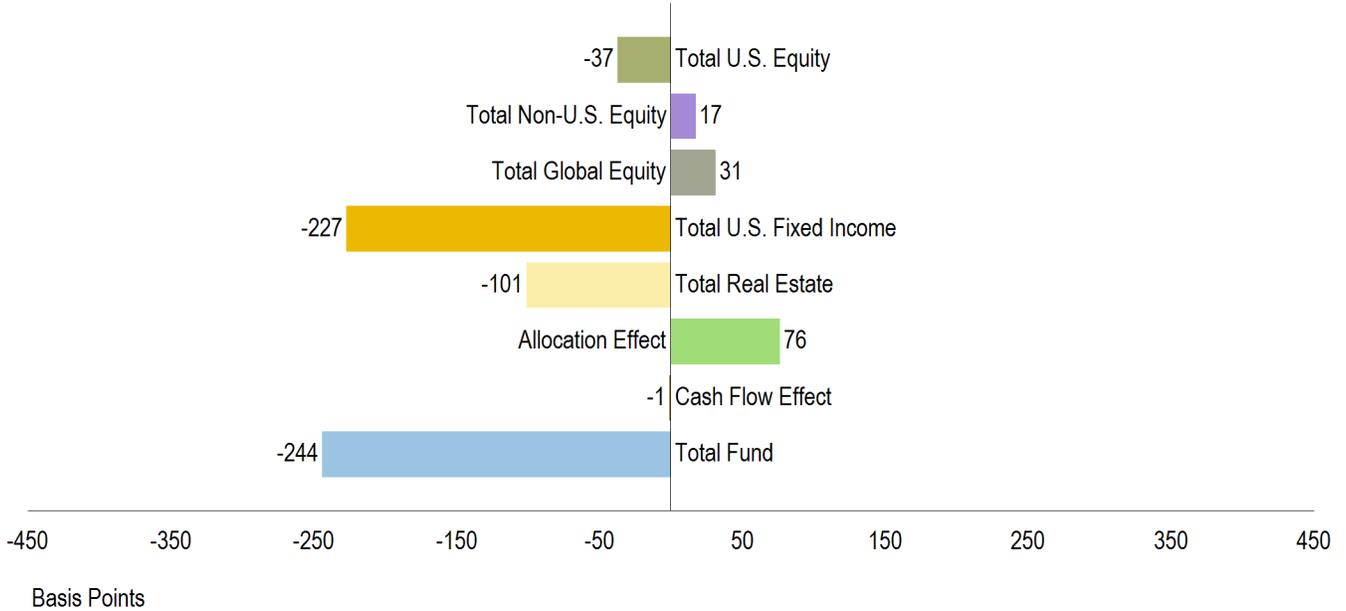
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PERFORMANCE EVALUATION

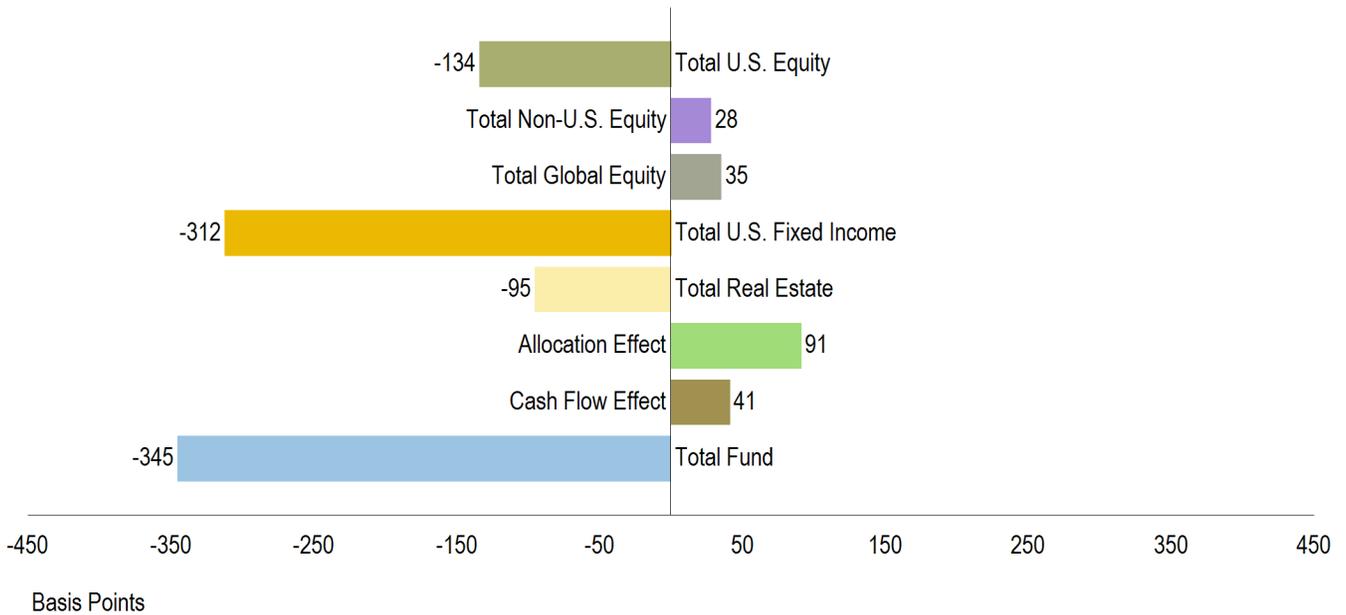
TOTAL FUND

Fourth Quarter 2008

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/08



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/08



Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	-16.9 %	92	-30.7 %	92	-5.5 %	93	0.2 %	91	2.3 %	83
Policy Portfolio	-14.5	57	-27.2	53	-3.4	53	1.5	55	2.3	83
Public Fund Index	-13.1	37	-25.5	36	-2.7	29	2.3	33	3.3	42

Commentary on Investment Performance

The Total Fund declined 16.9% during the quarter and underperformed the return of the Policy Portfolio and the Public Fund Index by 2.4 and 3.8 percentage points, respectively. The Fund's underperformance was attributed to below benchmark returns from the U.S. equity, fixed income, and real estate components. Although producing negative returns, the non-U.S. and global equity components saved value to the Fund.

Similar to the quarter, the Total Fund trailed both the Policy Portfolio and Public Fund Index over the trailing-one year period. U.S. equity, fixed income, and real estate components hindered performance, while the non-U.S. and global equity components saved value.

The Total Fund's longer-term relative performance remains unfavorable. The Fund has underperformed both the Policy Portfolio and Public Fund Index during the trailing three-, five-, and ten-year periods. However, the Fund's since inception return remains strong at 8.1%.

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

Fourth Quarter 2008

HISTORICAL RETURNS

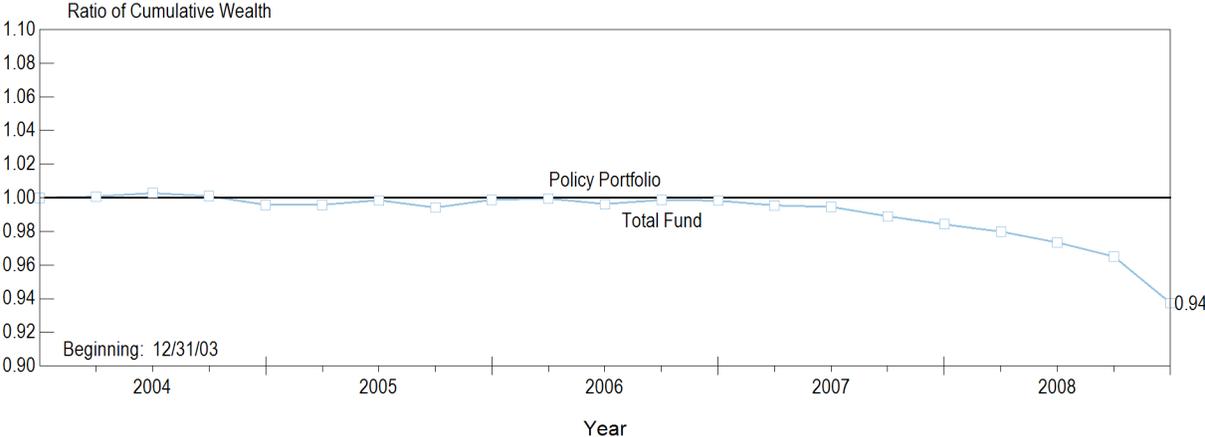
(BY Years)

	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	-2.4	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	6.9	8.5	-1.6
2008	-30.7	-27.2	-3.5
Trailing 3-Year	-5.5%	-3.4%	-2.1
Trailing 5-Year	0.2	1.5	-1.3
Trailing 10-Year	2.3	2.3	0.0

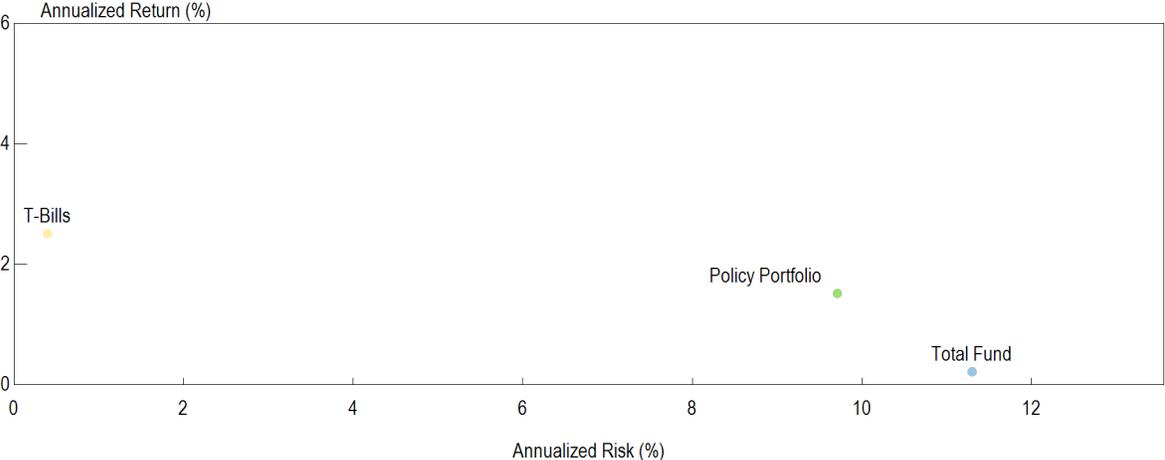
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 12/31/08**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 12/31/08**



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

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

TOTAL FUND

Fourth Quarter 2008

IMRS SCORES

	IMRS SCORE	IMRS Rating
U.S. Equity		
Western U.S. Index Plus	15	Good
Non-U.S. Equity		
Capital Guardian	19	Excellent
Sprucegrove	18	Excellent
Global Equity		
GMO	20	Excellent
Acadian	16	Excellent
Fixed Income		
Western	15	Good
Reams	16	Excellent
Loomis Sayles	15	Good
Real Estate		
Prudential	16	Excellent
UBS	18	Excellent
Guggenheim	15	Good
RREEF	15	Good

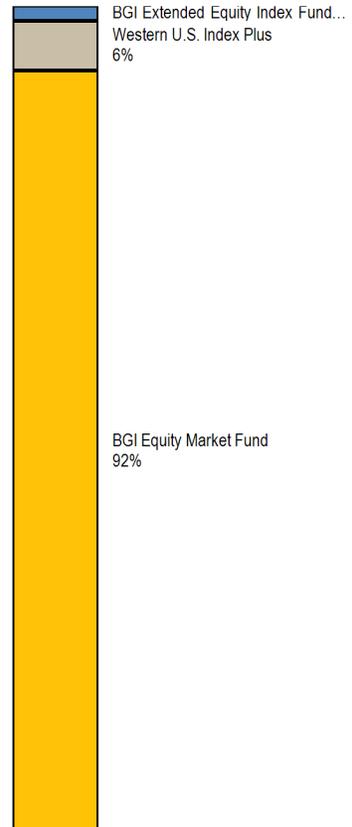
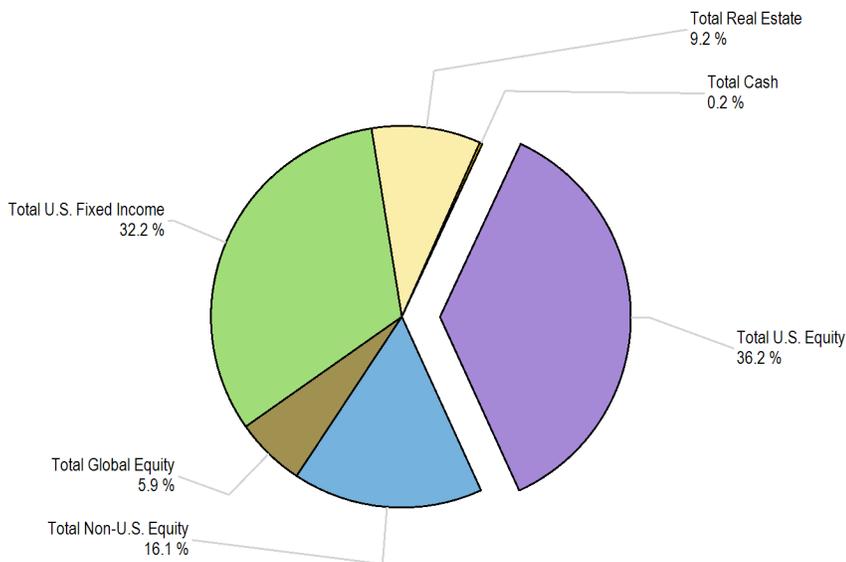
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$791.9 Million and 36.2% of Fund

