

ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Fourth Quarter 2007

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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.

HIGHLIGHTS

HIGHLIGHTS

Fourth Quarter 2007

Market Comments

While most U.S. stock indexes finished 2007 with gains for the year, stocks traded lower in the final quarter of 2007. The Dow Jones Wilshire 5000 Index fell 3.2% during the quarter. U.S. stocks succumbed to ongoing weakness in the housing market, concerns over sub-prime mortgages, and crude oil prices that approached \$100 per barrel. In general, large cap stocks were the better performers among the market's capitalization groups as investors remained concerned that small caps would suffer more in an environment of slower growth and tougher credit conditions. The real story was the continued dominance of growth oriented companies over value. One reason for the disparity was the poor performance of financial stocks, which typically reside on the value side of most indexes. On the other hand, technology, a growth oriented sector, was one of the year's best performing sectors, benefiting from healthy earnings growth and a number of successful products.

Although non-U.S. stocks fared better than U.S. stocks during the quarter, the performance advantage came largely from currency gains. The MSCI All Country World ex-U.S. Index fell 0.7% as a loss of economic momentum in Japan, exposure to sub-prime mortgage-related securities, and credit market turmoil detracted from results. Even better was the MSCI Emerging Markets Index. This index which includes countries such as China, India, Taiwan, Russia, and Brazil advanced 3.6% during the quarter and an impressive 39.4% over the trailing one-year as robust growth prospects and soaring commodity prices kept sentiment positive towards the emerging markets.

The Lehman Brothers Aggregate Bond Index advanced 3.0% during the fourth quarter and posted a 7.0% gain for 2007. As might be expected in a period where investors were increasingly sensitive to risk, high-yield bonds were one of the bond market's weakest sectors, while Treasuries performed relatively well. What began early in 2007 as the failure of several mortgage originators, blossomed into a full financial panic as the virus that is sub-prime lending infected banks, brokers, credit rating agencies, and hedge funds. So virulent became the infection, that lending not just from bank to customer, but bank to bank, was interrupted. Central banks had to intervene to provide funds and more recently to lower interest rates. The disruption in the credit markets has led to a variety of actions that tightened lending standards with the now emerging effect of slowing the US economy.

MAJOR MARKET RETURNS

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07
Dow Jones Wilshire 5000 Index	-3.2%	5.6%	9.2%
MSCI All-Country World Ex-US Free	-0.7	16.7	19.9
MSCI EAFE Free	-1.8	11.2	16.8
MSCI Emerging Markets	3.6	39.4	35.1
MSCI All Country World Index	-1.8	11.7	14.4
Lehman Brothers Aggregate Bond Index	3.0	7.0	4.6

Fourth Quarter 2007

Asset Growth

As shown below, the asset value of VCERA's Total Fund decreased by approximately \$68.6 million during the quarter. The decrease in assets was attributable to investment losses of \$34.6 million and net withdrawals of \$34.0 million.

Market Value (millions) as of 9/30/07	\$3,236.3
Income/Appreciation	(34.6)
Net Contributions/Withdrawals	(34.0)
Market Value (millions) at 12/31/2007	\$3,167.7

Asset Allocation

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

In October, RREEF's America III portfolio was funded with \$25 million from the BGI U.S. Debt Index Fund. During the remainder of the quarter, VCERA made three withdrawals totaling \$34.0 million from the BGI Equity Index Fund and the BGI U.S. Debt Index Fund to finance employee benefit payments. Additionally, \$11 million was transferred from the BGI ACWI ex-U.S. Index Fund to the BGI Equity Index Fund on December 7th in order to rebalance.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	45.1%	47.0%	-1.9
Non-U.S. Equity	14.0	14.0	--
Global Equity	4.6	4.0	+0.6
U.S. Fixed Income	28.4	27.0	+1.4
Real Estate	8.0	8.0	--

HIGHLIGHTS

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	-1.2%	77	6.9%	75	9.6%	52	12.6%	58	7.8%	45	9.9%	--	3/31/80
Policy Portfolio	-0.7	39	8.5	40	10.0	41	12.7	57	7.6	54	--	--	
Public Fund Index	-0.7	37	8.7	37	10.3	39	12.9	53	7.7	49	--	--	
Total U.S. Equity	-3.7	66	4.3	68	8.2	71	13.3	71	6.5	63	10.1	71	12/31/93
Performance Benchmark*	-3.2	43	5.5	46	9.0	43	13.7	57	6.3	70	10.5	63	
Total Non-U.S. Equity	-1.2	58	11.7	74	18.6	43	21.9	54	10.1	54	10.5	36	3/31/94
Performance Benchmark**	-0.7	40	16.7	25	19.9	24	24.0	20	9.7	60	8.8	71	
Total Global Equity	-0.7	40	11.3	51	--	--	--	--	--	--	16.4	--	4/30/05
MSCI All Country World Index	-1.8	60	11.7	46	--	--	--	--	--	--	17.7	--	
Total U.S. Fixed Income	2.6	48	6.3	50	4.9	27	5.4	41	6.2	20	6.3	--	2/28/94
LB Aggregate Bond Index	3.0	28	7.0	39	4.6	41	4.4	69	6.0	51	6.4	--	
Total Real Estate	0.8	--	12.8	--	18.2	--	14.8	--	12.2	--	11.7	--	3/31/94
Policy Benchmark	2.3	--	15.2	--	16.8	--	14.8	--	12.7	--	11.9	--	

Commentary on Investment Performance

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

During the quarter, the Total Fund declined 1.2% which lagged the result of the Policy Portfolio and the average Public Fund measured by Mellon Analytical Solutions. Impeding the period's relative return was underperformance within the U.S. equity, non-U.S. equity, fixed income, and real estate components. Somewhat offsetting the period's underperformance was the above benchmark return of the global equity component.

The Total Fund's trailing one-year return of 6.9% underperformed the Policy Portfolio by approximately 1.6 percentage points, net of fees. The less-than-benchmark performance was a result of each of the Fund's sub-components underperforming their respective benchmarks.

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.

Longer-term relative performance of the Total Fund consisted mostly of underperformance as only the trailing ten-year return exceeded the Policy Portfolio.

*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 2007

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07	5 Years Ending 12/31/07	10 Years Ending 12/31/07
Dow Jones Wilshire 5000 Index	-3.2%	5.6%	9.2%	14.0%	6.3%
MSCI All-Country World Ex-US Free	-0.7	16.7	19.9	24.0	9.7
MSCI EAFE Free	-1.8	11.2	16.8	21.6	8.6
MSCI Emerging Markets	3.6	39.4	35.1	37.0	14.2
MSCI All Country World Index	-1.8	11.7	14.4	18.2	7.5
Lehman Brothers Aggregate Bond Index	3.0	7.0	4.6	4.4	6.0

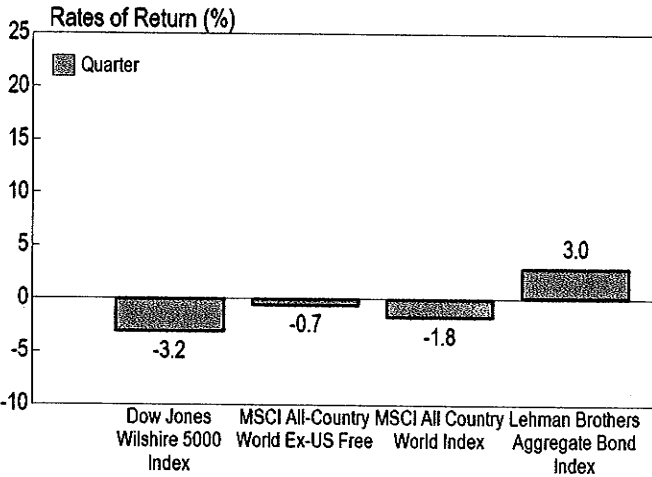
The broad U.S. equity market struggled in the fourth quarter posting its first quarterly loss of 2007. The market struggled in November, declining nearly 4.5% as volatility returned to the market and investors re-priced risk. As instability ensued, the Federal Reserve took action amidst great speculation over rising inflationary pressures and the ability to stimulate the economy. The Fed used two 25 basis point reductions in the Federal Funds rate on October 31st and December 11th to try to stimulate the market. These two 25 basis point reductions, combined with the September 18th reduction, brought the Federal Funds rate to 4.25% at year end.

The Dow Jones Wilshire 5000 Index declined 3.2% during the fourth quarter. However, over the trailing one-year period, the Dow Jones Wilshire 5000 Index advanced 5.6%. Once again, energy was the best-performing sector, advancing 4.9% during the quarter due largely to rising oil prices. Over the trailing one-year period the energy sector has gained 34.5%. Financial stocks were the worst-performing sector during the quarter, declining 11.8%. Financial stocks continued to be hurt by the sub-prime crisis and subsequent credit crunch. Over the trailing one-year period the financial sector has declined 15.9%. The consumer durable sector also performed poorly, declining 9.5% for the quarter and 10.1% over the trailing one-year period. During the quarter and one-year periods, large cap stocks outperformed small cap stocks, while growth stocks outperformed value.

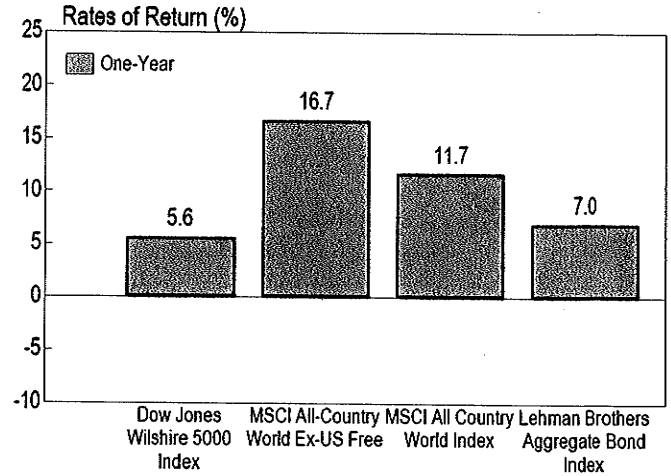
Non-U.S. stocks also experienced declines during the fourth quarter, but to a lesser extent; the MSCI All Country World ex-U.S. Index declined 0.7%. Over the trailing one-year period, the MSCI All Country World ex-U.S. Index advanced 16.7% and outperformed the U.S. equity market by 11.1%. Japan continued to lag the MSCI All Country World ex-U.S. Index declining 6.1% during the quarter and 4.2% over the trailing one-year period. Emerging markets continued to perform well, advancing 3.6% during the quarter and an impressive 39.4% over the trailing one-year period. The best-performing emerging market region was Eastern Europe, which advanced 13.4% during the quarter. Asia and Latin America were the best-performing emerging market regions over the trailing one-year period, gaining 41.6% and 50.7%, respectively.

The domestic fixed income market, as measured by the Lehman Brothers Aggregate Bond Index, posted strong returns for the quarter and the trailing one-year period, advancing 3.0%, and 7.0%, respectively. In continuance from the third quarter, a flight to quality resulted in strong performance from the Treasury and agency sectors of the U.S. bond market, while corporate finance-backed and home equity asset-backed sectors performed the worst, lagging the broad market. As noted earlier, the challenges facing the Fed led to a reduction of the Federal Funds rate by another 50 basis points in an attempt to increase liquidity in the banking system and help credit markets begin trading more steadily.

**MAJOR MARKET RETURNS
FOURTH QUARTER**

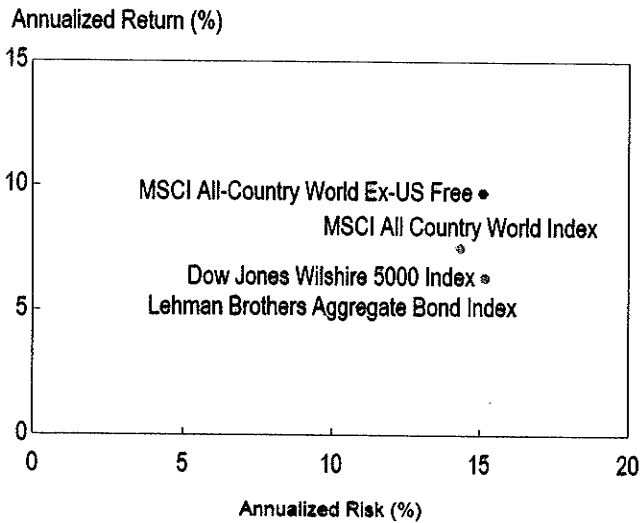


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 12/31/07**

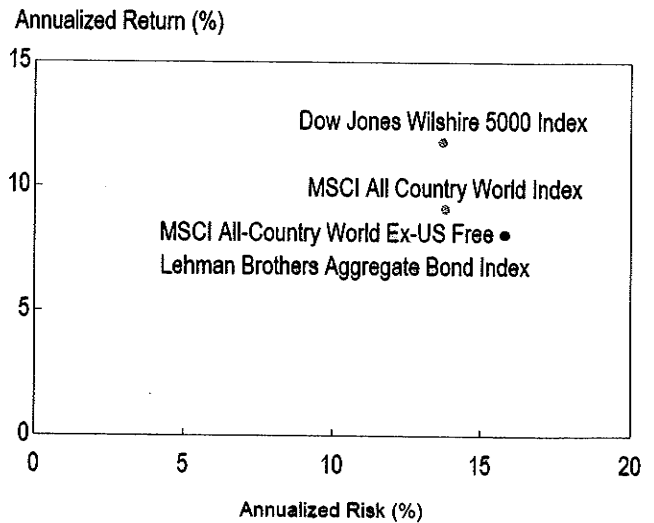


The exhibits above show the performance of the major capital markets during the fourth quarter and year-to-date period.

**MARKET RISK/RETURN
10 YEARS ENDING 12/31/07**



**MARKET RISK/RETURN
20 YEARS ENDING 12/31/07**

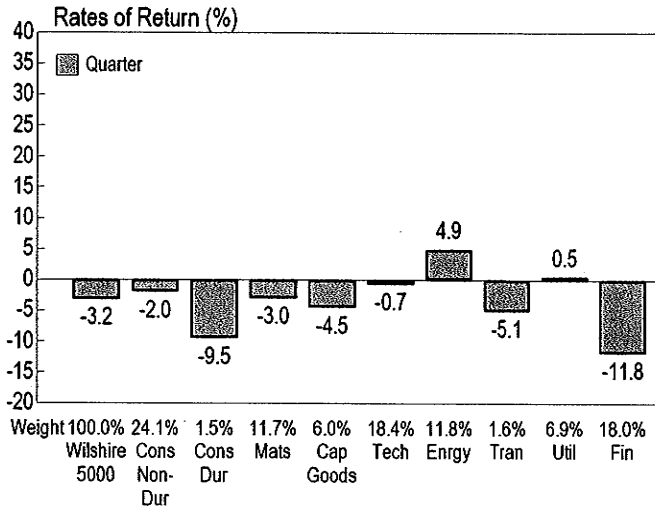


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

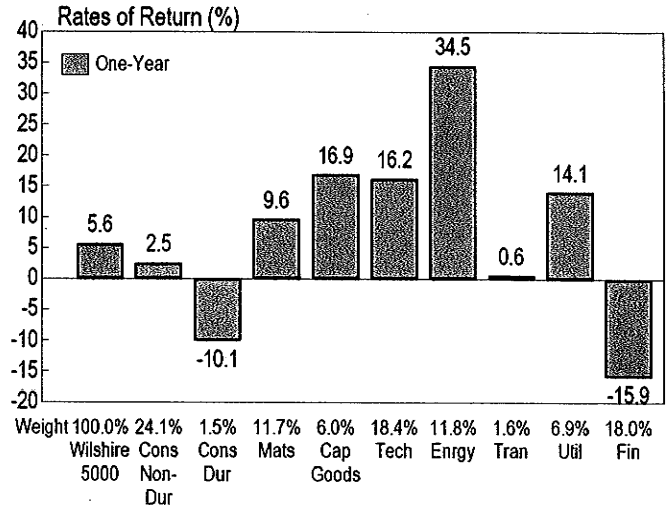
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS FOURTH QUARTER



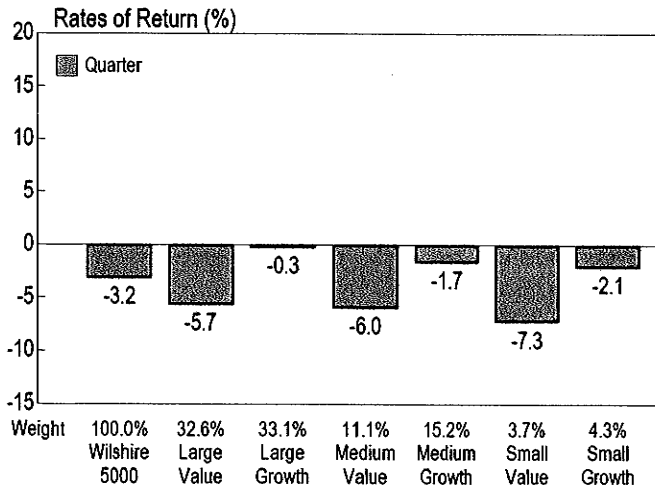
SECTOR RETURNS ONE-YEAR ENDING 12/31/07



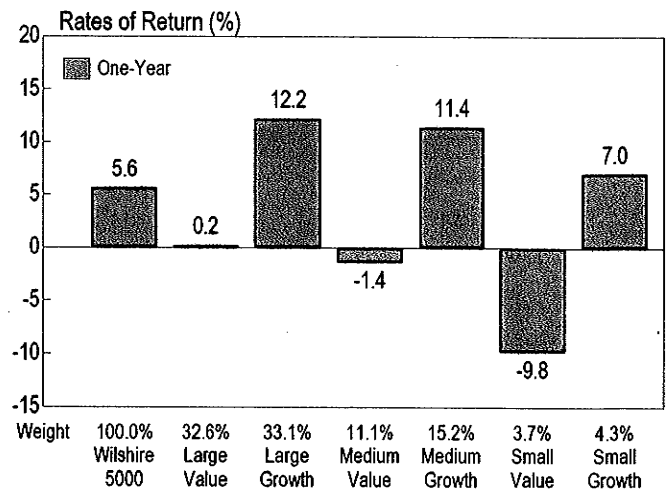
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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

STYLE RETURNS FOURTH QUARTER



STYLE RETURNS ONE-YEAR ENDING 12/31/07

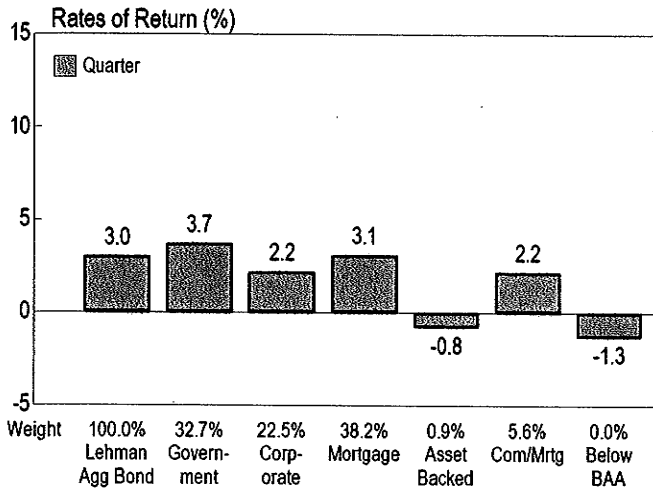


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

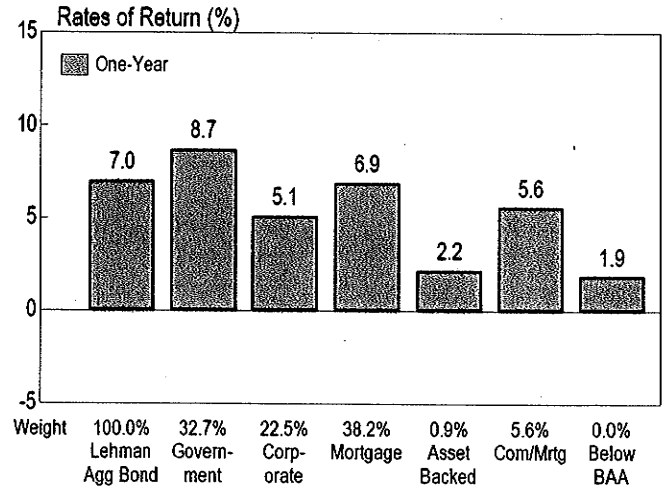
MARKET ENVIRONMENT

U.S. BOND MARKET

SECTOR RETURNS FOURTH QUARTER



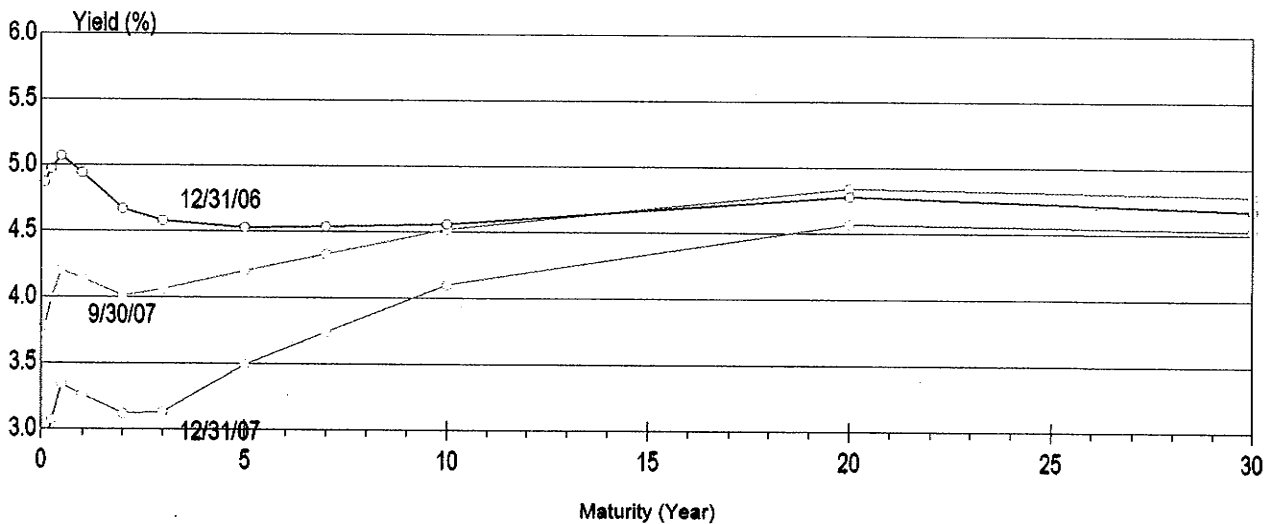
SECTOR RETURNS ONE-YEAR ENDING 12/31/07



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

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

U.S. TREASURY CURVE

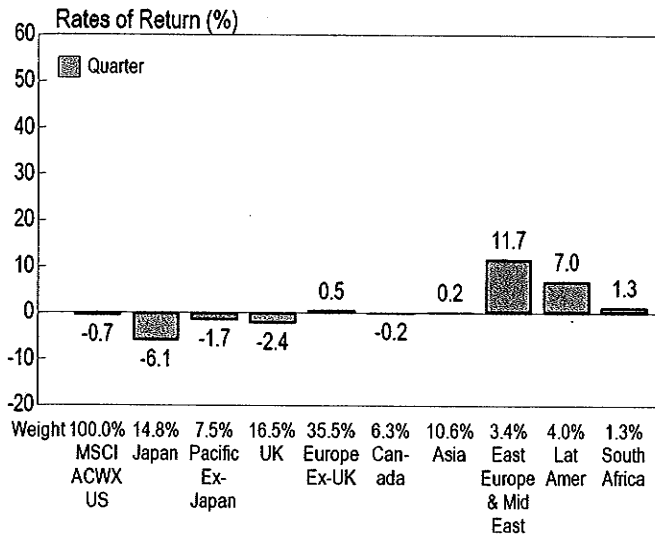


The exhibit above illustrates yields of Treasury securities of various maturities as of December 31, 2006, September 30, 2007, and December 31, 2007.

