

ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

First Quarter 2008

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

HIGHLIGHTS

HIGHLIGHTS

First Quarter 2008

Market Comments

Stocks took a tumble during the first quarter of 2008. The broad-based Dow Jones Wilshire 5000 Index declined 9.5% as uninspiring U.S. economic numbers and the credit crunch turmoil plagued the markets. The collapse of Bear Stearns, in particular, shocked the investment community and illustrated that there was more risk inherent in major financial institutions than was apparent on the surface. Performance was uniformly disappointing across all capitalization groups; however, value held up better than growth, especially in the small-cap segment of the market. Eight of the nine sectors within the Index were negative for the quarter, led by weakness in technology, utilities, and financial stocks. Oil, gold, and agricultural commodities touched new highs before showing signs of moderating towards quarter's end.

The MSCI EAFE Index, which represents developed markets overseas, fell 8.9% during the quarter. While performance of the Index was weaker than domestic equities in local currency terms, a weak U.S. dollar boosted returns. In somewhat of a reversal from recent periods, Japan outperformed most of the Pacific markets, down just 7.8% for the quarter. Emerging markets also pulled back during the quarter. The MSCI Emerging Markets Index struggled throughout the quarter, declining 11.0%. Last year's leader, Brazil, saw a relatively slight 5% decline, while China (-23.7%) and India (-27.0%) had significant losses.

Most sectors of the bond market provided an oasis of positive returns during the quarter, as prices rose and yields declined, especially for higher-quality securities. Short-maturity yields, which are driven more by the Fed's interest rate policy, experienced particularly sharp drops. Longer-term yields declined as well, as the awareness of a serious economic slowdown trumped rising inflationary pressures that resulted from record energy prices. Riskier assets such as high-yield bonds lagged as risk adverse investors continued a flight to quality and credit spreads widened substantially. Against this backdrop, the Lehman Brothers Aggregate Bond Index turned in a 2.2% gain for the quarter.

MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08
Dow Jones Wilshire 5000 Index	-9.5%	-5.8%	6.4%
MSCI All-Country World Ex-US Free	-9.1	2.1	16.0
MSCI EAFE Free	-8.9	-2.7	13.3
MSCI Emerging Markets	-11.0	21.3	29.2
MSCI All Country World Index	-9.3	-1.2	11.1
Lehman Brothers Aggregate Bond Index	2.2	7.7	5.5

First Quarter 2008

Asset Growth

VCERA's Total Fund asset value decreased by approximately \$220.0 million during the first quarter, as shown below. The decrease in assets was due to net withdrawals of approximately \$35.3 million and investment losses of \$184.7 million.

Market Value (millions) as of 12/31/07	\$3,167.7
Income/Appreciation	(184.7)
Net Contributions/Withdrawals	(35.3)
Market Value (millions) at 3/31/08	\$2,947.7

Asset Allocation

The table below highlights VCERA's investment allocations relative to its policy. As of March 31, 2008, the Fund was underweight relative to its policy within the U.S. equity component. A corresponding overweight was experienced within the non-U.S. equity, global equity, fixed income, real estate, and cash 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 January, \$25 million (\$20 million from the BGI U.S. Equity Index Fund and \$5 million from the BGI Extended Equity Fund) was transitioned away from the U.S. equity asset class to the BGI All Country World ex-U.S. Index to increase the Plan's non-U.S. equity exposure. On February 1st, an initial funding of \$5 million to the Clifton Group portfolio was withdrawn from the BGI U.S. Debt Index Fund. In March, approximately \$78 million was rebalanced away from the fixed income component with \$66 million dispersed among the Fund's U.S. equity managers. During the remainder of the quarter, a total of approximately \$28 million was withdrawn from the BGI U.S. Debt Index Fund and the Western Core Plus portfolio to fund employees benefit payments.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	45.1%	47.0%	-1.9
Non-U.S. Equity	14.7	14.0	+0.7
Global Equity	4.4	4.0	+0.4
Fixed Income	27.1	27.0	+0.1
Real Estate	8.7	8.0	+0.7
Cash	0.2	0.0	+0.2

HIGHLIGHTS

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	-5.9%	75	-1.0%	81	7.7%	57	11.7%	60	6.3%	51	9.5%	--	3/31/80
Policy Portfolio	-5.5	65	0.6	47	8.3	48	12.0	55	6.1	56	--	--	
Public Fund Index	-5.0	38	0.8	42	8.7	41	12.2	50	6.3	51	--	--	
Total U.S. Equity	-10.0	56	-7.0	60	5.3	70	11.7	67	4.2	61	9.1	74	12/31/93
Performance Benchmark*	-9.5	38	-5.8	38	6.2	38	12.1	56	3.9	67	9.5	58	
Total Non-U.S. Equity	-8.1	29	-0.1	55	15.2	38	21.9	56	7.8	51	9.6	37	3/31/94
Performance Benchmark**	-9.1	57	2.1	33	16.0	25	23.5	23	7.2	63	7.8	70	
Total Global Equity	-10.5	63	-2.1	51	--	--	--	--	--	--	10.6	--	4/30/05
MSCI All Country World Index	-9.3	48	-1.2	46	--	--	--	--	--	--	12.3	--	
Total U.S. Fixed Income	0.6	69	5.2	64	5.3	39	5.1	31	6.1	--	6.2	--	2/28/94
LB Aggregate Bond Index	2.2	26	7.7	27	5.5	27	4.6	50	6.0	--	6.4	--	
Total Real Estate	0.8	--	9.9	--	15.8	--	13.8	--	12.0	--	11.6	--	3/31/94
Policy Benchmark	1.2	--	12.6	--	16.0	--	14.6	--	12.4	--	11.8	--	

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 5.9% and trailed the result of the Policy Portfolio and the average Public Fund measured by Mellon Analytical Solutions by 0.4 and 0.9 percentage points, respectively. Below benchmark returns from the U.S. equity, global equity, fixed income, and real estate components hindered the quarter's relative performance. Albeit with a negative return, the non-U.S. equity component's above benchmark results partially offset the quarter's underperformance.

Similar to the quarter, the Total Fund's trailing one-year return declined 1.0% which lagged the result of the Policy Portfolio by approximately 1.6 percentage points, net of fees. The period's underperformance was attributed to less-than-benchmark performance from each of the Fund's asset class sub-components.

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

The Total Fund's longer-term relative performance remained mixed. While the trailing ten-year period return surpassed that of the Policy Portfolio, the trailing three- and five- year period returns underperformed.

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

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

MARKET ENVIRONMENT
First Quarter 2008

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08	5 Years Ending 3/31/08	10 Years Ending 3/31/08
Dow Jones Wilshire 5000 Index	-9.5 %	-5.8 %	6.4 %	12.5 %	4.0 %
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Lehman Brothers Aggregate Bond Index	2.2	7.7	5.5	4.6	6.0

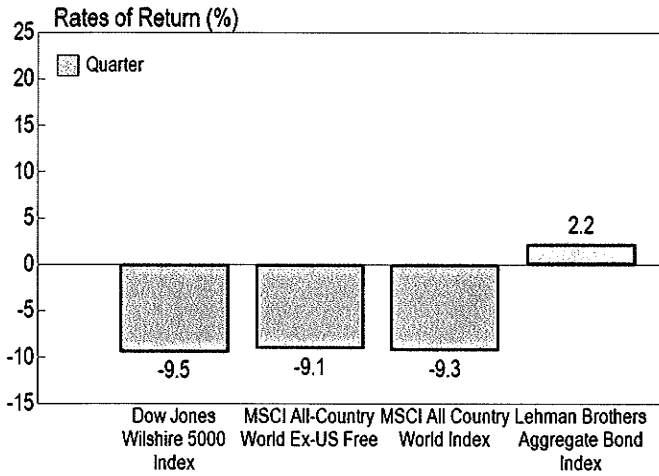
The broad U.S. equity market continued to struggle through volatile times to post a significant loss for the first quarter of 2008. Recessionary fears surfaced among investors and the market as housing prices, manufacturing output, and discretionary spending declined during the quarter. At the same time, an unprecedented increase in the price of commodities, including oil, agricultural products, and precious metals added stress to the economy. In response to economic woes, the Federal Reserve implemented three reductions in the Federal Funds rate, totaling 200 basis points over the quarter. This aggressive move by the Fed was viewed as an attempt to avert significant deterioration of the financial system and the economy, especially in light of rising unemployment and weakened consumer outlook.

The Dow Jones Wilshire 5000 Index declined 9.5% during the first quarter. Equity market sectors were weak across the board. Transportation was the only sector to post a gain (+3.4%) for the quarter, despite a surge in commodity prices as the dollar weakened. Technology was the worst-performing sector during the quarter, declining 14.0%. Large cap and small cap stocks posted losses for the quarter; however, large cap stocks marginally outperformed their small cap counterparts. Value stocks outperformed growth stocks during the first three months of the year.

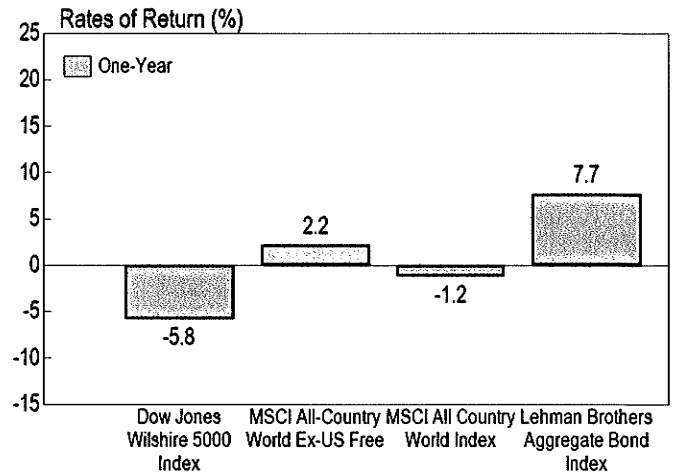
Responding to a loss of confidence in the financial sector, non-U.S. stocks fell in the first quarter as the MSCI All Country World ex-U.S. Index declined 9.1%. Emerging markets struggled during the quarter on fears of a global economic slowdown and the MSCI Emerging Markets Index declined 11.0%. Within the MSCI All Country World ex-U.S. Index, the Latin America region was the top performer, while South Africa and the Asian regions were the worst performers.

Domestic fixed income markets, as measured by the Lehman Brothers Aggregate Bond Index, posted relatively strong performance for the quarter, boasting a return of 2.2%. The Treasury curve steepened during the quarter reflecting an ongoing flight to quality into the short-end of the curve in light of an aggressive Fed. Credit spreads widened during the quarter as liquidity and credit risk increased, leading investors to shun risky assets in favor of Treasuries. Economic woes and interbank liquidity problems led to an increase in risk premiums, causing the Fed to respond with three reductions in the Federal Funds Rate over the quarter; two reductions in January, on the 22nd (75 bps) and the 30th (50 bps), and one reduction on March 18th (75 bps). In further attempts to inject liquidity into the banking system and stimulate lending, the Fed opened broker-dealer access to the discount window and implemented various Fed liquidity facilities, such as the term auction facility (TAF).

**MAJOR MARKET RETURNS
FIRST QUARTER**

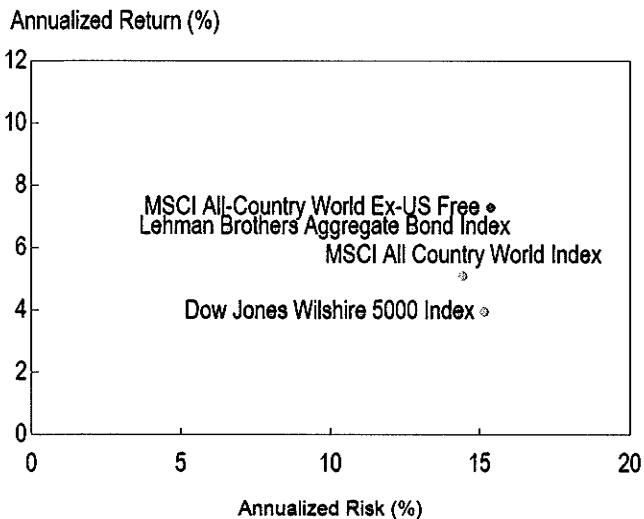


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 3/31/08**

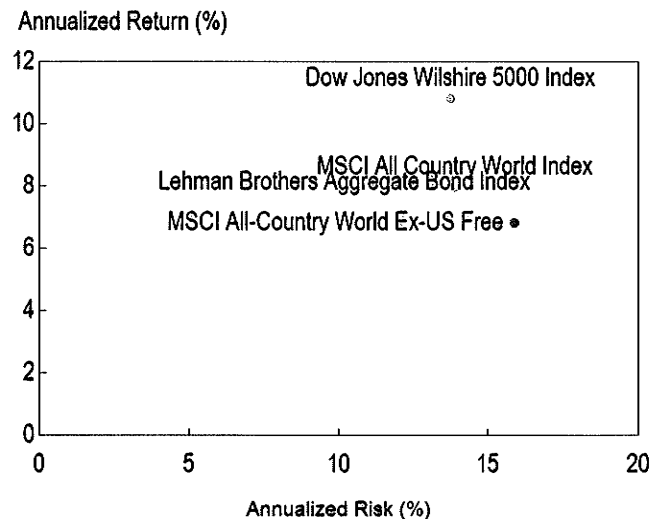


The exhibits above show the performance of the major capital markets during the first quarter and one-year period.

**MARKET RISK/RETURN
10 YEARS ENDING 3/31/08**



**MARKET RISK/RETURN
20 YEARS ENDING 3/31/08**

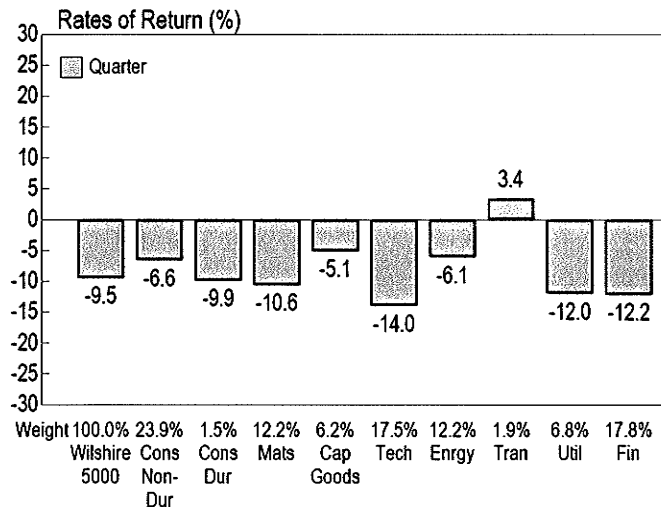


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

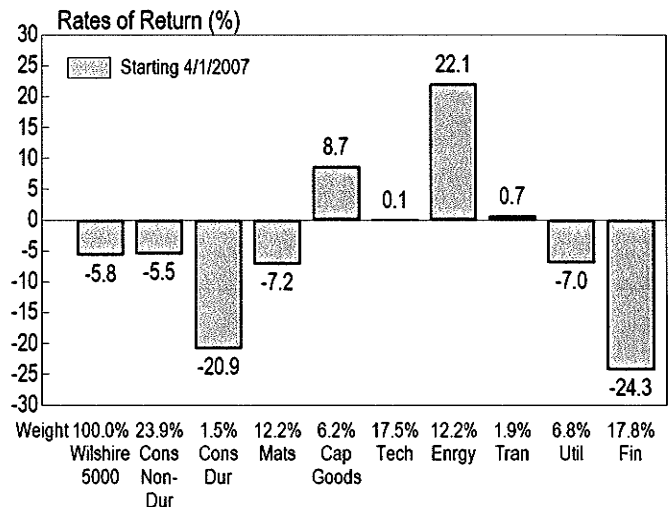
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS FIRST QUARTER