Fourth Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 12/31/08

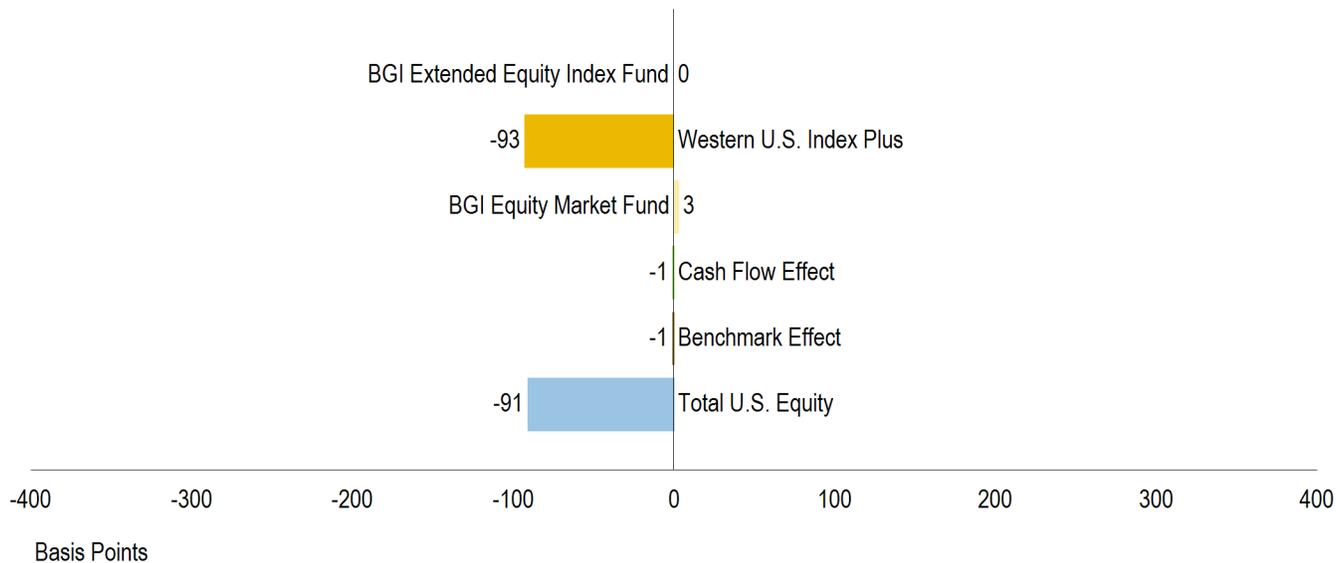


TOTAL U.S. EQUITY

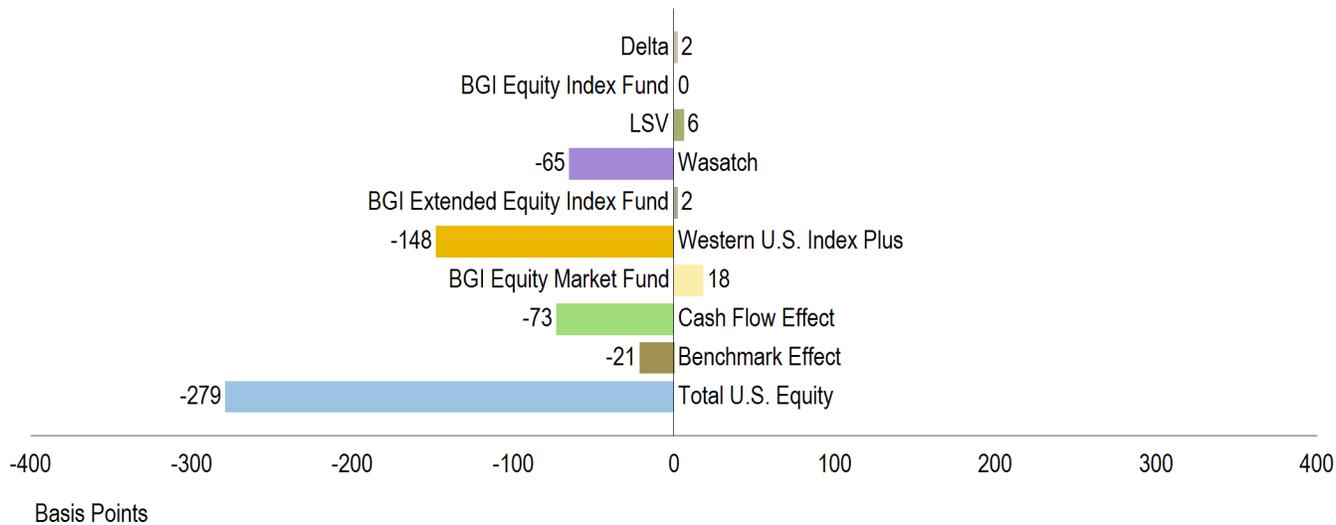
\$791.9 Million and 36.2% of Fund

Fourth Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/08



TOTAL U.S. EQUITY**\$791.9 Million and 36.2% of Fund****Fourth Quarter 2008****RETURN SUMMARY
ENDING 12/31/08**

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	-23.8 %	66	-40.0 %	78	-10.3 %	75	-3.2 %	82	-0.5 %	61	5.7 %	75	12/31/93
Performance Benchmark*	-22.9	45	-37.2	36	-8.5	30	-1.9	41	-0.8	69	6.4	48	
BGI Extended Equity Index Fund	-26.5	55	-38.4	58	-9.2	37	-0.5	34	--	--	5.9	--	10/31/02
DJ Wilshire 4500 Index	-26.5	55	-39.0	65	-9.5	42	-0.8	42	--	--	5.8	--	
Western U.S. Index Plus	-35.4	99	-56.3	99	--	--	--	--	--	--	-44.3	--	5/31/07
S&P 500 Index	-21.9	47	-37.0	44	--	--	--	--	--	--	-26.7	--	
BGI Equity Market Fund	-22.8	39	--	--	--	--	--	--	--	--	-35.1	--	5/31/08
DJ Wilshire 5000 Index	-22.9	39	--	--	--	--	--	--	--	--	-35.3	--	

Commentary on Investment Performance

The U.S. equity portfolio fell 23.8% during the fourth quarter, trailing the Performance Benchmark by 0.9 percentage points. The continued underperformance was a result of the below-benchmark return generated by Western. The BGI Extended Equity Index Fund approximated its benchmark, while the BGI Equity Market Fund experienced modest positive tracking error compared to its benchmark.

Parallel to the quarter, the U.S. equity component lagged the result of the Performance Benchmark over the trailing one-year period. Underperformance was attributed to Western's weak performance. Somewhat offsetting the below-benchmark result was positive tracking error by the BGI Extended Equity Index Fund.

With the exception of the trailing ten-year period in which the U.S. equity component saved 0.3 percentage points of value relative to its benchmark, the longer-term relative performance of the component remained unfavorable.

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 combined performance of the individual manager's benchmarks (the S&P 500 Index and the DJ Wilshire 4500 Index) underperforming the U.S. equity component's Performance Benchmark (the DJ Wilshire 5000 Index).

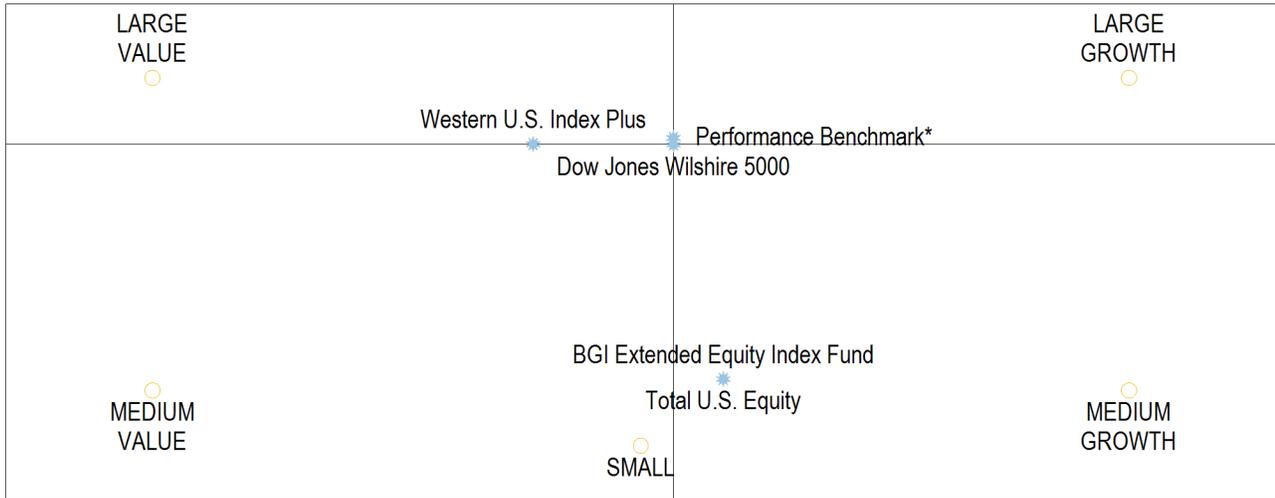
*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

TOTAL U.S. EQUITY

\$791.9 Million and 36.2% of Fund

Fourth Quarter 2008

EFFECTIVE STYLE MAP 5 YEARS ENDING 12/31/08



U.S. Equity Style Map

The exhibit above highlights the style and capitalization orientation of the total U.S. equity component and the domestic equity managers utilized in VCERA's investment program. Managers plotting above the horizontal crosshair are larger-cap than the DJ Wilshire 5000 Index, while those plotting below are smaller-cap. Managers plotting to the left of the vertical crosshair are effectively more value-oriented than the DJ Wilshire 5000 Index, while managers plotting to the right are effectively more growth-oriented.

*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

BGI EXTENDED EQUITY INDEX FUND

\$14.5 Million and 0.7% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity Index Fund	-26.5 %	55	-38.4 %	58	-9.2 %	37	-0.5 %	34	5.9 %	--	10/31/02
DJ Wilshire 4500 Index	-26.5	55	-39.0	65	-9.5	42	-0.8	42	5.8	--	

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

During the fourth quarter, the BGI Extended Equity Index Fund matched the return of the DJ Wilshire 4500 Index.

The Fund has approximated the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS

(BY YEAR)

	BGI Extended Equity Index Fund		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	5.4	30	5.4	30	0.0
2008	-38.4	58	-39.0	65	0.6
Trailing 3-Year	-9.2 %	37	-9.5 %	42	0.3
Trailing 5-Year	-0.5	34	-0.8	42	0.3
Since Inception (10/31/02)	5.9	--	5.8	--	0.1

WESTERN U.S. INDEX PLUS

\$47.5 Million and 2.2% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Western U.S. Index Plus	-35.4 %	99	-56.3 %	99	-44.3 %	--	5/31/07
S&P 500 Index	-21.9	47	-37.0	44	-26.7	--	

Philosophy and Process

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

Manager Monitoring

As of December 31, 2008, the manager reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 5.3% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines.

Commentary on Investment Performance

The Western U.S. Index Plus portfolio declined 35.4% during the quarter and underperformed the S&P 500 Index by 13.5 percentage points. The Fund's significant overweight allocation relative to its benchmark in the mortgage-backed sector impeded performance. Performance was also hindered by exposure to several non-agency issues which were negatively affected as a result of uncertainty in the non-agency space, rising defaults, and a lack of liquidity. Western's allocations to high yield and the financial sector detracted from performance given the challenging market conditions faced during the quarter.

Over the trailing one-year period, the Fund has lagged the S&P 500 Index by 8.8 percentage points. Poor performance from the Fund's high yield issues and emphasis on the financial sector demonstrated to be disadvantageous. The Fund's focus on lower-quality credits and overweight allocation to the mortgage-backed sector hampered on results. Exposure to international bonds also impacted performance negatively, while a tactically driven duration posture had a modest positive impact.

Western's longer-term period performance has remained unfavorable as it has trailed the benchmark by 17.6 percentage points since inception.

WESTERN U.S. INDEX PLUS

\$47.5 Million and 2.2% of Fund

Fourth Quarter 2008

	Portfolio Allocation	
	\$MM	%
Sector Distribution:		
Treasury	-\$1.1	-2%
Agency	0.0	0
<i>Investment Grade Corporates</i>		
Finance	5.4	11
Industrial	2.2	5
Utilities	1.0	2
High Yield Corporates	1.8	4
Yankee	0.0	0
Asset-Backed	3.0	6
Mortgage-Backed	24.5	51
Foreign Bonds	0.0	0
Emerging Market Debt	0.0	0
Cash	10.8	23
Other (Derivatives)	-0.1	0
Total	\$47.5	100.0%

	Portfolio Allocation	
	\$MM	%
Quality Distribution:		
Treasury/Agency	\$0.0	0%
Aaa/AAA	34.6	73
Aa/AA	0.9	2
A/A	4.3	9
Baa/BBB	4.5	9
BB/Ba	0.9	2
B	0.2	1
Below B	2.1	4
Total	\$47.5	100.0%

The tables above illustrate the portfolio characteristics of the Western U.S. Index Plus as of December 31, 2008.

BGI Equity Market Fund

\$729.9 Million and 33.4% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
BGI Equity Market Fund	-22.8 %	39	-35.1 %	--	5/31/08
DJ Wilshire 5000 Index	-22.9	39	-35.3	--	

Philosophy and Process

The objective of the BGI U.S. Equity Market Fund is to approximate the return of the DJ Wilshire 5000 Index. The DJ Wilshire 5000 Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.

Commentary on Investment Performance

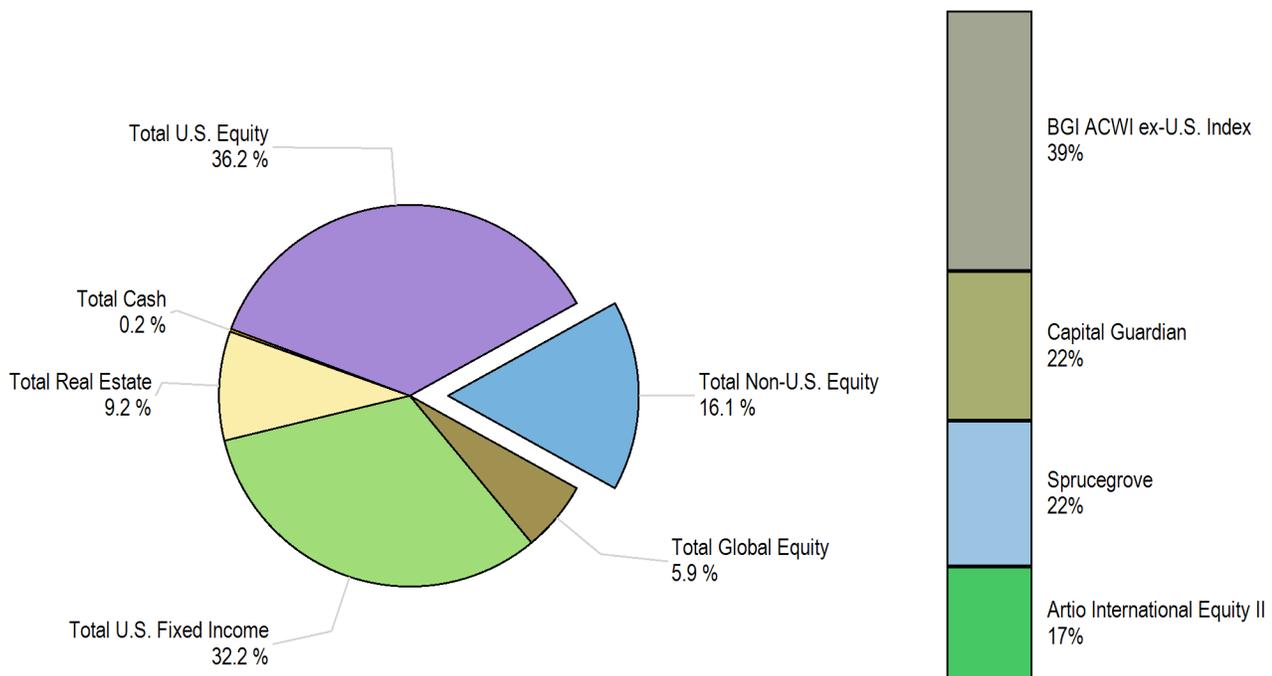
The Fund fell 22.8% during the quarter, while experiencing approximately 10 basis points of positive tracking error relative to the DJ Wilshire 5000 Index. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the differences to be minimal over longer time periods.