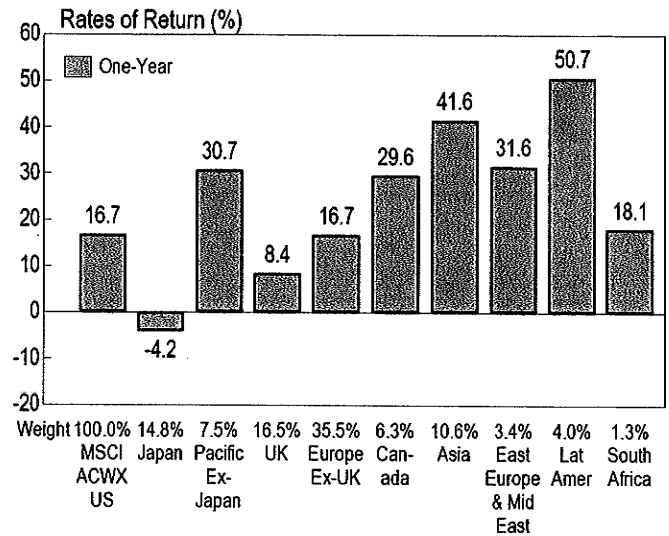
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

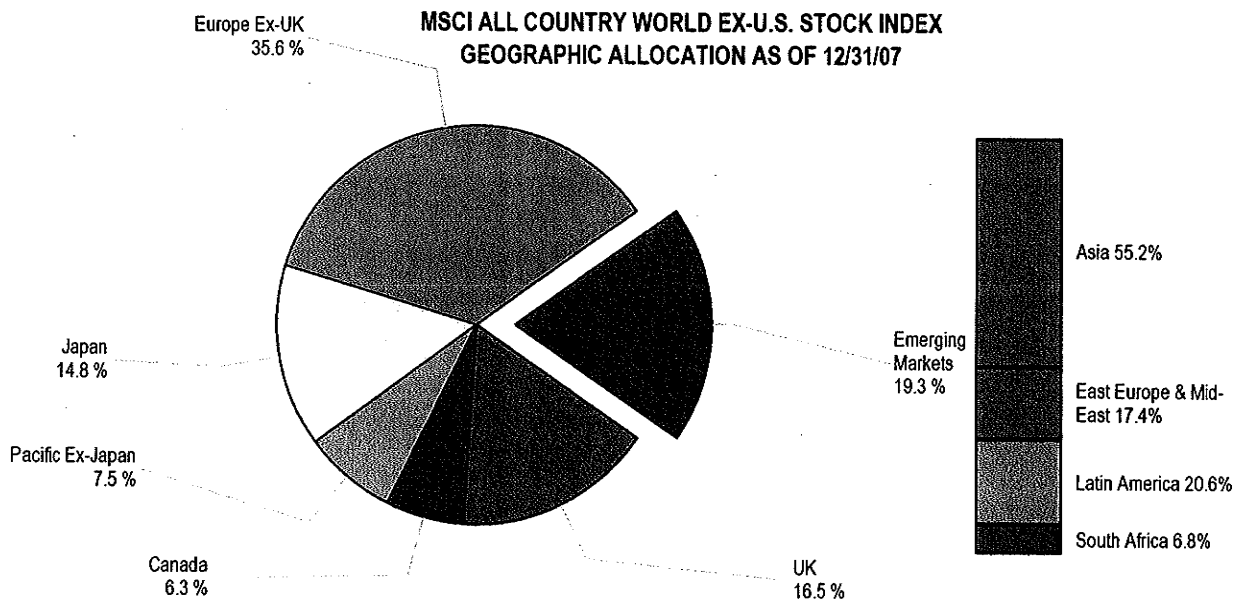
**NON-U.S. STOCK MARKET RETURNS
FOURTH QUARTER**



**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 12/31/07**



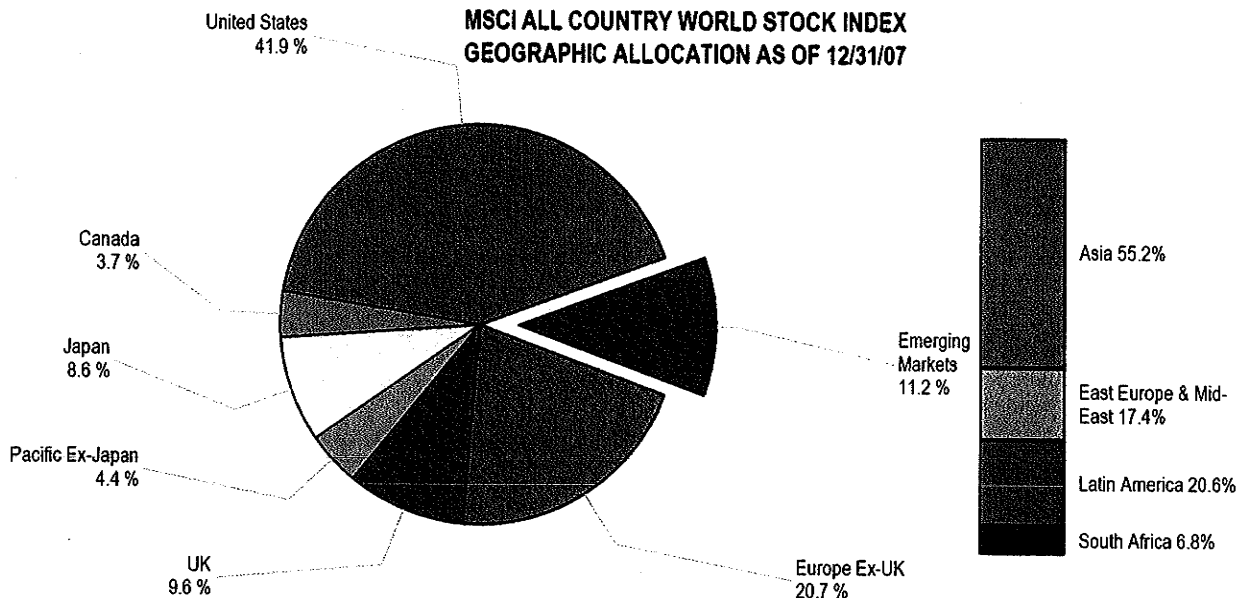
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.



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.

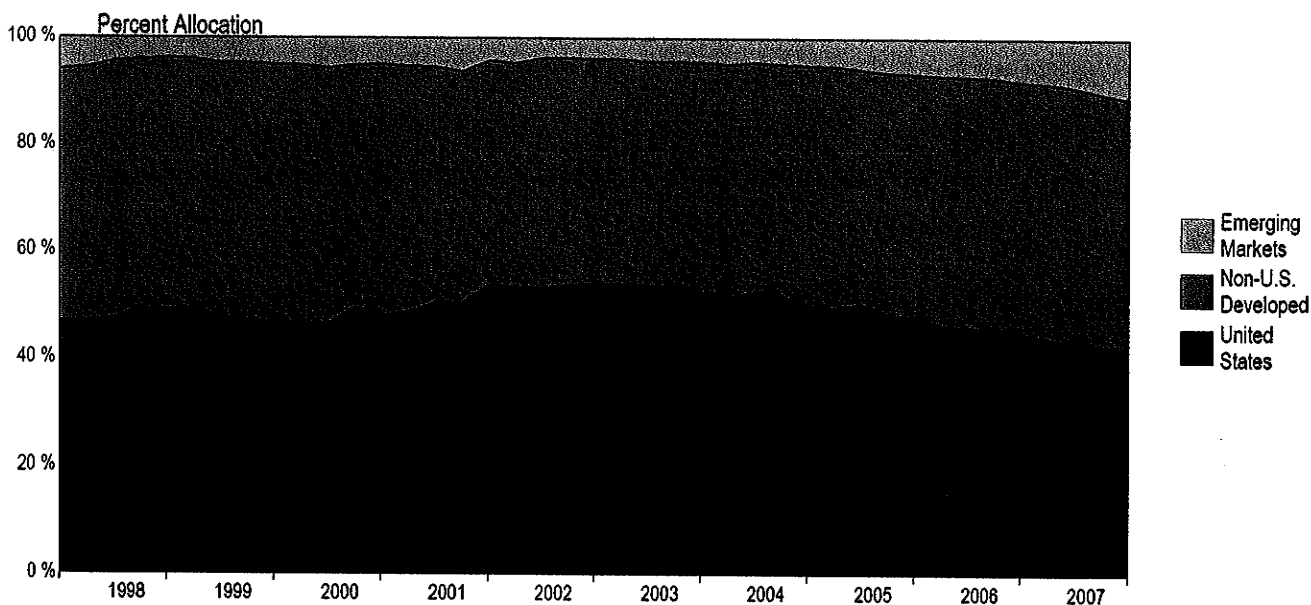
MARKET ENVIRONMENT

GLOBAL STOCK MARKETS



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

ALLOCATION



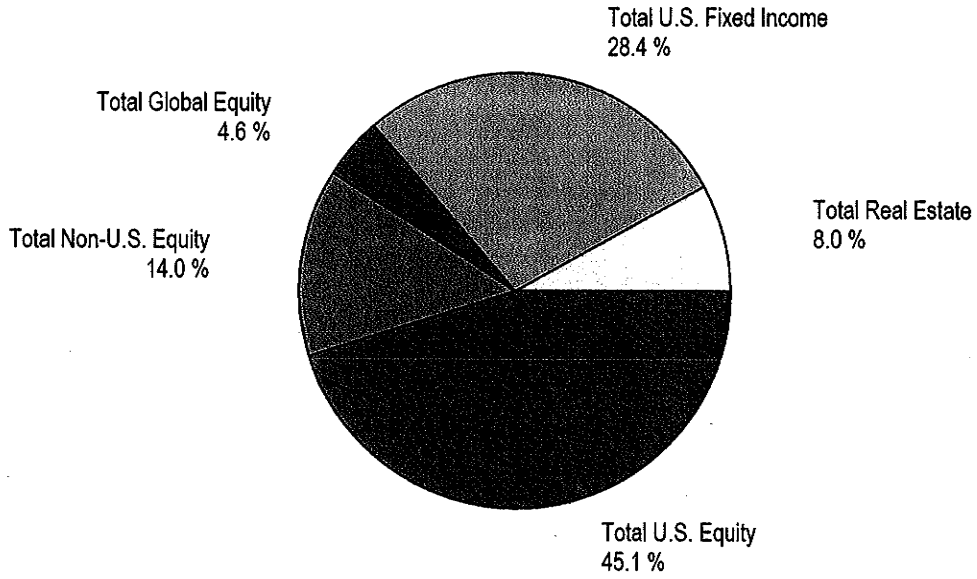
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

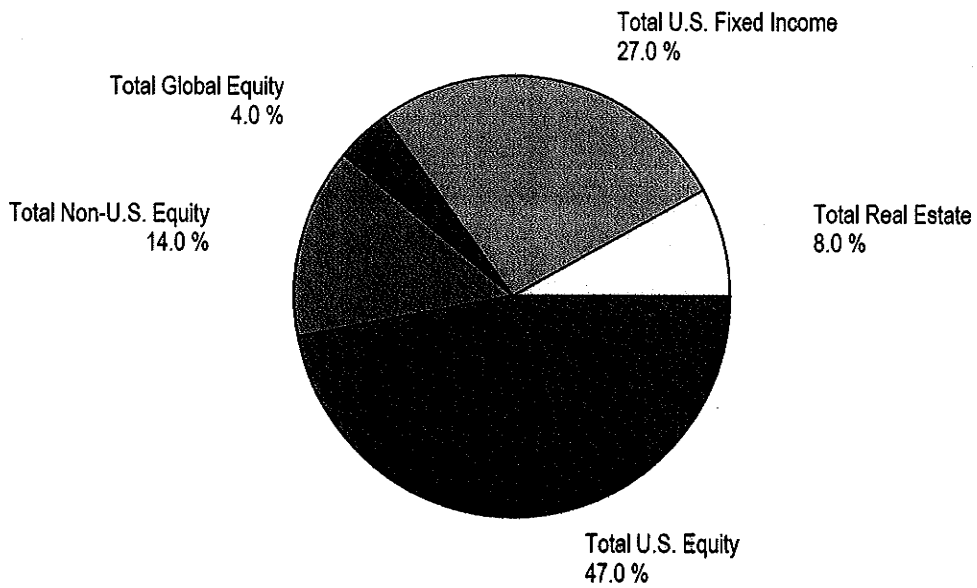
ASSET ALLOCATION

Fourth Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 12/31/07



ASSET ALLOCATION POLICY AS OF 12/31/07



ASSET ALLOCATION

Fourth Quarter 2007

ASSET ALLOCATION AS OF 12/31/07

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
Delta	\$173,443	--	--	--	--	\$9,901	\$183,343	5.8%	
BGI Equity Index Fund	891,788	--	--	--	--	--	891,788	28.2	
LSV	80,534	--	--	--	--	731	81,265	2.6	
Wasatch	78,715	\$9,967	--	--	--	4,471	93,154	2.9	
BGI Extended Equity	89,426	--	--	--	--	--	89,426	2.8	
Western U.S. Index Plus	85,251	--	--	--	--	5,326	90,577	2.9	
Total U.S. Equity	1,399,157	9,967	--	--	--	20,429	1,429,553	45.1	47.0%
BGI ACWI ex-U.S. Index	--	\$123,455	--	--	--	--	\$123,455	3.9%	
Capital Guardian	--	162,185	--	--	--	\$3,141	165,326	5.2	
Sprucegrove	--	150,125	--	--	--	3,534	153,659	4.9	
Total Non-U.S. Equity	--	435,764	--	--	--	6,675	442,439	14.0	14.0%
GMO Global Fund	\$30,713	\$37,741	\$1,897	--	--	\$1,509	\$71,860	2.3%	
Wellington Global Equity	27,244	44,714	--	--	--	558	72,516	2.3	
Total Global Equity	57,957	82,455	1,897	--	--	2,067	144,377	4.6	4.0%
Western	--	--	\$321,751	\$8,815	--	\$4,592	\$335,158	10.6%	
BGI U.S. Debt Fund	--	--	164,116	--	--	--	164,116	5.2	
Reams	--	--	307,466	--	--	--	307,466	9.7	
Loomis Sayles	--	--	69,436	17,485	--	4,383	91,303	2.9	
Total U.S. Fixed Income	--	--	862,769	26,299	--	8,974	898,043	28.4	27.0%
Total Prudential Real Estate	--	--	--	--	\$93,780	--	\$93,780	3.0%	
UBS Real Estate	--	--	--	--	105,207	--	105,207	3.3	
Guggenheim	--	--	--	--	29,252	--	29,252	0.9	
RREEF	--	--	--	--	25,025	--	25,025	0.8	
Total Real Estate	--	--	--	--	253,264	--	253,264	8.0	8.0%
Total Fund	\$1,457,114	\$528,186	\$864,666	\$26,299	\$253,264	\$38,146	\$3,167,676	100.0%	100.0%
Percent of Total	46.0%	16.7%	27.3%	0.8%	8.0%	1.2%	100.0%		

Asset Allocation

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

During the quarter, the Total Fund asset value decreased by approximately \$68.6 million. The decrease in assets was attributable to investment losses of \$34.6 million and net withdrawals of \$34.0 million.

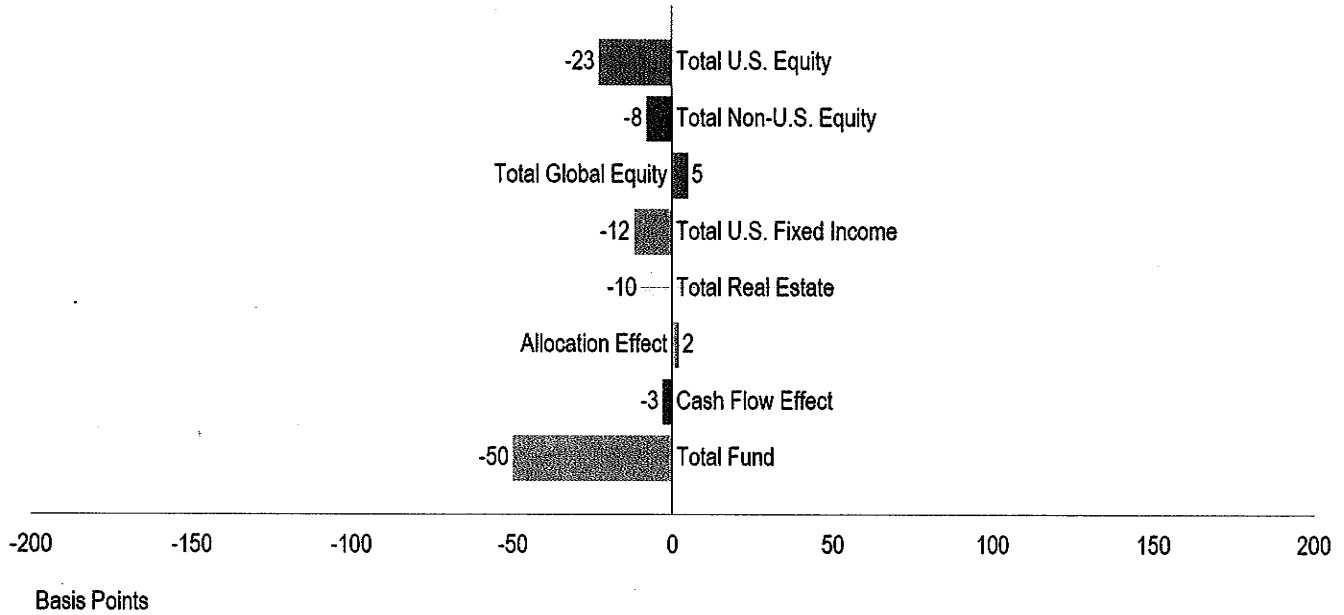
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PERFORMANCE EVALUATION

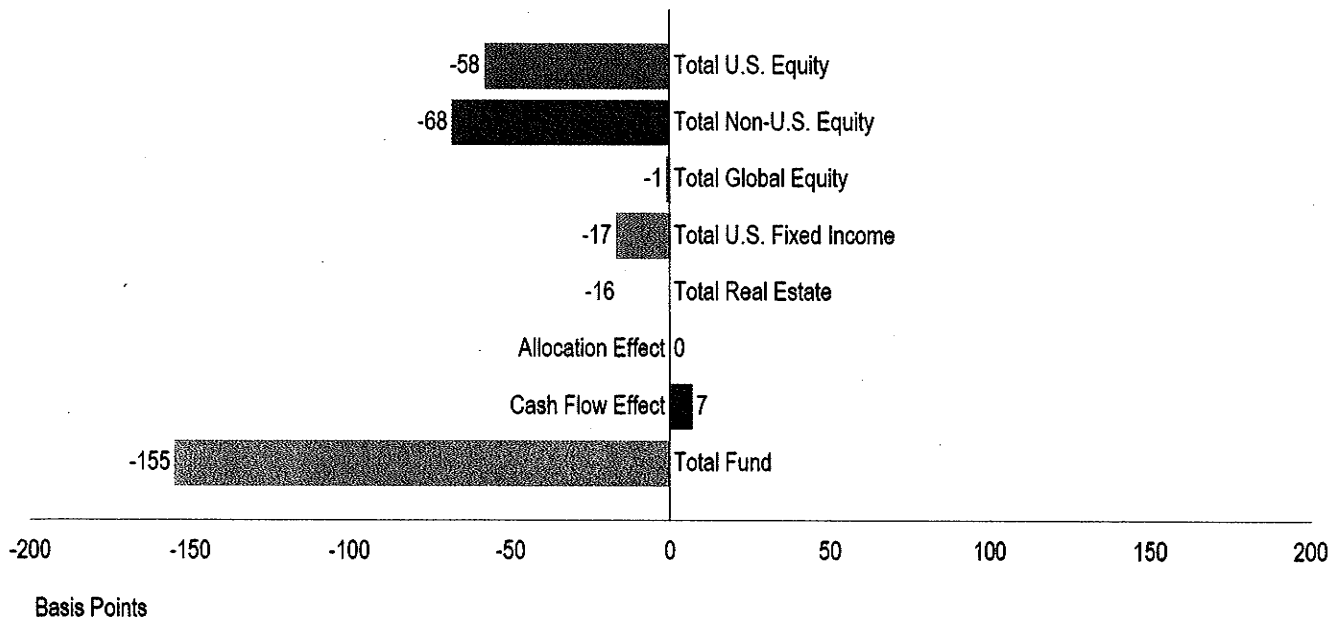
TOTAL FUND

Fourth Quarter 2007

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/07



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/07



Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	-1.2%	77	6.9%	75	9.6%	52	12.6%	58	7.8%	45
Policy Portfolio	-0.7	39	8.5	40	10.0	41	12.7	57	7.6	54
Public Fund Index	-0.7	37	8.7	37	10.3	39	12.9	53	7.7	49

Commentary on Investment Performance

During the quarter, the Total Fund declined 1.2% which lagged the result of the Policy Portfolio and the average Public Fund measured by Mellon Analytical Solutions. Impeding the period's relative return was underperformance within the U.S. equity, non-U.S. equity, fixed income, and real estate components. Somewhat offsetting the period's underperformance was the above benchmark return of the global equity component.