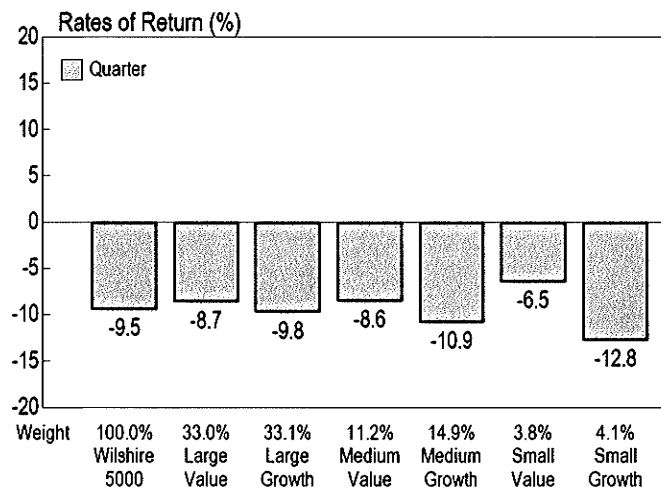
SECTOR RETURNS ONE-YEAR ENDING 3/31/08



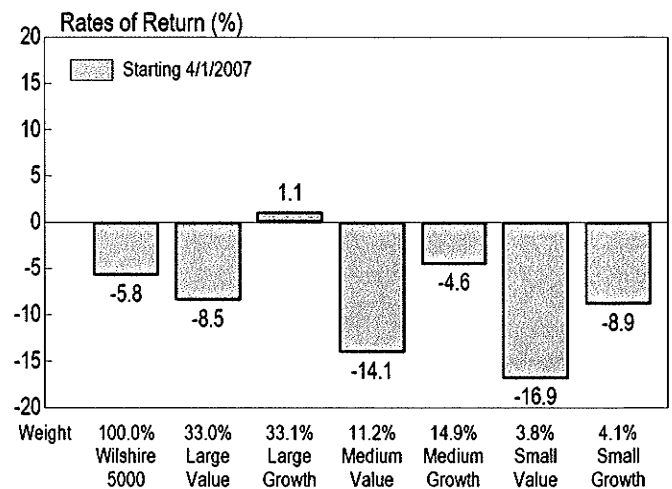
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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

STYLE RETURNS FIRST QUARTER

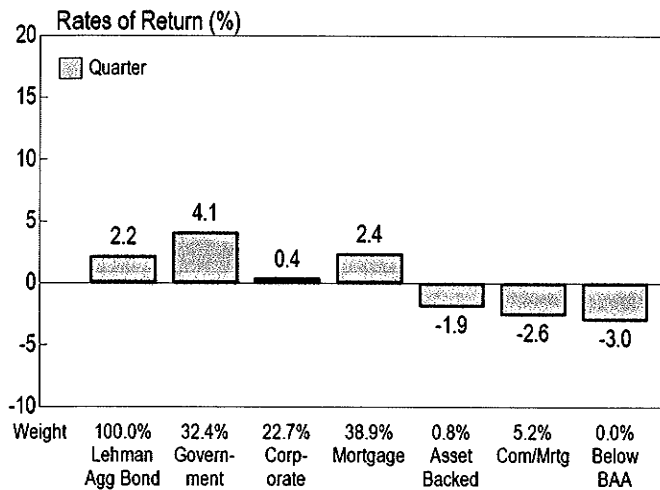


STYLE RETURNS ONE-YEAR ENDING 3/31/08

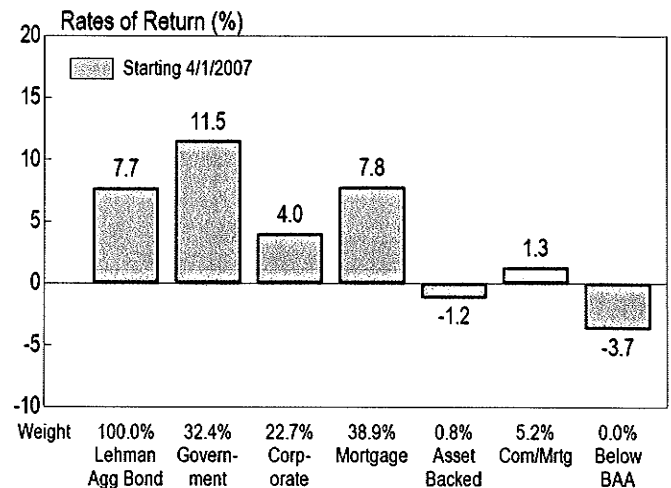


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**SECTOR RETURNS
FIRST QUARTER**



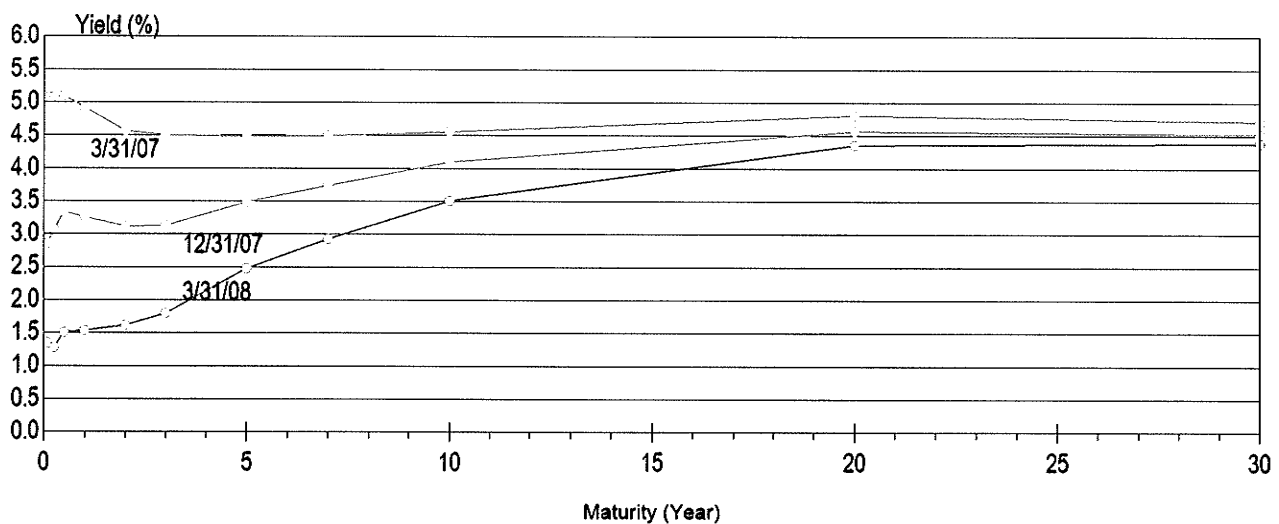
**SECTOR RETURNS
ONE-YEAR ENDING 3/31/08**



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

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

U.S. TREASURY CURVE

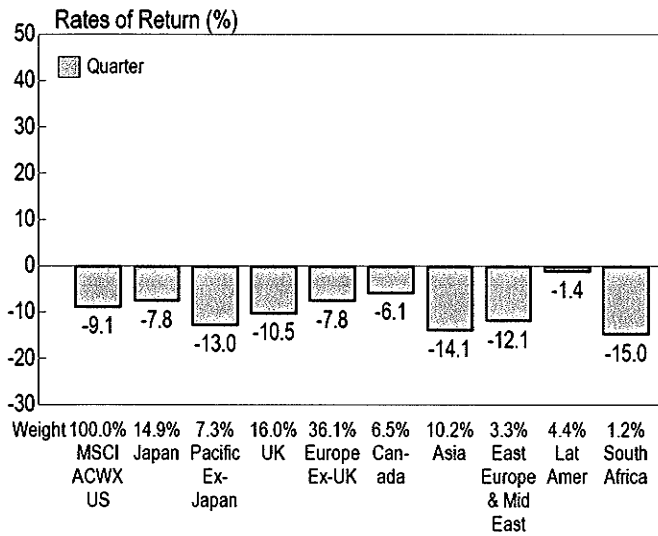


The exhibit above illustrates yields of Treasury securities of various maturities as of March 31, 2007, December 31, 2007, and March 31, 2008.

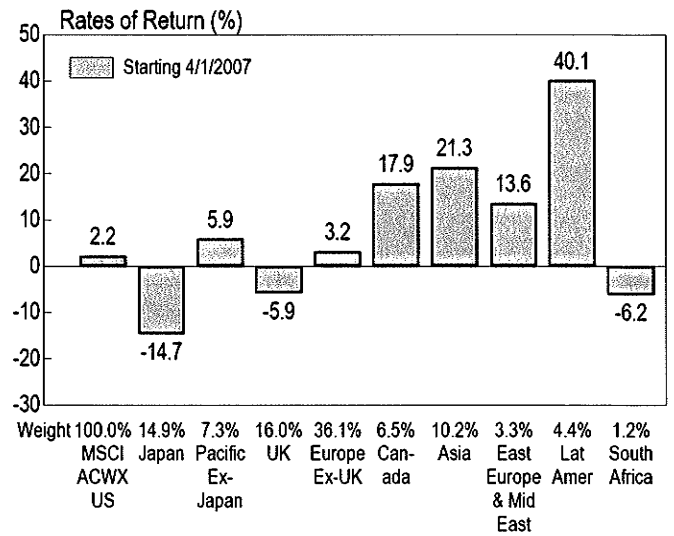
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

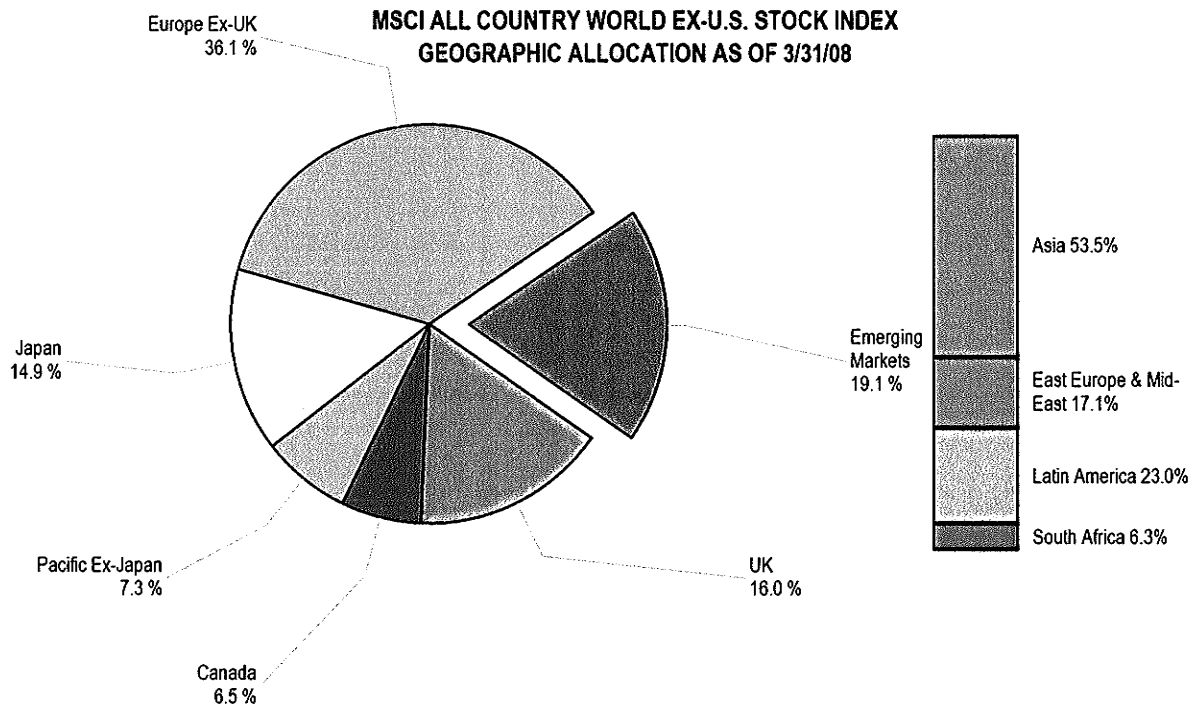
**NON-U.S. STOCK MARKET RETURNS
FIRST QUARTER**



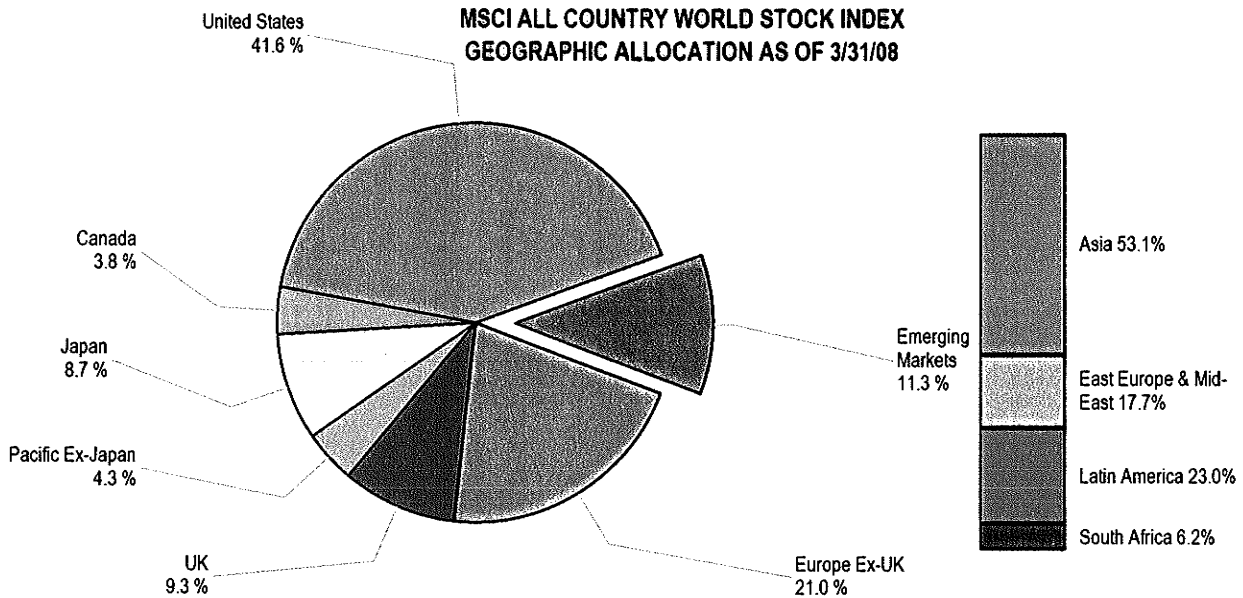
**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 3/31/08**



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

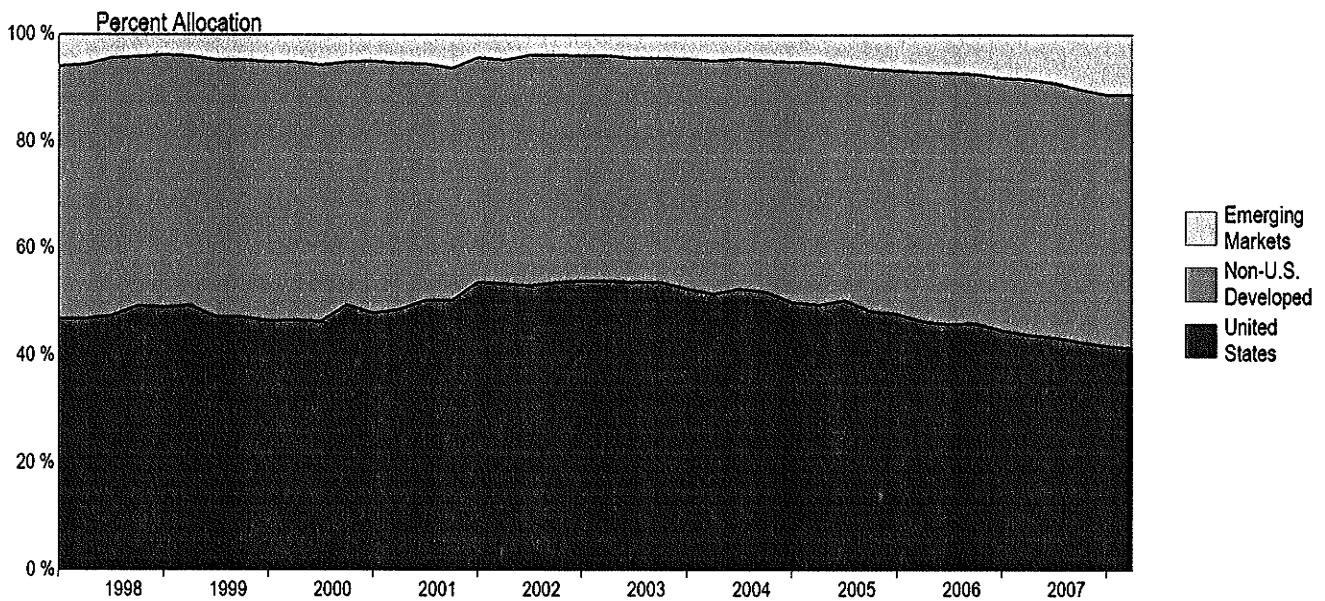


The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.