The Fund has approximated the return of the Index since its inception.

TOTAL NON-U.S. EQUITY
\$351.9 Million and 16.1% of Fund

Fourth Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 12/31/08

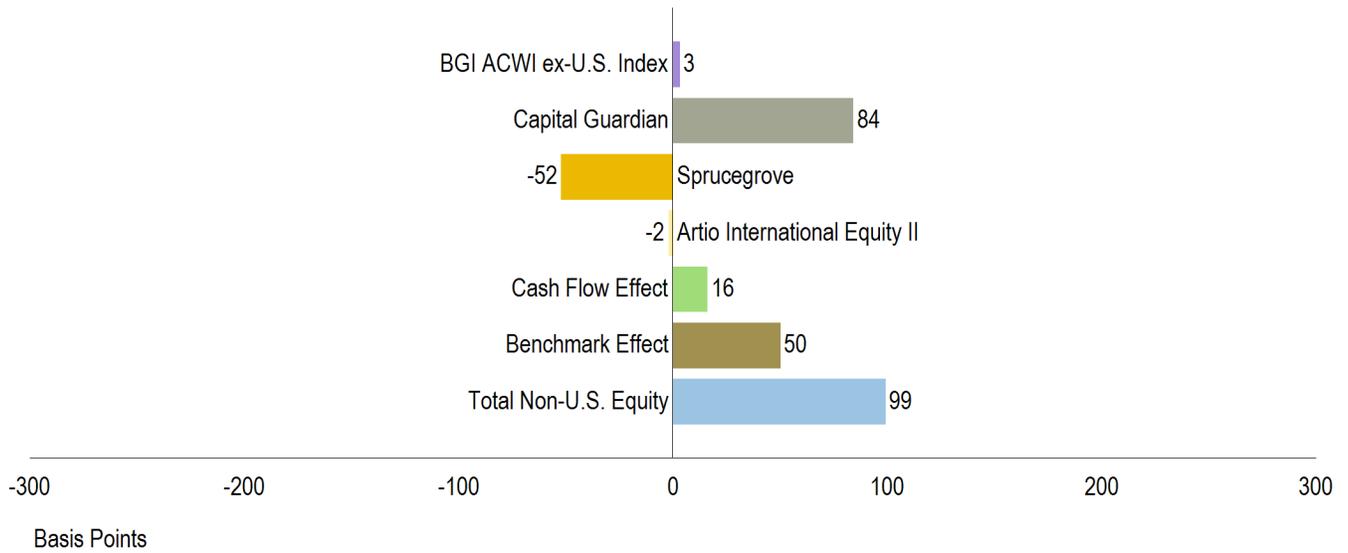


TOTAL NON-U.S. EQUITY

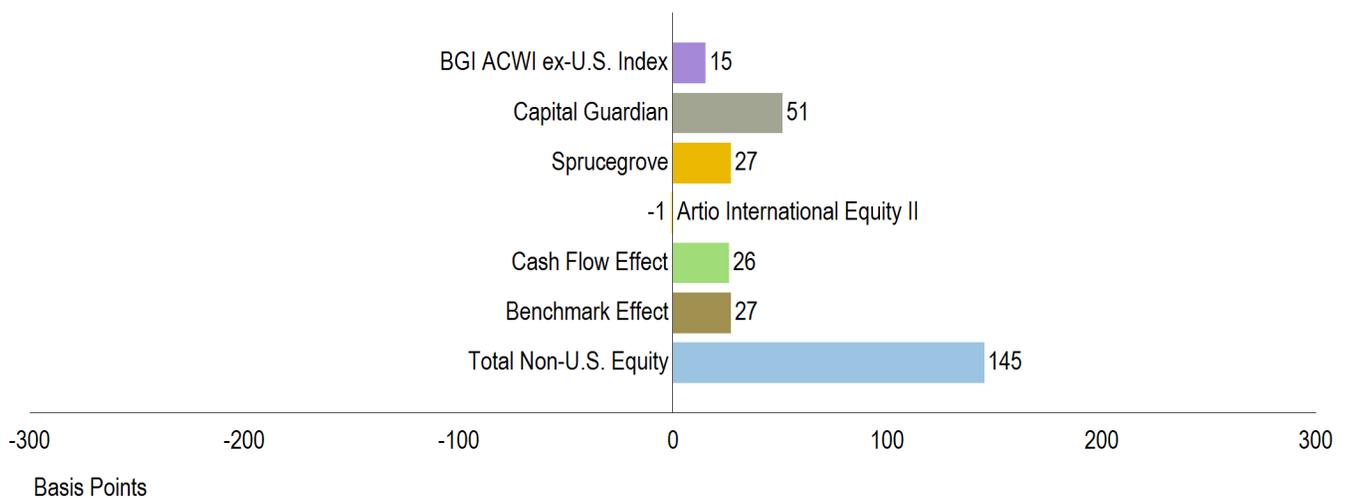
\$351.9 Million and 16.1% of Fund

Fourth Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/08



TOTAL NON-U.S. EQUITY
\$351.9 Million and 16.1% of Fund

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-21.4 %	56	-44.1 %	50	-7.9 %	64	2.1 %	49	2.5 %	61	5.5 %	38	3/31/94
Performance Benchmark*	-22.3	69	-45.5	64	-7.0	45	2.6	38	1.4	82	3.8	76	
BGI ACWI ex-U.S. Index	-22.5	74	-45.6	61	--	--	--	--	--	--	-24.5	53	3/31/07
MSCI All Country World ex-U.S. IMI	-22.5	74	-46.0	62	--	--	--	--	--	--	-25.1	57	
Capital Guardian	-18.9	33	-43.4	40	-7.0	44	2.6	39	--	--	-0.6	--	7/31/00
Performance Benchmark*	-22.3	73	-45.5	60	-7.0	44	2.6	39	--	--	-0.2	--	
Sprucegrove	-22.1	68	-42.5	33	-7.5	53	2.4	40	--	--	4.9	31	3/31/02
MSCI EAFE Index	-20.0	42	-43.4	40	-7.4	51	1.7	57	--	--	3.5	55	
Artio International Equity II	--	--	--	--	--	--	--	--	--	--	0.5	--	10/31/08
MSCI All Country World ex-U.S. Index	--	--	--	--	--	--	--	--	--	--	-0.4	--	

Commentary on Investment Performance

During the fourth quarter, the non-U.S. equity component declined 21.4% but saved approximately 0.9 percentage points of value relative to the MSCI All Country World ex-U.S. Index. Albeit a negative fourth quarter return, Capital Guardian saved value relative to its benchmark as a result of stock selection within the technology and telecommunication sectors. In contrast, Sprucegrove produced a below benchmark return due to weak stock selection within the financial and utilities sectors. BGI matched the return of its benchmark.

The collective return of the non-U.S. equity portfolio generated a loss of 44.1% over the trailing one-year period and saved approximately 1.4 percentage points of value relative to its benchmark. Both Capital Guardian and Sprucegrove saved value relative to their respective benchmarks, while BGI approximated its benchmark.

The portfolio has produced mixed results over longer-term periods. The portfolio has underperformed its benchmark over the trailing three- and five-year periods, but has outperformed over the trailing ten-year and since inception periods.

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 attribution graph 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) outperforming the non-U.S. equity component's performance benchmark (the MSCI All Country World ex-U.S. Index), while the benchmark effect for the one-year attribution was due to the managers' benchmarks underperforming the non-U.S. equity component's performance benchmark.

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

BGI ACWI ex-U.S. Index

\$136.7 Million and 6.3% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	-22.5 %	74	-45.6 %	61	-24.5 %	53	3/31/07
MSCI All Country World ex-U.S. IMI	-22.5	74	-46.0	62	-25.1	57	

Philosophy and Process

The Barclays Global Investors (BGI) ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.

Commentary on Investment Performance

The BGI ACWI ex-U.S. Index Fund declined 22.5% during the quarter matching the return of the Index.

The Fund has approximated the returns of the MSCI All Country World ex-U.S. IM Index over all long-term periods.

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-18.9 %	33	-43.4 %	40	-7.0 %	44	2.6 %	39	-0.6 %	--	7/31/00
Performance Benchmark*	-22.3	73	-45.5	60	-7.0	44	2.6	39	-0.2	--	

Philosophy and Process

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

Commentary on Investment Performance

Capital Guardian non-U.S. equity portfolio returned -18.9% during the fourth quarter, saving approximately 3.4 percentage points of value relative to the MSCI All-Country World ex-U.S. Index. Favorable results among the portfolio's information technology and telecommunication holdings bolstered relative performance. Positive stock selection decisions within material stocks, specifically gold companies benefited results. The Fund's underweight allocation to the financial sectors relative to the Index also proved beneficial. Many of the portfolio's energy holdings weighed on relative results as oil prices fell. The manager's decision not to own several utility stocks also proved detrimental.

On a calendar-year basis Capital Guardian saved value relative to its benchmark. Overall, stock selection within the materials and information technology sectors proved beneficial. Portfolio holdings within consumer discretionary, energy, and utility sectors hurt relative performance.

Unlike many managers, Capital Guardian does not expect to increase the number of holdings in the portfolio. While still cautious with regards to emerging markets, they are beginning to find limited opportunities, particularly in China, focusing on energy and infrastructure names. Certain themes in the portfolio include European nuclear energy names (given concerns about the flow of energy out of Russia), dividend-focused companies (believing the market will reward stocks that provide the investor with a degree of income), companies with pricing power and ability to capitalize on industry consolidation, and biotech stocks (potential buyout targets as large pharmaceuticals attempt to fortify their drug pipelines).

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

CAPITAL GUARDIAN

\$78.7 Million and 3.6% of Fund

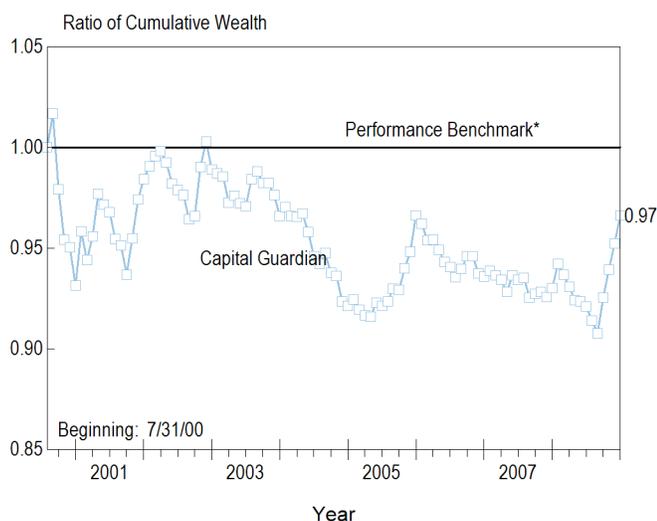
Fourth Quarter 2008

COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 12/31/08

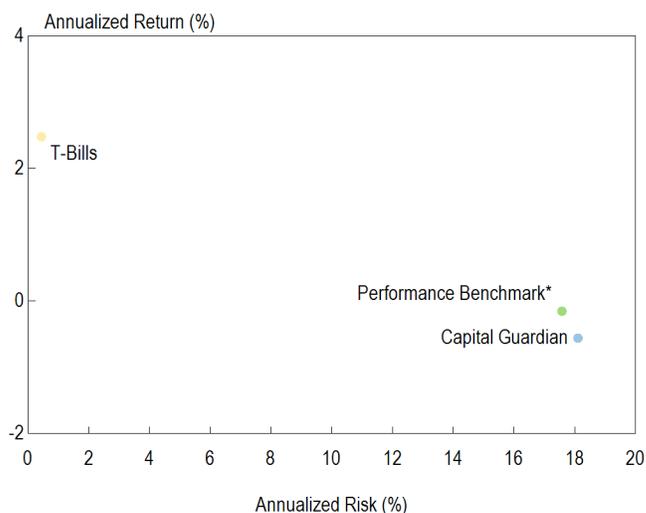
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.2 %	0.2 %	-43.2 %
Belgium	0.1	0.6	-37.0
Czech Republic*	0.0	0.2	-31.2
Denmark	0.2	0.6	-28.1
Finland	0.0	1.1	-20.1
France	12.3	8.3	-20.5
Germany	3.1	6.7	-20.9
Greece	0.1	0.4	-41.0
Hungary*	0.0	0.1	-46.7
Ireland	0.6	0.2	-40.2
Italy	0.2	2.8	-23.1
Netherlands	4.1	1.9	-23.0
Norway	0.8	0.5	-40.7
Poland*	0.1	0.3	-39.1
Portugal	0.0	0.3	-21.3
Russia*	0.5	1.0	-51.3
Spain	1.5	3.5	-17.0
Sweden	1.5	1.5	-25.1
Switzerland	9.3	6.4	-13.3
United Kingdom	12.5	15.2	-26.4
Asia/Pacific			
Australia	1.9 %	4.5 %	-26.9 %
China*	2.8	3.1	-10.8
Hong Kong	0.6	1.5	-18.8
India*	1.0	1.1	-29.9
Indonesia*	0.3	0.3	-33.7
Japan	21.4	19.3	-9.0
Korea*	1.7	2.3	-26.5
Malaysia*	0.4	0.5	-13.2
New Zealand	0.0	0.1	-24.0
Pakistan*	0.0	0.0	-50.4
Philippines*	0.1	0.1	-25.7
Singapore	0.3	0.8	-26.3
Sri Lanka*	0.0	--	--
Taiwan, China*	1.0	1.9	-23.8
Thailand*	1.0	0.2	-26.8
Americas			
Argentina*	0.0 %	0.0 %	-43.8 %
Brazil*	1.7	2.2	-37.3
Canada	4.9	6.4	-33.1
Chile*	0.2	0.2	-25.9
Colombia*	0.0	0.1	-17.6
Mexico*	3.8	0.9	-30.0
Peru*	0.0	0.1	-15.5
United States	0.0	--	--
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	0.1 %	-32.2 %
Israel*	0.2	0.6	-21.4
Morocco*	0.0	0.1	-12.8
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	0.9	1.4	-16.3
Turkey*	0.1	0.3	-37.4
Cash			
Cash	8.6 %	--	--
Total	100.0 %	100.0 %	-22.3 %
Developed	75.6	82.8	
Emerging*	15.8	17.2	
Cash	8.6	--	