The Total Fund's trailing one-year return of 6.9% underperformed the Policy Portfolio by approximately 1.6 percentage points, net of fees. The less-than-benchmark performance was a result of each of the Fund's sub-components underperforming their respective benchmarks.

Longer-term relative performance of the Total Fund consisted mostly of underperformance as only the trailing ten-year return exceeded the Policy Portfolio.

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 2007

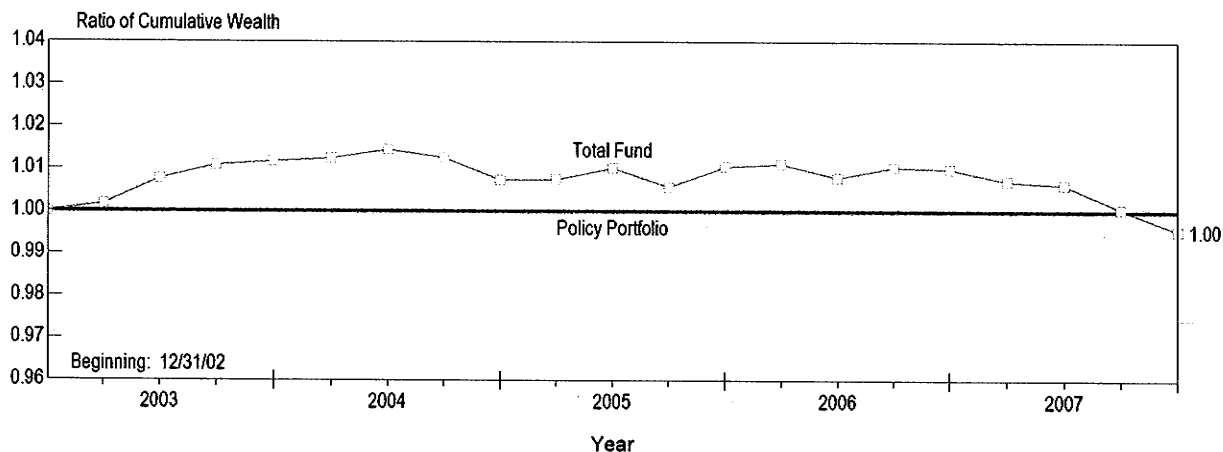
HISTORICAL RETURNS (BY YEAR)

	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1980	7.7%	9.1%	-1.4
1981	2.2	4.5	-2.3
1982	32.4	26.4	6.0
1983	13.3	11.6	1.7
1984	8.4	11.4	-3.0
1985	22.4	22.8	-0.4
1986	15.4	15.4	0.0
1987	6.6	3.4	3.2
1988	10.1	11.7	-1.6
1989	19.6	21.9	-2.3
1990	6.1	2.9	3.2
1991	19.8	22.1	-2.3
1992	8.6	7.7	0.9
1993	10.0	8.6	1.4
1994	-2.1	0.8	-2.9
1995	25.2	24.6	0.6
1996	14.9	13.6	1.3
1997	18.8	19.9	-1.1
1998	16.8	20.3	-3.5
1999	13.5	14.3	-0.8
2000	0.7	-1.8	2.5
2001	-2.2	-6.0	3.8
2002	-10.4	-10.1	-0.3
2003	24.4	22.9	1.5
2004	10.8	11.3	-0.5
2005	7.9	7.6	0.3
2006	14.0	14.0	0.0
2007	6.9	8.5	-1.6
Trailing 3-Year	9.6%	10.0%	-0.4
Trailing 5-Year	12.6	12.7	-0.1
Trailing 10-Year	7.8	7.6	0.2

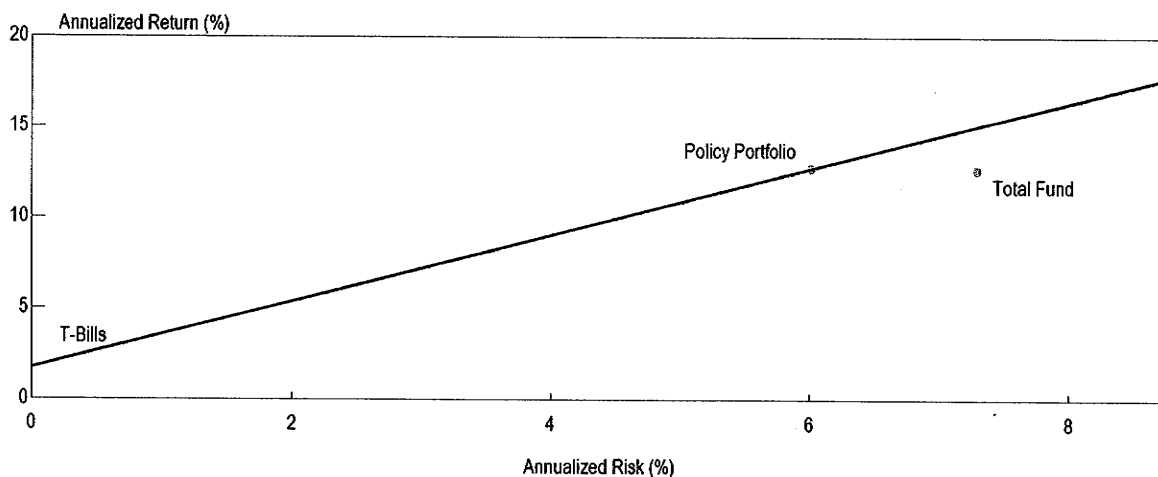
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 12/31/07**



The Ratio of Cumulative Wealth graph on the top of the page illustrates the Total Fund's cumulative performance relative to the policy portfolio. An upward sloping line between two points indicates that the component's return exceeded that of the Policy Portfolio, while a downward sloping line indicates a lesser return. A flat line is indicative of benchmark-like performance. As shown, the Total Fund has modestly 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 slightly lower rate of return while incurring a higher level of risk.

Fourth Quarter 2007

IMRS SCORES

	IMRS SCORE	IMRS Rating
U.S. Equity		
Delta	10	Fair
LSV	15	Good
Wasatch	17	Excellent
Western	16	Excellent
Non-U.S. Equity		
Capital Guardian	17	Excellent
Sprucegrove	18	Excellent
Global Equity		
GMO	19	Excellent
Wellington	12	Fair
Fixed Income		
Western	17	Excellent
Reams	15	Good
Loomis Sayles	15	Good
Real Estate		
Prudential	16	Excellent
UBS	18	Excellent
Guggenheim	15	Good
RREEF	12	Fair

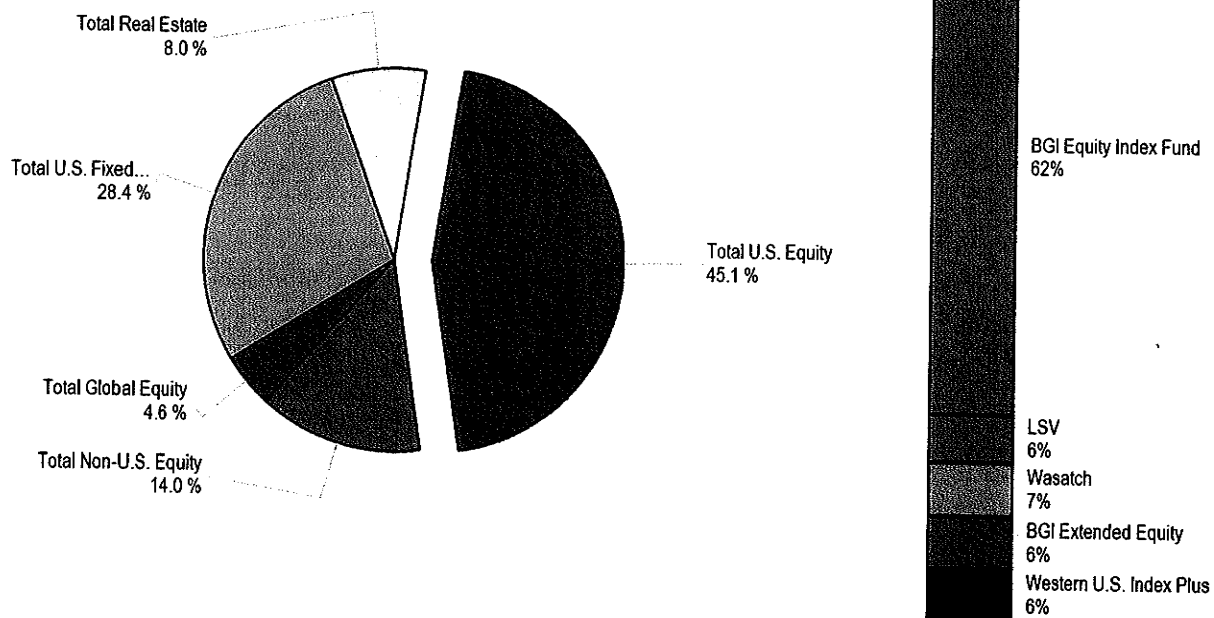
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$1,429.6 Million and 45.1% of Fund

Fourth Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 12/31/07

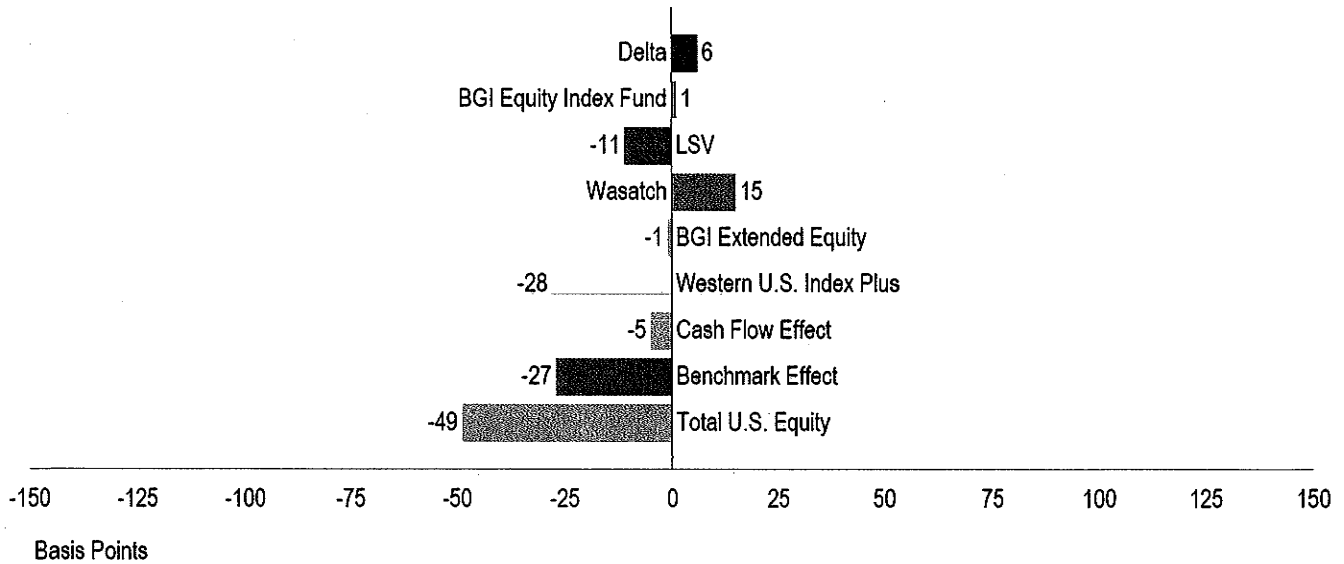


TOTAL U.S. EQUITY

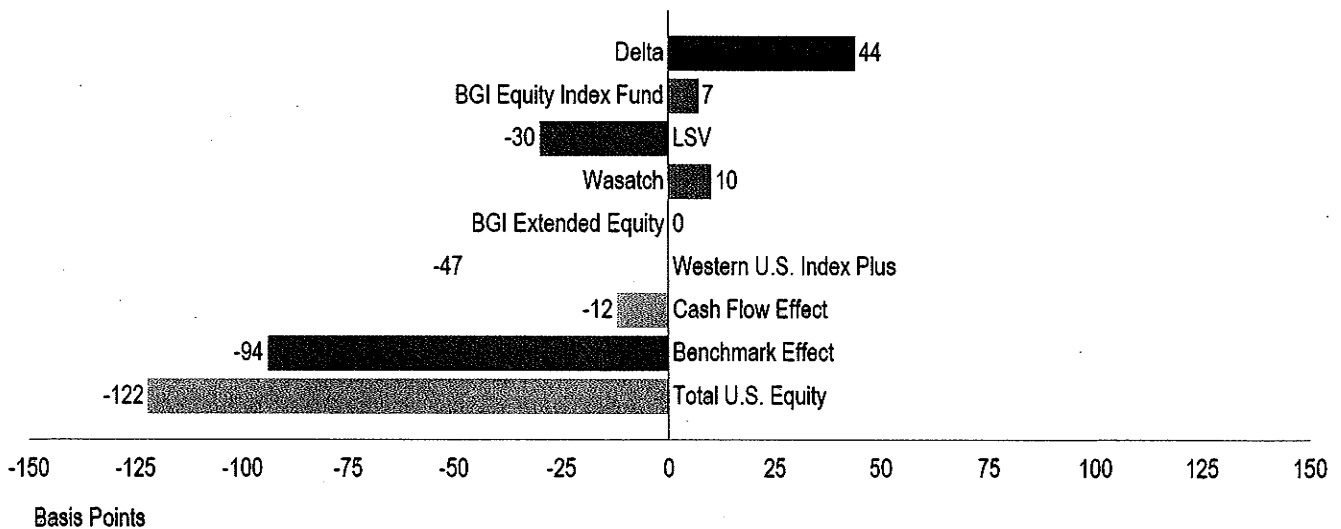
\$1,429.6 Million and 45.1% of Fund

Fourth Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/07



TOTAL U.S. EQUITY**\$1,429.6 Million and 45.1% of Fund****Fourth Quarter 2007****RETURN SUMMARY
ENDING 12/31/07**

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07	5 Years Ending 12/31/07	10 Years Ending 12/31/07	Since Inception	Inception Date
Total U.S. Equity	-3.7%	4.3%	8.2%	13.3%	6.5%	10.1%	12/31/93
Performance Benchmark*	-3.2	5.5	9.0	13.7	6.3	10.5	
Delta	-2.9	8.9	9.3	13.3	6.7	11.1	9/30/91
S&P 500 Index	-3.3	5.5	8.6	12.8	5.9	10.7	
BGI Equity Index Fund	-3.3	5.6	8.7	12.9	5.9	5.9	7/31/97
S&P 500 Index	-3.3	5.5	8.6	12.8	5.9	5.9	
LSV	-9.0	-14.1	2.9	14.9	--	12.2	9/30/98
Russell 2000 Value Index	-7.3	-9.8	5.3	15.8	--	11.7	
Wasatch	0.3	8.7	7.0	14.2	--	13.7	11/30/99
Performance Benchmark**	-2.1	7.0	8.1	16.5	--	6.4	
BGI Extended Equity	-3.4	5.4	10.3	17.8	--	17.7	10/31/02
DJ Wilshire 4500 Index	-3.3	5.4	10.2	17.8	--	17.7	
Western U.S. Index Plus	-7.5	--	--	--	--	-9.5	5/31/07
S&P 500 Index	-3.3	--	--	--	--	-3.0	

Commentary on Investment Performance

The U.S. equity portfolio declined 3.7% during the fourth quarter and underperformed the Performance Benchmark by approximately 0.5 percentage points. Below-benchmark results from LSV and Western detracted from the portfolio's return. Delta and Wasatch were successful in adding value due to favorable stock selection and sector allocation decisions. The Plan's passively managed index funds managed by BGI approximated their respective benchmarks, as expected.

During the trailing one-year period, the collective return of the U.S. equity portfolio continued to lag the result of the Performance Benchmark. LSV's below-benchmark return was the primary detractor from the period's relative performance, while Delta and Wasatch contributed positively to the portfolio's return.

With the exception of the trailing ten-year period, longer-term relative performance of the U.S. equity component remained adverse over all the longer-term periods shown above.

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, the DJ Wilshire 4500 Index, the Russell 2000 Value Index, and the Russell 2000 Growth 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.

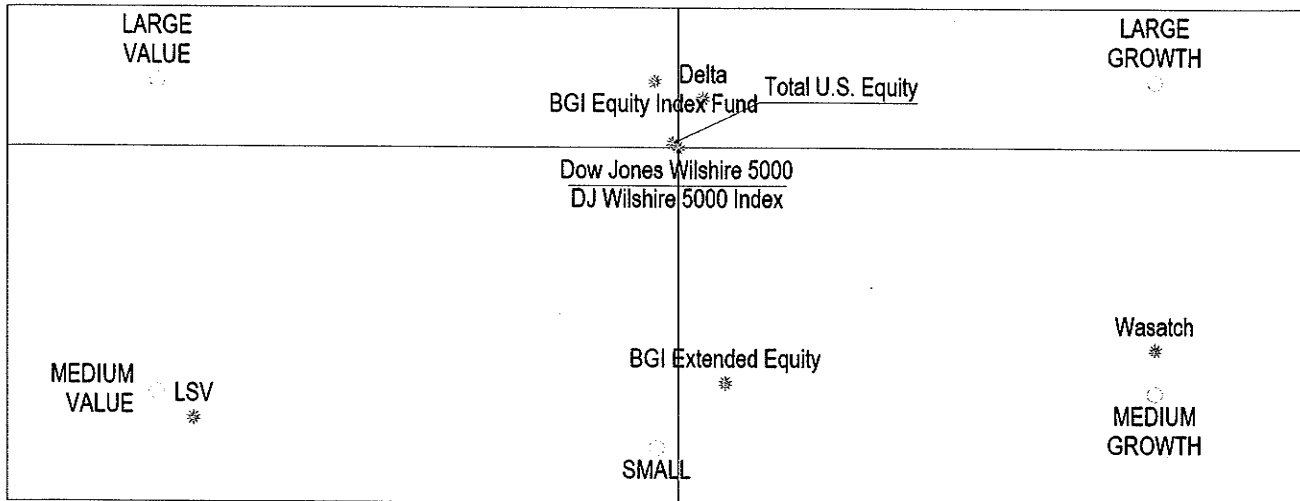
**The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

TOTAL U.S. EQUITY

\$1,429.6 Million and 45.1% of Fund

Fourth Quarter 2007

EFFECTIVE STYLE MAP
5 YEARS ENDING 12/31/07



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.

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

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	-2.9%	55	8.9%	39	9.3%	44	13.3%	50	6.7%	55	11.1%	54	9/30/91
S&P 500 Index	-3.3	60	5.5	58	8.6	56	12.8	58	5.9	68	10.7	69	

Philosophy and Process

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

Commentary on Investment Performance

While negative in absolute terms, Delta's fourth quarter return of -2.9% surpassed the S&P 500 Index by 0.4 percentage points. An underweight allocation in the consumer discretionary sector and favorable security selection proved beneficial to the portfolio's return. The manager noted that the portfolio's media, hotel, restaurant and leisure, and retail holdings contributed positively to returns.

Additionally, an underweight in consumer finance, insurance, and commercial banks was particularly additive to the period's relative performance in an environment where growth oriented stocks dominated value stocks. Conversely, the primary detractor from the portfolio's performance was an underweight to the energy sector, which significantly outperformed the broader market. A zero percent weighting in the utilities sector also demonstrated to be unfavorable, as the sector outperformed the broad market.

The portfolio's trailing one-year return of 8.9% exceeded the S&P 500 Index by 3.4 percentage points. The manager's sector allocations, specifically an underweight allocation to the consumer discretionary and financials sectors, added significant value to the portfolio. Additionally, favorable stock selection in the materials and consumer discretionary sectors were further beneficial to the portfolio's return.

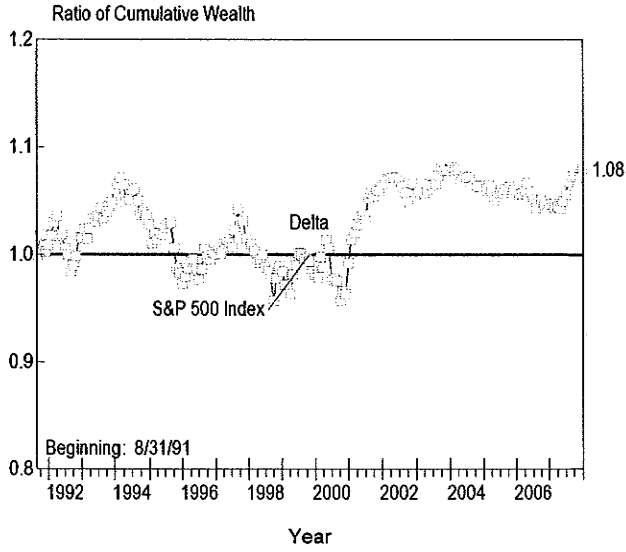
Delta's longer-period returns have been favorable when compared to those of the S&P 500 Index.