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

ALLOCATION



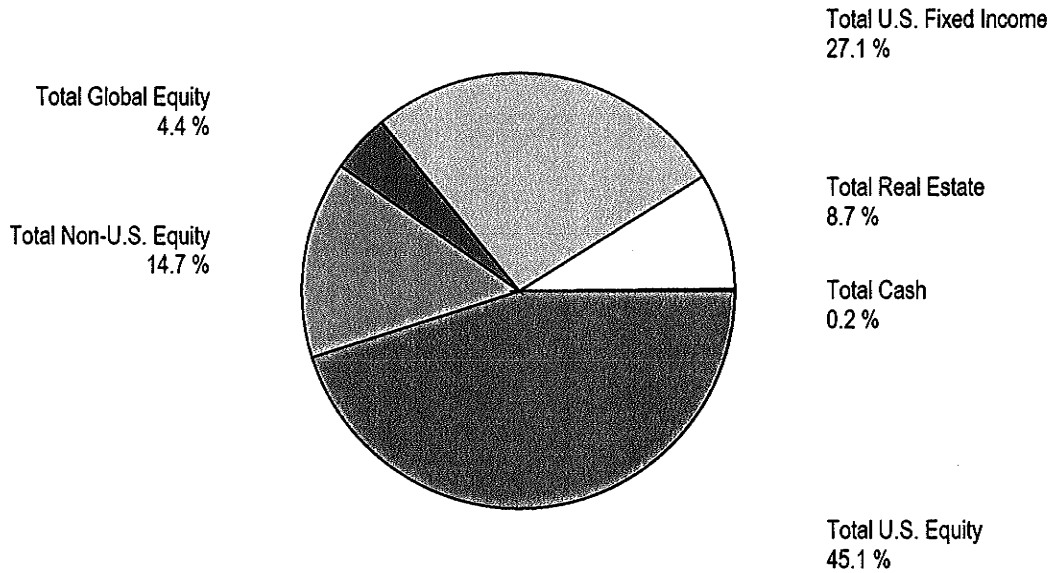
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

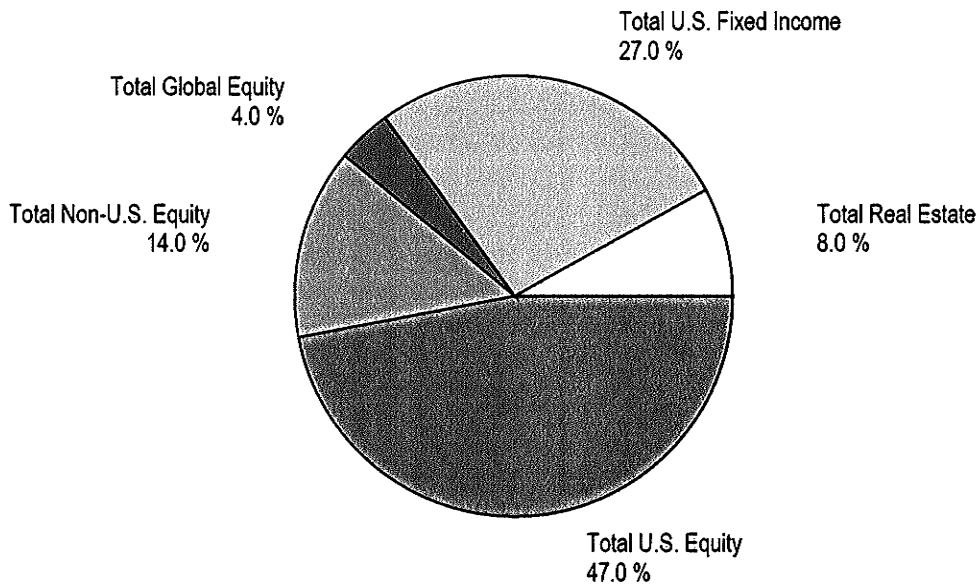
ASSET ALLOCATION

First Quarter 2008

ASSET ALLOCATION ACTUAL AS OF 3/31/08



ASSET ALLOCATION POLICY AS OF 3/31/08



ASSET ALLOCATION

First Quarter 2008

ASSET ALLOCATION AS OF 3/31/08

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
Delta	\$172,571	--	--	--	--	\$5,705	\$178,275	6.0%	
BGI Equity Index Fund	805,845	--	--	--	--	--	805,845	27.3	
LSV	87,342	--	--	--	--	971	88,313	3.0	
Wasatch	73,354	\$6,421	--	--	--	8,180	87,955	3.0	
BGI Extended Equity Index Fund	84,052	--	--	--	--	--	84,052	2.9	
Western U.S. Index Plus	79,877	--	--	--	--	4,204	84,081	2.9	
Total U.S. Equity	1,303,040	6,421	--	--	--	19,060	1,328,521	45.1	47.0%
BGI ACWI ex-U.S. Index	--	\$137,365	--	--	--	--	\$137,365	4.7%	
Capital Guardian	--	144,061	--	--	--	\$6,473	150,533	5.1	
Sprucegrove	--	140,528	--	--	--	3,426	143,955	4.9	
Total Non-U.S. Equity	--	421,954	--	--	--	9,899	431,853	14.7	14.0%
GMO Global Fund	\$29,456	\$31,753	\$3,357	--	--	\$1,183	\$65,749	2.2%	
Wellington Global Equity	23,937	39,256	--	--	--	452	63,644	2.2	
Total Global Equity	53,392	71,008	3,357	--	--	1,635	129,394	4.4	4.0%
Western	--	--	\$277,705	\$7,974	--	\$8,562	\$294,241	10.0%	
BGI U.S. Debt Fund	--	--	150,686	--	--	--	150,686	5.1	
Reams	--	--	266,736	--	--	4,337	271,073	9.2	
Loomis Sayles	--	--	65,023	13,758	--	3,112	81,892	2.8	
Total U.S. Fixed Income	--	--	760,149	21,732	--	16,011	797,892	27.1	27.0%
Total Prudential Real Estate	--	--	--	--	\$94,423	--	\$94,423	3.2%	
UBS Real Estate	--	--	--	--	106,392	--	106,392	3.6	
Guggenheim	--	--	--	--	29,598	--	29,598	1.0	
RREEF	--	--	--	--	24,899	--	24,899	0.8	
Total Real Estate	--	--	--	--	255,313	--	255,313	8.7	8.0%
Clifton Group	--	--	--	--	--	\$4,724	\$4,724	0.2%	
Total Cash	--	--	--	--	--	4,724	4,724	0.2	0.0%
Total Fund	\$1,356,432	\$499,383	\$763,506	\$21,732	\$255,313	\$51,330	\$2,947,697	100.0%	100.0%
Percent of Total	46.0%	16.9%	25.9%	0.7%	8.7%	1.7%	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.

VCERA's Total Fund asset value decreased by approximately \$220.0 million during the first quarter, as shown below. The decrease in assets was due to net withdraws of approximately \$35.3 million and investment losses of \$184.7 million.

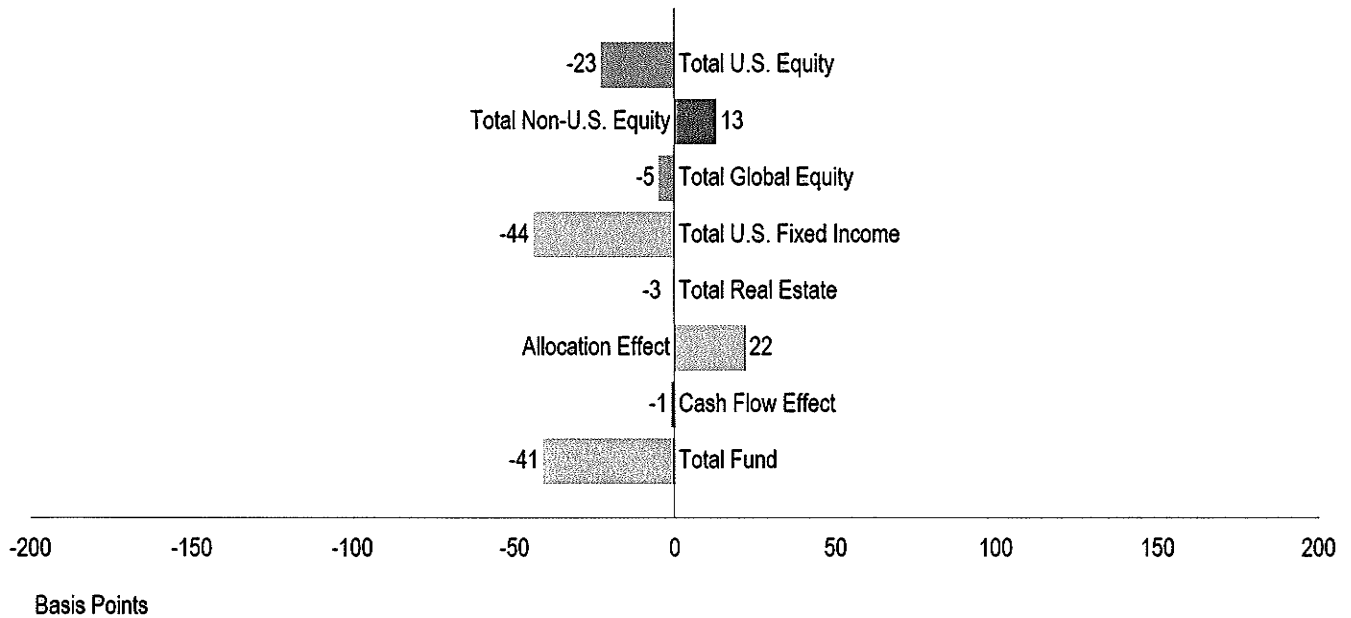
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PERFORMANCE EVALUATION

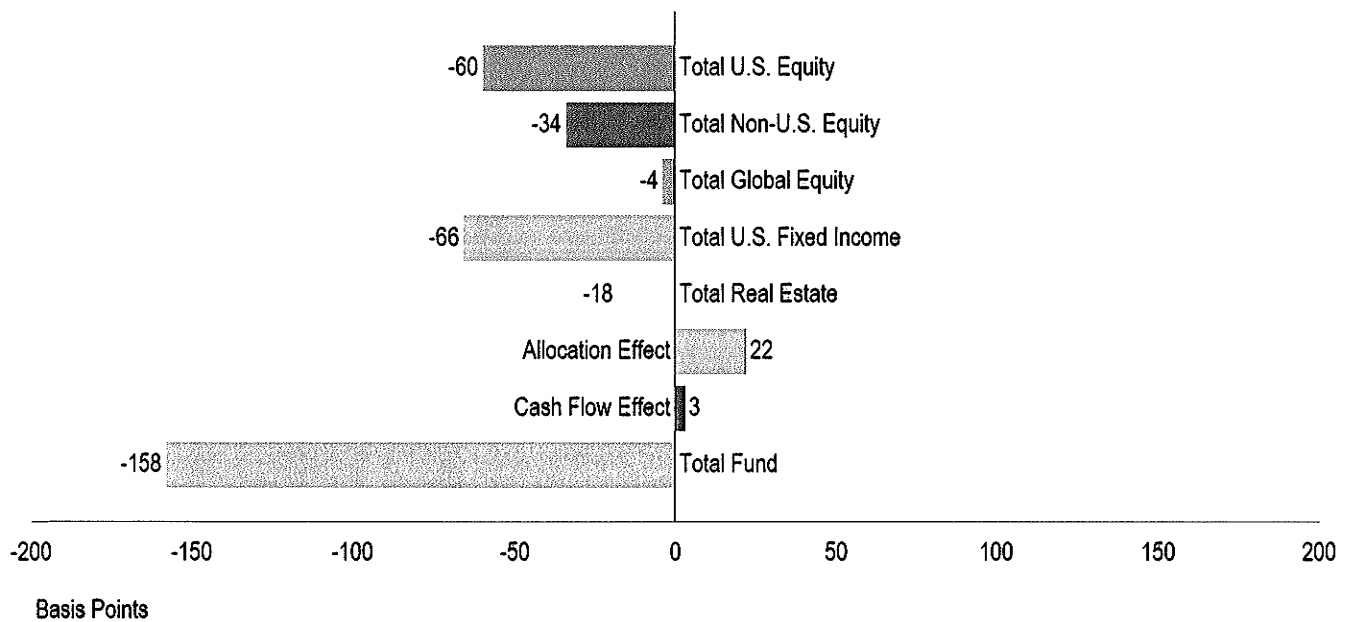
TOTAL FUND

First Quarter 2008

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



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/08



First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

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Similar to the quarter, the Total Fund's trailing one-year return declined 1.0% which lagged the result of the Policy Portfolio by approximately 1.6 percentage points, net of fees. The period's underperformance was attributed to less-than-benchmark performance from each of the Fund's asset class sub-components.

The Total Fund's longer-term relative performance remained mixed. While the trailing ten-year period return surpassed that of the Policy Portfolio, the trailing three- and five-year period returns underperformed.

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

TOTAL FUND

First Quarter 2008

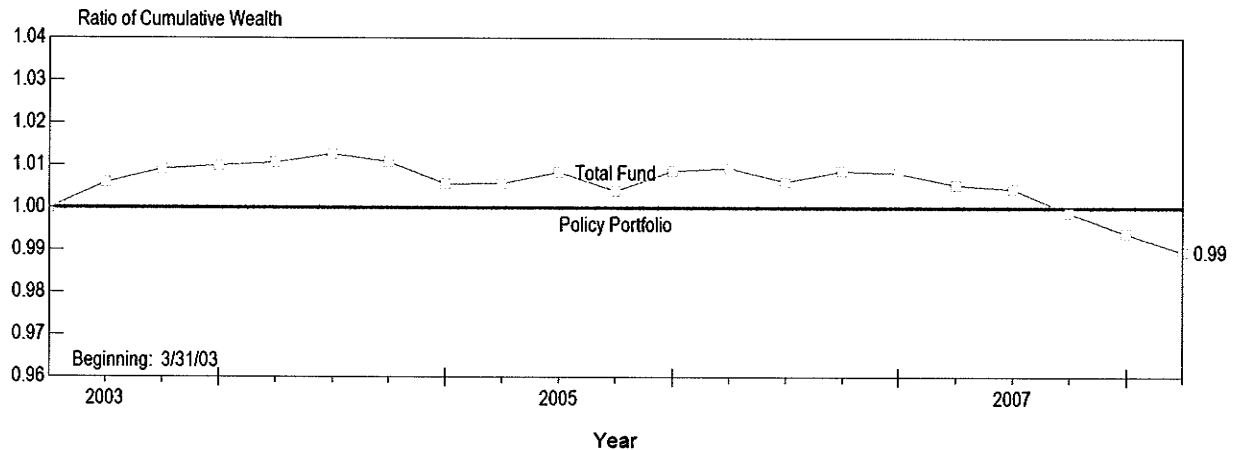
HISTORICAL RETURNS (BY YEAR)

	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
2008 (3 months)	-5.9	-5.5	-0.4
Trailing 1-Year	-1.0%	0.6%	-1.6
Trailing 3-Year	7.7	8.3	-0.6
Trailing 5-Year	11.7	12.0	-0.3
Trailing 10-Year	6.3	6.1	0.2

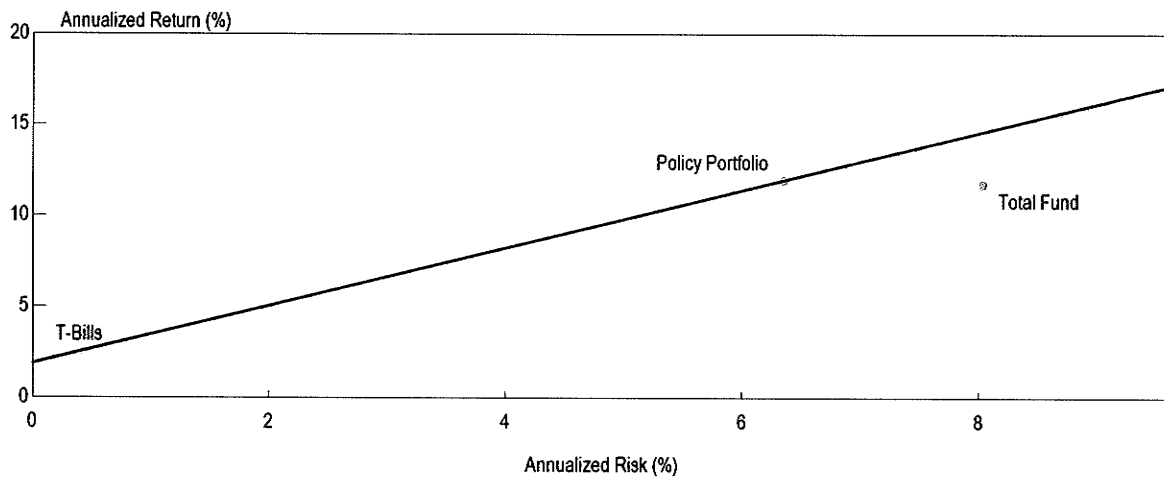
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