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
8 YEARS 5 MONTHS ENDING 12/31/08**



**ANNUALIZED RISK RETURN
8 YEARS 5 MONTHS ENDING 12/31/08**



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 21.4% United Kingdom 12.5% France 12.3% Switzerland 9.3% Canada 4.9%	Japan 19.3% United Kingdom 15.2% France 8.3% Germany 6.7% Switzerland 6.4%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$37.0 billion	N/A
Number of Holdings	195	1,832
Top 5 Holdings **	Roche CG Non-Small Cap Fund Softbank Nintendo Koninklijke KPN	Nestle BP Novartis Total HSBC
Sector Emphasis	Consumer Staples	Financials
Cash Allocation	8.6%	N/A
Annual Turnover	0.0%	N/A
Total Fund Assets	\$78.7 million	N/A
Inception Date	7/14/2000	N/A
Portfolio Manager	Team Approach	N/A

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

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

CAPITAL GUARDIAN

\$78.7 Million and 3.6% of Fund

Fourth Quarter 2008

HISTORICAL RETURNS

(BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0 %	--	-6.6 %	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
2007	15.9	29	16.7	25	-0.8
2008	-43.4	40	-45.5	60	2.1
Trailing 3-Year	-7.0 %	44	-7.0 %	44	0.0
Trailing 5-Year	2.6	39	2.6	39	0.0
Since Inception (7/31/00)	-0.6	--	-0.2	--	-0.4

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

Fourth Quarter 2008

**RETURN SUMMARY
ENDING 12/31/08**

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	-22.1 %	68	-42.5 %	33	-7.5 %	53	2.4 %	40	4.9 %	31	3/31/02
MSCI EAFE Index	-20.0	42	-43.4	40	-7.4	51	1.7	57	3.5	55	

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

Sprucegrove's fourth quarter return of -22.1% trailed that of the MSCI EAFE Index by 2.1 percentage points. The Fund's underperformance was mainly attributed to weak stock selection in the financial, consumer discretionary, telecommunication services, and utilities sectors. Partially offsetting underperformance was an underweight allocation relative the Index to the financial sector. From a country perspective, stock selection in the U.K., Holland, and Spain hindered performance. In contrast, the Fund benefited from stock selection in Japan.

Over the trailing one-year period, Sprucegrove declined 42.5% but exceeded the return of the MSCI EAFE Index by 0.9 percentage points. The Fund's above benchmark return was a result of positive stock selection in the health care, materials, and industrials sectors. Conversely, stock selection within the consumer discretionary and financial sectors detracted from performance. In country terms, the manager noted that stock selection in Japan, Hong Kong, and Switzerland aided performance which was partially offset by negative stock selection in the U.K. and an overweight position in Ireland.

The Fund's longer-term results remain mixed. Sprucegrove has lagged the Index over the trailing three-year period, but has outperformed during the trailing five-year and since inception periods.

SPRUCEGROVE

\$76.2 Million and 3.5% of Fund

Fourth Quarter 2008

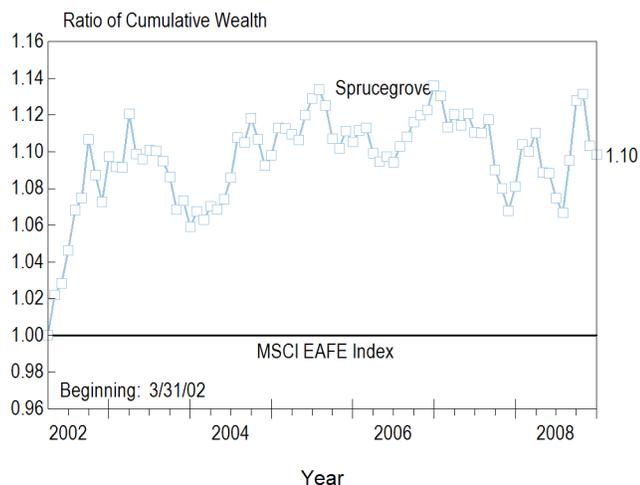
COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 12/31/08

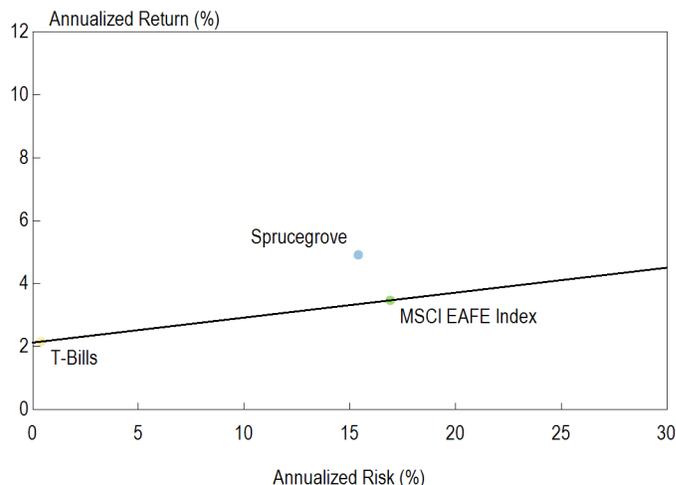
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0 %	0.3 %	-43.2 %
Belgium	0.0	0.8	-37.0
Czech Republic*	0.0	--	-31.2
Denmark	0.0	0.8	-28.1
Finland	0.7	1.4	-20.1
France	4.0	10.9	-20.5
Germany	3.7	8.7	-20.9
Greece	0.2	0.5	-41.0
Hungary*	0.7	--	-46.7
Ireland	5.2	0.3	-40.2
Italy	3.2	3.7	-23.1
Netherlands	1.8	2.4	-23.0
Norway	0.0	0.6	-40.7
Poland*	0.0	--	-39.1
Portugal	0.0	0.3	-21.3
Russia*	0.0	--	-51.3
Spain	1.5	4.5	-17.0
Sweden	0.0	2.0	-25.1
Switzerland	13.3	8.4	-13.3
United Kingdom	15.9	19.9	-26.4
Asia/Pacific			
Australia	1.1 %	6.0 %	-26.9 %
China*	0.0	--	-10.8
Hong Kong	4.9	2.0	-18.8
India*	2.4	--	-29.9
Indonesia*	0.0	--	-33.7
Japan	20.7	25.3	-9.0
Korea*	3.7	--	-26.5
Malaysia*	0.9	--	-13.2
New Zealand	0.0	0.1	-24.0
Pakistan*	0.0	--	-50.4
Philippines*	0.0	--	-25.7
Singapore	4.1	1.1	-26.3
Sri Lanka*	0.0	--	--
Taiwan, China*	0.0	--	-23.8
Thailand*	0.0	--	-26.8
Americas			
Argentina*	0.0 %	--	-43.8 %
Brazil*	1.1	--	-37.3
Canada	1.9	--	-33.1
Chile*	0.0	--	-25.9
Colombia*	0.0	--	-17.6
Mexico*	3.4	--	-30.0
Peru*	0.0	--	-15.5
United States	0.0	--	-22.4
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	--	-32.2 %
Israel*	0.0	--	-21.4
Morocco*	0.0	--	-12.8
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	0.9	--	-16.3
Turkey*	0.0	--	-37.4
Cash			
Cash	4.7 %	--	--
Total	100.0 %	100.0 %	-20.0 %
Developed	82.2	100.0	
Emerging*	13.1	--	
Cash	4.7	--	

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
6 YEARS 9 MONTHS ENDING 12/31/08**



**ANNUALIZED RISK RETURN
6 YEARS 9 MONTHS ENDING 12/31/08**



	Sprucegrove	MSCI EAFE
Country Emphasis	Japan 20.7% United Kingdom 15.9% Switzerland 13.3% Ireland 5.2% Hong Kong 4.9%	Japan 25.3% United Kingdom 19.9% France 10.9% Germany 8.7% Switzerland 8.4%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$18.3 billion	N/A
Number of Holdings	103	989
Top 5 Holdings	Nestle Novartis Total CRH Takeda Pharmaceutical	Nestle BP Novartis Total HSBC
Sector Emphasis	Industrials	Financials
Cash Allocation	4.7%	N/A
Annual Turnover	12.0%	N/A
Total Fund Assets	\$76.2 million	N/A
Inception Date	4/1/2002	N/A
Portfolio Manager	Team Approach	N/A

SPRUCEGROVE

\$76.2 Million and 3.5% of Fund

Fourth Quarter 2008

HISTORICAL RETURNS

(BY YEAR)

	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2 %	22	-16.4 %	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.5	69	0.8
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008	-42.5	33	-43.4	40	0.9
Trailing 3-Year	-7.5 %	53	-7.4 %	51	-0.1
Trailing 5-Year	2.4	40	1.7	57	0.7
Since Inception (3/31/02)	4.9	31	3.5	55	1.4

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

Fourth Quarter 2008

**RETURN SUMMARY
ENDING 12/31/08**

	Since Inception		Inception Date
	Return	Rank	
Artio International Equity II	0.5 %	--	10/31/08
MSCI All Country World ex-U.S. Index	-0.4	--	

Philosophy and Process

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

Commentary on Investment Performance

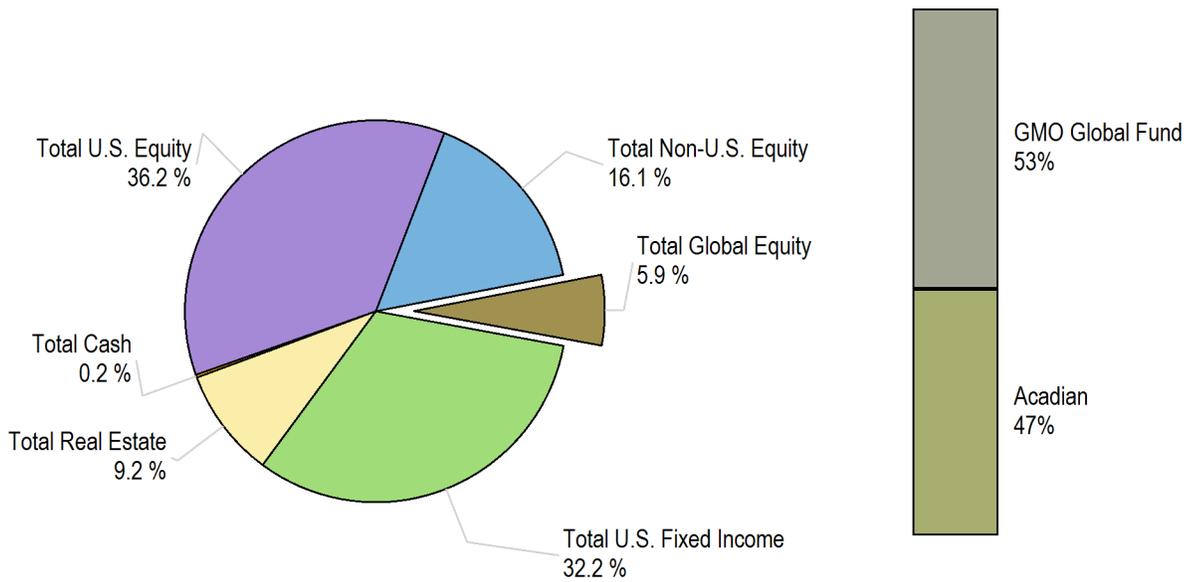
Since Artio's inception, the Fund has advanced 0.5%, outperforming the MSCI All Country World ex-U.S. Index by 0.9 percentage points. Artio's position in developed Europe benefited performance, as the Fund avoided holdings of large banks that were severely impacted by credit market problems and the lack of liquidity. Exposure to the health care sector, a traditionally defensive sector, also proved beneficial. Strong stock selection within the energy sector aided performance. Somewhat offsetting performance was the Fund's exposure to emerging markets.