DELTA

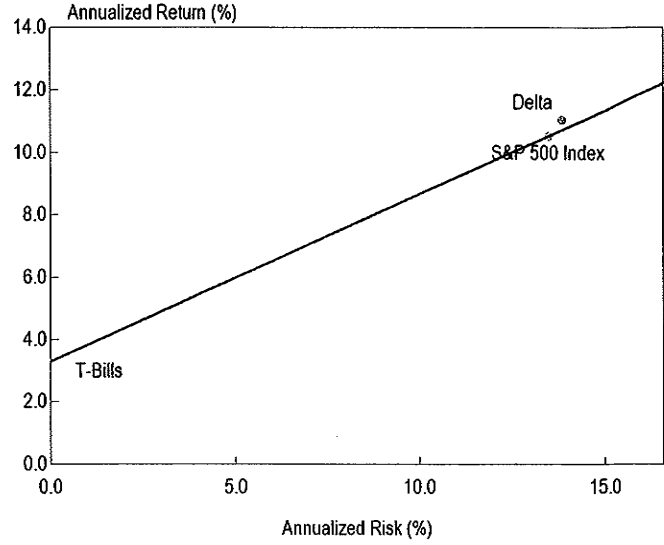
\$183.3 Million and 5.8% of Fund

Fourth Quarter 2007

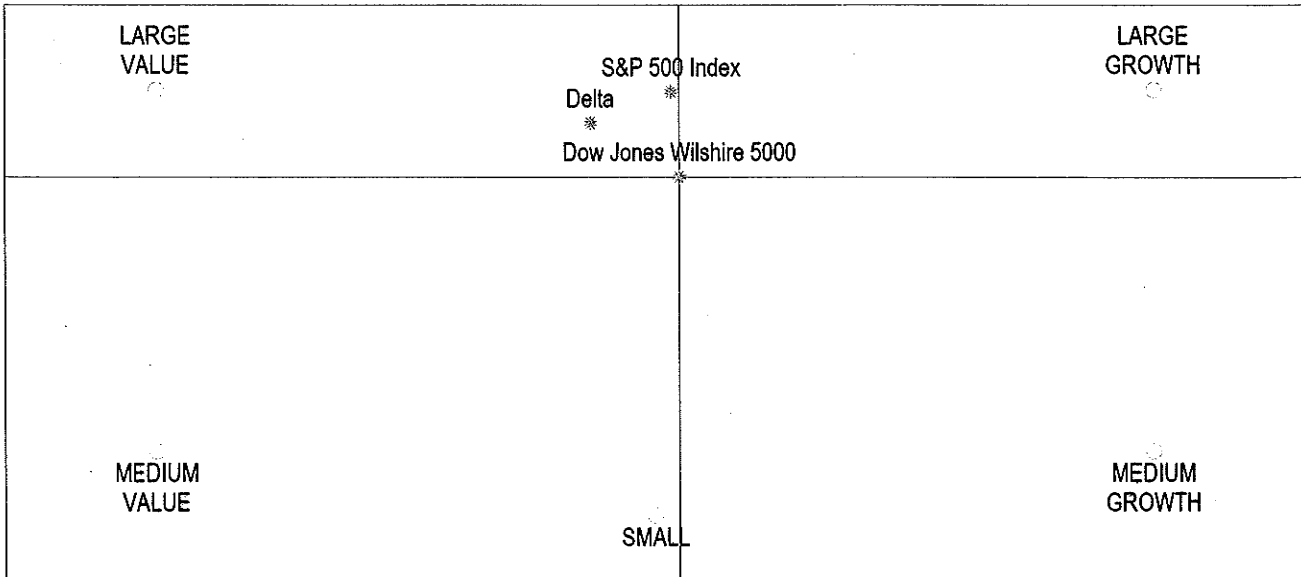
**RATIO OF CUMULATIVE WEALTH
16 YEARS 4 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
16 YEARS 4 MONTHS ENDING 12/31/07**



**EFFECTIVE STYLE MAP
16 YEARS 4 MONTHS ENDING 12/31/07**



Fourth Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Delta		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1991 (3 months)	7.5%	67	8.4%	58	-0.9
1992	8.3	59	7.7	64	0.6
1993	15.0	35	10.1	75	4.9
1994	-1.8	74	1.3	36	-3.1
1995	30.2	86	37.6	34	-7.4
1996	26.5	19	23.0	47	3.5
1997	34.0	27	33.4	33	0.6
1998	25.9	47	28.6	39	-2.7
1999	20.7	46	21.0	45	-0.3
2000	-8.1	67	-9.1	71	1.0
2001	-5.4	30	-11.9	57	6.5
2002	-22.8	57	-22.1	53	-0.7
2003	31.4	28	28.7	51	2.7
2004	9.0	68	10.9	51	-1.9
2005	4.7	70	4.9	68	-0.2
2006	14.6	50	15.8	41	-1.2
2007	8.9	39	5.5	58	3.4
Trailing 3-Year	9.3%	44	8.6%	56	0.7
Trailing 5-Year	13.3	50	12.8	58	0.5
Trailing 10-Year	6.7	55	5.9	68	0.8
Since Inception (9/30/91)	11.1	54	10.7	69	0.4

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

	Delta	S&P 500
Capitalization Focus	Large	Large
Number of Holdings	107	500
Top 5 Holdings	ExxonMobil General Electric Microsoft Procter & Gamble Bank of America	ExxonMobil General Electric Microsoft AT&T Procter & Gamble
Sector Emphasis	Information Technology	Financials
Cash Allocation	5.4%	N/A
Total Strategy Assets	\$2.4 Billion	N/A
Inception Date	9/30/91	N/A
Portfolio Manager(s)	Team Managed	N/A

BGI EQUITY INDEX FUND

\$891.8 Million and 28.2% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Equity Index Fund	-3.3 %	60	5.6 %	56	8.7 %	54	12.9 %	57	5.9 %	--	7/31/97
S&P 500 Index	-3.3	60	5.5	58	8.6	56	12.8	58	5.9	--	

Philosophy and Process

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

Commentary on Investment Performance

The BGI Equity Index Fund successfully tracked the return of the S&P 500 Index during the quarter. The Index's best performing sectors were utilities and energy. The consumer staples sector also performed advantageously. The financials and consumer discretionary sectors were the weakest performers. Both sectors were hurt by the continuing concern of the housing market and increasing oil prices.

As expected, the Fund approximated the performance of the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS

(BY YEAR)

	BGI Equity Index Fund		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1997 (5 months)	2.4 %	--	2.4 %	--	0.0
1998	28.6	39	28.6	39	0.0
1999	21.0	45	21.0	45	0.0
2000	-9.1	71	-9.1	71	0.0
2001	-11.9	57	-11.9	57	0.0
2002	-22.1	53	-22.1	53	0.0
2003	28.7	50	28.7	51	0.0
2004	10.9	51	10.9	51	0.0
2005	5.0	67	4.9	68	0.1
2006	15.9	40	15.8	41	0.1
2007	5.6	56	5.5	58	0.1
Trailing 3-Year	8.7 %	54	8.6 %	56	0.1
Trailing 5-Year	12.9	57	12.8	58	0.1
Since Inception (7/31/97)	5.9	--	5.9	--	0.0

BGI EXTENDED EQUITY INDEX FUND

\$89.4 Million and 2.8% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity	-3.4 %	33	5.4 %	30	10.3 %	17	17.8 %	26	17.7 %	--	10/31/02
DJ Wilshire 4500 Index	-3.3	32	5.4	30	10.2	17	17.8	26	17.7	-	

Philosophy and Process

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

Commentary on Investment Performance

During the quarter, the BGI Extended Equity Index Fund declined 3.4%, experiencing approximately 10 basis points of negative tracking relative to the DJ Wilshire 4500 Index. The best performers in the Index were energy and materials sectors, reflecting a favorable global supply/demand balance. The main detractors were telecommunication services and consumer discretionary. The slump in the housing market and sub-prime mortgage concerns took a toll on consumer spending, which was also constrained by rising energy prices.

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

HISTORICAL RETURNS (BY YEAR)

	BGI Extended Equity		DJ Wilshire 4500 Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1 %	--	2.4 %	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
2007	5.4	30	5.4	30	0.0
Trailing 3-Year	10.3 %	17	10.2 %	17	0.1
Trailing 5-Year	17.8	26	17.8	26	0.0
Since Inception (10/31/02)	17.7	-	17.7	--	0.0

LSV

\$81.3 Million and 2.6% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	-9.0 %	78	-14.1 %	90	2.9 %	77	14.9 %	66	12.2 %	60	9/30/98
Russell 2000 Value Index	-7.3	59	-9.8	71	5.3	62	15.8	51	11.7	70	

Philosophy and Process

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

Commentary on Investment Performance

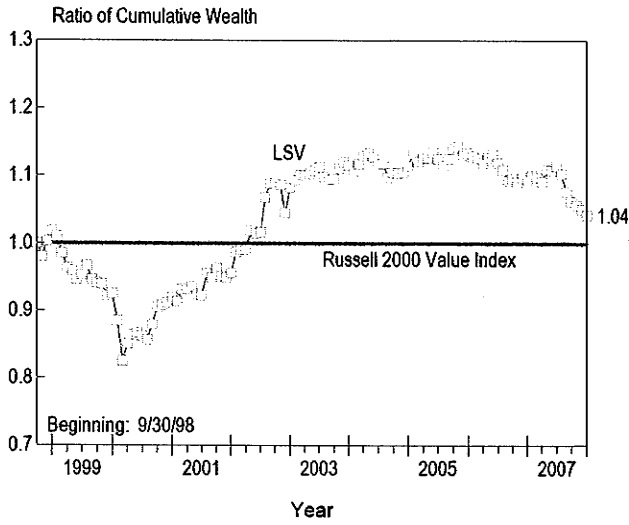
LSV underperformed the Russell 2000 Value Index by 1.7 percentage points during the fourth quarter. The manager's value style continued to be unfavorable in a period where companies possessing high P/E and P/B ratios were preferred. The manager reported that an overweight allocation to the consumer discretionary sector demonstrated to be quite detrimental as it was one of the worst performing sector in the benchmark. Moreover, the portfolio's significant allocation to the financial sector was disadvantageous as the financial sector performed adversely. Financial stocks were hurt due to continuing concerns regarding the housing market. Stock selection in the energy and industrials sectors also hurt the portfolio's relative performance.

For the trailing one-year period, the portfolio declined 14.1%, lagging the Index by 4.3 percentage points. The manager's deep value approach, which prefers inexpensive stocks, struggled during the period that favored more expensive stocks. Moreover, poor stock selection in the energy, industrials, and financial sectors detracted from relative performance. The manager's relative sector weights were mixed for the year, as an overweight to the materials sector added value while an overweight to the consumer discretionary sector detracted from the portfolio's performance.

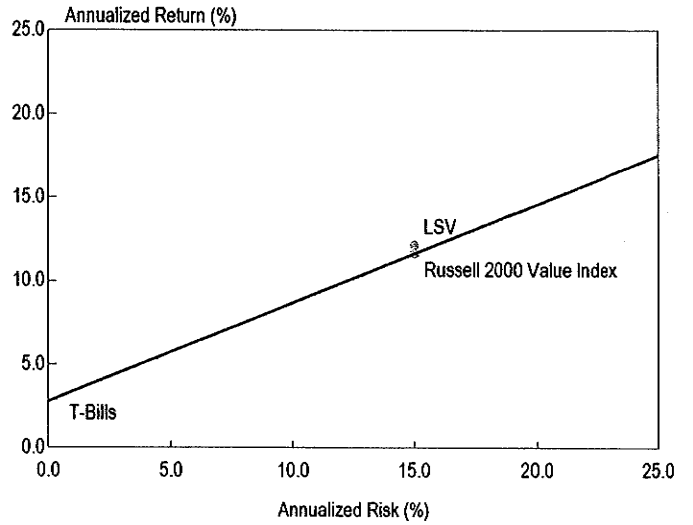
While positive on an absolute basis, the manager has been unable to add value over the trailing three- and five-year periods. Longer term results remained favorable.

Fourth Quarter 2007

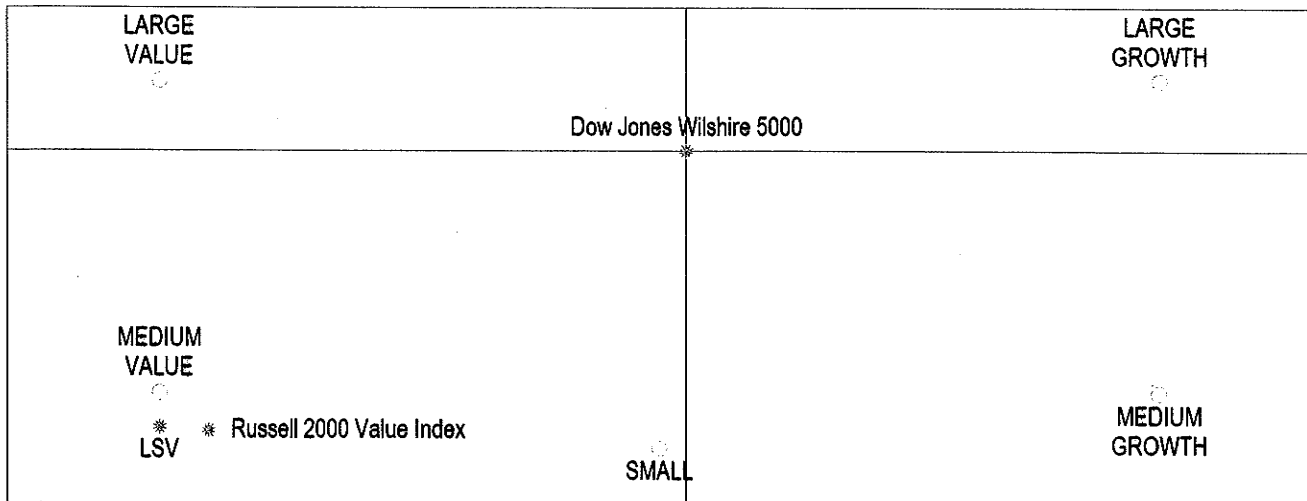
**RATIO OF CUMULATIVE WEALTH
9 YEARS 3 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
9 YEARS 3 MONTHS ENDING 12/31/07**



**EFFECTIVE STYLE MAP
9 YEARS 3 MONTHS ENDING 12/31/07**



LSV**\$81.3 Million and 2.6% of Fund****Fourth Quarter 2007****HISTORICAL RETURNS****(BY YEAR)**

	LSV		Russell 2000 Value Index		Return Difference
	Return	Rank	Return	Rank	
1998 (3 months)	11.1%	57	9.1%	71	2.0
1999	-10.5	99	-1.5	74	-9.0
2000	22.1	47	22.8	44	-0.7
2001	18.4	43	14.0	68	4.4
2002	0.4	4	-11.4	50	11.8
2003	50.5	21	46.0	36	4.5
2004	22.1	44	22.3	43	-0.2
2005	6.4	67	4.7	76	1.7
2006	19.3	33	23.5	7	-4.2
2007	-14.1	90	-9.8	71	-4.3
Trailing 3-Year	2.9%	77	5.3%	62	-2.4
Trailing 5-Year	14.9	66	15.8	51	-0.9
Since Inception (9/30/98)	12.2	60	11.7	70	0.5

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

	LSV	Russell 2000 Value
Capitalization Focus	Small	Small
Number of Holdings	172	1,301
Top 5 Holdings	Technitrol Skyworks Solutions Zenith FirstMerit Regal Beloit	CF Industries Holdings Exterran Holdongs Realty Income Aptargroup Westar Energy
Sector Emphasis	Financial Services	Financial Services
Cash Allocation	0.9%	N/A
Total Strategy Assets	\$1.9 Billion	N/A
Inception Date	9/30/98	N/A
Portfolio Manager(s)	Team Managed	N/A

Fourth Quarter 2007

**RETURN SUMMARY
ENDING 12/31/07**

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	0.3%	19	8.7%	70	7.0%	78	14.2%	88	13.7%	--	11/30/99
Performance Benchmark*	-2.1	39	7.0	74	8.1	75	16.5	64	6.4	-	

Philosophy and Process

Wasatch is a bottom-up qualitative manager that typically invests in companies that are ignored by Wall Street analysts because they are too small. The firm conducts hundreds of on-site research visits per year with companies that may or may not end up in their portfolios. In early December 2001, the portfolio was transitioned from the Small Cap Core Growth strategy to the Small Cap Growth strategy in an effort to move VCERA's total equity portfolio towards a higher degree of style neutrality. The portfolio's benchmark changed from the Russell 2000 Index to the Russell 2000 Growth Index as of December 31, 2001 as a result of the transition.

Manager Monitoring

The manager reported that the portfolio is not in compliance with VCERA's separate account guidelines, which was communicated to VCERA. The weighted-average market capitalization is slightly above \$2 billion for the month of December.

Commentary on Investment Performance

The Wasatch Small Cap Growth Fund registered a gain of 0.3%, outperforming the Russell 2000 Growth Index by 2.4 percentage points during the quarter. Overall, stock selection added value to the Fund while the manager's sector allocation decisions hindered results. The manager reported that an overweight in the health care sector contributed positively to returns, as it was one of the market's best-performing sectors during the quarter. Top holdings that performed exceptionally included HDFC Bank (21.8%) and Copart Inc. (23.7%), a vehicle remarketing service provider. In contrast, an overweight allocation to the consumer discretionary sector and minimal exposure in the energy sector proved to be greatly unfavorable. Holdings in Resource Connection (-21.6%) and Hibbett Sports Inc. (-19.4%) proved particularly detrimental to relative results.

During the one-year trailing period, Wasatch posted a return of 8.7% compared to 7.0% for the Russell 2000 Growth Index. The manager reported that stock selection was extremely favorable. In particular, holdings in the financial services and health care sectors were beneficial as they added the most value. In contrast, an underweight to the producer durables, energy, and materials sectors detracted from the Fund's performance as they were the markets best performing components.

The manager's longer-term returns are mixed when compared with those of the Performance Benchmark. While the portfolio's trailing three- and five-years returns lagged those of the Index, the since-inception result exceeded the benchmark by an impressive 7.3 percentage points.

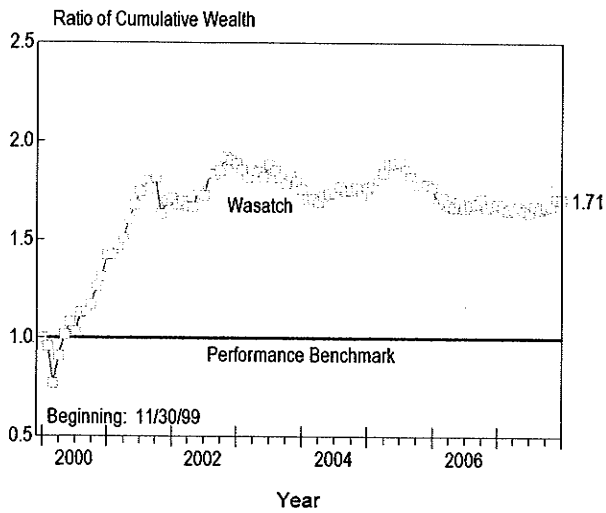
*The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

WASATCH

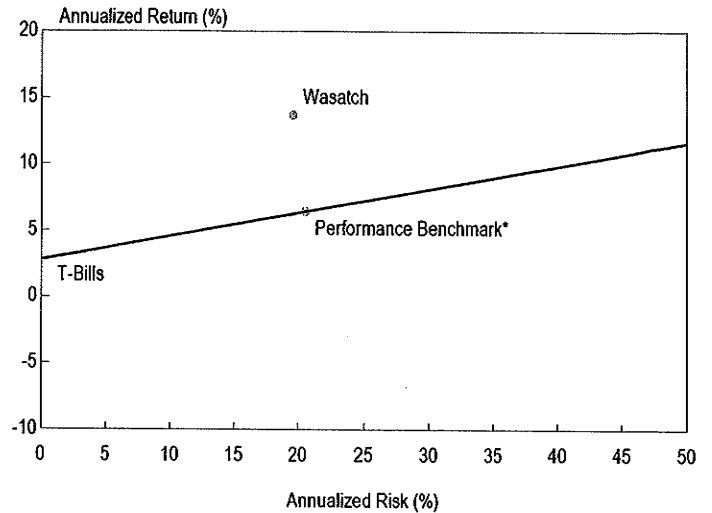
\$93.2 Million and 2.9% of Fund

Fourth Quarter 2007

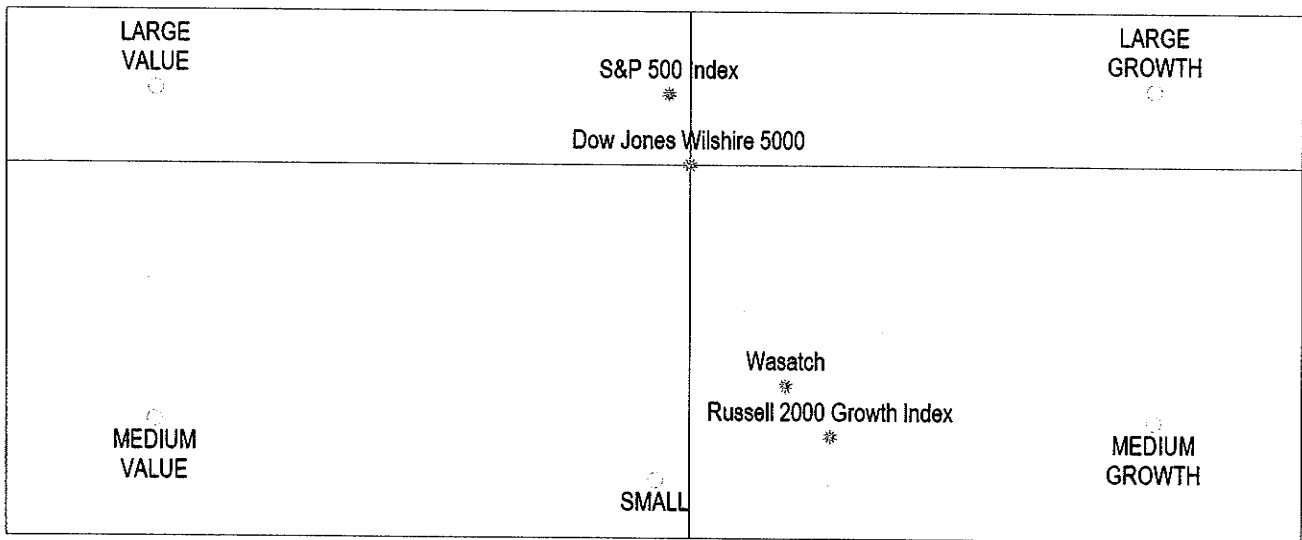
RATIO OF CUMULATIVE WEALTH
8 YEARS 1 MONTH ENDING 12/31/07



ANNUALIZED RISK RETURN
8 YEARS 1 MONTH ENDING 12/31/07



EFFECTIVE STYLE MAP
8 YEARS 1 MONTH ENDING 12/31/07



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

Fourth Quarter 2007

**HISTORICAL RETURNS
(BY YEAR)**

	Wasatch		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
1999 (1 month)	11.4 %	--	11.3 %	--	0.1
2000	37.6	1	-3.0	33	40.6
2001	23.5	5	2.5	16	21.0
2002	-23.0	25	-30.3	58	7.3
2003	38.3	87	48.5	47	-10.2
2004	14.7	30	14.3	32	0.4
2005	4.3	76	4.1	77	0.2
2006	8.0	78	13.3	34	-5.3
2007	8.7	70	7.0	74	1.7
Trailing 3-Year	7.0 %	78	8.1 %	75	-1.1
Trailing 5-Year	14.2	88	16.5	64	-2.3
Since Inception (11/30/99)	13.7	--	6.4	--	7.3

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

	Wasatch	Russell 2000 Growth
Capitalization Focus	Small	Small
Number of Holdings	86	1,269
Top 5 Holdings	O'Reilly Automotive HDFC Bank Power Integrations Knight Transportation Techne	Hologic Terra Industries Priceline Flir Systems Chipotle Mexican Grill
Sector Emphasis	Healthcare	Healthcare
Cash Allocation	4.8%	N/A
Total Strategy Assets	\$0.7 billion	N/A
Inception Date	11/30/99	N/A
Portfolio Manager(s)	Jeff Cardon	N/A

WESTERN U.S. INDEX PLUS

\$90.6 Million and 2.9% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Western U.S. Index Plus	-7.5%	94	-9.5%	--	5/31/07
S&P 500 Index	-3.3	60	-3.0	--	

Philosophy and Process

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

Commentary on Investment Performance

The Western Asset Index Plus portfolio declined 7.5% during the fourth quarter and underperformed the S&P 500 Index by 4.2 percentage points. Sharply wider spreads caused severe underperformance throughout the credit and financial sectors. In addition, as spreads widened and volatility increased, the manager's overweight exposure to mortgages and moderate exposure to high yield bonds detracted from performance. Conversely, the manager's long duration position and moderate exposure to TIPS added value as interest rates were lowered during the period.