First Quarter 2008

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 3/31/08**



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

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

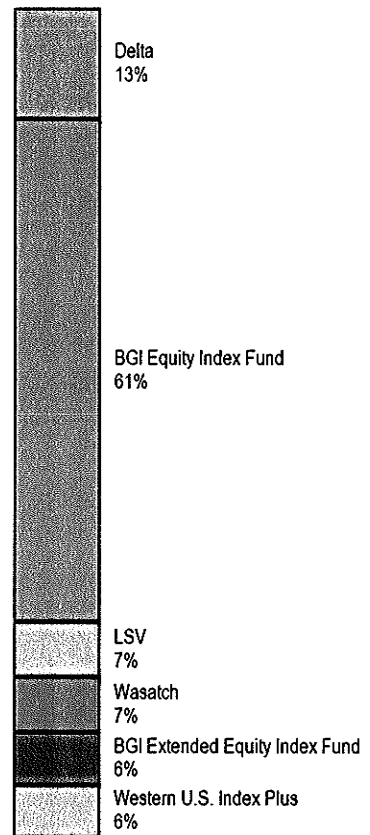
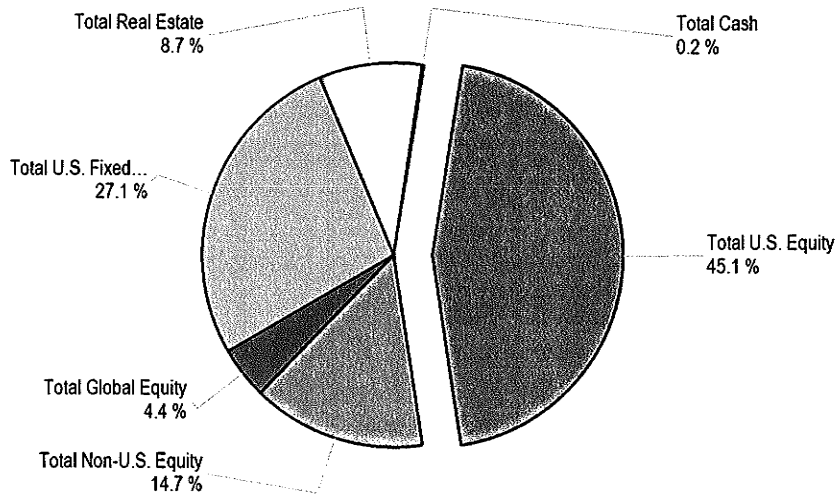
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$1,328.5 Million and 45.1% of Fund

First Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 3/31/08

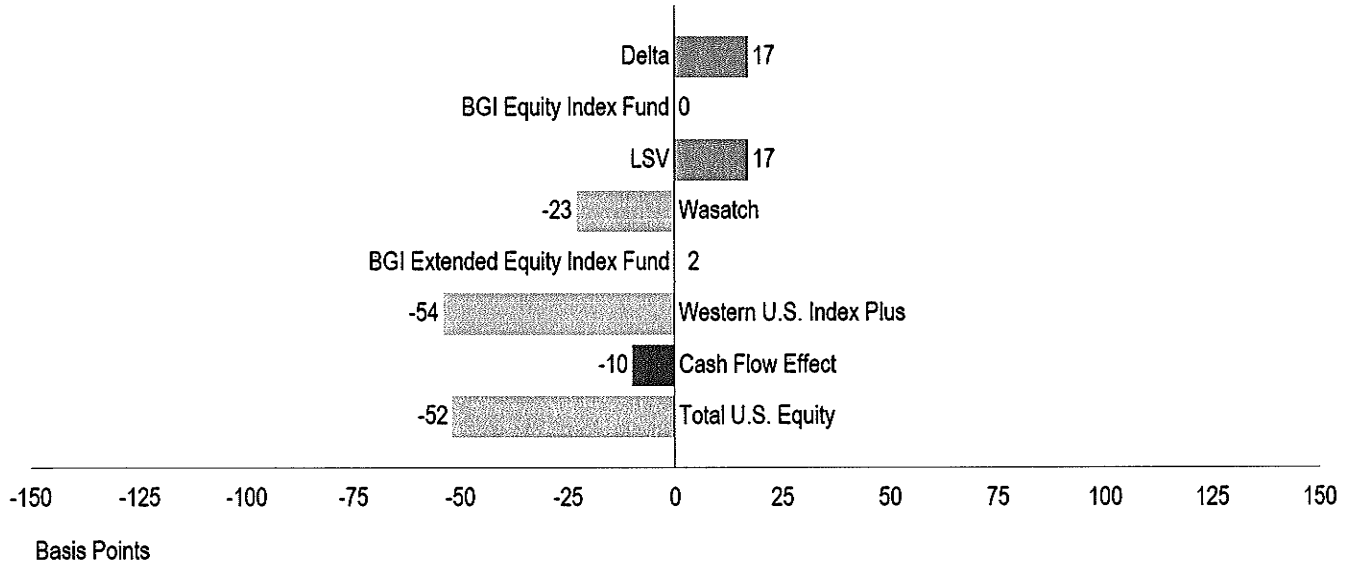


TOTAL U.S. EQUITY

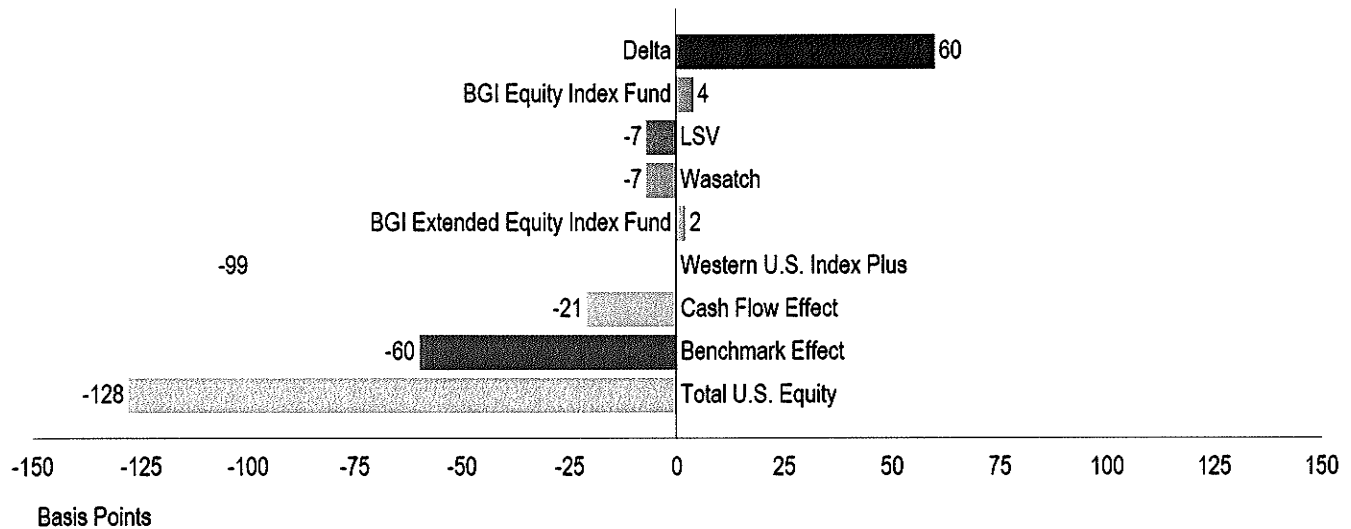
\$1,328.5 Million and 45.1% of Fund

First Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/08



TOTAL U.S. EQUITY

\$1,328.5 Million and 45.1% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08	5 Years Ending 3/31/08	10 Years Ending 3/31/08	Since Inception	Inception Date
Total U.S. Equity	-10.0 %	-7.0 %	5.3 %	11.7 %	4.2 %	9.1 %	12/31/93
Performance Benchmark*	-9.5	-5.8	6.2	12.1	3.9	9.5	
Delta	-8.2	-0.4	7.0	12.1	4.5	10.4	9/30/91
S&P 500 Index	-9.4	-5.1	5.9	11.3	3.5	9.9	
BGI Equity Index Fund	-9.4	-5.0	5.9	11.4	3.5	4.8	7/31/97
S&P 500 Index	-9.4	-5.1	5.9	11.3	3.5	4.8	
LSV	-3.5	-18.0	2.8	14.9	--	11.4	9/30/98
Russell 2000 Value Index	-6.5	-16.9	4.3	15.4	--	10.6	
Wasatch	-16.3	-10.0	1.8	11.5	--	10.9	11/30/99
Performance Benchmark**	-12.8	-8.9	5.7	14.2	--	4.5	
BGI Extended Equity	-9.5	-8.3	7.8	16.3	--	14.6	10/31/02
DJ Wilshire 4500 Index	-9.8	-8.7	7.7	16.2	--	14.6	
Western U.S. Index Plus	-17.9	--	--	--	--	-25.7	5/31/07
S&P 500 Index	-9.4	--	--	--	--	-12.2	

Commentary on Investment Performance

During the first quarter, the U.S. equity portfolio declined 10.0% and trailed the Performance Benchmark by approximately 0.5 percentage points. The underperformance was primarily a result of the below-benchmark returns generated by Wasatch and Western. On the other hand, Delta and LSV added relative value to the portfolio primarily due to beneficial security selection and sector allocation decisions. While the BGI Equity Index Fund approximated its benchmark, the BGI Extended Equity Index incurred modest positive tracking compared to the DJ Wilshire 4500 Index.

The U.S. equity component lagged the result of Performance Benchmark by 1.2 percentage points during the trailing one-year period. LSV and Wasatch were the main detractors from performance, while above-benchmark returns generated by Delta benefited results.

With the exception of the trailing ten-year period in which the U.S. equity component outperformed the benchmark by 30 basis points, longer-term relative performance of the U.S. equity component remained unfavorable.

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

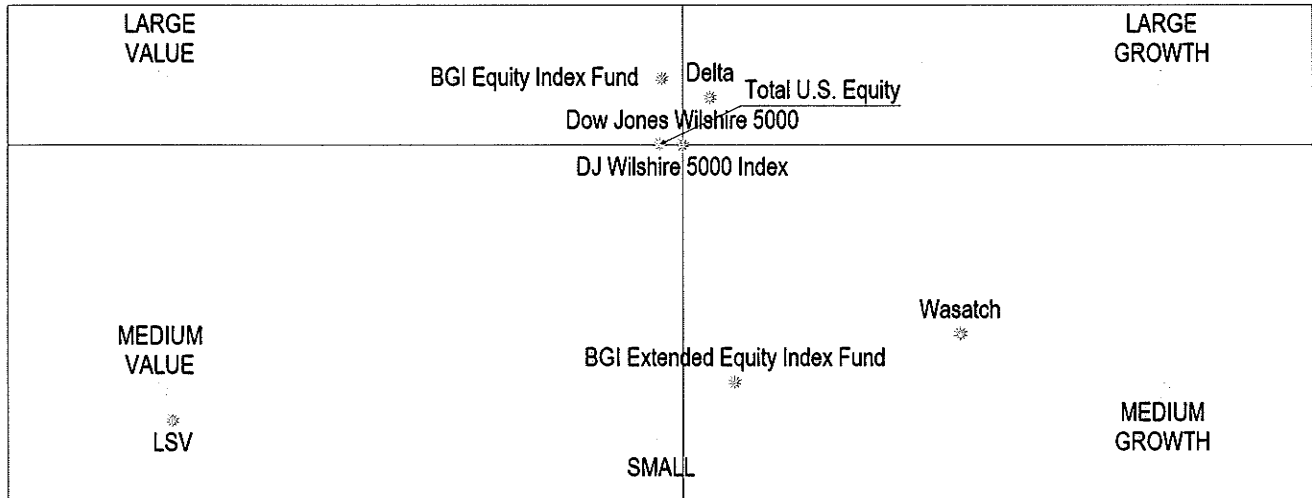
**The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

TOTAL U.S. EQUITY

\$1,328.5 Million and 45.1% of Fund

First Quarter 2008

EFFECTIVE STYLE MAP 5 YEARS ENDING 3/31/08



U.S. Equity Style Map

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

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

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	-8.2%	21	-0.4%	23	7.0%	30	12.1%	42	4.5%	53	10.4%	53	9/30/91
S&P 500 Index	-9.4	43	-5.1	49	5.9	50	11.3	56	3.5	70	9.9	68	

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.

Manager Monitoring

In March, the Board decided to restructure the Plan's U.S. equity component in favor of passive management. As a result, Delta Asset Management was terminated in favor of a Wilshire 5000 Index Fund managed by BGI. We anticipate that the transition to the new structure will occur in May/June 2008.

Commentary on Investment Performance

Albeit with a negative return, Delta outperformed the S&P 500 Index return by approximately 1.2 percentage points during the first quarter. An underweight allocation and positive security selection in the health care sector demonstrated to be favorable in adding value. Additionally, security selection in the energy and material sectors, particularly within the oil, gas, and consumable fuel industries, contributed positively to the portfolio's return. In contrast, an overweight allocation to the consumer discretionary sector was the primary detractor of the portfolio's performance. The portfolio was also penalized for having a zero-weight allocation to the utilities and REITs sectors, which all had strong performance during the quarter.

Over the trailing one-year period, Delta outperformed the S&P 500 Index by 4.7 percentage points. Contributing to the portfolio's outperformance was favorable security selection within the information technology, health care, and materials sectors. An underweight allocation to the health care sector also proved beneficial as the sector considerably underperformed the broad market during the period. Conversely, a zero-weight allocation to the utilities sector detracted from performance. The manager noted that stocks within this sector are overpriced with remote probability of growth. The manager anticipates maintaining an underweight allocation to the sector going forward.

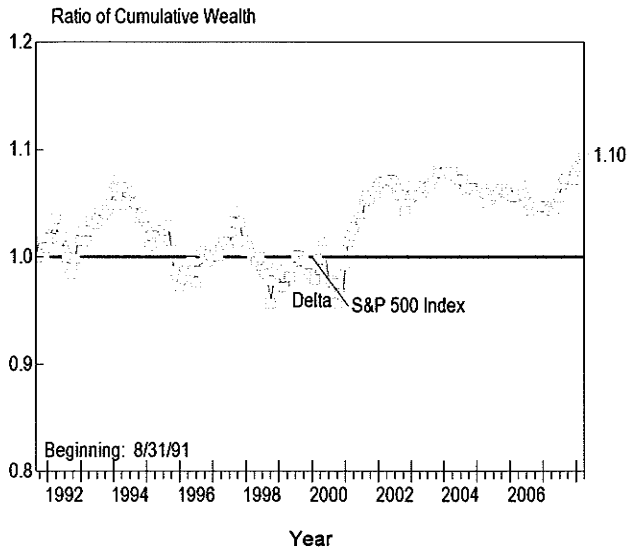
Delta has outperformed the S&P 500 Index over all time periods shown above.

DELTA

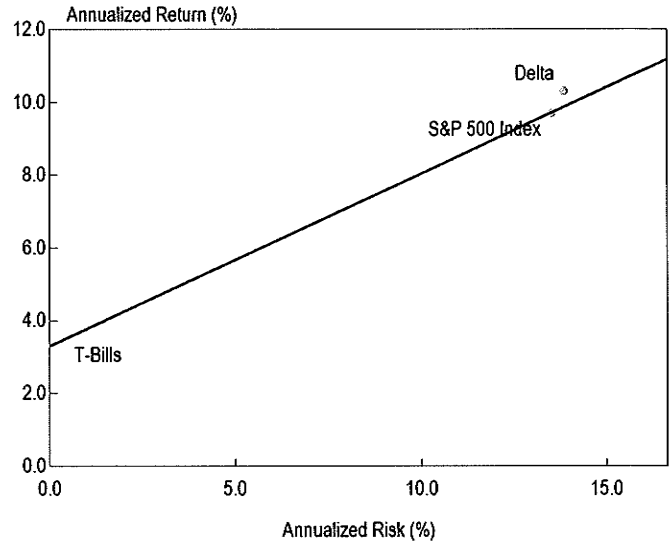
\$178.3 Million and 6.0% of Fund

First Quarter 2008

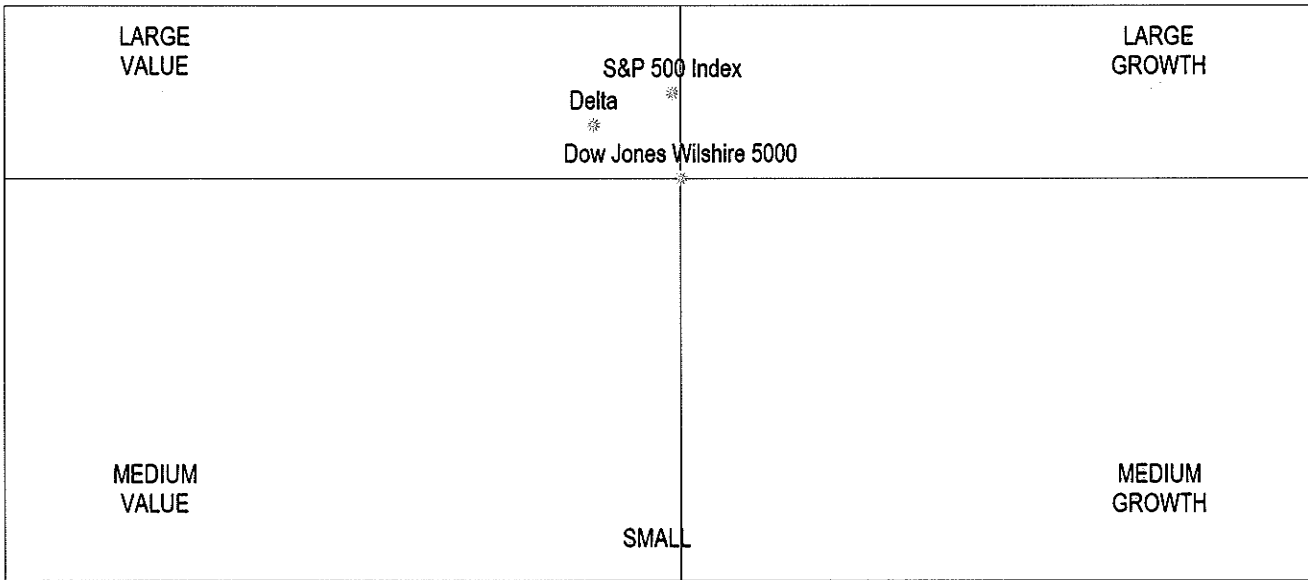
RATIO OF CUMULATIVE WEALTH
16 YEARS 7 MONTHS ENDING 3/31/08



ANNUALIZED RISK RETURN
16 YEARS 7 MONTHS ENDING 3/31/08



EFFECTIVE STYLE MAP
16 YEARS 7 MONTHS ENDING 3/31/08



The style map above highlights the style and capitalization orientation of Delta.