TOTAL GLOBAL EQUITY

\$130.0 Million and 5.9% of Fund

Fourth Quarter 2008

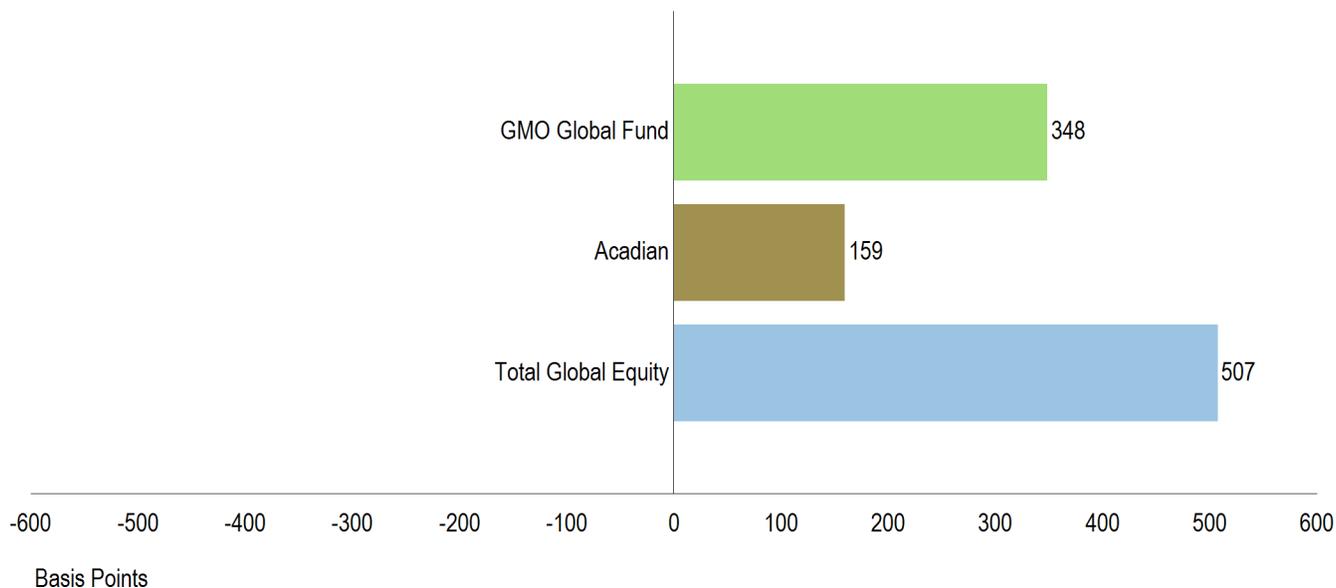
ASSET ALLOCATION ACTUAL AS OF 12/31/08



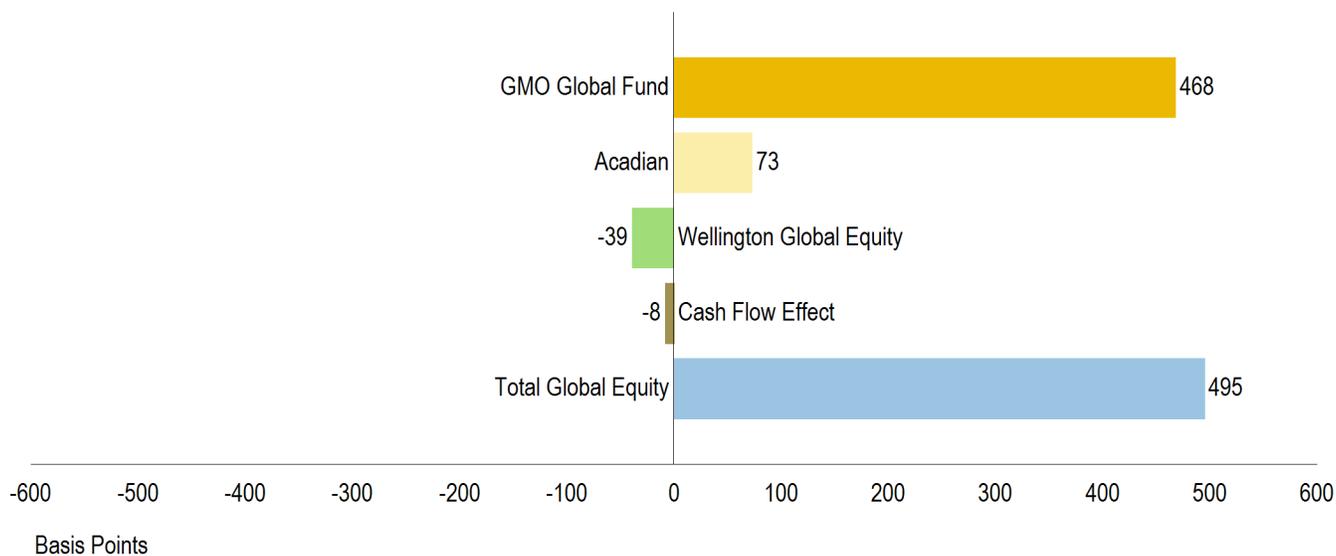
TOTAL GLOBAL EQUITY
\$130.0 Million and 5.9% of Fund

Fourth Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/08



TOTAL GLOBAL EQUITY

\$130.0 Million and 5.9% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-17.3 %	13	-37.3 %	15	-5.8 %	20	-1.7 %	--	4/30/05
MSCI All Country World Index	-22.4	59	-42.2	53	-7.9	49	-3.0	--	
GMO Global Fund	-15.7	9	-32.8	9	-4.0	12	0.2	--	4/30/05
MSCI All Country World Index	-22.4	59	-42.2	53	-7.9	49	-3.0	--	
Acadian	-19.0	23	--	--	--	--	-39.1	--	5/31/08
MSCI All Country World Index	-22.4	59	--	--	--	--	-40.6	--	

Commentary on Investment Performance

The global equity component's fourth quarter return of -17.3% saved approximately 5.1 percentage points of value relative to the MSCI All Country World Index. Both managers were able to provide downside protection due primarily to positive security selection and favorable sector allocation decisions.

Over the trailing one-year period, the component declined 37.3%, but exceeded the return of the MSCI All Country World Index by 4.9 percentage points. GMO saved value relative to its benchmark as a result of strong relative performance from its domestic equity strategies.

Although negative in absolute terms, the global equity component has produced positive relative performance compared to the MSCI All Country World Index over the trailing three-year and since inception periods.

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

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	-15.7 %	9	-32.8 %	9	-4.0 %	12	0.2 %	--	4/30/05
MSCI All Country World Index	-22.4	59	-42.2	53	-7.9	49	-3.0	--	

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 declined 15.7% but saved 6.7 percentage points of value relative to the MSCI All Country World Index. The manager noted that implementation decisions contributed the most to relative performance. In particular, the Fund benefited from its U.S. Quality and U.S. Core Strategies. Additionally, results were aided by above benchmark returns from the Fund's International Intrinsic Value, Core, and Growth Strategies as the manager's value and momentum models performed in line with expectations. Conversely, GMO's Emerging Markets Strategy underperformed its benchmark due to weak stock selection in South Korea, Russia, and South Africa. The Fund's asset allocation decisions also added relative value. Specifically, GMO stated that its decision to hedge out a part of the underlying equity exposure by investing in its Alpha Only Strategy benefited performance.

GMO's longer-term performance remains favorable on a relative basis as illustrated above. The Fund has produced significant above-benchmark returns over the trailing three-year and since inception periods.

GMO

\$69.2 Million and 3.2% of Fund

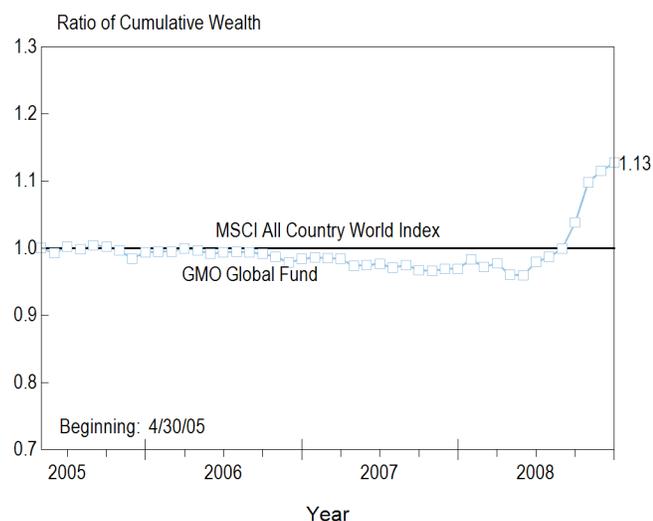
Fourth Quarter 2008

COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 12/31/08

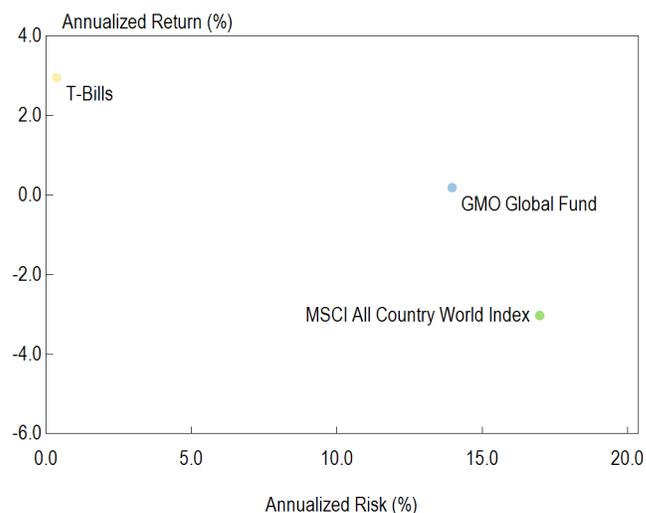
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0 %	0.1 %	-43.2 %
Belgium	0.2	0.3	-37.0
Czech Republic*	0.0	0.1	-31.2
Denmark	0.4	0.4	-28.1
Finland	0.6	0.6	-20.1
France	4.3	4.6	-20.5
Germany	2.9	3.7	-20.9
Greece	0.1	0.2	-41.0
Hungary*	0.1	0.1	-46.7
Ireland	0.1	0.1	-40.2
Italy	1.2	1.5	-23.1
Netherlands	0.8	1.0	-23.0
Norway	0.2	0.3	-40.7
Poland*	0.1	0.2	-39.1
Portugal	0.0	0.1	-21.3
Russia*	0.3	0.5	-51.3
Spain	0.5	1.9	-17.0
Sweden	0.4	0.8	-25.1
Switzerland	4.4	3.5	-13.3
United Kingdom	7.8	8.3	-26.4
Asia/Pacific			
Australia	1.0 %	2.5 %	-26.9 %
China*	1.0	1.7	-10.8
Hong Kong	0.8	0.8	-18.8
India*	0.2	0.6	-29.9
Indonesia*	0.0	0.1	-33.7
Japan	11.4	10.6	-9.0
Korea*	1.7	1.3	-26.5
Malaysia*	0.2	0.3	-13.2
New Zealand	0.0	0.0	-24.0
Pakistan*	0.0	0.0	-50.4
Philippines*	0.1	0.1	-25.7
Singapore	0.5	0.4	-26.3
Sri Lanka*	0.0	--	--
Taiwan, China*	1.1	1.0	-23.8
Thailand*	0.4	0.1	-26.8
Americas			
Argentina*	0.0 %	0.0 %	-43.8 %
Brazil*	1.3	1.2	-37.3
Canada	0.9	3.5	-33.1
Chile*	0.1	0.1	-25.9
Colombia*	0.0	0.1	-17.6
Mexico*	0.2	0.5	-30.0
Peru*	0.0	0.1	-15.5
United States	46.5	45.1	-22.4
Venezuela*	0.0	--	--
Other			
Egypt*	0.1 %	0.1 %	-32.2 %
Israel*	0.2	0.3	-21.4
Morocco*	0.0	0.1	-12.8
Jordan*	0.0	--	--
Other Countries*	0.7	--	--
South Africa*	0.7	0.8	-16.3
Turkey*	0.6	0.1	-37.4
Cash			
Cash	5.9 %	--	--
Total	100.0 %	100.0 %	-22.4 %
Developed	85.0	90.5	
Emerging*	9.1	9.5	
Cash	5.9	--	

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
3 YEARS 8 MONTHS ENDING 12/31/08**



**ANNUALIZED RISK RETURN
3 YEARS 8 MONTHS ENDING 12/31/08**



**HISTORICAL RETURNS
(BY YEAR)**

	GMO Global Fund		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (8 months)	13.7 %	--	14.4 %	--	-0.7
2006	19.7	52	21.0	47	-1.3
2007	10.0	56	11.7	46	-1.7
2008	-32.8	9	-42.2	53	9.4
Trailing 3-Year	-4.0 %	12	-7.9 %	49	3.9
Since Inception (4/30/05)	0.2	--	-3.0	--	3.2

ACADIAN

\$60.8 Million and 2.8% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Acadian	-19.0%	23	-39.1%	--	5/31/08
MSCI All Country World Index	-22.4	59	-40.6	--	

Philosophy and Process

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

Commentary on Investment Performance

During the fourth quarter, the Acadian Global with Opportunistic Shorting Fund produced a loss of 19.0%, but exceeded the return of the MSCI All Country World Index by 3.4 percentage points. The Fund benefited from a combination of stock selection and an overweight position in the U.S., an underweight allocation to Canada, along with positive stock selection in the U.K. The Fund's shorting in Norway also proved favorable. In contrast, an overweight position in Japan and weak stock selection in the Netherlands, Italy, and Singapore hindered performance.

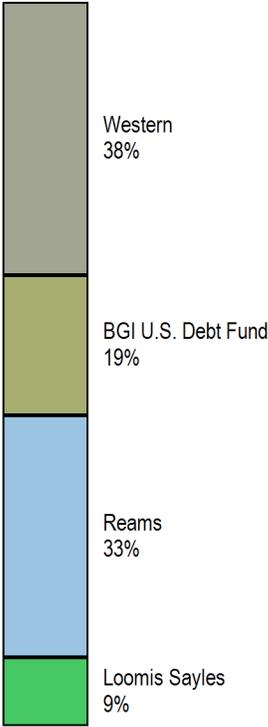
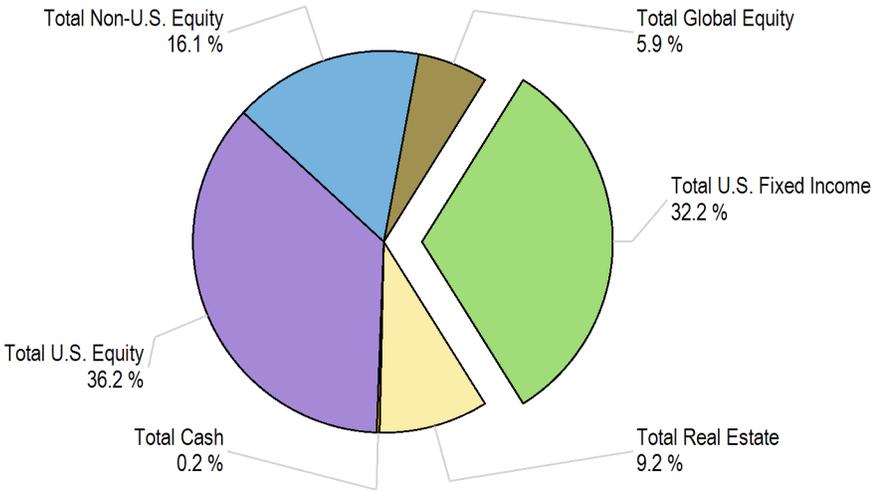
Although negative in absolute terms, Acadian's since inception return has been favorable on a relative basis.