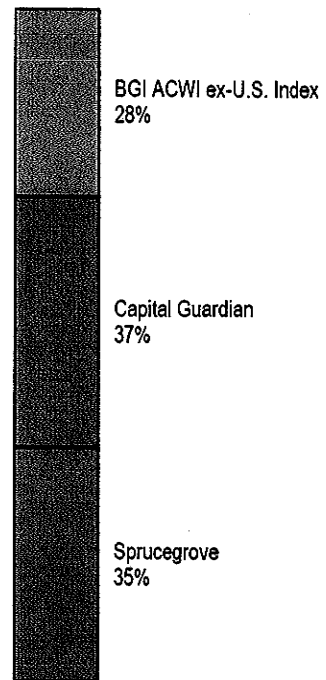
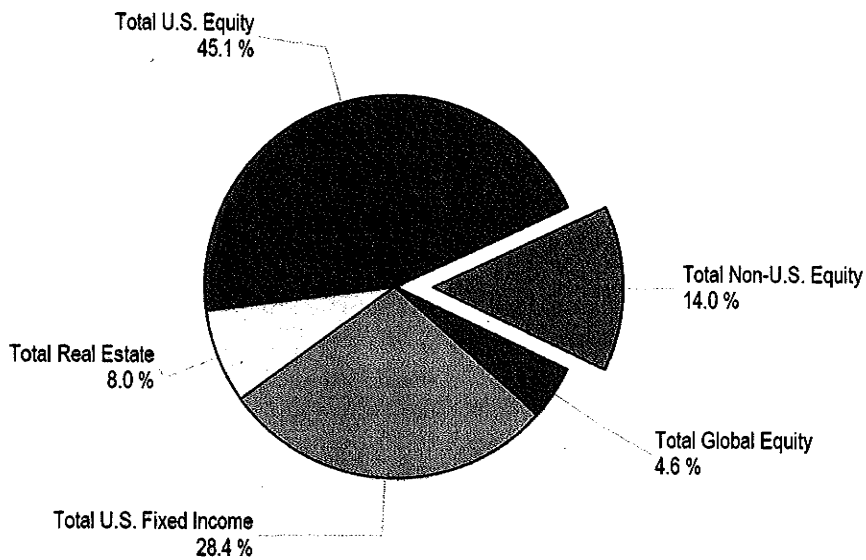
Since the initial funding in May of 2007, the Western Index Plus portfolio has lagged the S&P 500 Index by 6.5 percentage points. The manager reported that an overweight exposure to mortgages and moderate exposure to non-dollar bonds were the most significant detractors from returns as spreads widened and volatility increased.

TOTAL NON-U.S. EQUITY

\$442.4 Million and 14.0% of Fund

Fourth Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 12/31/07

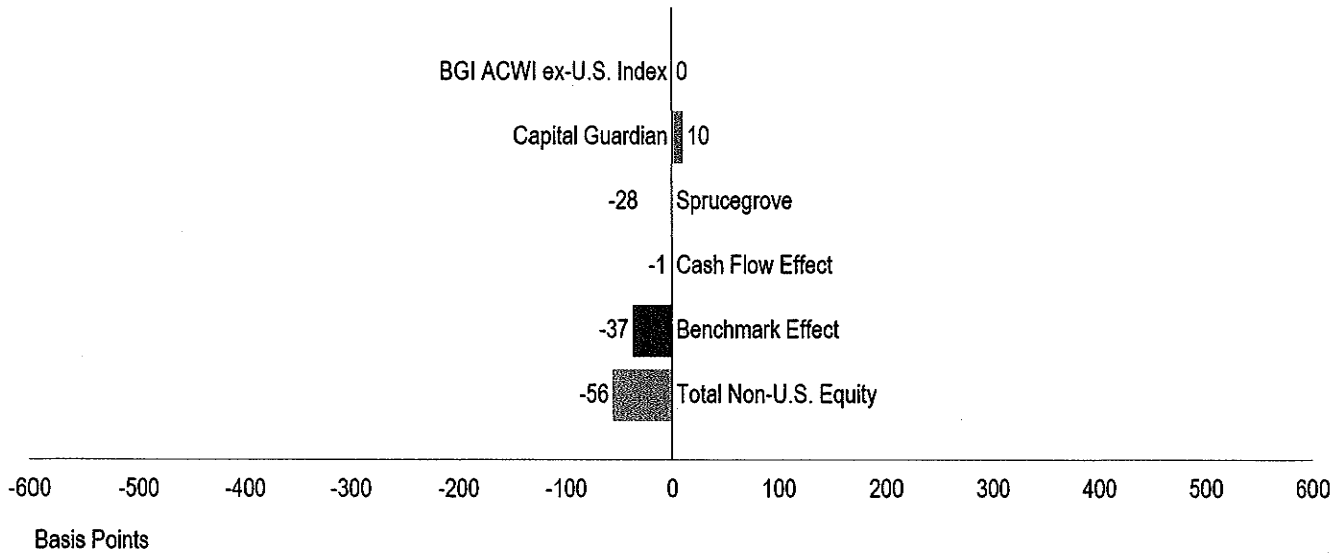


TOTAL NON-U.S. EQUITY

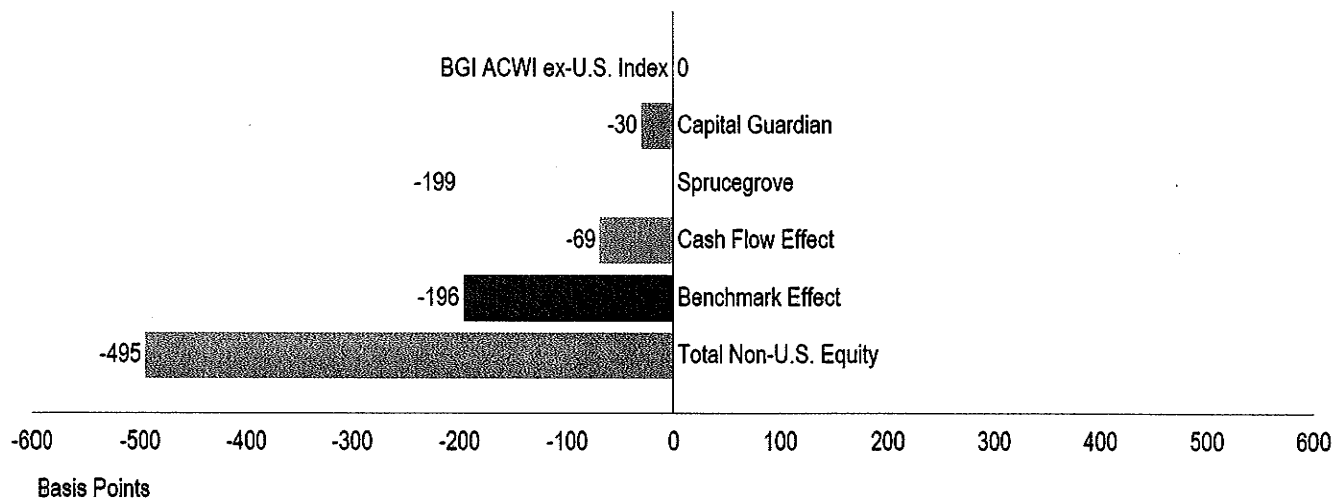
\$442.4 Million and 14.0% of Fund

Fourth Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/07



TOTAL NON-U.S. EQUITY
\$442.4 Million and 14.0% of Fund

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-1.2%	58	11.7%	74	18.6%	43	21.9%	54	10.1%	54	10.5%	36	3/31/94
Performance Benchmark*	-0.7	40	16.7	25	19.9	24	24.0	20	9.7	60	8.8	71	
BGI ACWI ex-U.S. Index	-0.6	41	--	--	--	--	--	--	--	--	12.4	23	3/31/07
MSCI All Country World ex-U.S. Index	-0.7	42	--	--	--	--	--	--	--	--	12.4	23	
Capital Guardian	-0.4	35	15.9	29	20.3	24	22.5	42	--	--	7.3	--	7/31/00
Performance Benchmark*	-0.7	42	16.7	25	19.9	25	24.0	21	--	--	8.3	--	
Sprucegrove	-2.6	69	5.8	88	16.2	78	21.2	56	--	--	16.5	28	3/31/02
MSCI EAFE Index	-1.8	59	11.2	56	16.8	67	21.6	51	--	--	14.9	59	

Commentary on Investment Performance

The non-U.S. equity portfolio declined 1.2% during the fourth quarter and underperformed the MSCI All Country World ex-U.S. Index by 0.5 percentage points. Relative performance among the component's active managers was mixed. Below-benchmark returns from Sprucegrove impeded results. Capital Guardian added value to the portfolio due to favorable stock selection and sector allocation decisions. BGI experienced 10 basis points of positive tracking relative to the MSCI ACWI ex-U.S. Index.

Despite posting a double-digit gain for the trailing one-year period, the collective return of the non-U.S. equity portfolio lagged the Performance Benchmark by 5.0 percentage points. Both managers hindered results. Capital Guardian fell short of the Performance Benchmark by 0.8 percentage points, while Sprucegrove underperformed the MSCI EAFE Index by 5.4 percentage points.

While strong on an absolute basis, longer-term relative performance of the non-U.S. equity component remained mixed.

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

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

BGI ACWI ex-U.S. Index

\$123.5 Million and 3.9% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	-0.6 %	41	12.4 %	23	3/31/07
MSCI All Country World ex-U.S. Index	-0.7	42	12.4	23	

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. Index

Commentary on Investment Performance

The BGI ACWI ex-U.S. Index Fund declined 0.6% during the fourth quarter and experienced 10 basis points of positive tracking relative to the MSCI All Country World ex-U.S. Index.

As expected, the Fund closely tracked the MSCI All Country World ex-U.S. Index since inception.

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-0.4 %	35	15.9 %	29	20.3 %	24	22.5 %	42	7.3 %	--	7/31/00
Performance Benchmark*	-0.7	42	16.7	25	19.9	25	24.0	21	8.3	--	

Philosophy and Process

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

Commentary on Investment Performance

While negative in absolute terms, the Capital Guardian non-U.S. equity portfolio outpaced the MSCI All Country World ex-U.S. Index by 0.3 percentage points during the quarter. Stock selection within the materials, consumer discretionary, and industrials sectors benefited absolute and relative performance during the quarter. Individual names such as Potash Corporation (Canadian materials), Schlumberger (U.S.-headquartered energy), and Nintendo (Japan information technology) had the largest positive impact to absolute performance. In contrast, unfavorable stock selection and an underweight position in the energy sector hurt overall results, as oil and gas companies profited from increasing oil prices. An underweight allocation in the utilities sector and poor stock selection in Germany further detracted from the portfolio's performance.

Over the trailing one-year period, the portfolio underperformed the benchmark by 0.8 percentage points. The period's short fall was due to adverse stock selection in the financials sector, mainly in Japan and the U.K., as well as underweighting positions in utilities. From a country perspective, stock selection in Germany also contributed to poor performance during the period. Positive contributors to the portfolio included favorable stock selection and an overweight allocation to the consumer discretionary sector. Stock selection within Canada was also favorable, particularly in the materials sector (Potash, Alcan, and Barrick).

The manager's long-term returns remained mixed when compared with those of the Performance Benchmark. While the trailing three-year return exceeded the Performance Benchmark, the trailing five-year return underperformed.

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

CAPITAL GUARDIAN

\$165.3 Million and 5.2% of Fund

Fourth Quarter 2007

COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 12/31/07

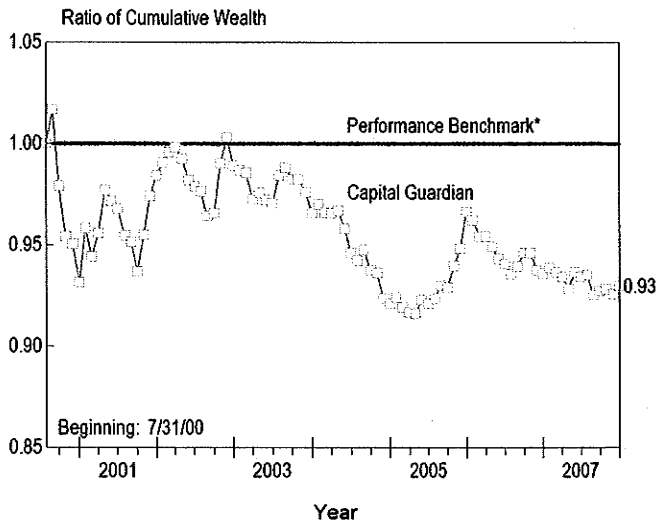
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.7 %	0.4 %	0.5 %
Belgium	0.6	0.9	-6.0
Czech Republic*	0.0	0.2	14.9
Denmark	0.3	0.7	0.2
Finland	0.5	1.4	-2.1
France	9.6	8.0	0.7
Germany	5.0	7.0	5.1
Greece	0.0	0.6	6.3
Hungary*	0.0	0.2	-6.2
Ireland	0.9	0.5	-11.2
Italy	0.6	2.9	0.5
Netherlands	2.5	2.1	-1.8
Norway	0.7	0.8	-0.6
Poland*	0.3	0.3	1.7
Portugal	0.0	0.3	7.4
Russia*	1.9	2.0	17.4
Spain	2.2	3.3	8.3
Sweden	0.6	1.7	-12.8
Switzerland	7.3	5.0	-1.9
United Kingdom	14.0	16.5	-2.4
Asia/Pacific			
Australia	2.7 %	4.8 %	-4.2 %
China*	2.0	3.1	-3.7
Hong Kong	2.2	1.8	7.1
India*	1.1	1.6	23.3
Indonesia*	0.4	0.3	18.0
Japan	20.4	14.8	-6.1
Korea*	2.4	2.8	-4.6
Malaysia*	0.7	0.5	12.3
New Zealand	0.0	0.1	-3.7
Pakistan*	0.0	0.0	3.0
Philippines*	0.2	0.1	7.6
Singapore	1.0	0.8	-3.4
Sri Lanka*	0.0	0.0	4.1
Taiwan, China*	2.4	1.9	-7.7
Thailand*	0.2	0.3	5.6
Americas			
Argentina*	0.0 %	0.1 %	-10.8 %
Brazil*	1.6	2.6	13.2
Canada	7.3	6.3	-0.2
Chile*	0.1	0.2	-1.8
Colombia*	0.1	0.1	4.1
Mexico*	2.1	0.9	-2.1
Peru*	0.0	0.1	-4.6
United States	0.4	0.0	-3.3
Venezuela*	0.0	0.0	1.5
Other			
Egypt*	0.5 %	0.2 %	24.3 %
Israel*	0.3	0.4	5.7
Jordan*	0.0	0.0	24.2
Morocco*	0.0	0.1	2.0
South Africa*	1.4	1.3	1.3
Turkey*	0.5	0.3	5.9
Other Countries*	0.5	--	--
Cash			
Cash	1.9 %	--	--
Total	100.0 %	100.0 %	-0.7 %
Developed	79.4	80.6	
Emerging*	18.7	19.5	
Cash	1.9	--	

CAPITAL GUARDIAN

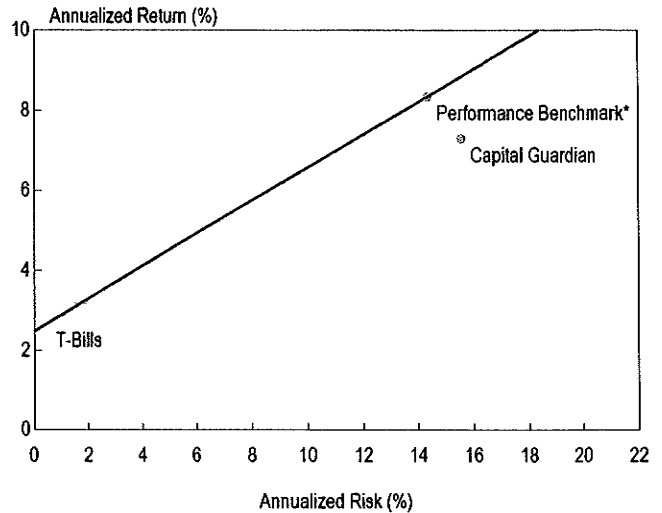
\$165.3 Million and 5.2% of Fund

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
7 YEARS 5 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
7 YEARS 5 MONTHS ENDING 12/31/07**



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 20.4% United Kingdom 14.0% France 9.6% Switzerland 7.3% Canada 7.3%	United Kingdom 16.5% Japan 14.8% France 8.0% Germany 7.0% Canada 6.3%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$53.8 billion	N/A
Number of Holdings	226	2,246
Top 5 Holdings	Barrick Gold Potash BAE Systems Softbank Sumitomo Mitsui Finl Group	BP Vodafone Group HSBC Nestle Total
Sector Emphasis	Financials	Financials
Cash Allocation	1.9%	N/A
Annual Turnover	35.0%	N/A
Total Fund Assets	\$165.3 billion	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

\$165.3 Million and 5.2% of Fund

Fourth Quarter 2007

HISTORICAL RETURNS (BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0%	--	-6.6%	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.6	46	-4.0
2007	15.9	29	16.7	25	-0.8
Trailing 3-Year	20.3%	24	19.9%	25	0.4
Trailing 5-Year	22.5	42	24.0	21	-1.5
Since Inception (7/31/00)	7.3	--	8.3	--	-1.0

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

Fourth Quarter 2007

**RETURN SUMMARY
ENDING 12/31/07**

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	-2.6 %	69	5.8 %	88	16.2 %	78	21.2 %	56	16.5 %	28	3/31/02
MSCI EAFE Index	-1.8	59	11.2	56	16.8	67	21.6	51	14.9	59	

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.

Manager Monitoring

In January 2008, Ian Fyfe announced his intention to retire at the end of 2009 and has transitioned to a Portfolio & Business Advisory role. Peter Clark assumed the role of President, Blake Murphy became Chief Operating Officer, Mark Wolff became Chief Financial Officer, and Erik Parnoja became portfolio manager.

Commentary on Investment Performance

Sprucegrove's fourth quarter return fell short of the result of the MSCI EAFE Index by 0.8 percentage points. The quarter's underperformance was primarily due to poor stock selection within the financials, consumer discretionary, and consumer staples sectors. In country terms, significant exposure to the U.K. and Ireland proved detrimental as both regions experienced adverse returns during the quarter. Contributors to results included stock selection within Japan and exposure to the emerging markets.

Over the trailing one-year period, Sprucegrove underperformed the MSCI EAFE Index by 5.4 percentage points. Adverse stock selection in the consumer discretionary and industrials sectors hampered returns.

Long-term performance remained mixed. The portfolio's trailing three- and five-year results lagged those of the benchmark, while the since-inception results remained favorable due to the manager's value orientation and adept stock selection.