First Quarter 2008

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
2008 (3 months)	-8.2	21	-9.4	43	1.2
Trailing 1-Year	-0.4 %	23	-5.1 %	49	4.7
Trailing 3-Year	7.0	30	5.9	50	1.1
Trailing 5-Year	12.1	42	11.3	56	0.8
Trailing 10-Year	4.5	53	3.5	70	1.0
Since Inception (9/30/91)	10.4	53	9.9	68	0.5

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	111	500
Top 5 Holdings	ExxonMobil General Electric Microsoft AT&T Procter & Gamble	ExxonMobil General Electric AT&T Microsoft Procter & Gamble
Sector Emphasis	Information Technology	Financials
Cash Allocation	3.2%	N/A
Total Strategy Assets	\$2.2 Billion	N/A
Inception Date	9/30/91	N/A
Portfolio Manager(s)	Team Managed	N/A

BGI EQUITY INDEX FUND

\$805.8 Million and 27.3% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
	BGI Equity Index Fund	-9.4 %	43	-5.0 %	48	5.9 %	49	11.4 %	55	3.5 %	70	4.8 %	
S&P 500 Index	-9.4	43	-5.1	49	5.9	50	11.3	56	3.5	70	4.8	--	

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.

Manager Monitoring

In March, the Board decided to restructure the Plan's U.S. equity component. As a result, the BGI Equity Index Fund was terminated in favor of the BGI Wilshire 5000 Index Fund. We anticipate that the transition to the new structure will occur in May/June 2008.

Commentary on Investment Performance

The BGI Equity Index Fund successfully tracked the return of the S&P 500 Index during the quarter. Information technology, utilities, and financials were the worst-performing sectors, lopping more than 5 percentage points off the index's first-quarter return. Technology stocks were buffeted by concerns about economic deceleration. In the troubled financial sector, bad news got worse, as investment bank Bear Stearns was driven to the brink of collapse. JPMorgan Chase agreed to acquire the bank in a deal facilitated by the U.S. Federal Reserve Board.

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
2008 (3 months)	-9.4	43	-9.4	43	0.0
Trailing 1-Year	-5.0 %	48	-5.1 %	49	0.1
Trailing 3-Year	5.9	49	5.9	50	0.0
Trailing 5-Year	11.4	55	11.3	56	0.1
Trailing 10-Year	3.5	70	3.5	70	0.0
Since Inception (7/31/97)	4.8	--	4.8	--	0.0

BGI EXTENDED EQUITY INDEX FUND

\$84.1 Million and 2.9% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity Index Fund	-9.5%	39	-8.3%	23	7.8%	19	16.3%	25	14.6%	--	10/31/02
DJ Wilshire 4500 Index	-9.8	40	-8.7	25	7.7	19	16.2	26	14.6	--	

Philosophy and Process

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

Commentary on Investment Performance

The BGI Extended Equity Index Fund experienced 30 basis points of positive tracking relative to the DJ Wilshire 4500 Index during the quarter. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the differences to be minimal over longer time periods.

The Fund closely tracked the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS (BY YEAR)

	BGI Extended Equity Index Fund		DJ Wilshire 4500 Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1%	--	2.4%	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
2007	5.4	30	5.4	30	0.0
2008 (3 months)	-9.5	39	-9.8	40	0.3
Trailing 1-Year	-8.3%	23	-8.7%	25	0.4
Trailing 3-Year	7.8	19	7.7	19	0.1
Trailing 5-Year	16.3	25	16.2	26	0.1
Since Inception (10/31/02)	14.6	--	14.6	--	0.0

LSV

\$88.3 Million and 3.0% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	-3.5 %	8	-18.0 %	67	2.8 %	65	14.9 %	53	11.4 %	52	9/30/98
Russell 2000 Value Index	-6.5	39	-16.9	62	4.3	46	15.4	45	10.6	65	

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.

Manager Monitoring

In March, the Board decided to restructure the Plan's U.S. equity component in favor of passive management. As a result, LSV was terminated in favor of a Wilshire 5000 Index Fund managed by BGI. We anticipate that the transition to the new structure will occur in May/June 2008.

Commentary on Investment Performance

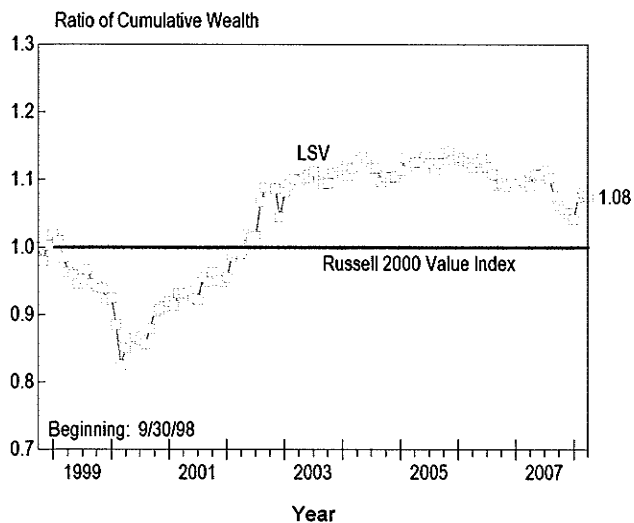
The LSV small-cap value portfolio lost 3.5% but exceeded the Russell 2000 Value Index by 3.0 percentage points during the quarter. The period's above benchmark return was attributed to favorable stock selection in the financials, material, industrial, and consumer staples sectors. The portfolio also benefited from underweight allocations to the health care and utilities sectors relative to the Index. On the negative side, an overweight allocation to the consumer discretionary and technology sectors hindered results.

During the trailing one-year period, the portfolio fell 18.0%, lagging the Russell 2000 Value Index by 1.1 percentage point. An overweight allocation to the consumer discretionary sector along with poor stock selection within the energy, industrials, and REITS sectors hampered the portfolio's return. On the plus side, an overweight allocation to the materials sector and favorable stock selection within the consumer discretionary and financials (ex-REITs) sectors had a positive impact on the portfolio's return.

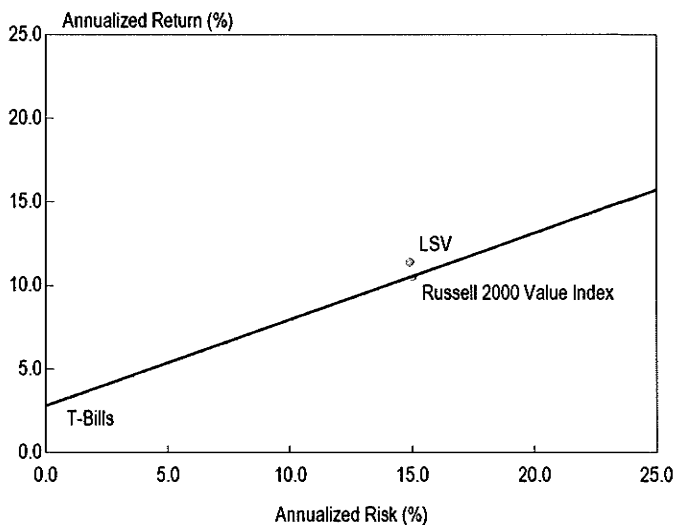
LSV's longer-term performance is mixed when compared to the Russell 2000 Value Index. While the portfolio's trailing three- and five-year returns struggled against those of the Index, the since inception return outperformed the Index's return by 0.8 percentage points.

First Quarter 2008

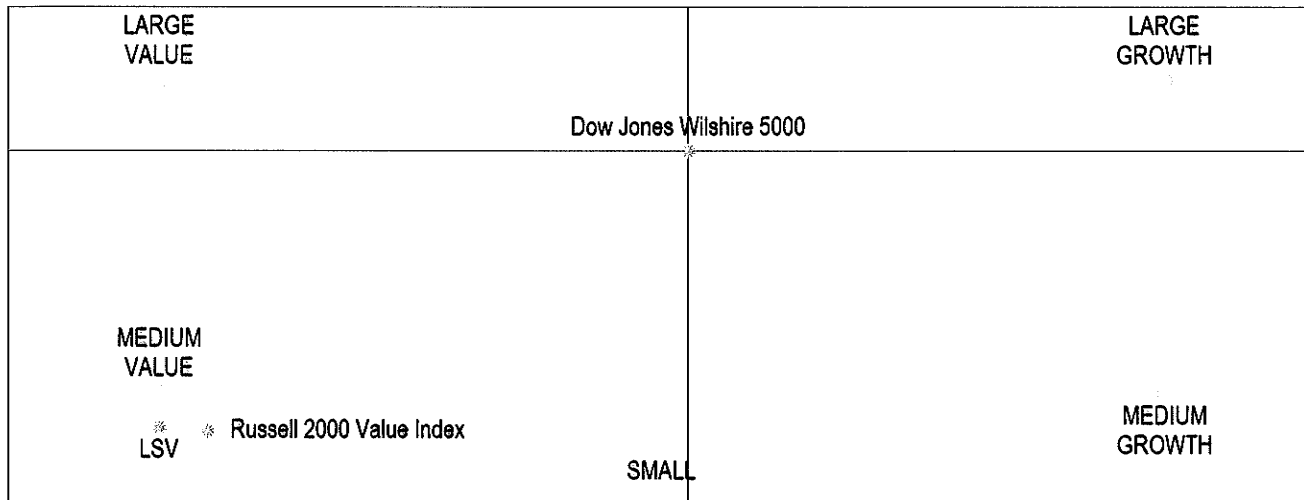
**RATIO OF CUMULATIVE WEALTH
9 YEARS 6 MONTHS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
9 YEARS 6 MONTHS ENDING 3/31/08**



**EFFECTIVE STYLE MAP
9 YEARS 6 MONTHS ENDING 3/31/08**



The style map above highlights the style and capitalization orientation of LSV.

LSV

\$88.3 Million and 3.0% of Fund

First Quarter 2008

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
2008 (3 months)	-3.5	8	-6.5	39	3.0
Trailing 1-Year	-18.0%	67	-16.9%	62	-1.1
Trailing 3-Year	2.8	65	4.3	46	-1.5
Trailing 5-Year	14.9	53	15.4	45	-0.5
Since Inception (9/30/98)	11.4	52	10.6	65	0.8

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	185	1,284
Top 5 Holdings	Ryder Systems FirstMerit Montpelier Old National Bancorp Grey Wolf	CF Industries Holdings Exterran Holdings SAIC Holdings Whiting Petroleum Realty Income
Sector Emphasis	Financial	Financial
Cash Allocation	1.1%	N/A
Total Strategy Assets	\$1.9 Billion	N/A
Inception Date	9/30/98	N/A
Portfolio Manager(s)	Team Managed	N/A

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	-16.3 %	66	-10.0 %	63	1.8 %	87	11.5 %	80	10.9 %	--	11/30/99
Performance Benchmark*	-12.8	34	-8.9	60	5.7	59	14.2	54	4.5	--	

Philosophy and Process

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

Manager Monitoring

In March, the Board decided to restructure the Plan's U.S. equity component in favor of passive management. As a result, Wasatch was terminated in favor of a Wilshire 5000 Index Fund managed by BGI. We anticipate that the transition to the new structure will occur in May/June 2008.

Commentary on Investment Performance

The Wasatch Small Cap Growth Fund declined 16.3% and trailed the Russell 2000 Growth Index by 3.5 percentage points during the first quarter. Stock selection within the health care, financial services, and material and processing sectors detracted from the Fund's performance. In addition, top holdings HDFC Bank (-24.5%), Power Integrations Inc (-15.0%), and O'Reilly Automotive (-12.4%) performed poorly further weighing on results. The largest positive contributor to relative results was favorable stock selection in the automobile and transportation sectors. Also adding value was the portfolio's holdings within the consumer discretionary and technology sectors.

Wasatch's trailing one-year return of -10.0% underperformed the Russell 2000 Growth Index by 1.1 percentage points. Poor stock selection within the technology and consumer discretionary sectors hindered results. An underweight allocation to commodity-oriented sectors, the market's most favorable performing sectors, further detracted from the Fund's performance.

The manager's longer-term performance remained mixed. While the Fund's trailing three- and five-year period returns underperformed the Performance Benchmark, the manager has earned a respectable 10.9% since inception, exceeding the return of the Performance Benchmark by 6.4 percentage points.

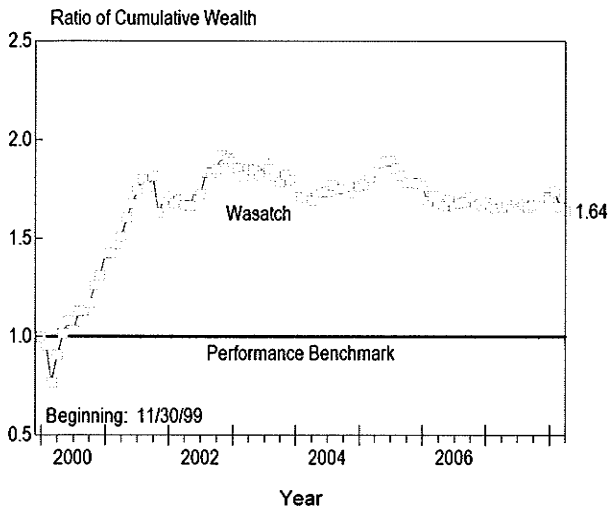
*The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

WASATCH

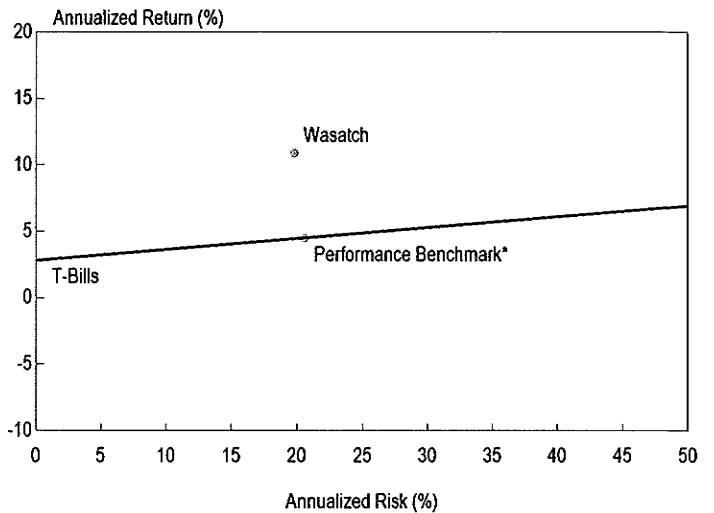
\$88.0 Million and 3.0% of Fund

First Quarter 2008

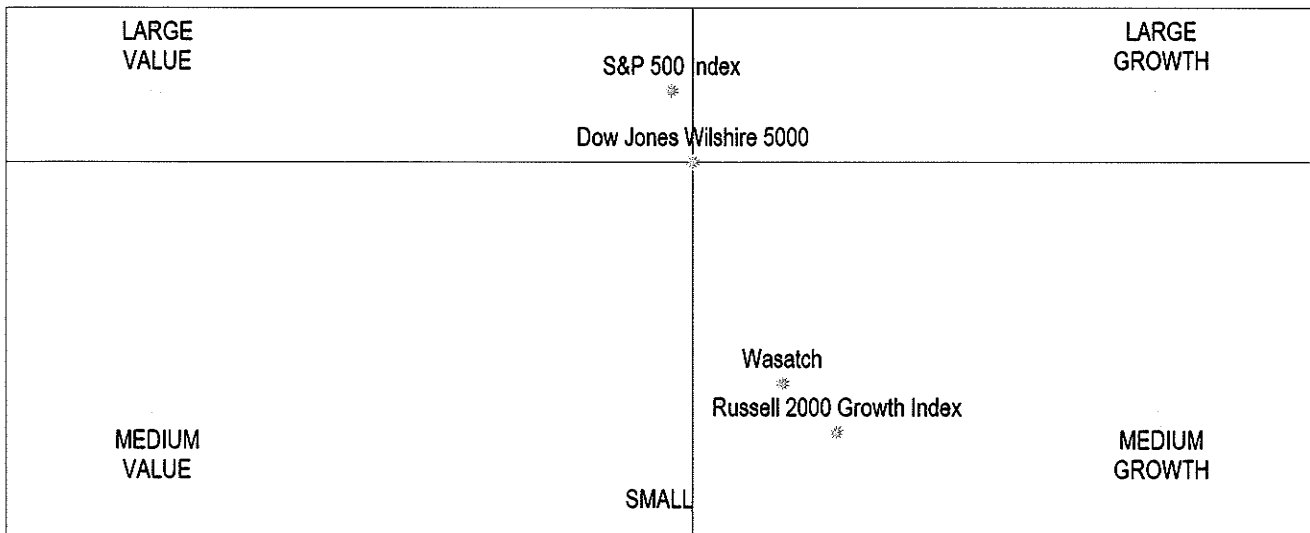
**RATIO OF CUMULATIVE WEALTH
8 YEARS 4 MONTHS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
8 YEARS 4 MONTHS ENDING 3/31/08**