TOTAL U.S. FIXED INCOME

\$703.9 Million and 32.2% of Fund

Fourth Quarter 2008

**ASSET ALLOCATION
ACTUAL AS OF 12/31/08**

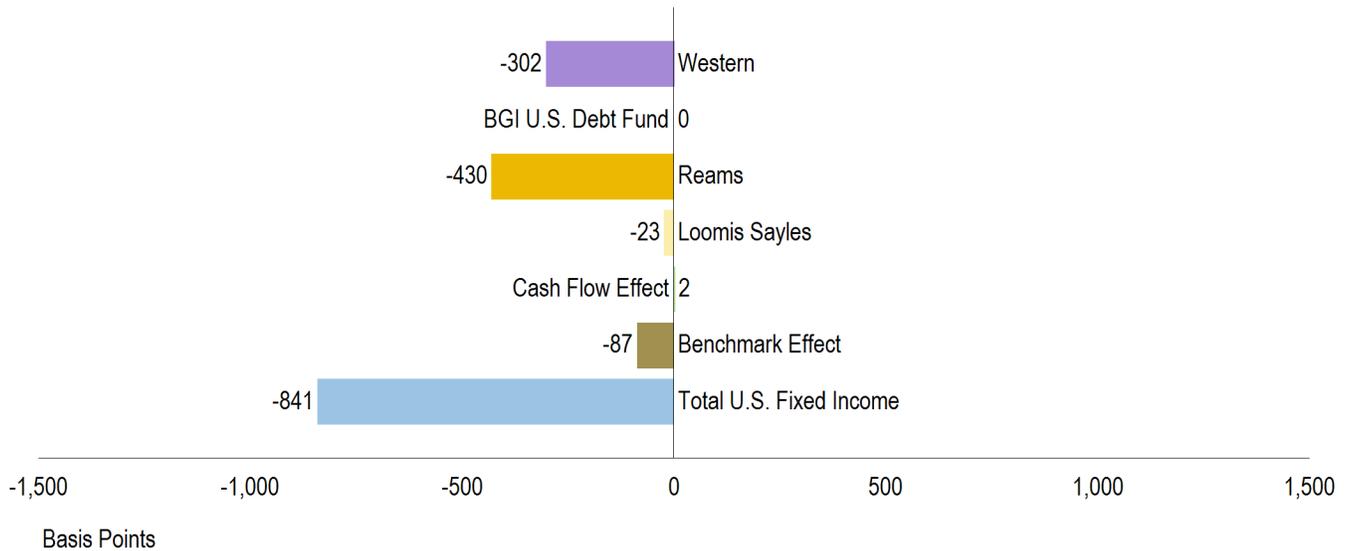


TOTAL U.S. FIXED INCOME

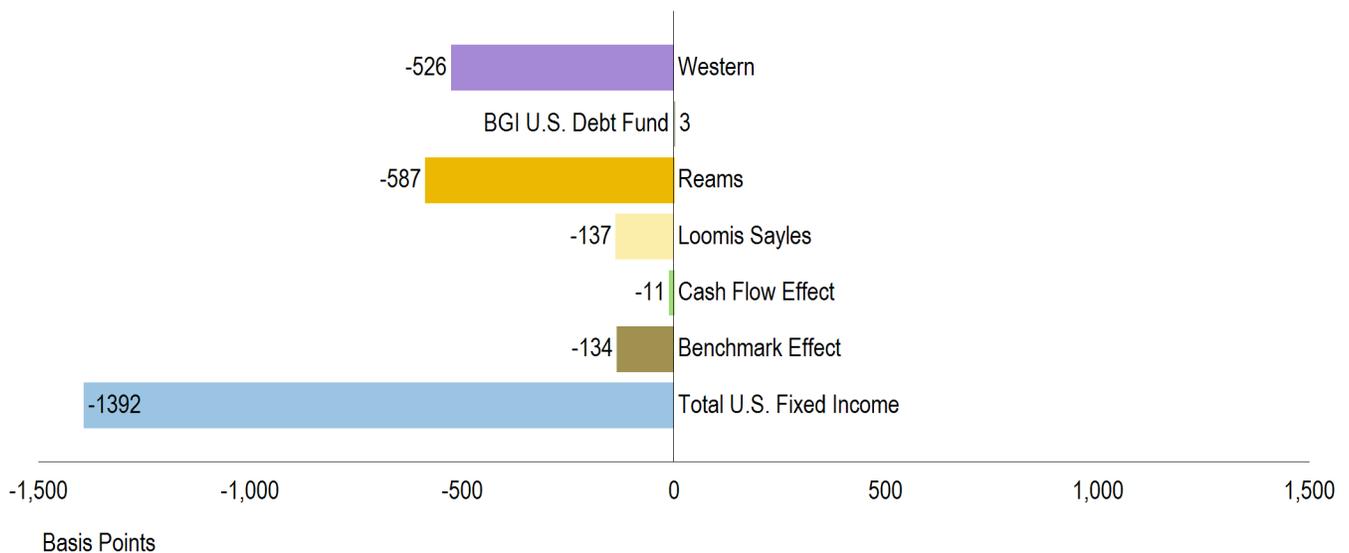
\$703.9 Million and 32.2% of Fund

Fourth Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/08



TOTAL U.S. FIXED INCOME

\$703.9 Million and 32.2% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	-3.8%	78	-8.7%	77	0.7%	71	2.1%	78	4.4%	--	5.2%	--	2/28/94
Barclays Capital Aggregate Bond Index	4.6	9	5.2	8	5.5	7	4.7	5	5.6	--	6.3	--	
Western	-3.6	89	-8.9	85	0.1	87	2.0	85	4.7	64	5.5	66	12/31/96
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	5.6	14	6.2	14	
BGI U.S. Debt Fund	4.6	18	5.4	16	5.6	12	4.7	16	5.7	13	6.1	--	11/30/95
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	5.6	14	6.1	--	
Reams	-8.0	99	-12.1	95	-0.3	90	1.6	88	--	--	2.7	98	9/30/01
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	--	--	5.2	17	
Loomis Sayles	-6.8	96	-19.9	99	-2.3	99	--	--	--	--	-1.8	--	7/31/05
Performance Benchmark	-4.6	92	-8.1	83	1.1	79	--	--	--	--	1.1	--	

Commentary on Investment Performance

The collective return of the U.S. fixed income component declined 3.8% during the quarter and trailed the Barclays Capital Aggregate Bond Index by 8.4 percentage points. All of the component's active managers continued to hinder results. Reams was the largest detractor from performance on an absolute and relative basis as it continued to hold an overweight position in commercial mortgage-backed securities. BGI U.S. Equity Debt Fund approximated the return of the Index during the quarter.

The component's trailing one-year return of -8.7% underperformed that of the Barclays Capital Aggregate Bond Index. Similar to the quarter, all of the component's active managers significantly lagged their respective benchmarks. The largest detractor from performance on an absolute basis was Loomis Sayles which suffered as a result of its mortgage-backed security holdings. On a relative basis, Reams was the largest detractor as holdings in the high yield sector detracted from performance.

The U.S. fixed income component has underperformed the Barclays Capital Aggregate Bond Index over all longer-term periods illustrated above.

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

WESTERN

\$265.5 Million and 12.1% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	-3.6%	89	-8.9%	85	0.1%	87	2.0%	85	4.7%	64	5.5%	66	12/31/96
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	5.6	14	6.2	14	

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.

Manager Monitoring

As of December 31, 2008, Western reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 1.11% allocation to Ford and a 1.22% allocation to GMAC, both are rated below investment grade. VCERA's account guidelines allow for a maximum of 1% to any one holding rated below investment grade. Additionally, the portfolio held a 1.13% allocation to Tyco and a 1.26% allocation to CIA Vale do Rio Doce. VCERA's account guidelines allow for a maximum of 1% duration contribution in bonds issued by any single entity not domiciled in the JP Morgan Government Bond Index.

Commentary on Investment Performance

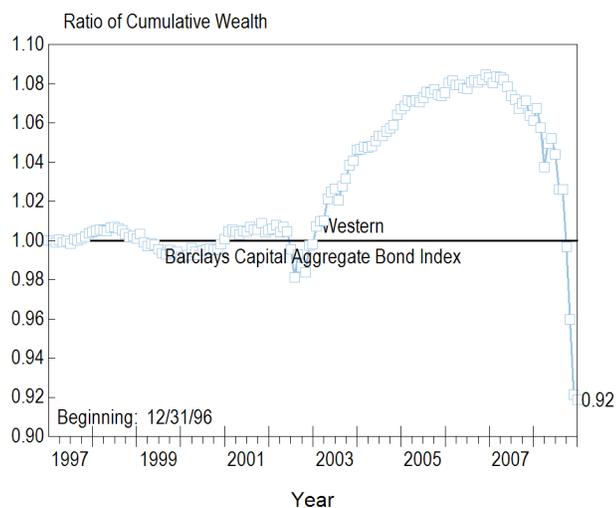
The Western U.S. Core Full composite returned -3.6% during the fourth quarter, trailing the Barclays Capital Aggregate Index by 8.2 percentage points. The manager's non-agency mortgage positions continued to impact performance negatively, as the flight to quality during the quarter put further pressure on the prices of the securities. The portfolio's overweight exposure to corporate bonds also hindered performance during the quarter. Western's financial holdings were in the subordinated tiers of the issuers' capital structures, which hampered results during the quarter. An allocation to high yield corporates also detracted from performance, as the sector experienced steep price declines and the manager was overweight to the lowest quality segment of the market (CCC-rated bonds).

During the trailing one-year period, Western returned -8.9% compared to 5.2% returned by Barclays Capital Aggregate Index. The manager noted that a significant overweight allocation to the mortgage-backed sector detracted from returns. The Fund's emphasis on lower-quality credits and financial issues also dragged on performance.

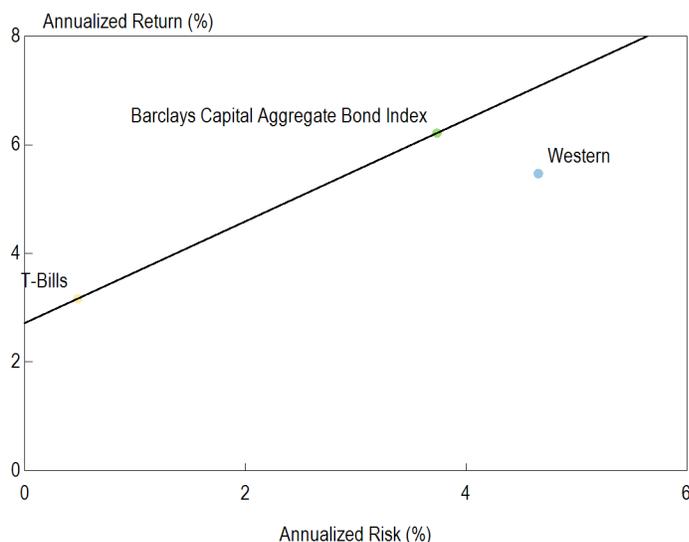
Western's long-term performance has remained unfavorable on a relative basis, as it has underperformed the Index during all periods illustrated above.

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
12 YEARS ENDING 12/31/08**



**ANNUALIZED RISK RETURN
12 YEARS ENDING 12/31/08**



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

	Western Fixed Income Portfolio		Barclays Capital Aggregate Bond Index	
	% at 9/30/08	% at 12/31/2008	% at 12/31/08	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	4%	5%	35%	8.1%
Corporate	29	29	21	4.0
Mortgage-Backed Securities	62	58	39	4.3
Commercial Mortgage-Backed Securities	0	3	4	(13.5)
Asset-Backed	1	1	1	(6.8)
Foreign Bonds	3	2	--	--
Other	--	--	--	--
Cash & Equiv.	1	2	--	--
Total	100 %	100 %	100 %	4.6%
Average Duration	4.7 years	3.3 years	3.7 years	--

WESTERN

\$265.5 Million and 12.1% of Fund

Fourth Quarter 2008

HISTORICAL RETURNS

(BY YEAR)

	Western		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
2007	4.8	86	7.0	16	-2.2
2008	-8.9	85	5.2	16	-14.1
Trailing 3-Year	0.1%	87	5.5%	16	-5.4
Trailing 5-Year	2.0	85	4.7	16	-2.7
Trailing 10-Year	4.7	64	5.6	14	-0.9
Since Inception (12/31/96)	5.5	66	6.2	14	-0.7

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

BGI U.S. DEBT FUND

\$136.6 Million and 6.2% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		10 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	4.6 %	18	5.4 %	16	5.6 %	12	4.7 %	16	5.7 %	13	6.1 %	--	11/30/95
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	5.6	14	6.1	--	

Philosophy and Process

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

Commentary on Investment Performance

During the fourth quarter, the BGI U.S. Debt Fund advanced 4.6%, successfully tracking the return of the Barclays Capital Aggregate Bond Index.

Over the long-term periods shown above, the Fund has provided returns that have closely approximated those of the Barclays Capital Aggregate Bond Index.