SPRUCEGROVE

\$153.7 Million and 4.9% of Fund

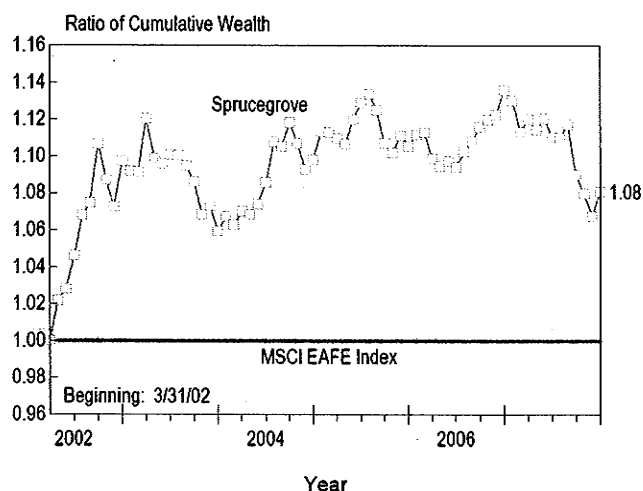
Fourth Quarter 2007

COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 12/31/07

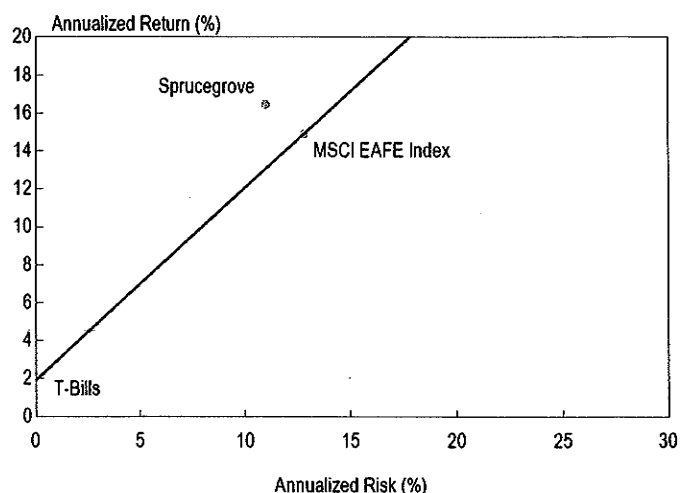
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0%	0.6%	0.5%
Belgium	0.0	1.2	-6.0
Czech Republic*	0.0	0.0	14.9
Denmark	0.4	0.9	0.2
Finland	0.2	1.9	-2.1
France	3.9	10.8	0.7
Germany	4.1	9.4	5.1
Greece	1.4	0.8	6.3
Hungary*	1.4	0.0	-6.2
Ireland	6.9	0.6	-11.2
Italy	4.1	4.0	0.5
Netherlands	3.0	2.8	-1.8
Norway	0.3	1.1	-0.6
Poland*	0.0	0.0	1.7
Portugal	0.0	0.4	7.4
Russia*	0.0	0.0	17.4
Spain	1.9	4.4	8.3
Sweden	0.0	2.3	-12.8
Switzerland	11.3	6.7	-1.9
United Kingdom	22.5	22.2	-2.4
Asia/Pacific			
Australia	1.5%	6.5%	-4.2%
China*	0.0	0.0	-3.7
Hong Kong	4.7	2.4	7.1
India*	2.3	0.0	23.3
Indonesia*	0.0	0.0	18.0
Japan	9.6	19.9	-6.1
Korea*	3.1	0.0	-4.6
Malaysia*	0.5	0.0	12.3
New Zealand	0.0	0.1	-3.7
Pakistan*	0.0	0.0	3.0
Philippines*	0.0	0.0	7.6
Singapore	4.5	1.1	-3.4
Sri Lanka*	0.0	0.0	4.1
Taiwan, China*	0.0	0.0	-7.7
Thailand*	0.0	0.0	5.6
Americas			
Argentina*	0.0%	0.0%	-10.8%
Brazil*	2.4	0.0	13.2
Canada	3.0	0.0	-0.2
Chile*	0.0	0.0	-1.8
Colombia*	0.0	0.0	4.1
Mexico*	3.6	0.0	-2.1
Peru*	0.0	0.0	-4.6
United States	0.0	0.0	-3.3
Venezuela*	0.0	0.0	1.5
Other			
Egypt*	0.0%	0.0%	24.3%
Israel*	0.0	0.0	5.7
Jordan*	0.0	0.0	24.2
Morocco*	0.0	0.0	2.0
South Africa*	1.3	0.0	1.3
Turkey*	0.0	0.0	5.9
Other Countries*	0.0	-	-
Cash			
Cash	2.3%	-	-
Total	100.0%	100.0%	-1.8%
Developed	83.2	100.0	
Emerging*	14.5	0.0	
Cash	2.3	-	

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS 9 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
5 YEARS 9 MONTHS ENDING 12/31/07**



	Sprucegrove	MSCI EAFE
Country Emphasis	United Kingdom 22.5% Switzerland 11.3% Japan 9.6% Ireland 6.9% Hong Kong 4.7%	United Kingdom 22.2% Japan 19.9% France 10.8% Germany 9.4% Switzerland 6.7%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$32.1 billion	N/A
Number of Holdings	105	1,211
Top 5 Holdings	Nestle Total Allied Irish Banks Petrobras Novartis	BP Vodafone Group HSBC Nestle Total
Sector Emphasis	Financials	Financials
Cash Allocation	2.3%	N/A
Annual Turnover	10.0%	N/A
Total Fund Assets	\$1.1 billion	N/A
Inception Date	4/1/2002	N/A
Portfolio Manager	Team Approach	N/A

SPRUCEGROVE

\$153.7 Million and 4.9% of Fund

Fourth Quarter 2007

HISTORICAL RETURNS (BY YEAR)

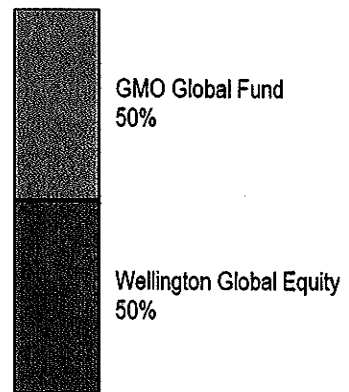
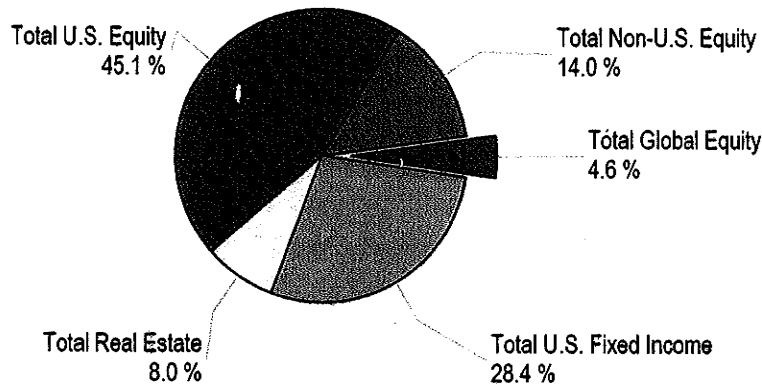
	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.6	69	0.7
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
Trailing 3-Year	16.2%	78	16.8%	67	-0.6
Trailing 5-Year	21.2	56	21.6	51	-0.4
Since Inception (3/31/02)	16.5	28	14.9	59	1.6

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

TOTAL GLOBAL EQUITY
\$144.4 Million and 4.6% of Fund

Fourth Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 12/31/07

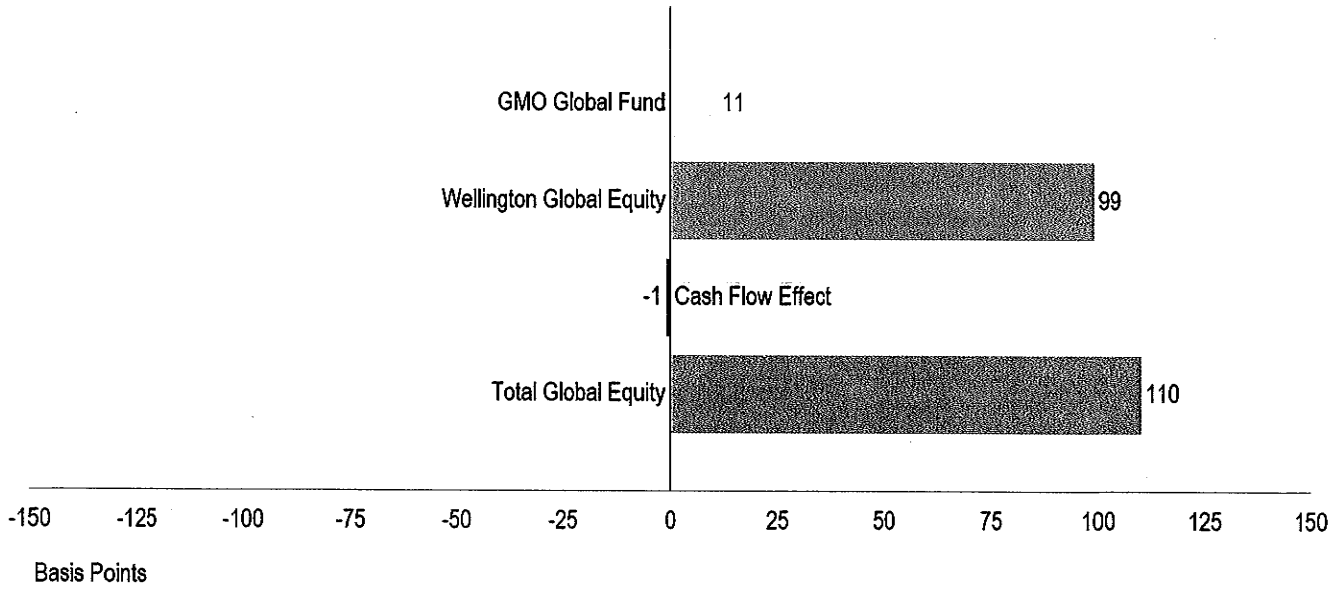


TOTAL GLOBAL EQUITY

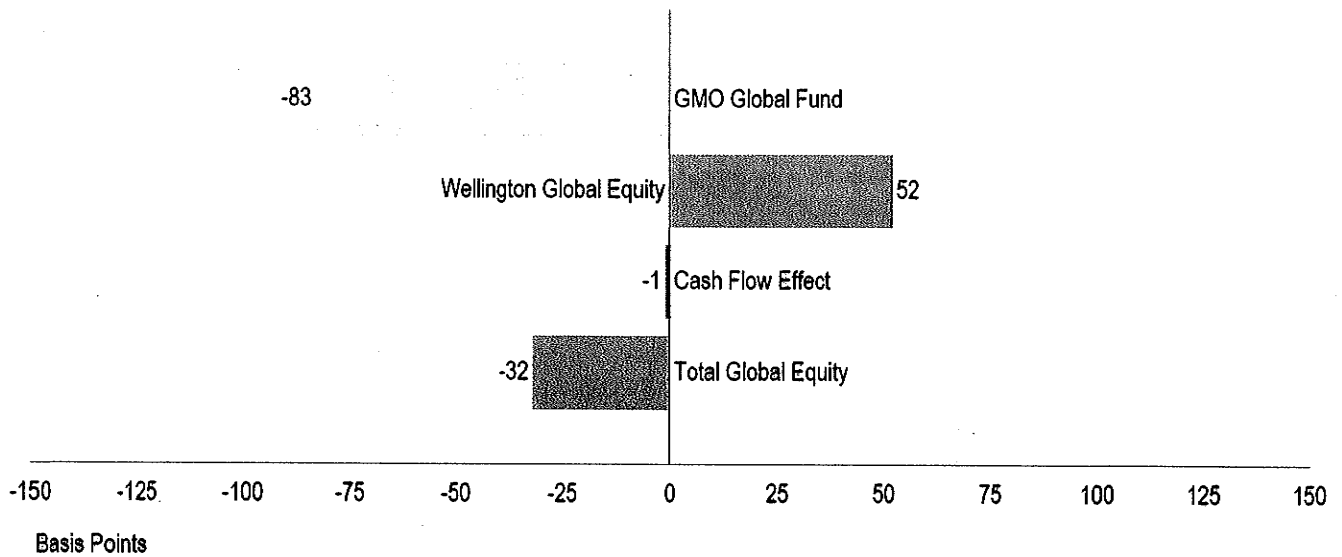
\$144.4 Million and 4.6% of Fund

Fourth Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/07



TOTAL GLOBAL EQUITY
\$144.4 Million and 4.6% of Fund

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-0.7 %	40	11.3 %	51	16.4 %	--	4/30/05
MSCI All Country World Index	-1.8	60	11.7	46	17.7	--	
GMO Global Fund	-1.6	55	10.0	56	16.4	--	4/30/05
MSCI All Country World Index	-1.8	60	11.7	46	17.7	--	
Wellington Global Equity	0.2	22	12.7	37	16.5	--	5/31/05
MSCI All Country World Index	-1.8	60	11.7	46	17.5	--	

Commentary on Investment Performance

While negative in absolute terms, the global equity component's fourth quarter return of -0.7% exceeded the result of the MSCI All Country World Index by 1.1 percentage points. Both managers were able to provide downside protection due primarily to positive security selection and favorable sector allocation decisions.

The global equity component's trailing one-year return of 11.3% lagged the Index by 0.4 percentage points. Relative performance among the component's managers was mixed. GMO's below benchmark return impeded the period's return while Wellington's above benchmark return benefited results.

Despite strong absolute results, longer-term performance of the global equity component remained weak on a relative basis.

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.

GMO

\$71.9 Million and 2.3% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	-1.6%	55	10.0%	56	16.4%	--	4/30/05
MSCI All Country World Index	-1.8	60	11.7	46	17.7	--	

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.

Manager Monitoring

On January 2, GMO announced the departure of Dr. Jack Gray, Co-Director of GMO's Asset Allocation team. In late 2006, Dr. Gray, a native of Australia, was transferred to the Boston office in an effort to relieve Mr. Ben Inker of his personnel management responsibilities. Shortly thereafter, the departure of two senior professionals at GMO's Sydney office led Dr. Gray back to Australia where he served as interim head of the Australian equities team, while remaining Co-Director of Asset Allocation. During this time, his involvement with asset allocation became limited and upon the completion of the transition of leadership of the Australian equities team, Dr. Gray informed GMO of his desire to leave. While we view the departure of Dr. Gray as a loss for GMO, we continue to recommend their Asset Allocation products to clients, as this has had little effect on the strategic decision-making ability of the team, which centers on Ben Inker and Jeremy Grantham.

Commentary on Investment Performance

The GMO Global Equity Allocation Fund declined 1.6% during the fourth quarter but modestly outperformed the MSCI All Country World Index. The manager noted that asset allocation decisions were mostly beneficial, in particular the decision to underweight U.S. equities and overweight non-U.S. equities, especially the emerging markets. Implementation within domestic equities was particularly additive as each of the portfolios outperformed their benchmarks. Detracting from relative performance was the negative impact of a declining dollar on the Currency Hedged International Equity portfolio. In addition, poor stock selection within the International Intrinsic Value Strategy and below-benchmark performance in the International Growth and Emerging Markets portfolios further penalized performance.

Performance over the longer-term remained less than impressive. While the manager tends to exhibit contrarian qualities and will generally lag the benchmark during strong equity markets, the manager continues to believe more attractive opportunities can be found abroad, hence the corresponding absolute overweight to non-U.S. equities. In addition, the manager continues to believe that low quality stocks within the U.S. are overvalued and high quality stocks represent the best opportunity.

Fourth Quarter 2007

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 12/31/07

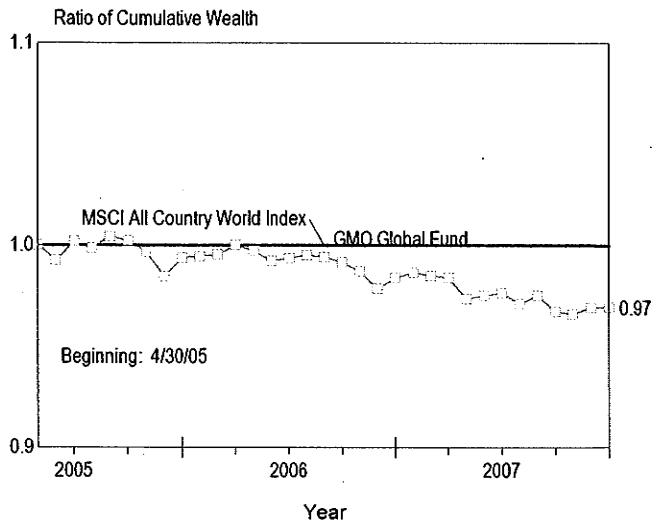
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.2%	0.3%	0.5%
Belgium	0.6	0.5	-6.0
Czech Republic*	0.0	0.1	14.9
Denmark	0.7	0.4	0.2
Finland	1.8	0.8	-2.1
France	4.9	4.7	0.7
Germany	6.9	4.1	5.1
Greece	0.1	0.3	6.3
Hungary*	0.1	0.1	-6.2
Ireland	0.6	0.3	-11.2
Italy	1.1	1.7	0.5
Netherlands	1.1	1.2	-1.8
Norway	0.8	0.5	-0.6
Poland*	0.1	0.2	1.7
Portugal	0.0	0.2	7.4
Russia*	0.9	1.1	17.4
Spain	0.7	1.9	8.3
Sweden	1.2	1.0	-12.8
Switzerland	1.9	2.9	-1.9
United Kingdom	9.6	9.6	-2.4
Asia/Pacific			
Australia	2.6%	2.8%	-4.2%
China*	1.3	1.8	-3.7
Hong Kong	1.7	1.0	7.1
India*	0.7	0.9	23.3
Indonesia*	0.1	0.2	18.0
Japan	8.7	8.6	-6.1
Korea*	1.2	1.6	-4.6
Malaysia*	0.2	0.3	12.3
New Zealand	0.0	0.1	-3.7
Pakistan*	0.0	0.0	3.0
Philippines*	0.0	0.1	7.6
Singapore	1.5	0.5	-3.4
Sri Lanka*	0.0	0.0	4.1
Taiwan, China*	0.9	1.1	-7.7
Thailand*	0.1	0.2	5.6
Americas			
Argentina*	0.0%	0.1%	-10.8%
Brazil*	1.1	1.5	13.2
Canada	0.5	3.7	-0.2
Chile*	0.1	0.1	-1.8
Colombia*	0.0	0.0	4.1
Mexico*	0.4	0.5	-2.1
Peru*	0.0	0.1	-4.6
United States	42.7	41.8	-3.3
Venezuela*	0.0	0.0	1.5
Other			
Egypt*	--	0.1%	24.3%
Israel*	0.2%	0.2	5.7
Jordan*	--	0.0	24.2
Morocco*	--	0.0	2.0
South Africa*	0.5	0.8	1.3
Turkey*	--	0.2	5.9
Cash			
Cash	2.1%	--	--
Total	100.0%	100.0%	-1.8%
Developed	90.0	88.7	
Emerging*	7.9	11.3	
Cash	2.1	--	

GMO

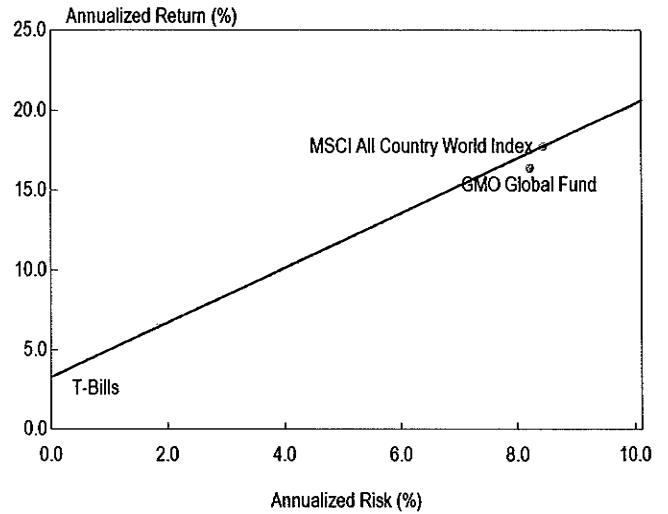
\$71.9 Million and 2.3% of Fund

Fourth Quarter 2007

RATIO OF CUMULATIVE WEALTH 2 YEARS 8 MONTHS ENDING 12/31/07



ANNUALIZED RISK RETURN 2 YEARS 8 MONTHS ENDING 12/31/07



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
Since Inception (4/30/05)	16.4%	--	17.7%	--	-1.3

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Wellington Global Equity	0.2%	22	12.7%	37	16.5%	--	5/31/05
MSCI All Country World Index	-1.8	60	11.7	46	17.5	--	

Philosophy and Process

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

Manager Monitoring

In October, the Board decided to terminate the Wellington Global Research Equity in favor of a 130/30 global equity strategy managed by Acadian due to reduced confidence in the Wellington's ability to provide outperformance going forward.

Commentary on Investment Performance

The Global Research Equity Portfolio registered a gain of 0.2% during the fourth quarter which exceeded the MSCI All-Country World Index by 2.0 percentage points. Strong stock selection within the industrial, telecommunication, and financial sectors accounted for a large portion of the portfolio's outperformance. Within industrials, EasyJet and Danaher enjoyed strong performance while Mobile Telesystems led the way within the telecommunication sector. Two German financial institutions, Deutsche Boerse and Deutsche Postbank, were able to stay out of the U.S. mortgage crisis helping Wellington's return. On a country basis, the portfolio's allocations to Germany and Russia proved beneficial. On the other hand, the health care sector was a drag on performance as Eisai reported disappointing news regarding one of its drug trials and Schering-Plough missed its earnings estimate.

During the year, Wellington outperformed its benchmark as stock selection within the financials, information technology, materials, and utility sectors generated positive relative returns. Poor stock selection within the energy and industrial sectors was a drag on relative performance.

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

WELLINGTON

\$72.5 Million and 2.3% of Fund

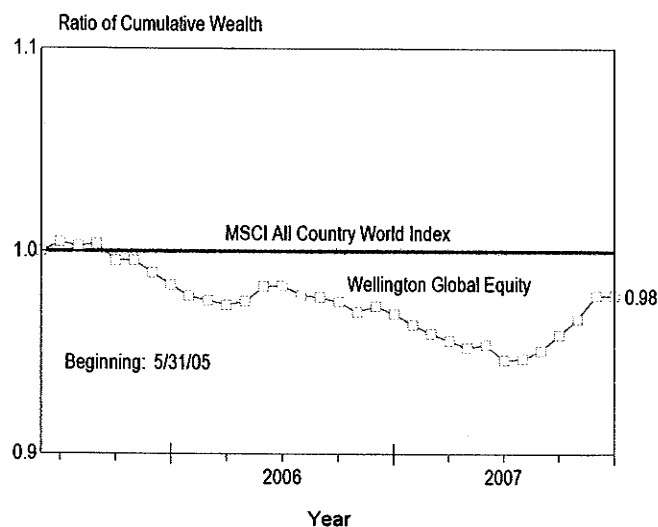
Fourth Quarter 2007

COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 12/31/07

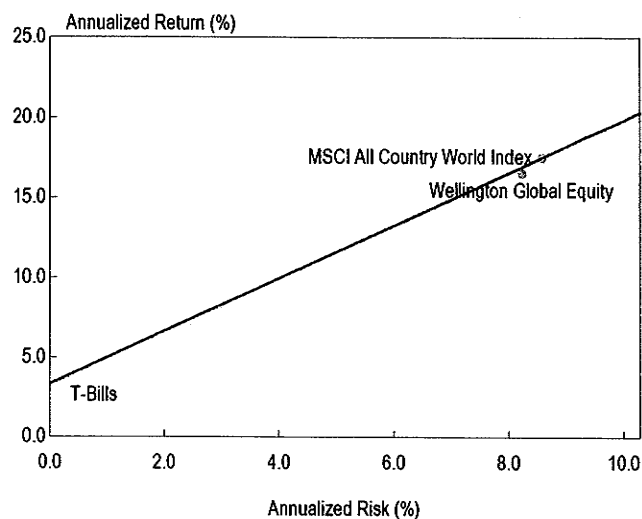
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	1.0%	0.3%	0.5%
Belgium	0.4	0.5	-6.0
Czech Republic*	-	0.1	14.9
Denmark	-	0.4	0.2
Finland	0.3	0.8	-2.1
France	7.0	4.7	0.7
Germany	6.7	4.1	5.1
Greece	0.3	0.3	6.3
Hungary*	-	0.1	-6.2
Ireland	1.5	0.3	-11.2
Italy	1.7	1.7	0.5
Netherlands	2.5	1.2	-1.8
Norway	0.2	0.5	-0.6
Poland*	-	0.2	1.7
Portugal	-	0.2	7.4
Russia*	4.3	1.1	17.4
Spain	1.0	1.9	8.3
Sweden	2.0	1.0	-12.8
Switzerland	4.3	2.9	-1.9
United Kingdom	6.3	9.6	-2.4
Asia/Pacific			
Australia	0.8%	2.8%	-4.2%
China*	1.4	1.8	-3.7
Hong Kong	0.8	1.0	7.1
India*	0.3	0.9	23.3
Indonesia*	0.5	0.2	18.0
Japan	6.5	8.6	-6.1
Korea*	-	1.6	-4.6
Malaysia*	-	0.3	12.3
New Zealand	-	0.1	-3.7
Pakistan*	-	0.0	3.0
Philippines*	-	0.1	7.6
Singapore	-	0.5	-3.4
Sri Lanka*	-	0.0	4.1
Taiwan, China*	0.7	1.1	-7.7
Thailand*	-	0.2	5.6
Americas			
Argentina*	-	0.1%	-10.8%
Brazil*	4.1%	1.5	13.2
Canada	4.3	3.7	-0.2
Chile*	-	0.1	-1.8
Colombia*	-	0.0	4.1
Mexico*	-	0.5	-2.1
Peru*	-	0.1	-4.6
United States	37.6	41.8	-3.3
Venezuela*	-	0.0	1.5
Other			
Egypt*	0.8%	0.1%	24.3%
Israel*	-	0.2	5.7
Jordan*	-	0.0	24.2
Morocco*	-	0.0	2.0
South Africa*	0.6	0.8	1.3
Turkey*	1.3	0.2	5.9
Cash			
Cash	0.8%	-	-
Total	100.0%	100.0%	-1.8%
Developed	85.3	88.7	
Emerging*	13.9	11.3	
Cash	0.8	-	