**EFFECTIVE STYLE MAP
8 YEARS 4 MONTHS ENDING 3/31/08**



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

First Quarter 2008

**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
2008 (3 months)	-16.3	66	-12.8	34	-3.5
Trailing 1-Year	-10.0 %	63	-8.9 %	60	-1.1
Trailing 3-Year	1.8	87	5.7	59	-3.9
Trailing 5-Year	11.5	80	14.2	54	-2.7
Since Inception (11/30/99)	10.9	--	4.5	--	6.4

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	83	1,249
Top 5 Holdings	O'Reilly Automotive Knight Transportation Techne Power Integrations Resources Connection	Hologic Priceline Illumina Flir Systems Bucyrus International
Sector Emphasis	Information Technology	Consumer Discretionary
Cash Allocation	9.3%	N/A
Total Strategy Assets	\$0.6 billion	N/A
Inception Date	11/30/99	N/A
Portfolio Manager(s)	Jeff Cardon	N/A

WESTERN U.S. INDEX PLUS

\$84.1 Million and 2.9% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Western U.S. Index Plus	-17.9 %	99	-25.7 %	--	5/31/07
S&P 500 Index	-9.4	43	-12.2	--	

Philosophy and Process

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

Manager Monitoring

As of March 31, 2008, the manager reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 5.8% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines. In addition, the Fund held a 2.2% allocation to GMAC, which is rated below investment grade. VCERA's account guidelines allow for a maximum of 1% to any one holding rated below investment grade.

Commentary on Investment Performance

The Western U.S. Index Plus portfolio lost 17.9% during the first quarter and trailed the S&P 500 Index by 8.5 percentage points. The portfolio's investment grade credit and high yield positions deterred from relative performance as spreads continued to widen during the period. In addition, the manager's bias towards the financial sector proved to be significantly disadvantageous as the collapse of Bear Stearns weighted heavily on the sector's performance. The manager also noted that an emphasis on mortgage-backed products proved detrimental as steep price declines forced mortgage related funds to unwind their positions. The portfolio's tactical duration position along with its curve steepening stance added modest relative value during the period.

Since inception, the portfolio has underperformed the S&P 500 Index by a staggering 13.5 percentage points. During this period, the manager's investment grade credit and high yield exposure has detracted from performance as spreads widened greatly. Another notable factor detracting from performance was the manager's strong focus on the financial sector at a time where this sector suffered due to unfavorable market conditions.

WESTERN U.S. INDEX PLUS

\$84.1 Million and 2.9% of Fund

First Quarter 2008

	Portfolio Allocation	
	\$MM	%
Sector Distribution:		
Treasury	\$0.0	0%
Agency	0.0	0
<i>Investment Grade Corporates</i>		
Finance	8.3	10
Industrial	2.7	3
Utilities	1.1	1
High Yield Corporates	4.9	6
Yankee	0.6	1
Asset-Backed	6.4	8
Mortgage-Backed	52.0	62
Foreign Bonds	1.1	1
Emerging Market Debt	2.3	3
Cash	4.2	5
Other (Derivatives)	(0.1)	0
Total	\$84.1	100.0%

	Portfolio Allocation	
	\$MM	%
Quality Distribution:		
Treasury/Agency	\$0.0	0%
Aaa/AAA	60.1	72
Aa/AA	4.5	5
A/A	5.9	7
Baa/BBB	8.1	10
BB/Ba	1.9	2
B	3.5	4
Below B	0.1	0
Total	\$84.1	100.0%

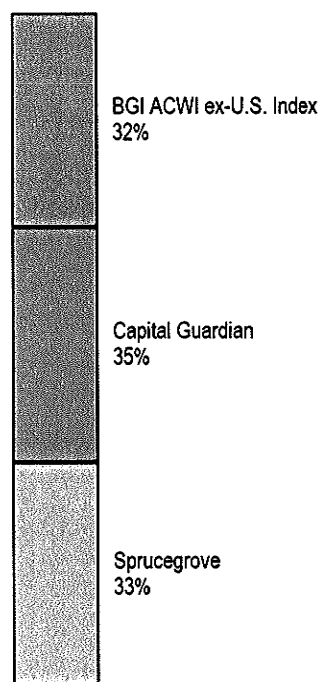
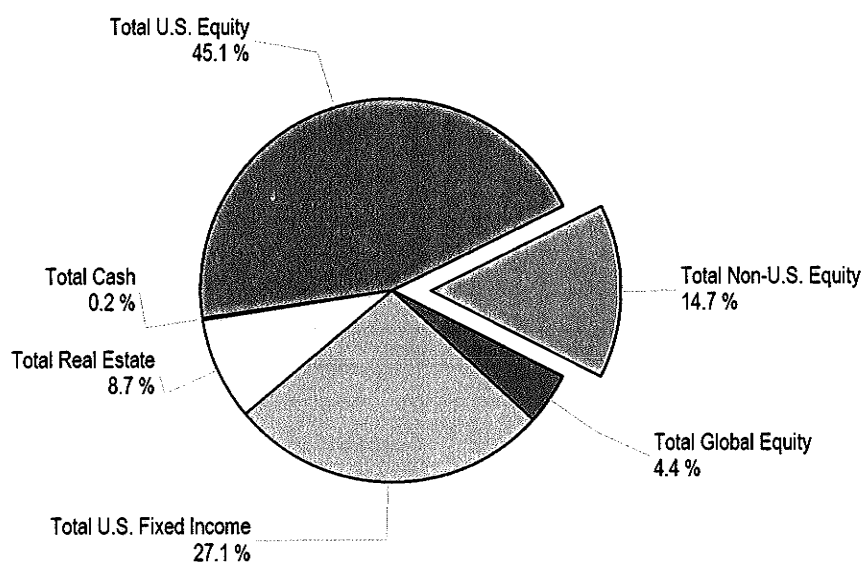
The tables above illustrate the portfolio characteristics of the Western U.S. Index Plus as of March 31, 2008.

TOTAL NON-U.S. EQUITY

\$431.9 Million and 14.7% of Fund

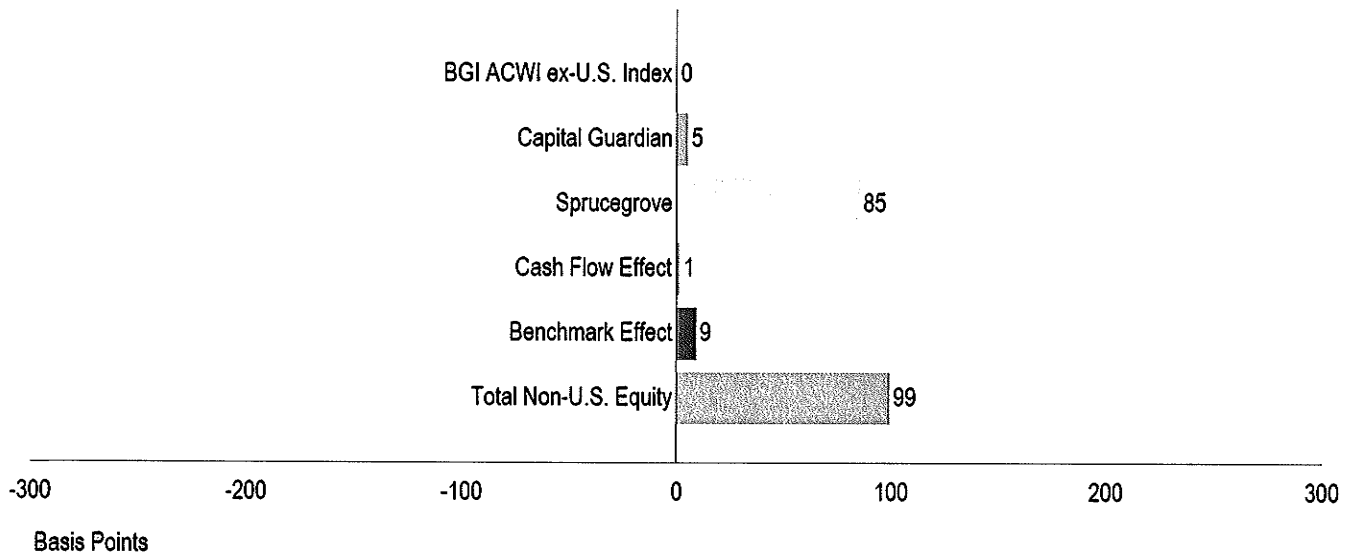
First Quarter 2008

ASSET ALLOCATION ACTUAL AS OF 3/31/08

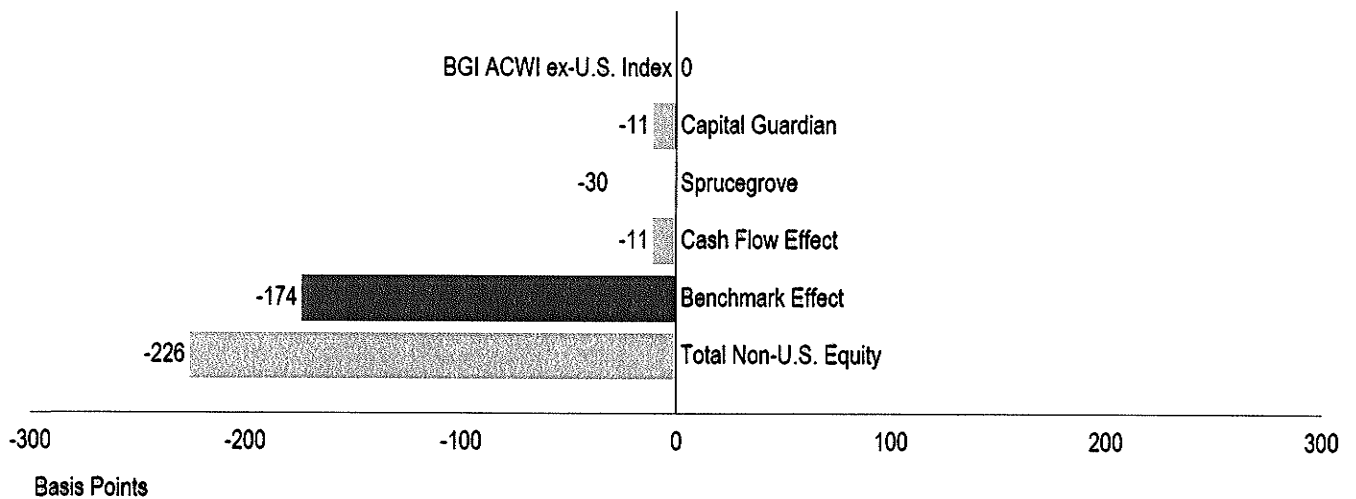


First Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 3/31/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 3/31/08



TOTAL NON-U.S. EQUITY

\$431.9 Million and 14.7% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-8.1%	29	-0.1%	55	15.2%	38	21.9%	56	7.8%	51	9.6%	37	3/31/94
Performance Benchmark*	-9.1	57	2.1	33	16.0	25	23.5	23	7.2	63	7.8	70	
BGI ACWI ex-U.S. Index	-9.1	46	2.2	24	--	--	--	--	--	--	2.2	24	3/31/07
MSCI All Country World ex-U.S. Index	-9.1	46	2.1	24	--	--	--	--	--	--	2.1	24	
Capital Guardian	-9.1	46	1.8	25	16.6	24	22.5	33	--	--	5.7	--	7/31/00
Performance Benchmark*	-9.1	46	2.1	24	16.0	29	23.5	21	--	--	6.7	--	
Sprucegrove	-6.4	8	-3.6	60	13.3	60	21.2	54	--	--	14.5	24	3/31/02
MSCI EAFE Index	-8.9	42	-2.7	55	13.3	60	21.4	50	--	--	12.5	57	

Commentary on Investment Performance

The non-U.S. equity component lost 8.1% but managed to outperform the MSCI All Country World ex-U.S. Index by 1.0 percentage point during the first quarter. The largest positive contributor to the period's relative results was the above-benchmark return generated by Sprucegrove.

Over the trailing one-year period, the collective return of the non-U.S. equity component lagged the return of the Performance Benchmark by approximately 2.2 percentage points. Both Sprucegrove and Capital Guardian hindered results.

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

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

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	-9.1 %	46	2.2 %	24	3/31/07
MSCI All Country World ex-U.S. Index	-9.1	46	2.1	24	

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

While negative in absolute terms, the BGI ACWI ex-U.S. Index Fund successfully tracked the performance of the Index during the first quarter.

As expected, the Fund approximated the return of the MSCI All Country World ex-U.S. Index since inception.

CAPITAL GUARDIAN

\$150.5 Million and 5.1% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-9.1%	46	1.8%	25	16.6%	24	22.5%	33	5.7%	--	7/31/00
Performance Benchmark*	-9.1	46	2.1	24	16.0	29	23.5	21	6.7	--	

Philosophy and Process

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

Commentary on Investment Performance

The Capital Guardian non-U.S. equity portfolio decreased 9.1% during the first quarter, approximating the return of the MSCI All Country World ex-U.S. Index. Stock selection coupled with an overweight position to the materials sector proved beneficial to relative performance. Potash Corporation of Saskatchewan (Canada) and Eurasian Natural Resources (United Kingdom) were strong performers. Stock selection with the information technology (Yahoo and Apple) and health care (Genentech and Roche) sectors also added to relative performance. An overweight position and positive stock selection within Canada added to relative performance during the quarter. Among the largest detractors from relative performance was stock selection within Japan and the United States. On an individual security basis, Lehman Brothers Holdings and Google were the largest detractors to relative return.

The portfolio posted a gain of 1.8% during the trailing one-year period compared to 2.1% return of the Performance Benchmark. The period's poor relative results were attributable to weak stock selection in Germany and within the utilities sector. Positive stock selection in the information technology and materials sector, particularly in Canada, added value to the portfolio's result. Moreover, an overweight allocation to emerging markets relative to the developed markets positively impacted the portfolio as emerging markets (+21.3%) significantly outperformed developed markets (+2.5%).

The manager's longer-term performance remained mixed. During the trailing three-year period, the manager outperformed the performance benchmark by 60 basis points. However, the trailing five-year period and since inception returns were less favorable as each lagged the Performance Benchmark by 1.0 percentage point.