HISTORICAL RETURNS

(BY YEAR)

	BGI U.S. Debt Fund		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2000 (9 months)	9.3 %	31	9.2 %	36	0.1
2001	8.6	34	8.4	38	0.2
2002	10.3	24	10.3	24	0.0
2003	4.2	68	4.1	69	0.1
2004	4.3	59	4.3	58	0.0
2005	2.4	60	2.4	58	0.0
2006	4.3	55	4.3	53	0.0
2007	7.0	15	7.0	16	0.0
2008	5.4	16	5.2	16	0.2
Trailing 3-Year	5.6 %	12	5.5 %	16	0.1
Trailing 5-Year	4.7	16	4.7	16	0.0
Trailing 10-Year	5.7	13	5.6	14	0.1
Since Inception (11/30/95)	6.1	--	6.1	--	0.0

REAMS

\$235.1 Million and 10.8% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter		1 Year Ending 12/31/08		3 Years Ending 12/31/08		5 Years Ending 12/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	-8.0 %	99	-12.1 %	95	-0.3 %	90	1.6 %	88	2.7 %	98	9/30/01
Barclays Capital Aggregate Bond Index	4.6	18	5.2	16	5.5	16	4.7	16	5.2	17	

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

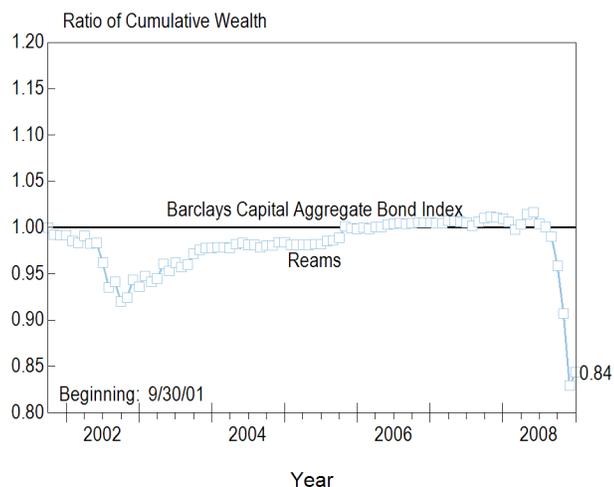
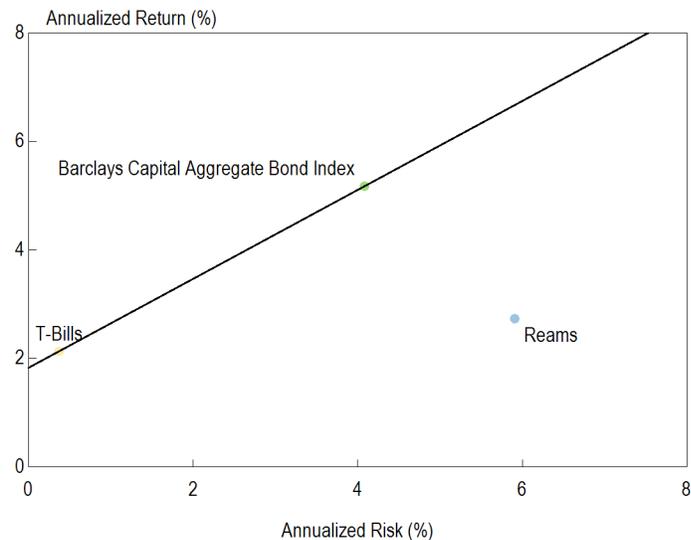
During the quarter the Reams Core-Plus portfolio generated a loss of 8.0% and underperformed the Barclays Capital Aggregate Bond Index by 12.6 percentage points. Continuing from last quarter, the same factors were attributable for the Fund's substantial fourth quarter underperformance. The Fund maintained its aggressive overweight allocations to the commercial mortgage-backed securities (CMBS) and investment-grade corporate sectors. Within the corporate bond sector, the manager emphasized the financial services industry, which continued to struggles. Also detracting from performance was high yield holdings and asset-backed securities. On a positive note, the Fund's underweight allocation to mortgage-backed securities and government related holdings helped performance.

Reams generated a loss of 12.1% over the trailing one-year period and significantly underperformed the Index. Holdings in high yield, mortgage-backed securities, and investment grade credit hindered the portfolio's returns, as de-leveraging weighed down on the credit market. Further detracting from performance was the Fund's yield curve strategy.

The manager continues to focus on the financial and industrial sectors as it states that many of the financial companies continue to operate under the umbrella of the Fed and Treasury guarantees and liquidity assistance. The CMBS sector remains overweight as the manager views these securities as extremely attractive due to their steady underwriting standards, low delinquency rates, and favorable collateralization levels. The Fund continues to have an underweight allocation to Treasury, agency, and mortgage pass-through holdings in order to maintain an overweight allocation in the credit and CMBS sectors.

The portfolio's longer-term performance remains unfavorable. The Fund has underperformed during all periods shown above as a result of recent poor performance.

Fourth Quarter 2008

**RATIO OF CUMULATIVE WEALTH
7 YEARS 3 MONTHS ENDING 12/31/08**

**ANNUALIZED RISK RETURN
7 YEARS 3 MONTHS ENDING 12/31/08**


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

	Reams Fixed Income Portfolio		Barclays Capital Aggregate Bond Index	
	% at 9/30/08	% at 12/31/08	% at 12/31/08	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	0%	2%	35%	8.1%
Corporate	53	55	21	4.0
Mortgage-Backed Securities	39	2	39	4.3
Commercial Mortgage-Backed Securities	0	35	4	(13.5)
Asset-Backed	4	4	1	(6.8)
Foreign Bonds	--	--	--	--
Other	0	0	--	--
Cash & Equiv.	4	2	--	--
Total	100 %	100 %	100 %	4.6%
Average Duration	4.8 years	4.4 years	3.7 years	--

REAMS

\$235.1 Million and 10.8% of Fund

Fourth Quarter 2008

HISTORICAL RETURNS

(BY YEAR)

	Reams		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8 %	91	0.0 %	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
2007	7.4	6	7.0	16	0.4
2008	-12.1	95	5.2	16	-17.3
Trailing 3-Year	-0.3 %	90	5.5 %	16	-5.8
Trailing 5-Year	1.6	88	4.7	16	-3.1
Since Inception (9/30/01)	2.7	98	5.2	17	-2.5

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

Fourth Quarter 2008

**RETURN SUMMARY
ENDING 12/31/08**

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	Since Inception	Inception Date
Loomis Sayles	-6.8 %	-19.9 %	-2.3 %	-1.8 %	7/31/05
Performance Benchmark	-4.6	-8.1	1.1	1.1	
Barclays Capital Aggregate Bond Index	4.6	5.2	5.5	5.1	

Philosophy and Process

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

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

Commentary on Investment Performance

Loomis Sayles declined 6.8% and underperformed the Performance Benchmark by 2.2 percentage points. The underperformance was attributed to a combination of the manager's sector positioning decisions and non-U.S. dollar-denominated positions. Loomis maintained an underweight allocation to Treasuries and an overweight allocation to corporate bonds, which adversely impacted performance as corporate bonds experienced substantial price declines over concerns of a pending recession and an ongoing liquidity crisis. Additionally, the manager maintained a significant position in below-investment grade corporate bonds, and the lower-quality positions fared poorly amid investors' flight to quality. The manager's positions in non-U.S. dollar currencies also impacted performance negatively, as the dollar strengthened relative to most currencies.

Loomis Sayles's trailing one-year performance of -19.9% underperformed the Performance Benchmark by 11.8 percentage points. Underperformance was mostly attributed to weak third and fourth quarter performance. The portfolio's mortgage-backed security holdings and underweight allocation to Treasuries were the primary detractors from performance.

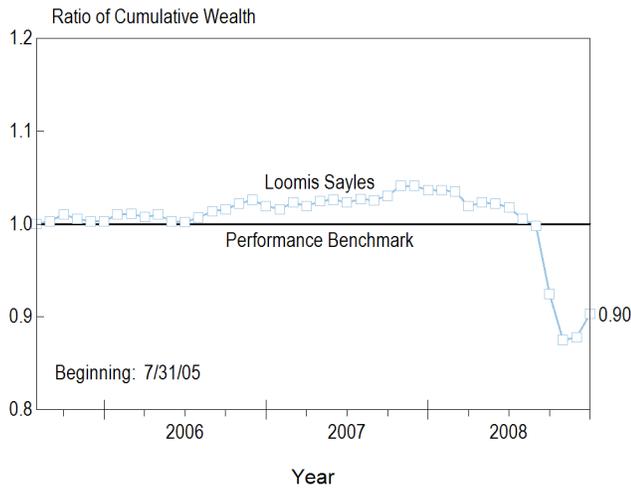
The Portfolio's trailing three-year and since inception period returns have significantly underperformed those of the Performance Benchmark and Barclays Capital Aggregate Bond Index.

LOOMIS SAYLES

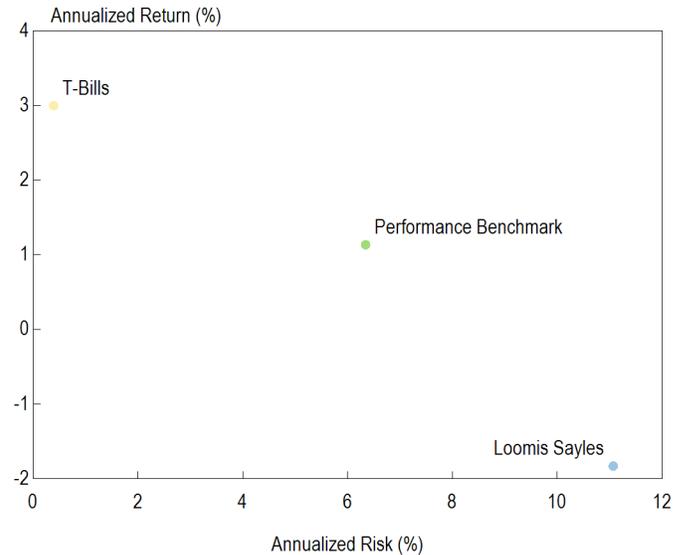
\$66.8 Million and 3.1% of Fund

Fourth Quarter 2008

RATIO OF CUMULATIVE WEALTH 3 YEARS 5 MONTHS ENDING 12/31/08



ANNUALIZED RISK RETURN 3 YEARS 5 MONTHS ENDING 12/31/08



	Loomis Sayles Fixed Income Portfolio		Barclays Capital Aggregate Bond Index	
	% at 9/30/08	% at 12/31/08	% at 12/31/08	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	--	--	35%	8.1%
Corporate	78%	78%	21	4.0
Mortgage-Backed Securities	--	--	39	4.3
Commercial Mortgage-Backed Securities	1	1	4	(13.5)
Asset-Backed	1	0	1	(6.8)
Foreign Bonds	17	14	--	--
Other	2	3	--	--
Cash & Equiv.	1	4	--	--
Total	100 %	100 %	100 %	4.6%
Average Duration	6.8 Years	6.8 Years	3.7 Years	--

Fourth Quarter 2008

**HISTORICAL RETURNS
(BY YEAR)**

	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7 %	--	0.4 %	--	0.3
2006	9.0	1	7.3	2	1.7
2007	6.7	23	5.0	84	1.7
2008	-19.9	99	-8.1	83	-11.8
Trailing 3-Year	-2.3 %	99	1.1 %	79	-3.4
Since Inception (7/31/05)	-1.8	--	1.1	--	-2.9

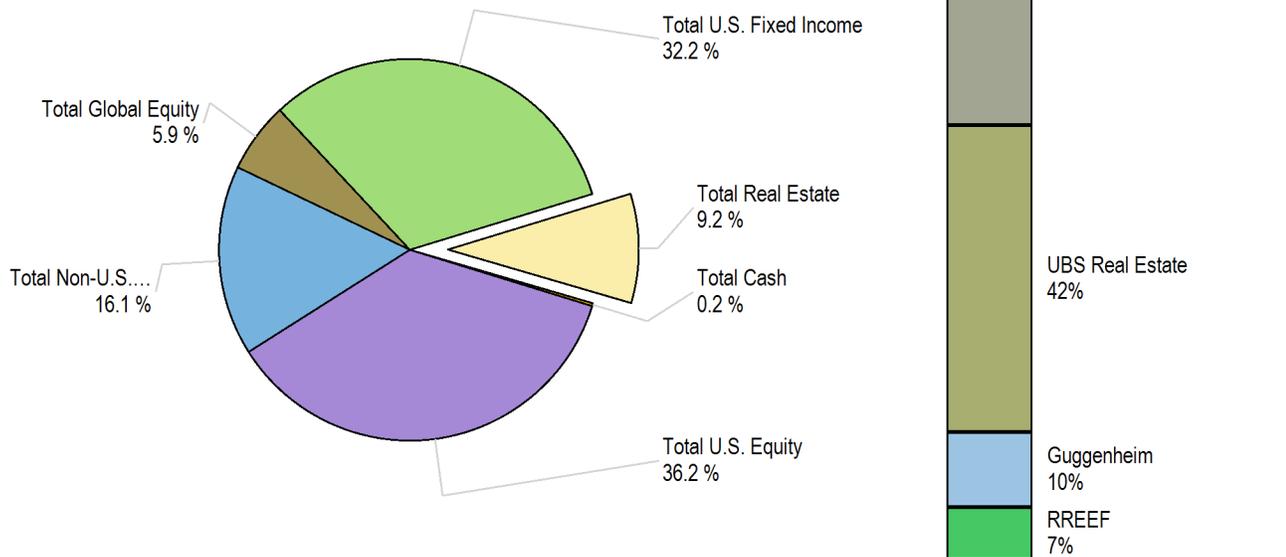
The table above compares the historical annual and cumulative annualized returns of the Loomis Sayles portfolio and its Performance Benchmark.

TOTAL REAL ESTATE

\$202.1 Million and 9.2% of Fund

Fourth Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 12/31/08



TOTAL REAL ESTATE
\$202.1 Million and 9.2% of Fund

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	5 Years Ending 12/31/08	Since Inception	Inception Date
Total Real Estate	-19.7%	-20.5%	1.2%	7.1%	9.2%	3/31/94
Policy Benchmark	-8.8	-8.3	6.8	10.9	10.4	
Total Prudential Real Estate	-14.7	-13.7	5.0	--	6.8	6/30/04
Policy Benchmark	-8.8	-8.3	6.8	--	10.7	
UBS Real Estate	-19.9	-19.4	1.6	7.4	7.7	3/31/03
NCREIF Open End Fund Index	-8.8	-8.3	6.8	10.5	10.4	
Guggenheim	-28.0	-28.9	--	--	-7.2	6/30/06
Performance Benchmark	-17.0	-15.2	--	--	0.0	
RREEF	-30.7	-41.8	--	--	-37.1	10/1/07
NCREIF Open End Fund Index	-8.8	-8.3	--	--	-5.0	

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

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

Commentary on Investment Performance

The composite return of the real estate portfolio declined 19.7% during the fourth quarter, while the Policy Benchmark returned -8.8%. Each of the underlying managers considerably underperformed their respective benchmarks.

The real estate portfolio's trailing one-year return of -20.5% underperformed that of the Policy Benchmark. Parallel to the quarter, all of the underlying managers produced below benchmark results.

Although positive in absolute terms, the component's longer-term performance has remained unfavorable, as it has underperformed the Policy Benchmark during all periods illustrated above.