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
2 YEARS 7 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
2 YEARS 7 MONTHS ENDING 12/31/07**



**HISTORICAL RETURNS
(BY YEAR)**

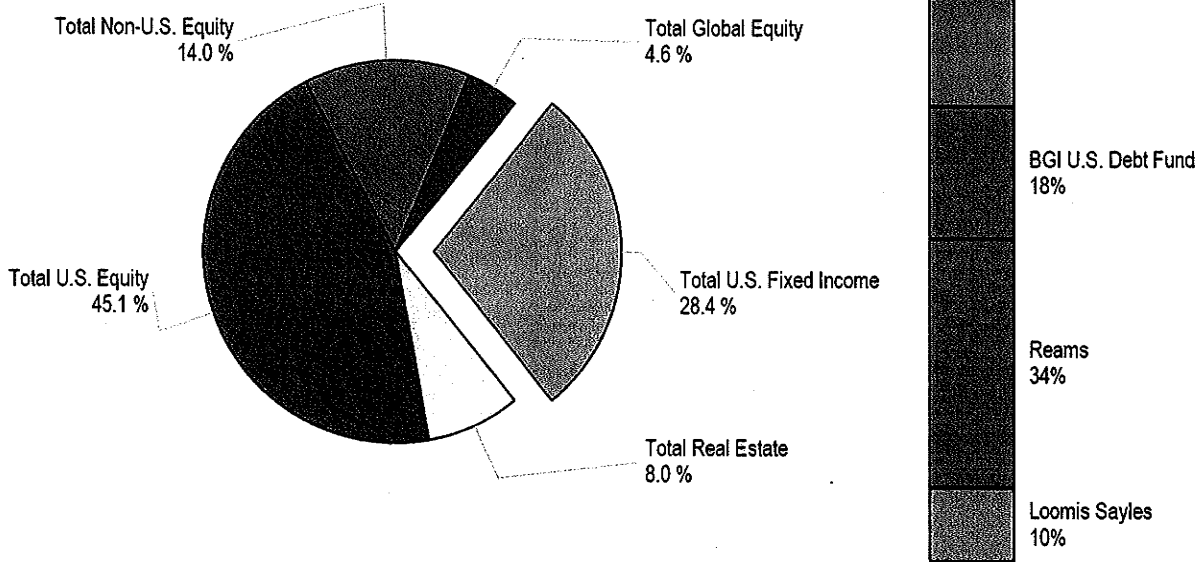
	Wellington Global Equity		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (7 months)	10.5%	--	12.3%	--	-1.8
2006	19.2	53	21.0	47	-1.8
2007	12.7	37	11.7	46	1.0
Since Inception (5/31/05)	16.5%	--	17.5%	--	-1.0

TOTAL U.S. FIXED INCOME

\$898.0 Million and 28.4% of Fund

Fourth Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 12/31/07

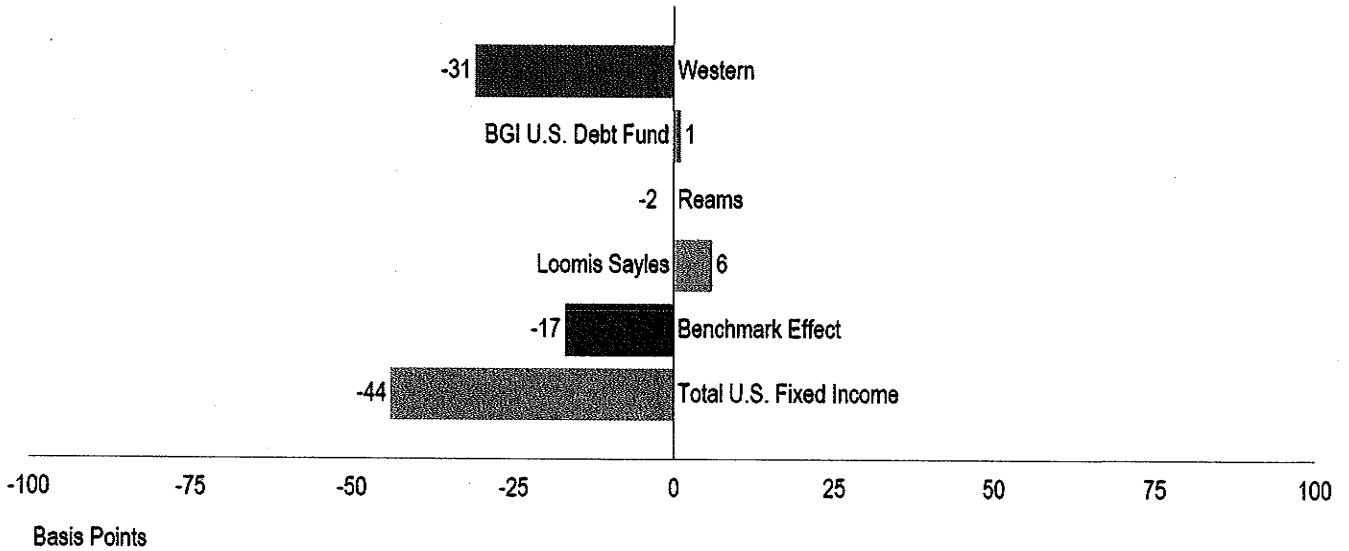


TOTAL U.S. FIXED INCOME

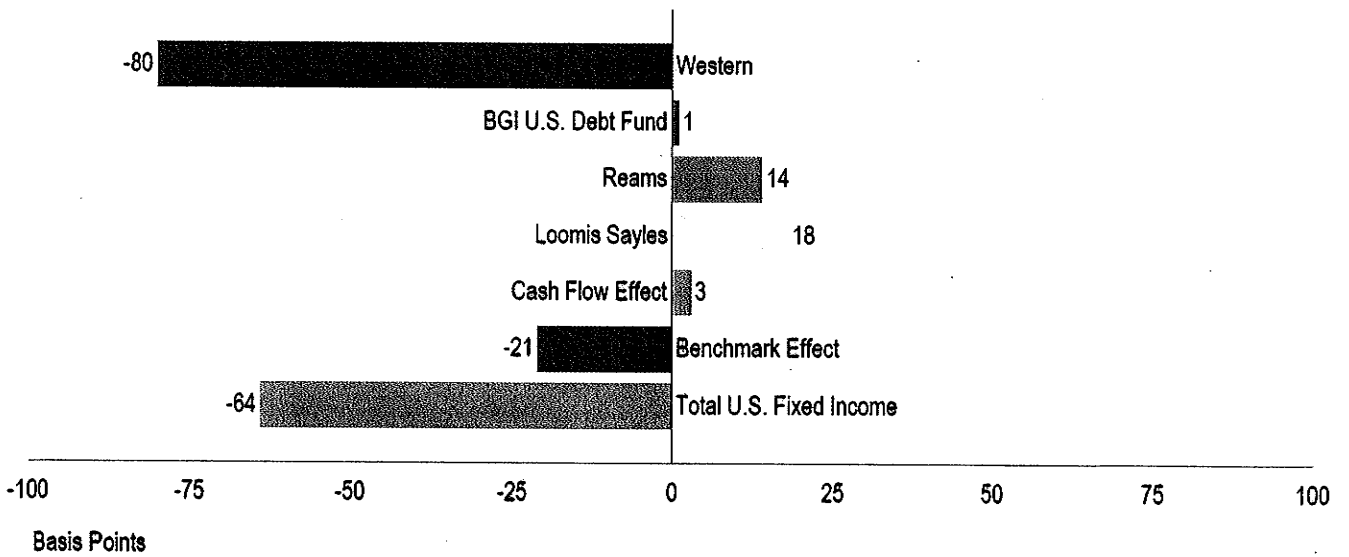
\$898.0 Million and 28.4% of Fund

Fourth Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/07



TOTAL U.S. FIXED INCOME

\$898.0 Million and 28.4% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	2.6%	48	6.3%	50	4.9%	27	5.4%	41	6.2%	20	6.3%	--	2/28/94
LB Aggregate Bond Index	3.0	28	7.0	39	4.6	41	4.4	69	6.0	51	6.4	--	
Western	2.2	67	4.8	86	4.4	45	5.7	8	6.6	5	6.9	5	12/31/96
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	6.0	35	6.3	36	
BGI U.S. Debt Fund	3.0	14	7.0	15	4.6	19	4.4	59	6.0	35	6.2	--	11/30/95
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	6.0	35	6.2	--	
Reams	3.0	19	7.4	6	5.4	3	6.0	6	--	--	5.3	35	9/30/01
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	--	--	5.2	45	
Loomis Sayles	1.9	77	6.7	23	--	--	--	--	--	--	6.8	--	7/31/05
Performance Benchmark	1.3	89	5.0	84	--	--	--	--	--	--	5.2	--	

Commentary on Investment Performance

The collective return of the fixed income component advanced 2.6% during the fourth quarter which trailed the Lehman Brothers Aggregate Bond Index by 0.4 percentage points. The below-benchmark results generated by Western were partially offset by the above-benchmark results from Loomis Sayles. Reams and BGI approximated the return of the Index during the quarter.

The component's trailing one-year return of 6.3% lagged the benchmark by 0.7 percentage points. Favorable relative returns from Reams and Loomis Sayles were offset by Western's significant underperformance.

Longer-term relative performance of the fixed income component remained favorable.

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 (Lehman Brothers Aggregate Bond Index and Lehman Brothers High Yield Index) underperforming the fixed income component's benchmark (Lehman Brothers Aggregate Bond Index).

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	2.2%	67	4.8%	86	4.4%	45	5.7%	8	6.9%	5	12/31/96
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	6.3	36	

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, 2007, the manager had approximately 5% exposure to sub-prime backed holdings, of which 99% were AAA-rated, short duration, floating-rate securities. Western's Core Plus portfolio had no exposure to CDOs or SIVs.

Commentary on Investment Performance

Western's Core Plus strategy trailed the LB Aggregate Bond Index by 0.8 percentage points during the quarter. The primary source of underperformance came from the manager's mortgage position, the majority of which was held in agency-backed MBS. Short duration, non-agency MBS positions used in the cash-backing strategy also detracted from performance as these securities were marked-to-market lower due to continued stress in the mortgage market. Additionally, exposure to investment-grade and high yield corporates were detrimental to results as financial names dragged down the portfolio. On the positive side, a curve steepening position was additive to relative performance as interest rates were lowered. Additionally, moderate exposure to TIPS added value as TIPS benefited from a rise in commodity prices.

In 2007, the largest detractor to Western's core plus strategy was the underperformance from their TBA cash-backing pool of assets. These assets included non-agency mortgage-backed securities, commercial mortgage-backed securities, and residential-related asset-backed securities (specifically, home equity loans, including some sub-prime exposure), all of which struggled throughout the year resulting in mark-to-market unrealized losses. Despite this manager's underperformance, we are still comfortable with their approach.

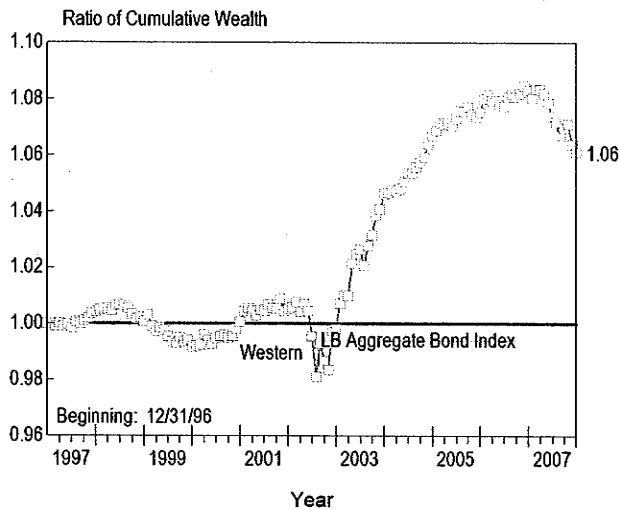
The manager's longer-term returns remained mixed. While the trailing five-year and since-inception returns outperformed the Lehman Brothers Aggregate Bond Index, the trailing three-year return underperformed the Index.

WESTERN

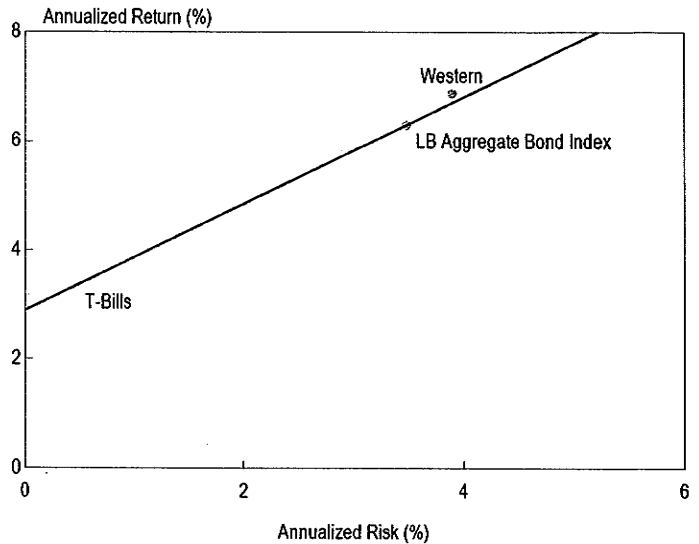
\$335.2 Million and 10.6% of Fund

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
11 YEARS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
11 YEARS ENDING 12/31/07**



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

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 9/30/07	% at 12/31/2007	% at 12/31/07	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	9%	10%	33%	3.7%
Corporate	21	25	22	2.2
Mortgage-Backed Securities	62	60	38	3.1
Commercial Mortgage-Backed Securities	0	0	6	2.2
Asset-Backed	1	1	1	(0.8)
Foreign Bonds	3	3	--	--
Other	--	--	--	--
Cash & Equiv.	4	1	--	--
Total	100 %	100 %	100 %	3.0%
Average Duration	4.7 years	4.4 years	4.4 years	--

Fourth Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Western		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
2007	4.8	86	7.0	16	-2.2
Trailing 3-Year	4.4%	45	4.6%	21	-0.2
Trailing 5-Year	5.7	8	4.4	59	1.3
Since Inception (12/31/96)	6.9	5	6.3	36	0.6

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

BGI U.S. DEBT FUND

\$164.1 Million and 5.2% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		10 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	3.0 %	14	7.0 %	15	4.6 %	19	4.4 %	59	6.0 %	35	6.2 %	--	11/30/95
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	6.0	35	6.2	--	

Philosophy and Process

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

Commentary on Investment Performance

The BGI U.S. Debt Fund successfully tracked the performance of the Lehman Brothers Aggregate Bond Index during the quarter. Bond markets rallied during the quarter as investors reacted to heightened concerns of a possible U.S. recession by fleeing less-liquid and more-risky assets. The catalysts were continued deterioration among sub-prime mortgage-backed securities, a credit crunch in capital markets, and consumers' continued pressuring by a weak housing market and elevated energy prices.

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

HISTORICAL RETURNS (BY YEAR)

	BGI U.S. Debt Fund		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2000 (9 months)	9.3 %	31	9.2 %	36	0.1
2001	8.6	34	8.4	38	0.2
2002	10.3	24	10.3	24	0.0
2003	4.2	68	4.1	69	0.1
2004	4.3	59	4.3	58	0.0
2005	2.4	60	2.4	58	0.0
2006	4.3	55	4.3	53	0.0
2007	7.0	15	7.0	16	0.0
Trailing 3-Year	4.6 %	19	4.6 %	21	0.0
Trailing 5-Year	4.4	59	4.4	59	0.0
Since Inception (11/30/95)	6.2	--	6.2	--	0.0

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter		1 Year Ending 12/31/07		3 Years Ending 12/31/07		5 Years Ending 12/31/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	3.0%	19	7.4%	6	5.4%	3	6.0%	6	5.3%	35	9/30/01
LB Aggregate Bond Index	3.0	15	7.0	16	4.6	21	4.4	59	5.2	45	

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.

Manager Monitoring

As of December 31, 2007, the manager had no exposure to sub-prime, CDOs, or SIVs.

Commentary on Investment Performance

The Reams Core-Plus portfolio's returned 3.0% during the fourth quarter which approximated the return of the LB Aggregate Bond Index. The factor that had the most positive impact in the portfolio was the manager's bulleted yield curve strategy. Additionally, an overweight exposure to investment-grade credit and an underweight allocation to asset-backed holdings further contributed to relative results. On the negative side, the overweight exposure to high yield proved to be the largest detractor of the portfolio, while overweighting CMBS and other mortgage bank securities also impacted the portfolio negatively.

Reams' strong performance in 2007, in which they exceeded the return of the Index by approximately 0.4 percentage points, was attributable to the manager's ability to avoid the sub-prime mortgage crisis, to trade high yield tactically, and to add investment-grade credit exposure at attractive levels late in 2007. Reams maintained a modest allocation to credit earlier in the year as the manager waited for better value to add to positions. While non-Agency and low quality MBS struggled throughout the year, the high quality of Reams' mortgage position, primarily agency-backed MBS, has been additive on a relative basis. Additionally, a curve steepening position helped relative performance dramatically during the fourth quarter. The manager has no exposure to sub-prime, CDOs, or SIVs.

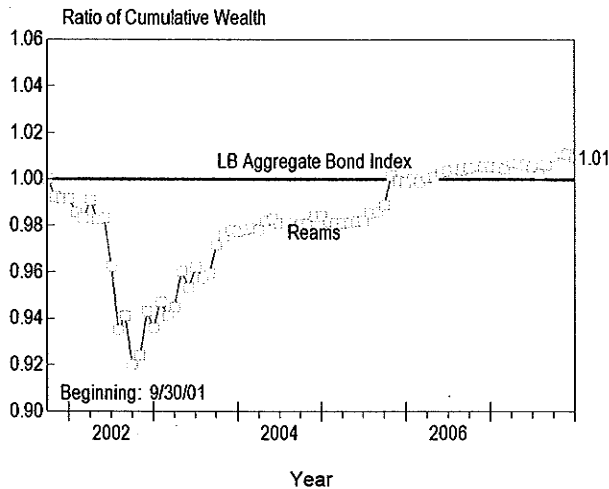
Reams outperformed the Index by a comfortable margin over all the longer time periods analyzed above.

REAMS

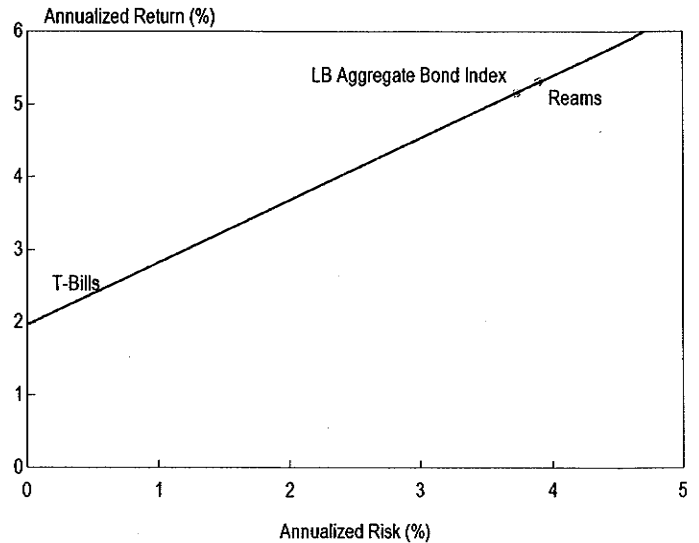
\$307.5 Million and 9.7% of Fund

Fourth Quarter 2007

**RATIO OF CUMULATIVE WEALTH
6 YEARS 3 MONTHS ENDING 12/31/07**



**ANNUALIZED RISK RETURN
6 YEARS 3 MONTHS ENDING 12/31/07**



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

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 9/30/07	% at 12/31/07	% at 12/31/07	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	1%	--	33%	3.7%
Corporate	33	45%	22	2.2
Mortgage-Backed Securities	66	55	38	3.1
Commercial Mortgage-Backed Securities	0	0	6	2.2
Asset-Backed	--	--	1	(0.8)
Foreign Bonds	--	--	--	--
Other	--	--	--	--
Cash & Equiv.	--	--	--	--
Total	100 %	100 %	100 %	3.0%
Average Duration	3.9 years	4.1 years	4.4 Years	--

Fourth Quarter 2007

HISTORICAL RETURNS
(BY YEAR)

	Reams		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8%	91	0.0%	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
2007	7.4	6	7.0	16	0.4
Trailing 3-Year	5.4%	3	4.6%	21	0.8
Trailing 5-Year	6.0	6	4.4	59	1.6
Since Inception (9/30/01)	5.3	35	5.2	45	0.1

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

LOOMIS SAYLES

\$91.3 Million and 2.9% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter	1 Year Ending 12/31/07	Since Inception	Inception Date
Loomis Sayles	1.9%	6.7%	6.8%	7/31/05
Performance Benchmark	1.3	5.0	5.2	
LB Aggregate Bond Index	3.0	7.0	5.0	

Philosophy and Process

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

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

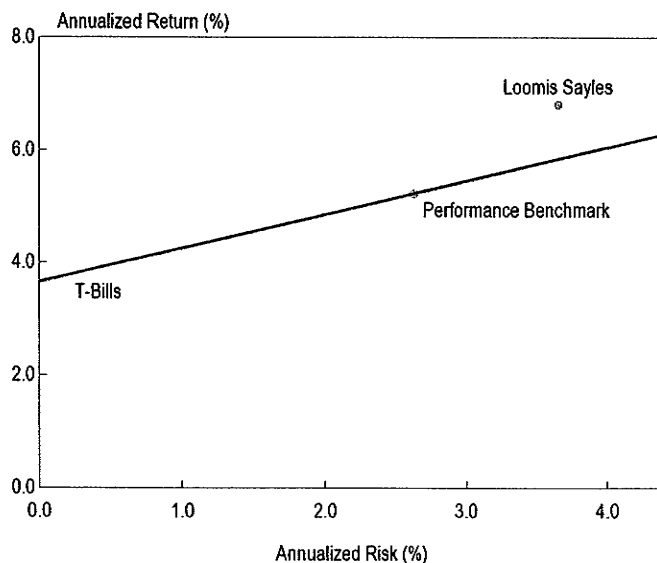
Commentary on Investment Performance

Loomis Sayles registered a gain of 1.9% during the quarter, advancing 0.6 percentage points above the Performance Benchmark's return. The portfolio's long duration position relative to its benchmark proved to be beneficial as unease regarding weakness in the housing market and uncertainty in the strength of the financial sector brought about a flight to quality, which allowed the portfolio's government bond holdings to contribute positively to return. In addition, the portfolio's exposure to foreign government debt, communication companies, and non-cyclical consumer companies added value. On the downside, recessionary fears and the continued sub-prime fallout disfavored risky assets which caused the portfolio's allocations to high yield and financial sector holdings to underperform.