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

First Quarter 2008

COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 3/31/08

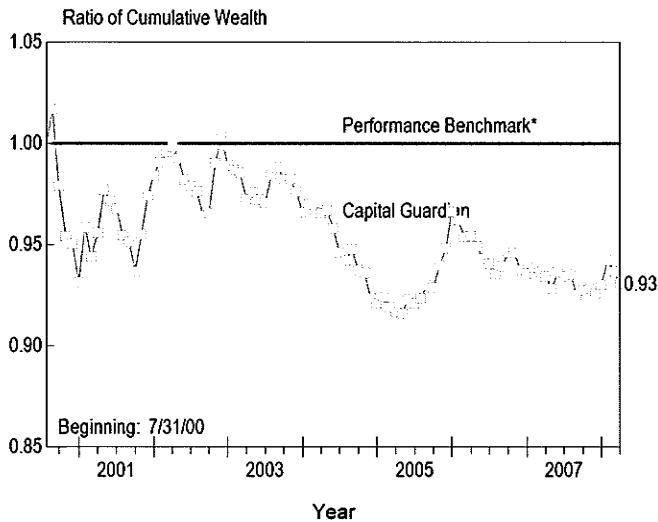
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.7%	0.4%	-9.9%
Belgium	0.6	1.0	-3.1
Czech Republic*	-	0.2	-0.4
Denmark	0.2	0.8	0.0
Finland	0.5	1.4	-10.5
France	9.7	8.1	-8.4
Germany	3.6	6.8	-11.8
Greece	-	0.5	-15.8
Hungary*	-	0.1	-13.7
Ireland	0.9	0.5	-1.2
Italy	0.4	2.9	-11.7
Netherlands	2.2	2.1	-6.6
Norway	0.9	0.8	-10.5
Poland*	0.3	0.2	-3.9
Portugal	-	0.3	-13.2
Russia*	2.0	1.9	-11.5
Spain	2.3	3.3	-5.6
Sweden	0.6	1.8	-3.4
Switzerland	9.0	5.4	-2.1
United Kingdom	12.5	16.0	-10.5
Asia/Pacific			
Australia	2.5%	4.7%	-11.7%
China*	1.8	2.7	-23.7
Hong Kong	1.3	1.6	-18.9
India*	0.9	1.4	-27.0
Indonesia*	0.5	0.3	-6.5
Japan	20.8	14.9	-7.8
Korea*	2.2	2.7	-13.1
Malaysia*	0.6	0.5	-9.3
New Zealand	-	0.1	-14.7
Pakistan*	-	0.0	11.2
Philippines*	0.2	0.1	-17.5
Singapore	0.3	0.9	-7.4
Sri Lanka*	-	-	-3.6
Taiwan, China*	3.0	2.3	5.3
Thailand*	0.2	0.3	3.3
Americas			
Argentina*	0.1%	0.1%	6.9%
Brazil*	0.9	2.8	-5.0
Canada	7.7	6.5	-6.1
Chile*	0.2	0.3	9.7
Colombia*	0.1	0.1	-4.4
Mexico*	2.7	1.0	5.1
Peru*	-	0.1	5.3
United States	0.2	-	-9.5
Other			
Egypt*	0.4%	0.2%	7.9%
Israel*	0.2	0.4	-4.8
Jordan*	-	0.0	-1.9
Morocco*	-	0.1	33.8
South Africa*	1.0	1.2	-15.0
Turkey*	0.1	0.2	-38.4
Other Countries*	1.0	-	-
Cash			
Cash	4.3%	-	-
Total	100.0%	100.0%	-9.1%
Developed	77.1	80.7	
Emerging*	18.6	19.2	
Cash	4.3	-	

CAPITAL GUARDIAN

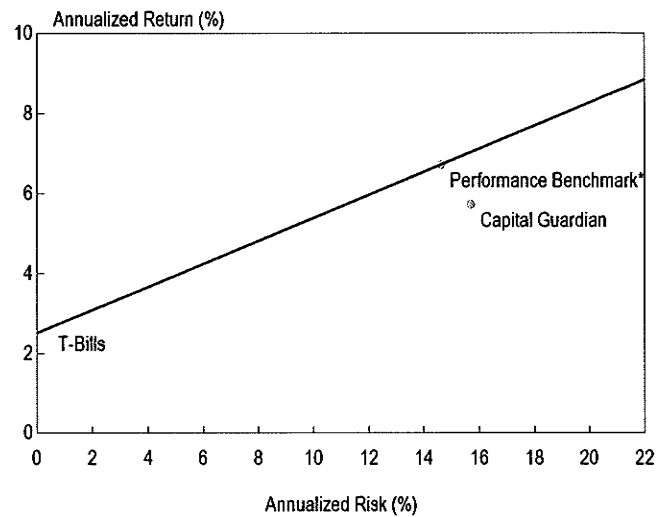
\$150.5 Million and 5.1% of Fund

First Quarter 2008

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



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



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 20.8% United Kingdom 12.5% France 9.7% Switzerland 9.0% Canada 7.7%	United Kingdom 16.0% Japan 14.9% France 8.1% Germany 6.8% Canada 6.5%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$50.2 billion	N/A
Number of Holdings	220	2,244
Top 5 Holdings	Potash BAE Systems Barrick Gold Softbank Nestle	Nestle HSBC BP Total Vodafone
Sector Emphasis	Financials	Financials
Cash Allocation	4.3%	N/A
Annual Turnover	37.0%	N/A
Total Fund Assets	\$150.5 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.

First Quarter 2008

**HISTORICAL RETURNS
(BY YEAR)**

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0%	--	-6.6%	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.6	46	-4.0
2007	15.9	29	16.6	25	-0.7
2008 (3 months)	-9.1	46	-9.1	46	0.0
Trailing 1-Year	1.8%	25	2.1%	24	-0.3
Trailing 3-Year	16.6	24	16.0	29	0.6
Trailing 5-Year	22.5	33	23.5	21	-1.0
Since Inception (7/31/00)	5.7	--	6.7	--	-1.0

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

SPRUCEGROVE

\$144.0 Million and 4.9% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	-6.4%	8	-3.6%	60	13.3%	60	21.2%	54	14.5%	24	3/31/02
MSCI EAFE Index	-8.9	42	-2.7	55	13.3	60	21.4	50	12.5	57	

Philosophy and Process

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

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

Commentary on Investment Performance

While negative in absolute terms, Sprucegrove's first quarter return of -6.4% exceeded that of the MSCI EAFE Index by 2.5 percentage points. Detracting from the Fund's performance was unfavorable stock selection and an overweight position within the consumer discretionary sector. Counterbalancing this was strong stock selection in the industrials and materials sectors. On a country basis, an overweight allocation in Ireland and positive stock selection in Hong Kong favored the Fund's return. During the period, the manager added three new positions to the portfolio: Kingspan, Ushio, and Richo.

Sprucegrove's trailing one-year return of -3.6% lagged the MSCI EAFE Index by 0.9 percentage points. Weak stock selection in banking, building-related, and consumer stocks mostly in Ireland and the U.K. proved to be the largest detractors of performance, as noted by the manager. Conversely, strong stock selection within the energy sector added value.

The manager's longer term returns remained mixed compared to the MSCI EAFE Index. Sprucegrove's trailing three-year return approximated the return of the Index, while the trailing five-year return underperformed. The since inception return is more favorable as it surpassed the Index by 2.0 percentage points.

First Quarter 2008

COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 3/31/08

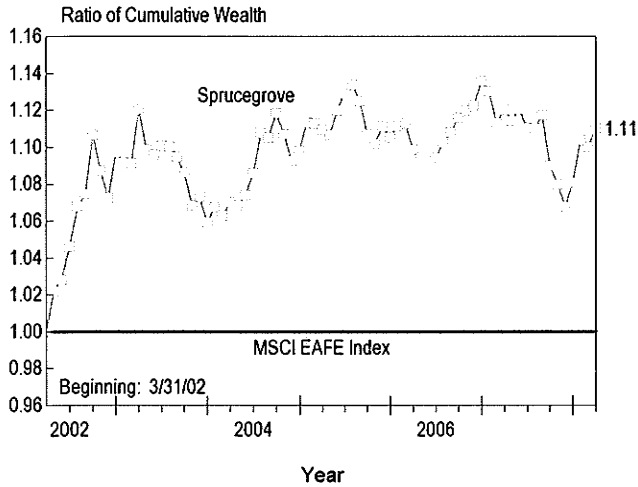
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.6 %	-9.9%
Belgium	--	1.3	-3.1
Czech Republic*	--	--	-0.4
Denmark	0.4%	1.0	0.0
Finland	0.2	1.8	-10.5
France	3.6	10.9	-8.4
Germany	4.0	9.2	-11.8
Greece	1.1	0.7	-15.8
Hungary*	1.2	--	-13.7
Ireland	7.9	0.7	-1.2
Italy	3.9	3.9	-11.7
Netherlands	2.6	2.9	-6.6
Norway	0.3	1.1	-10.5
Poland*	--	--	-3.9
Portugal	--	0.3	-13.2
Russia*	--	--	-11.5
Spain	2.2	4.4	-5.6
Sweden	--	2.5	-3.4
Switzerland	11.7	7.2	-2.1
United Kingdom	21.4	21.5	-10.5
Asia/Pacific			
Australia	1.3%	6.4 %	-11.7%
China*	--	--	-23.7
Hong Kong	5.0	2.2	-18.9
India*	2.0	--	-27.0
Indonesia*	--	--	-6.5
Japan	11.1	20.1	-7.8
Korea*	3.0	--	-13.1
Malaysia*	0.6	--	-9.3
New Zealand	--	0.1	-14.7
Pakistan*	--	--	11.2
Philippines*	--	--	-17.5
Singapore	4.5	1.1	-7.4
Sri Lanka*	--	--	-3.6
Taiwan, China*	--	--	5.3
Thailand*	--	--	3.3
Americas			
Argentina*	--	--	6.9%
Brazil*	1.8%	--	-5.0
Canada	2.8	--	-6.1
Chile*	--	--	9.7
Colombia*	--	--	-4.4
Mexico*	3.9	--	5.1
Peru*	--	--	5.3
United States	--	--	-9.5
Other			
Egypt*	--	--	7.9%
Israel*	--	--	-4.8
Jordan*	--	--	-1.9
Morocco*	--	--	33.8
South Africa*	1.1%	--	-15.0
Turkey*	--	--	-38.4
Cash			
Cash	2.4 %	--	--
Total	100.0 %	100.0 %	-8.9%
Developed	84.1	100.0	
Emerging*	13.5	--	
Cash	2.4	--	

SPRUCEGROVE

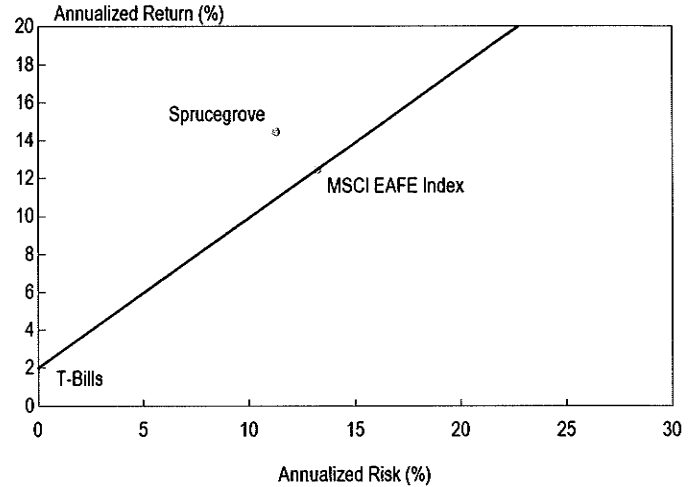
\$144.0 Million and 4.9% of Fund

First Quarter 2008

**RATIO OF CUMULATIVE WEALTH
6 YEARS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
6 YEARS ENDING 3/31/08**



	Sprucegrove		MSCI EAFE	
Country Emphasis	United Kingdom	21.4%	United Kingdom	21.5%
	Switzerland	11.7%	Japan	20.1%
	Japan	11.1%	France	10.9%
	Ireland	7.9%	Germany	9.2%
	Hong Kong	5.0%	Switzerland	7.2%
Capitalization/Style Factors	Large Value		Large/Blend	
Weighted Average Market Capitalization	\$29.3 billion		N/A	
Number of Holdings	109		1,200	
Top 5 Holdings	Nestle		Nestle	
	Total		HSBC	
	Novartis		BP	
	Allied Irish Banks		Total	
	ENI Spa		Vodafone	
Sector Emphasis	Financials		Financials	
Cash Allocation	2.4%		N/A	
Annual Turnover	9%		N/A	
Total Fund Assets	\$1.1 billion		N/A	
Inception Date	4/1/2002		N/A	
Portfolio Manager	Team Approach		N/A	

First Quarter 2008

**HISTORICAL RETURNS
(BY YEAR)**

	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.6	69	0.7
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008 (3 months)	-6.4	8	-8.9	42	2.5
Trailing 1-Year	-3.6%	60	-2.7%	55	-0.9
Trailing 3-Year	13.3	60	13.3	60	0.0
Trailing 5-Year	21.2	54	21.4	50	-0.2
Since Inception (3/31/02)	14.5	24	12.5	57	2.0

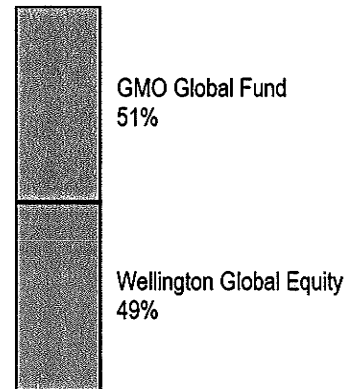
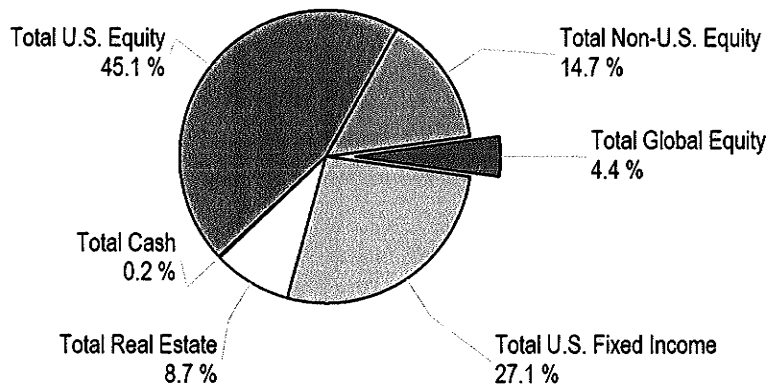
The table above compares the historical annual and cumulative annualized returns of the Sprucegrove portfolio and its benchmark, the MSCI EAFE Index.

TOTAL GLOBAL EQUITY

\$129.4 Million and 4.4% of Fund

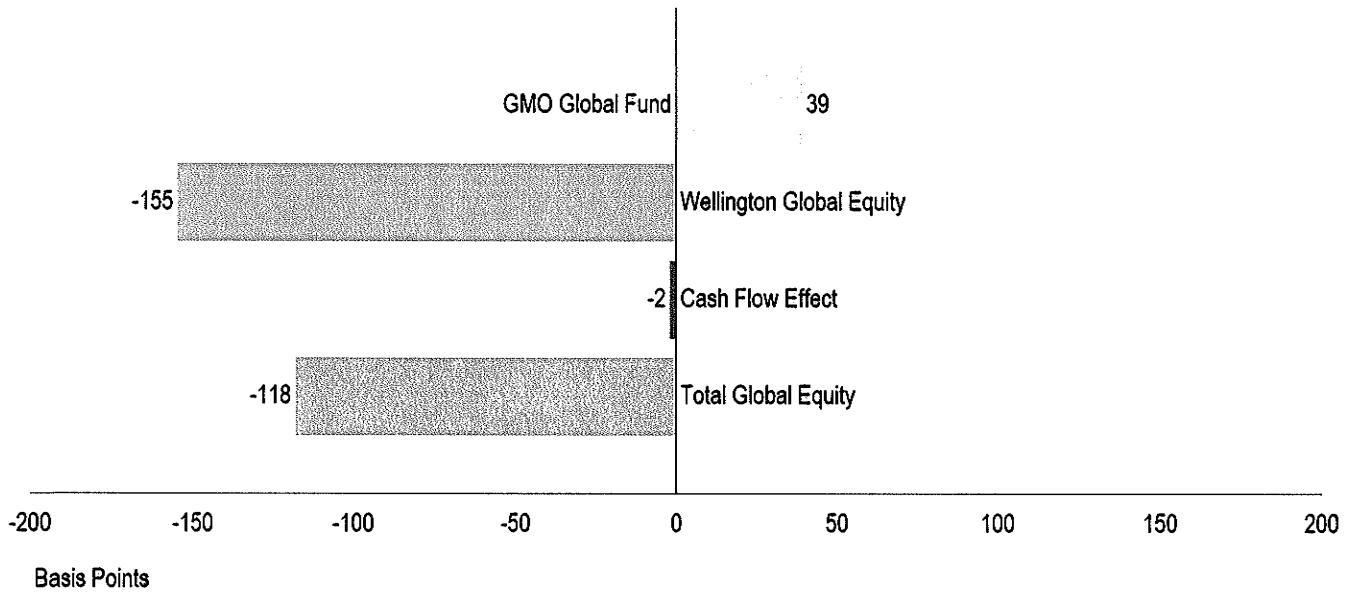
First Quarter 2008

ASSET ALLOCATION ACTUAL AS OF 3/31/08

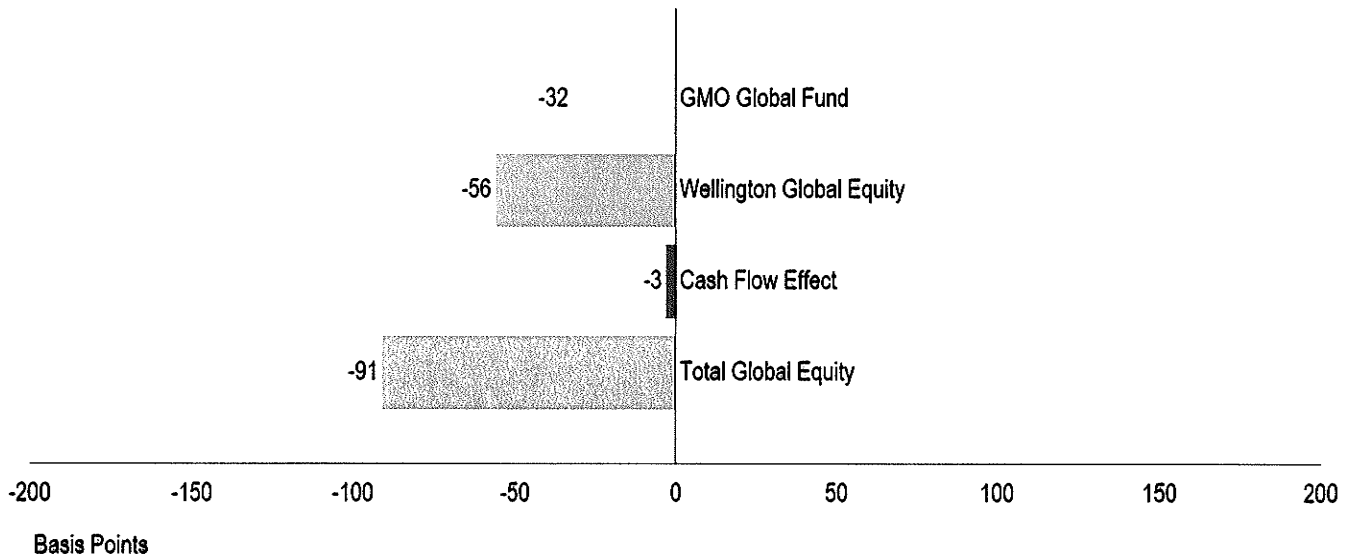


First Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 3/31/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 3/31/08