PRUDENTIAL

\$81.6 Million and 3.7% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	Since Inception	Inception Date
Total Prudential Real Estate	-14.7 %	-13.7 %	5.0 %	6.8 %	6/30/04
Policy Benchmark	-8.8	-8.3	6.8	10.7	
PRISA Fund I	-14.7	-13.7	5.0	8.6	3/31/05
NCREIF Open End Fund Index	-8.8	-8.3	6.8	9.4	

Philosophy and Process

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

Commentary on Investment Performance

The Prudential PRISA Fund I declined 14.7%, producing its worst quarter performance in its 38-year history. Given the unprecedented turmoil in capital markets during the second half of 2008, value losses were greater than projected. Valuation losses were witnessed across all property sectors and were mainly attributed to increases in capitalization and discount rates which were significantly larger than those realized in recent quarters. The office sector accounted for more than a third of the Fund's total depreciation during the quarter.

PRISA invested \$172.8 million in acquisitions during the fourth quarter, which were part of its forward commitment program. Additionally, the Fund sold four assets resulting in net proceeds of \$47.4 million. PRISA drew down \$3.3 million of client deposits during the quarter and funded \$25.0 million of redemption request. Quarterly operating cash flow distributions totaled \$72.9 million. The Fund unsatisfied redemption requests of \$807 million and has pending requests of \$1.4 billion which includes requests received during the fourth quarter. Given such high redemption requests, PRISA's 2009 capital needs are of concern.

PRISA's first capital need results from the Fund's short-term debt maturities. PRISA has \$646 million (representing 15.1% of PRISA's total outstanding debt) of debt maturing in 2009, and another \$619 million (representing 14.5% of PRISA's total outstanding debt) maturing in 2010. As of fourth quarter 2008, the Fund has a 30.9% loan-to-value ratio. During the quarter, leverage increased by 5.1 percentage points, and during 2008 leverage increased by a total of 7.8 percentage points.

PRISA's second capital need results from their current forward purchase commitment obligations. During the fourth quarter, acquisitions that were part of PRISA's forward commitment program represented 19% of total acquisitions during the quarter. Its forward purchase commitment obligations now result in PRISA paying above-market prices, as the prices were negotiated years ago in a different cap rate environment. The Fund's last capital need comes from its redemption requests.

EnnisKnupp is concerned about the Fund's ability to address these capital needs. With little to no new capital being committed to the Fund, PRISA may need to increase its leverage and/or sell assets at distressed pricing. EnnisKnupp's global real estate research team is conducting further diligence and is working on an in-dept memo which will be distributed to the Board upon its completion.

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	3 Years Ending 12/31/08	5 Years Ending 12/31/08	Since Inception	Inception Date
UBS Real Estate	-19.9%	-19.4%	1.6%	7.4%	7.7%	3/31/03
NCREIF Open End Fund Index	-8.8	-8.3	6.8	10.5	10.4	
NCREIF NPI	-8.3	-6.5	8.1	11.7	11.4	

Philosophy and Process

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

Manager Monitoring

UBS reported that during the fourth quarter Joseph Cammilleri, a director in the valuations department left the firm. UBS did not disclose the reason for Mr. Cammilleri's departure, as they stated that out of respect for their former employees' confidentiality they were unable to discuss specific details regarding departures.

Commentary on Investment Performance

During the quarter, the UBS RESA portfolio declined 19.9% compared to a 8.8% loss in the NCREIF Open End Fund Index. The portfolio did not experience any acquisitions or dispositions during the quarter. From the portfolio's 16 investments that were valued during the quarter, net realized/unrealized losses totaled \$78 million. During the quarter, the portfolio made an initial funding of \$12.7 million on a construction loan secured by a 69-unit apartment property in Brooklyn, New York. Once construction has been completed, the loan will convert to an eight-year participating mortgage for \$36.1 million.

The portfolio's net investment income was \$18.4 million which was down \$1.0 million from last quarter. As of quarter-end, 43% of the portfolio's assets were allocated to apartments, 22% to industrials, 15% to retail, 12% to office space, and 8% to hotels. During the quarter, industrials (+0.9%) produced the only positive return while hotels (-7.1%) detracted the most from performance. The manager does not foresee making any strategic changes to the portfolio in the coming months.

The portfolio has produced unfavorable results on a relative basis over the longer-term periods illustrated above, as the portfolio has underperformed both the NCREIF Open End Fund Index and NCREIF NPI.

GUGGENHEIM

\$20.8 Million and 1.0% of Fund

Fourth Quarter 2008

RETURN SUMMARY ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	Since Inception	Inception Date
Guggenheim	-28.0 %	-28.9 %	-7.2 %	6/30/06
Performance Benchmark	-17.0	-15.2	0.0	

Philosophy and Process

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

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

Commentary on Investment Performance

As of the date of publishing this report, Guggenheim had yet to publish audited reports for the fourth quarter. The manager's preliminary performance analysis indicated a fourth quarter net-return of -28.0% compared to a -17.0% return from the Performance Benchmark. At the end of the quarter, the Fund held 28% of its assets in public real estate securities, which decreased by 5% from the previous quarter, and the remaining 72% 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.

Fourth Quarter 2008

RETURN SUMMARY
ENDING 12/31/08

	Fourth Quarter	1 Year Ending 12/31/08	Since Inception	Inception Date
RREEF	-30.7%	-41.8%	-37.1%	10/1/07
NCREIF Open End Fund Index	-8.8	-8.3	-5.0	

Philosophy and Process

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

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

Manager Monitoring

RREEF stated that the management team of the Fund had a 5% reduction in global staff as a whole, meaning 69 of the current 1,370 employees have been cut. The cuts were explained as a product of the current economic environment and provide RREEF a chance to restructure some of the roles and groups within the organization.

Commentary on Investment Performance

During the fourth quarter, RREEF decreased by 30.7% and trailed the NCREIF Open End Fund Index by 21.9 percentage points. Negative performance was primarily driven by external appraisal write-downs resulting in gross market value adjustments of -16.9%. As of quarter-end, the gross market value of the fund was \$3.0 billion and NAV to shareholders was \$1.3 billion. When leverage was factored in, which was 61% at quarter-end, the gross of fee return for the quarter was -30.5%. A majority of the write-downs are attributed to the Fund's three largest development projects: Downtown Sunnyvale (Sunnyvale, CA), The Domain (Austin TX), and Riverside South (New York, NY). Gross value adjustments on those three developments resulted in write-downs of \$342 million for fourth quarter 2008, or 43% of the total Fund's valuation adjustment.

RREEF's long-term performance remains unfavorable, as it has significantly lagged the NCREIF Open End Fund Index.

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RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Fourth Quarter	Annualized Periods Ending 12/31/08				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
DJ Wilshire 5000 Index	-22.9%	-37.2%	-8.4%	-1.7%	-0.6%	6.3%
S&P 500 Index	-21.9	-37.0	-8.4	-2.2	-1.4	6.5
Russell 3000 Index	-22.8	-37.3	-8.6	-1.9	-0.8	6.4
Russell 1000 Value Index	-22.2	-36.8	-8.3	-0.8	1.4	7.5
Russell 1000 Growth Index	-22.8	-38.4	-9.1	-3.4	-4.3	4.8
Russell MidCap Value Index	-27.2	-38.4	-10.0	0.3	4.4	8.6
Russell MidCap Growth Index	-27.4	-44.3	-11.8	-2.3	-0.2	5.3
Russell 2000 Value Index	-24.9	-28.9	-7.5	0.3	6.1	8.4
Russell 2000 Growth Index	-27.4	-38.5	-9.3	-2.4	-0.8	2.8
Domestic Bond Indices:						
Barclays Capital Aggregate Index	4.6%	5.2%	5.5%	4.7%	5.6%	6.2%
Barclays Capital Govt/Credit Index	6.4	5.7	5.6	4.6	5.6	6.2
Barclays Capital Long Govt/Credit Index	13.1	8.4	5.9	6.3	6.6	7.5
Barclays Capital 1-3 Year Govt/Credit Index	2.7	5.0	5.3	3.8	4.8	5.2
Barclays Capital U.S. MBS Index	4.3	8.3	6.8	5.5	6.0	6.4
Barclays Capital High Yield Index	-17.9	-26.2	-5.6	-0.8	2.2	4.3
Barclays Capital Universal Index	2.7	2.4	4.6	4.3	5.6	6.1
Real Estate Indices:						
NCREIF Property Index	-8.3%	-6.5%	8.1%	11.7%	10.5%	10.6%
NCREIF ODCE Index	-11.0	-10.7	5.7	9.7	9.1	9.4
DJ Wilshire Real Estate Securities Index	-40.4	-39.8	-12.4	0.6	7.3	8.0
FTSE NAREIT US Real Estate Index	-38.8	-37.7	-10.8	0.9	7.4	8.2
Foreign/Global Stock Indices:						
MSCI All Country World Index	-22.4%	-42.2%	-7.9%	-0.1%	-0.2%	4.5%
MSCI All Country World IMI	-22.7	-43.1	-8.6	-0.1	0.4	--
MSCI All Country World ex-U.S. Index	-22.3	-45.5	-7.0	2.6	1.9	3.8
MSCI All Country World ex-U.S. IMI	-22.5	-46.0	-7.4	2.6	2.3	--
MSCI All Country World ex-U.S. Small Cap Index	-24.0	-50.2	-11.3	2.1	4.3	--
MSCI EAFE Index	-20.0	-43.4	-7.4	1.7	0.8	3.5
MSCI EAFE IMI	-20.2	-43.7	-7.8	1.7	1.2	--
MSCI EAFE Index (in local currency)	-18.5	-40.3	-10.4	0.9	-0.4	2.6
MSCI Emerging Markets IMI	-27.4	-53.8	-5.2	7.6	7.8	--
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	8.8%	10.1%	9.5%	6.0%	5.6%	6.5%
Citigroup Hedged World Gov't Bond Index	5.5	8.0	5.3	5.4	5.4	6.7
Cash Equivalents:						
Treasury Bills (30-Day)	0.1%	1.2%	3.0%	2.5%	2.8%	3.4%
EnnisKnupp STIF Index	0.4	2.7	4.4	3.6	3.7	4.3
Inflation Index:						
Consumer Price Index	-3.9%	0.1%	2.2%	2.7%	2.5%	2.5%

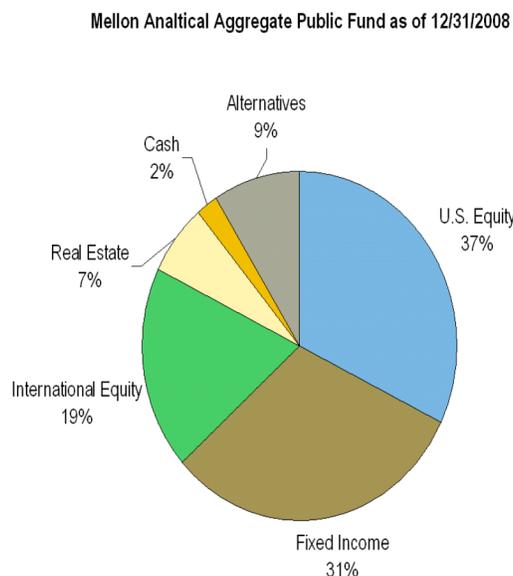
APPENDIX II

Description of Fund Benchmarks and Universe Rankings

Total Fund

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

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 87 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$832.0 billion as of 12/31/2008.



Total U.S. Equity

Benchmark. The Russell 3000 Index.

Universe. A universe of 487 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$455.1 billion as of 12/31/2008.

BGI Extended Equity Index Fund

Benchmark. The DJ Wilshire 4500 Index.

Universe. A universe of 70 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$35.8 billion as of 12/31/2008.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 420 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$499.8 billion as of 12/31/2008.

BGI Equity Market Fund

Benchmark. The DJ Wilshire 5000 Index.

Universe. A universe of 838 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$635.0 billion as of 12/31/2008.

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 436 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$220.9 billion as of 12/31/2008.

BGI ACWI ex U.S.

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

Universe. A universe of 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$182.3 billion as of 12/31/2008.

APPENDIX II

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 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$182.3 billion as of 12/31/2008.

Sprucegrove

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

Universe. A universe of 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$182.3 billion as of 12/31/2008.

Artio Global

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

Universe. A universe of 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$182.3 billion as of 12/31/2008.

Total Global Equity

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$112.7 billion as of 12/31/2008.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$112.7 billion as of 12/31/2008.

Acadian

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$112.7 billion as of 12/31/2008.

Total Fixed Income

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 75 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$226.8 billion as of 12/31/2008.

Western Asset Management

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 90 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$449.1 billion as of 12/31/2008.

BGI U.S. Debt Index Fund

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 90 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$449.1 billion as of 12/31/2008.

Reams

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 90 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$449.1 billion as of 12/31/2008.

Loomis Sayles

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

Universe. A universe of 90 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$449.1 billion as of 12/31/2008.

APPENDIX II

Total Real Estate

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

Prudential Real Estate

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

Prudential Real Estate PRISA

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

UBS RESA

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

Guggenheim

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

RREEF

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

Description of Benchmarks (continued)

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

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

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

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

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

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

APPENDIX II

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 487 funds with an equity aggregate market value of \$455.1 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 436 funds with an international equity aggregate market value of \$220.9 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 67 funds with a global equity aggregate market value of \$112.7 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 75 funds with a fixed income aggregate market value of \$226.8 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.

"Watch" status:

- 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 12/31/08
Loomis Sayles	-At least 50% of the portfolio must be invested in investment grade securities at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-60% of the portfolio must be invested in U.S. domiciled issues	YES
Western Core Plus	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of AA	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase	YES
	-A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase	YES
	-A maximum of 1% per issue for below investment grade securities	NO
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase	YES
	-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	YES
	-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	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
-Derivatives are not used to lever the portfolio*	YES	

* Based on affirmative statement from manager

APPENDIX II

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
BGI Extended Market Fund	4	Daily	Commingled Fund
Western U.S. Index Plus	20	Daily	Separate Acct.
BGI Equity Market Fund	2	Daily	Commingled Fund
Capital Guardian	53	Monthly	Commingled Fund
Sprucegrove	50	Monthly	Commingled Fund
Artio Global	85	Daily	Commingled Fund
BGI ACWI ex-U.S. Index	13	Daily	Commingled Fund
GMO	66	Daily	Commingled Fund
Acadian	75	Daily	Commingled Fund
BGI U.S. Debt Fund	4	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	24	Daily	Separate Acct.
Loomis Sayles	43	Daily	Separate Acct.
Prudential	81	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Guggenheim	50	Quarterly	Commingled Fund
RREEF	60	Quarterly	Commingled Fund
Total Fund	26	--	--