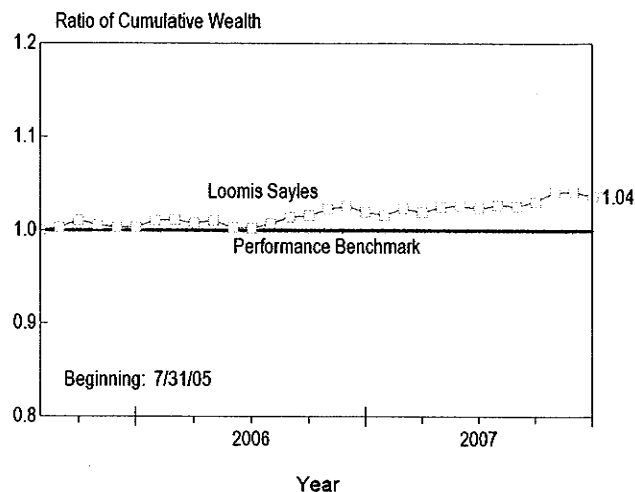
Loomis Sayles outperformed the Performance Benchmark by a comfortable margin over the longer time periods analyzed above. Historically, the manager has benefited greatly from its interest rate positioning, adept security selection, and rotation into and out of various segments of the market.

Fourth Quarter 2007

**ANNUALIZED RISK RETURN
2 YEARS 5 MONTHS ENDING 12/31/07**



**RATIO OF CUMULATIVE WEALTH
2 YEARS 5 MONTHS ENDING 12/31/07**



**HISTORICAL RETURNS
(BY YEAR)**

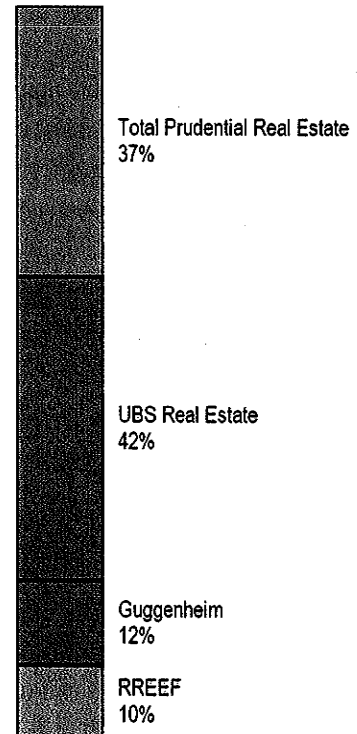
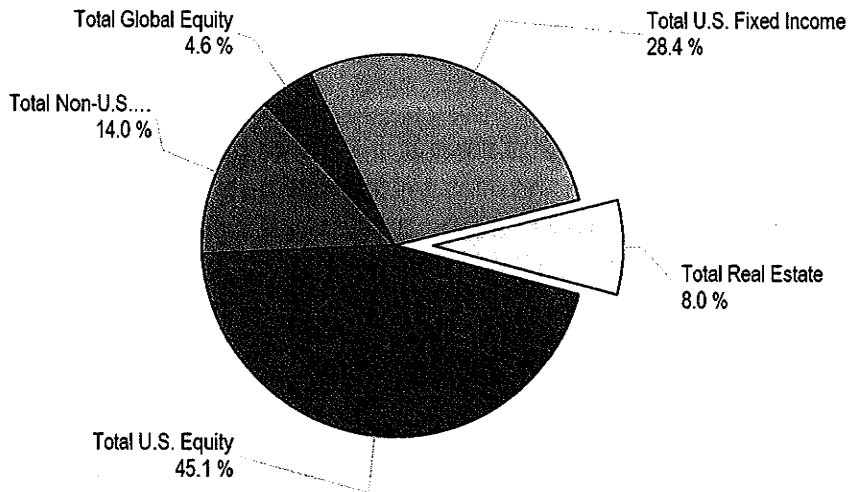
	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7%	--	0.4%	--	0.3
2006	9.0	1	7.3	2	1.7
2007	6.7	23	5.0	84	1.7
Since Inception (7/31/05)	6.8%	--	5.2%	--	1.6

TOTAL REAL ESTATE

\$253.3 Million and 8.0% of Fund

Fourth Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 12/31/07



TOTAL REAL ESTATE**\$253.3 Million and 8.0% of Fund****Fourth Quarter 2007****RETURN SUMMARY
ENDING 12/31/07**

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07	5 Years Ending 12/31/07	Since Inception	Inception Date
Total Real Estate	0.8 %	12.8 %	18.2 %	14.8 %	11.7 %	3/31/94
Policy Benchmark	2.3	15.2	16.8	14.8	11.9	
Total Prudential Real Estate	1.7	16.5	22.6	--	13.5	6/30/04
Policy Benchmark	2.3	15.2	16.8	--	16.9	
UBS Real Estate	1.7	12.7	16.1	--	14.4	3/31/03
NCREIF Open End Fund Index	2.3	15.2	16.5	--	14.8	
Guggenheim	-4.1	3.8	--	--	10.8	6/30/06
Performance Benchmark	-1.7	5.8	--	--	11.7	
RREEF	-0.1	--	--	--	-0.1	10/1/07
NCREIF Open End Fund Index	2.3	--	--	--	2.3	

The Board approved the change of the total real estate policy benchmark from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index). Both of these indices are sponsored by the NCREIF, a leading real estate investment management advocacy group. Consistent with the motion approved, the benchmark changed when the funding of a second open-end real estate fund manager (Prudential PRISA Fund) was complete and no separate account properties remained. The new benchmark went into effect in January 2006 and is represented as the Policy Benchmark for the real estate asset class.

Commentary on Investment Performance

The real estate portfolio returned 0.8% during the fourth quarter, underperforming the Policy Benchmark by 1.5 percentage points. All underlying managers contributed negatively to the portfolio's return, as they each lagged their respective benchmarks.

During the trailing one-year period, the component posted a double-digit return; however, it trailed the Policy Benchmark by 2.4 percentage points.

Longer-term relative performance of the real estate portfolio remained mixed. The portfolio's trailing three-year return outperformed the Policy Benchmark while the trailing five-year return matched that of the Policy Benchmark. The since-inception return underperformed the Policy Benchmark.

PRUDENTIAL

\$93.8 Million and 3.0% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07	Since Inception	Inception Date
Total Prudential Real Estate	1.7 %	16.5 %	22.6 %	13.5 %	6/30/04
Policy Benchmark	2.3	15.2	16.8	16.9	
PRISA Fund I	1.7	16.5	--	18.1	3/31/05
NCREIF Open End Fund Index	2.3	15.2	--	16.6	

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

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

Prudential's PRISA Fund I generated a return of 1.7% during the quarter, lagging the NCREIF Open End Fund Index by 0.6 percentage points. The manager reported that the Fund's CBS office property portfolio experienced appreciation gains of \$129.7 million during the third quarter and accounted for nearly 47% of the Fund's appreciation return. The Fund's allocations among property types and geographic regions remained largely unchanged from recent quarters. In addition, the Fund currently stands at \$12.4 billion in net assets and is 23.8% levered.

During the fourth quarter, the Fund invested \$419.4 million in office, residential, industrial, and retail properties. This included an investment of \$154.1 million to purchase the Harbor Garage, a parking garage located in Downtown Boston which kept with the Fund's plan of pursuing entitlements for the development of mixed-used projects. Additionally, the Fund purchased the interest of Avalon Bay Communities, inline with its strategy to maintain positions in the supply-constrained Stamford marketplace. PRISA also acquired Dakota Springs, a newly constructed 342 unit apartment community in Austin, TX, and funded a \$41.0 million mezzanine investment in San Francisco's South Financial District. The Fund's total acquisitions in 2007 were \$1.96 billion. Moreover, the Fund sold five assets, obtaining \$316.1 million in net proceeds, and accomplished its sales objective for the year.

Performance of over the longer-term periods shown above remained favorable.

Fourth Quarter 2007

RETURN SUMMARY
ENDING 12/31/07

	Fourth Quarter	1 Year Ending 12/31/07	3 Years Ending 12/31/07	Since Inception	Inception Date
UBS Real Estate	1.7%	12.7%	16.1%	14.4%	3/31/03
NCREIF Open End Fund Index	2.3	15.2	16.5	14.8	
NCREIF NPI	3.2	15.8	17.5	15.6	

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.

Commentary on Investment Performance

The UBS RESA portfolio returned 1.7% during the fourth quarter, underperforming both the NCREIF Open End Fund Index and NCREIF Property Index by 0.6 and 1.5 percentage points, respectively. During the period, 73 investments were valued which represented 57% of the portfolio's market value. Of those investments, 42 had write-ups and 31 were written down, totaling a portfolio net realized gain of \$77.8 million. The portfolio's geographic and property type allocations did not change significantly from the previous quarter.

During the quarter, RESA invested \$100.0 million in equity, closing a construction loan. The funds will be used to develop a luxury apartment property from an existing historic warehouse in Brooklyn, New York. In addition, two industrial buildings located in Atlanta, GA and Washington, PA were sold. RESA received proceeds of \$14.9 million from the sales. The total net assets in the portfolio were \$10.2 billion.

Although long-term returns were strong in absolute terms, they unperformed the Index.

GUGGENHEIM

\$29.3 Million and 0.9% of Fund

Fourth Quarter 2007

RETURN SUMMARY ENDING 12/31/07

	Fourth Quarter	1 Year Ending 12/31/07	Since Inception	Inception Date
Guggenheim	-4.1%	3.8%	10.8%	6/30/06
Performance Benchmark	-1.7	5.8	11.7	

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

The Guggenheim portfolio declined -4.1% during the fourth quarter, underperforming the Performance Benchmark by 2.4 basis points. During the quarter, Guggenheim decreased its allocation to private market investments to 70% and increased its allocation to the public market to 30%, in order to meet its benchmark allocation. With regards to private market investments, the Fund reduced its allocation to the Morgan Stanley Prime Property Fund. The Fund also increased its allocation to an affiliated real estate manager which holds direct property investments. This manager disposed of an office property in Dallas, TX during the quarter. Regarding the public market investments, the Fund ended its contract with a small-cap manager and increased its allocation to an affiliated real estate manager which invested in a portfolio of apartment REITs. In addition, the Fund increased its allocations to its REIT managers that had large-cap directives.

Over the long-term periods shown above, Guggenheim has lagged the Performance Benchmark.

Fourth Quarter 2007

**RETURN SUMMARY
ENDING 12/31/07**

	Since Inception	Inception Date
RREEF	-0.1%	10/1/07
NCREIF Open End Fund Index	2.3	

Philosophy and Process

RREEF uses a combination of top-down and bottom-up methods in its portfolio management process. The Strategic Investment Committee, which draws upon the resources of the greater RREEF organization, is responsible for establishing the property sector weighting for the model portfolio. Analysts then look for undervalued real estate securities that conform to that model. Analysts develop three-year models that result in the projected funds from operations, expected dividend growth, and expected share price appreciation. Different discount rates are used to account for the risk associated with each individual security and stocks are ranked according to their attractiveness. The manager has analysts dedicated to real estate securities research which are specialized by property type.

Commentary on Investment Performance

RREEF's fourth quarter return declined 0.1% and lagged the NCREIF Open End Fund Index by 2.4 percentage points. During the quarter, RREEF acquired two properties, a Class A office building located in the submarket of Chicago's O'Hare airport and a 615-unit garden apartment community located in Alameda, California. These allocations allowed the manager to continue its plan to diversify among property types. Currently, 48% of the portfolio's assets are allocated to office space, 20% to apartments, 10% to industrials, and 6% to retail. The average occupancy for all property types was 79% at the end of the quarter. RREEF met their goal of selling Memorial Towers Apartments, located in Houston, Texas. The portfolio's asset value as of quarter end was \$2.1 billion.

RREEF anticipates allocating fewer assets to new development projects and focusing more on core-plus and value added prospects, particularly assets having distressed debt characteristics.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Fourth Quarter	Annualized Periods Ending 12/31/07				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
DJ Wilshire 5000 Index	-3.2%	5.6%	9.2%	14.0%	6.3%	10.5%
S&P 500 Index	-3.3	5.5	8.6	12.8	5.9	10.5
Russell 3000 Index	-3.3	5.1	8.9	13.6	6.2	10.5
Russell 1000 Value Index	-5.8	-0.2	9.3	14.6	7.7	12.1
Russell 1000 Growth Index	-0.8	11.8	8.7	12.1	3.8	8.5
Russell MidCap Value Index	-6.0	-1.4	10.1	17.9	10.2	13.3
Russell MidCap Growth Index	-1.7	11.4	11.4	17.9	7.6	10.3
Russell 2000 Value Index	-7.3	-9.8	5.3	15.8	9.1	12.5
Russell 2000 Growth Index	-2.1	7.0	8.1	16.5	4.3	7.1
Domestic Bond Indices:						
Lehman Brothers Aggregate Index	3.0%	7.0%	4.6%	4.4%	6.0%	6.5%
Lehman Brothers Govt/Credit Index	3.1	7.2	4.4	4.4	6.0	6.5
Lehman Brothers Long Govt/Credit Index	3.9	6.6	4.9	5.8	6.9	7.9
Lehman Brothers 1-3 Year Govt/Credit Index	2.2	6.8	4.3	3.4	5.0	5.2
Lehman Brothers U.S. MBS Index	3.1	6.9	4.9	4.5	5.9	6.3
Lehman Brothers High Yield Index	-1.3	1.9	5.4	10.9	5.5	7.5
Lehman Brothers Universal Index	2.7	6.5	4.7	5.0	6.1	6.6
Real Estate Indices:						
NCREIF Net Property Index	3.2%	15.8%	17.5%	15.1%	12.9%	11.2%
NCREIF ODCE Index	1.9	14.8	16.7	14.0	11.9	10.2
DJ Wilshire Real Estate Securities Index	-13.7	-17.7	8.4	18.6	10.8	12.8
FTSE NAREIT US Real Estate Index	-12.7	-15.7	8.5	18.2	10.5	13.0
Foreign/Global Stock Indices:						
MSCI All Country World Index	-1.8%	11.7%	14.4%	18.2%	7.5%	10.0%
MSCI All Country World ex-U.S. Index	-0.7	16.7	19.9	24.0	9.7	10.2
MSCI EAFE Index	-1.8	11.2	16.8	21.6	8.6	9.6
MSCI EAFE Index (in local currency)	-3.0	3.5	15.9	16.1	6.1	8.0
MSCI World ex-U.S.A. Small Cap Index	-4.9	3.3	15.5	26.4	12.0	9.0
MSCI Emerging Markets Index	3.6	39.4	35.1	37.0	14.2	11.8
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	3.9%	11.5%	2.7%	7.5%	6.3%	6.8%
Citigroup Hedged World Gov't Bond Index	1.9	4.9	4.6	4.1	5.7	7.1
Cash Equivalents:						
Treasury Bills (30-Day)	0.8%	4.0%	3.5%	2.5%	3.2%	3.5%
EnnisKnupp STIF Index	1.3	5.4	4.5	3.2	4.0	4.3
Inflation Index:						
Consumer Price Index	0.7%	4.1%	3.3%	3.0%	2.7%	2.7%

APPENDIX II

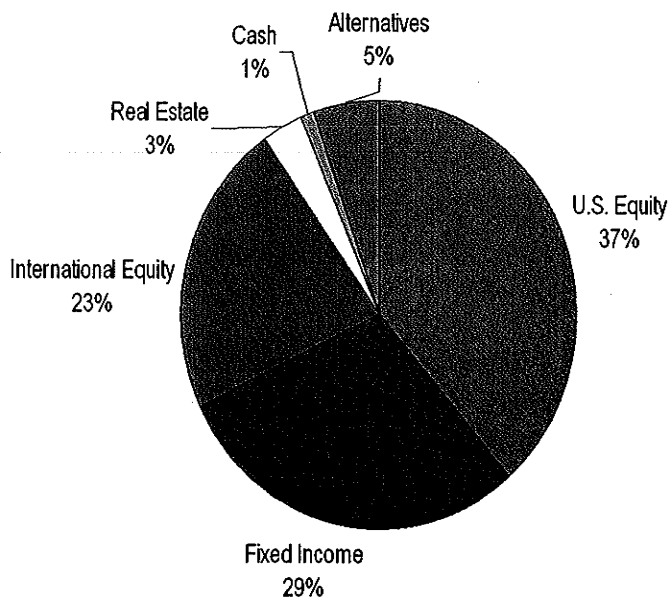
Description of Fund Benchmarks and Universe Rankings

Total Fund

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

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 67 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$1,086.4 billion as of 12/31/2007.

Mellon Analytical Aggregate Public Fund as of 12/31/2007



Total U.S. Equity

Benchmark. The Russell 3000 Index.

Universe. A universe of 503 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$715.3 billion as of 12/31/2007.

Delta

Benchmark. The S&P 500 Index.

Universe. A universe of 369 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$823.9 billion as of 12/31/2007.

BGI Equity Index Fund

Benchmark. The S&P 500 Index.

Universe. A universe of 369 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$823.9 billion as of 12/31/2007.

BGI Extended Equity Index Fund

Benchmark. The DJ Wilshire 4500 Index.

Universe. A universe of 64 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$80.6 billion as of 12/31/2007.

LSV

Benchmark. The Russell 2000 Value Index.

Universe. A universe of 105 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$78.8 billion as of 12/31/2007.

Wasatch Advisors

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

Universe. A universe of 83 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$59.6 billion as of 12/31/2007.

APPENDIX II

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 369 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$824.0 billion as of 12/31/2007.

Total Non-U.S. Equity

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

Universe. A universe of 443 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$402.6 billion as of 12/31/2007.

BGI ACWI ex U.S.

Benchmark. The Morgan Stanley Capital International All-Country World ex-U.S. Free Index.

Universe. A universe of 76 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$358.5 billion as of 12/31/2007.

Capital Guardian

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

Universe. A universe of 76 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$358.5 billion as of 12/31/2007.

Sprucegrove

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

Universe. A universe of 76 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$358.5 billion as of 12/31/2007.

Total Global Equity

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

Universe. A universe of 50 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$97.6 billion as of 12/31/2007.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 50 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$97.6 billion as of 12/31/2007.

Wellington

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

Universe. A universe of 50 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$97.6 billion as of 12/31/2007.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 118 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$609.1 billion as of 12/31/2007.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 118 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$609.1 billion as of 12/31/2007.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 118 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$609.1 billion as of 12/31/2007.

APPENDIX II

Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 118 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$609.1 billion as of 12/31/2007.

Loomis Sayles

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

Universe. A universe of 118 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$609.1 billion as of 12/31/2007.

Total Real Estate

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

Prudential Real Estate

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

Prudential Real Estate PRISA

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

UBS RESA

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

Guggenheim

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

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.

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

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

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

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

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

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

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

NCREIF 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 503 funds with an equity aggregate market value of \$715.3 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 443 funds with an international equity aggregate market value of \$402.6 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 50 funds with a global equity aggregate market value of \$97.6 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 118 funds with a fixed income aggregate market value of \$609.1 billion.

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

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

Style Map - This illustration represents the manager's style compared to that of the broadest stock index (the Wilshire 5000). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

Manager "Watch" Status Policy

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

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

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

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

Capital Guardian is currently on watch for performance reasons.

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

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Manager	Restrictions	In Compliance as of 12/31/07
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Delta	-Holdings range from 50 to 110 securities -Maximum allocation to one stock is no greater than 5% of the portfolio's value -Maximum cash allocation is 10% under normal circumstances -Median market capitalization greater than or equal to the S&P 500 -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES
LSV	-Holdings range from 90 to 140 securities -Maximum allocation to one security is no greater than 3% of the portfolio's value -The market capitalization of securities purchased falls between \$100 million and \$2.5 billion -The market capitalization of any one stock can not exceed \$4 billion -Maximum cash allocation is 3% under normal circumstances -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	NO YES YES YES YES YES YES
Wasatch	-Holdings range from 50 to 120 securities -Maximum allocation to one security is no greater than 10% of the portfolio's value -Maximum cash allocation is 10% with a long-term target maximum of 5% -The weighted average market capitalization of the portfolio should not exceed \$2.0 billion -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES NO YES YES
Capital Guardian	-Portfolio is a commingled fund.	N/A
Sprucegrove	-Portfolio is a commingled fund.	N/A
GMO	-Portfolio is a separate account of mutual funds.	N/A
Wellington	-Portfolio is a commingled fund.	N/A
BGI U.S. Debt	-Portfolio is a commingled fund.	N/A
Reams	-Duration may be managed to a maximum 25% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of A -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity -A maximum of 15% of the portfolio may be invested in high yield bonds -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES YES YES YES YES YES
Loomis Sayles	-At least 50% of the portfolio must be invested in investment grade securities at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -60% of the portfolio must be invested in U.S. domiciled issues	YES YES YES
Western	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of AA -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase -A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase -A maximum of 1% per issue for below investment grade securities -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES NO YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
Delta	26	Daily	Separate Acct.
BGI Equity Index	1	Daily	Commingled Fund
BGI Extended Market Fund	4	Daily	Commingled Fund
LSV	63	Daily	Separate Acct.
Wasatch	79	Daily	Separate Acct.
Western U.S. Index Plus	20	Daily	Separate Acct.
Capital Guardian	48	Monthly	Commingled Fund
Sprucegrove	39	Monthly	Commingled Fund
BGI ACWI ex-U.S. Index	14	Daily	Commingled Fund
GMO	66	Daily	Commingled Fund
Wellington	72	Monthly	Commingled Fund
BGI U.S. Debt Fund	4	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	22	Daily	Separate Acct.
Loomis Sayles	38	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	--	--