TOTAL GLOBAL EQUITY

\$129.4 Million and 4.4% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-10.5%	63	-2.1%	51	10.6%	--	4/30/05
MSCI All Country World Index	-9.3	48	-1.2	46	12.3	--	
GMO Global Fund	-8.5	33	-1.8	49	11.4	--	4/30/05
MSCI All Country World Index	-9.3	48	-1.2	46	12.3	--	
Wellington Global Equity	-12.4	82	-2.3	53	9.7	--	5/31/05
MSCI All Country World Index	-9.3	48	-1.2	46	11.9	--	

Commentary on Investment Performance

The collective return of the global equity component fell 10.5% during the first quarter and lagged the MSCI All Country World Index by 1.2 percentage points. Relative performance among the portfolio's managers was mixed. Positive contributions from GMO were offset by Wellington's below benchmark performance.

Over the trailing one-year, the global equity component returned -2.1% compared to the -1.2% return of the Index. While both of the portfolio's underlying managers detracted from performance, Wellington's underperformance weighed more heavily on both absolute and relative results.

Although posting a strong double-digit gain, the global equity component's since inception return of 10.6% trailed the MSCI All Country World Index by 1.7 percentage points. Both underlying managers detracted from performance.

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.

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	-8.5 %	33	-1.8 %	49	11.4 %	--	4/30/05
MSCI All Country World Index	-9.3	48	-1.2	46	12.3	--	

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

GMO recently announced that its current eight person Executive Committee will be replaced by a three person Executive Office, effective April 24th, 2008. Additionally, Ann Spruill, partner and Head of the International Active Team, announced she will be resigning from GMO effective June 30th, 2008. Richard Mattione, a partner and a member of the International Active Team, will be replacing Ann Spruill. While we view the departure of Ms. Spruill's as a loss for GMO, we continue to find merit in the Asset Allocation team, as the depth of the team remains strong. In our opinion, this has 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 registered a loss of 8.5% during the first quarter and outperformed the MSCI All Country World Index by 0.8 percentage points. Implementation decisions added the majority of value during the quarter while asset allocation decisions were also modestly positive. In terms of implementation, U.S. core equity was the only underlying strategy that detracted value, while international growth equity was the best performer on a relative basis. Over half of GMO's U.S. equity allocation is dedicated to their U.S. quality fund. These assets are invested in large-cap, quality-oriented stocks (stocks that have low-debt, stable profitability and sales growth). This quality bias paid off during the quarter as the component outperformed its benchmark. In terms of asset allocation, relative overweight exposure to emerging market opportunities and international growth equity slightly detracted value while alpha only exposure proved beneficial to relative performance. At the individual security level, select holdings within the healthcare, industrial, and consumer discretionary sectors had a negative impact on performance.

The Fund's longer-term returns remained unfavorable. The manager's trailing one-year underperformed the Index's return by 0.6 percentage points. While the Fund posted a strong since inception return of 11.4%, it still trailed that of the Index by 0.9 percentage points.

First Quarter 2008

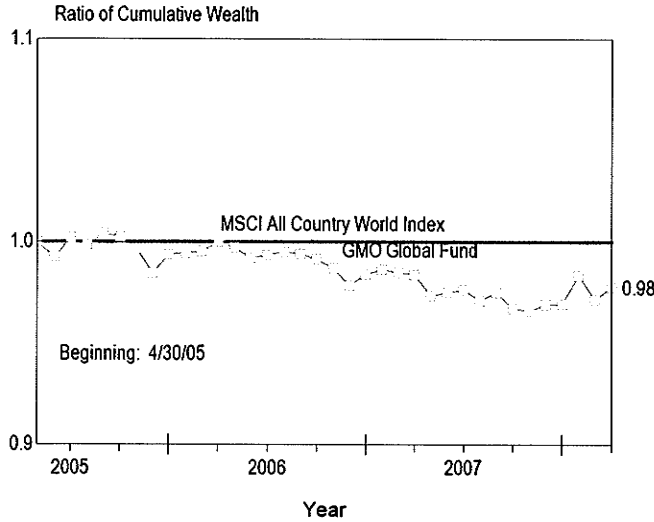
COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 3/31/08

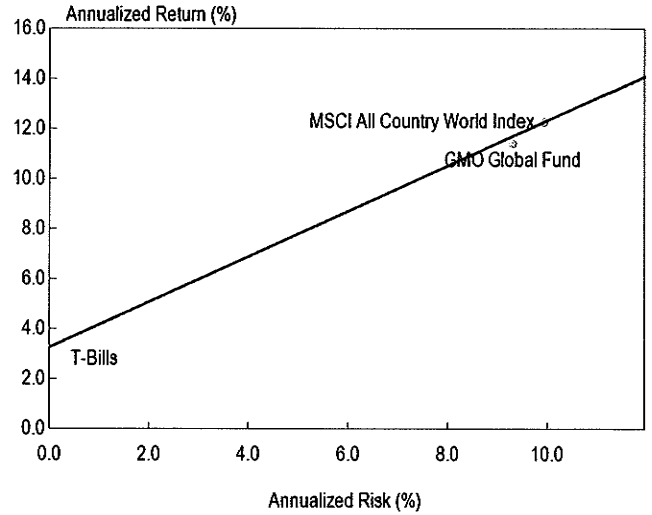
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.1%	0.3%	-9.9%
Belgium	0.5	0.6	-3.1
Czech Republic*	-	0.1	-0.4
Denmark	0.6	0.4	0.0
Finland	2.5	0.8	-10.5
France	4.8	4.7	-8.4
Germany	5.8	4.0	-11.8
Greece	0.1	0.3	-15.8
Hungary*	-	0.1	-13.7
Ireland	0.3	0.3	-1.2
Italy	1.0	1.7	-11.7
Netherlands	1.4	1.2	-6.6
Norway	0.3	0.5	-10.5
Poland*	0.1	0.2	-3.9
Portugal	-	0.2	-13.2
Russia*	0.6	1.1	-11.5
Spain	1.1	1.9	-5.6
Sweden	0.8	1.1	-3.4
Switzerland	3.9	3.1	-2.1
United Kingdom	9.8	9.3	-10.5
Asia/Pacific			
Australia	2.4%	2.8%	-11.7%
China*	0.7	1.6	-23.7
Hong Kong	1.4	0.9	-18.9
India*	0.3	0.8	-27.0
Indonesia*	0.1	0.2	-6.5
Japan	9.1	8.7	-7.8
Korea*	0.7	1.6	-13.1
Malaysia*	0.1	0.3	-9.3
New Zealand	-	0.1	-14.7
Pakistan*	-	0.0	11.2
Philippines*	-	0.1	-17.5
Singapore	1.0	0.5	-7.4
Sri Lanka*	-	-	-3.6
Taiwan, China*	0.7	1.3	5.3
Thailand*	0.1	0.2	3.3
Americas			
Argentina*	-	0.1%	6.9%
Brazil*	0.7%	1.6	-5.0
Canada	1.4	3.8	-6.1
Chile*	0.1	0.2	9.7
Colombia*	-	0.1	-4.4
Mexico*	0.2	0.6	5.1
Peru*	-	0.1	5.3
United States	44.8	41.6	-9.5
Other			
Egypt*	-	0.1%	7.9%
Israel*	0.1%	0.3	-4.8
Jordan*	-	0.0	-1.9
Morocco*	-	0.1	33.8
South Africa*	0.2	0.7	-15.0
Turkey*	0.1	0.1	-38.4
Cash			
Cash	1.8%	-	-
Total	100.0%	100.0%	-9.3%
Developed	93.2	88.7	
Emerging*	5.0	11.3	
Cash	1.8	-	

First Quarter 2008

**RATIO OF CUMULATIVE WEALTH
2 YEARS 11 MONTHS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
2 YEARS 11 MONTHS ENDING 3/31/08**



**HISTORICAL RETURNS
(BY YEAR)**

	GMO Global Fund		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (8 months)	13.7 %	--	14.4 %	--	-0.7
2006	19.7	52	21.0	47	-1.3
2007	10.0	56	11.7	46	-1.7
2008 (3 months)	-8.5	33	-9.3	48	0.8
Trailing 1-Year	-1.8 %	49	-1.2 %	46	-0.6
Since Inception (4/30/05)	11.4	--	12.3	--	-0.9

WELLINGTON

\$63.6 Million and 2.2% of Fund

First Quarter 2008

RETURN SUMMARY

ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Wellington Global Equity	-12.4 %	82	-2.3 %	53	9.7 %	--	5/31/05
MSCI All Country World Index	-9.3	48	-1.2	46	11.9	--	

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. We anticipate that the transition to Acadian will occur in May/June 2008.

Commentary on Investment Performance

The Global Research Equity Portfolio declined 12.4% and trailed the MSCI All-Country World Index by 3.1 percentage points during the quarter. Adverse stock selection within the industrials and health care sectors accounted for a large portion of the portfolio's underperformance. Additionally, holdings in the information technology sector further contributed to the portfolio's negative return. Among the portfolio's top ten holdings, Microsoft (-20%), Japan Tobacco(-16%), and E.on AG (-13%) were the worst performers. On the positive side, holdings in the materials sector modestly added value during the period.

Longer-term performance for the Global Research Equity Portfolio remained disappointing. The manager's trailing one-year return lagged the MSCI All Country World Index by 1.1 percentage point. Poor stock selection in the financial and industrials sectors coupled with an overweight allocation to the health care sector impeded the portfolio's result. Strong stock selection and an overweight allocation to the materials and utility sector buoyed performance.

Wellington's since inception return of 9.7% underperformed the Index by 2.2 percentage points.

First Quarter 2008

COUNTRY ALLOCATION RETURNS
3 MONTHS ENDING 3/31/08

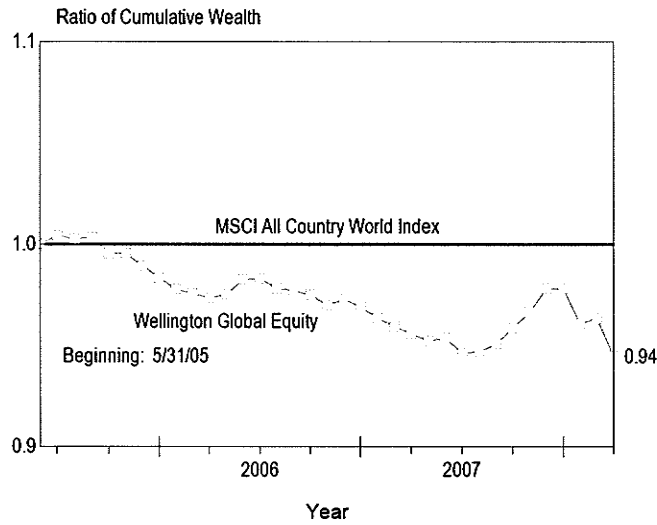
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	1.4 %	0.3 %	-9.9 %
Belgium	0.4	0.6	-3.1
Czech Republic*	--	0.1	-0.4
Denmark	--	0.4	0.0
Finland	0.8	0.8	-10.5
France	6.0	4.7	-8.4
Germany	6.3	4.0	-11.8
Greece	0.2	0.3	-15.8
Hungary*	--	0.1	-13.7
Ireland	0.3	0.3	-1.2
Italy	1.3	1.7	-11.7
Netherlands	2.8	1.2	-6.6
Norway	0.2	0.5	-10.5
Poland*	--	0.2	-3.9
Portugal	--	0.2	-13.2
Russia*	4.1	1.1	-11.5
Spain	0.9	1.9	-5.6
Sweden	1.9	1.1	-3.4
Switzerland	4.3	3.1	-2.1
United Kingdom	5.6	9.3	-10.5
Asia/Pacific			
Australia	0.8 %	2.8 %	-11.7 %
China*	1.4	1.6	-23.7
Hong Kong	0.5	0.9	-18.9
India*	0.2	0.8	-27.0
Indonesia*	0.4	0.2	-6.5
Japan	6.7	8.7	-7.8
Korea*	--	1.6	-13.1
Malaysia*	--	0.3	-9.3
New Zealand	--	0.1	-14.7
Pakistan*	--	0.0	11.2
Philippines*	--	0.1	-17.5
Singapore	--	0.5	-7.4
Sri Lanka*	--	--	-3.6
Taiwan, China*	0.9	1.3	5.3
Thailand*	--	0.2	3.3
Americas			
Argentina*	--	0.1 %	6.9 %
Brazil*	5.1 %	1.6	-5.0
Canada	6.4	3.8	-6.1
Chile*	--	0.2	9.7
Colombia*	--	0.1	-4.4
Mexico*	--	0.6	5.1
Peru*	--	0.1	5.3
United States	37.6	41.6	-9.5
Other			
Egypt*	0.7 %	0.1 %	7.9 %
Israel*	--	0.3	-4.8
Jordan*	--	0.0	-1.9
Morocco*	--	0.1	33.8
South Africa*	0.6	0.7	-15.0
Turkey*	1.4	0.1	-38.4
Cash			
Cash	0.7 %	--	--
Total	100.0 %	100.0 %	-9.3 %
Developed	84.5	88.7	
Emerging*	14.8	11.3	
Cash	0.7	--	

WELLINGTON

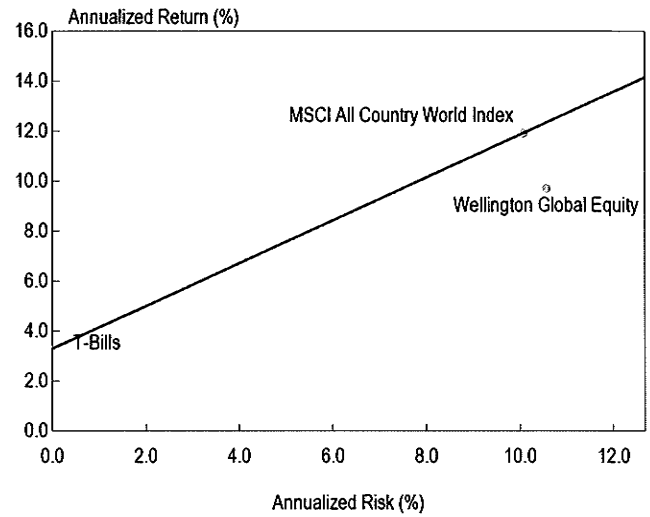
\$63.6 Million and 2.2% of Fund

First Quarter 2008

RATIO OF CUMULATIVE WEALTH 2 YEARS 10 MONTHS ENDING 3/31/08



ANNUALIZED RISK RETURN 2 YEARS 10 MONTHS ENDING 3/31/08



HISTORICAL RETURNS (BY YEAR)

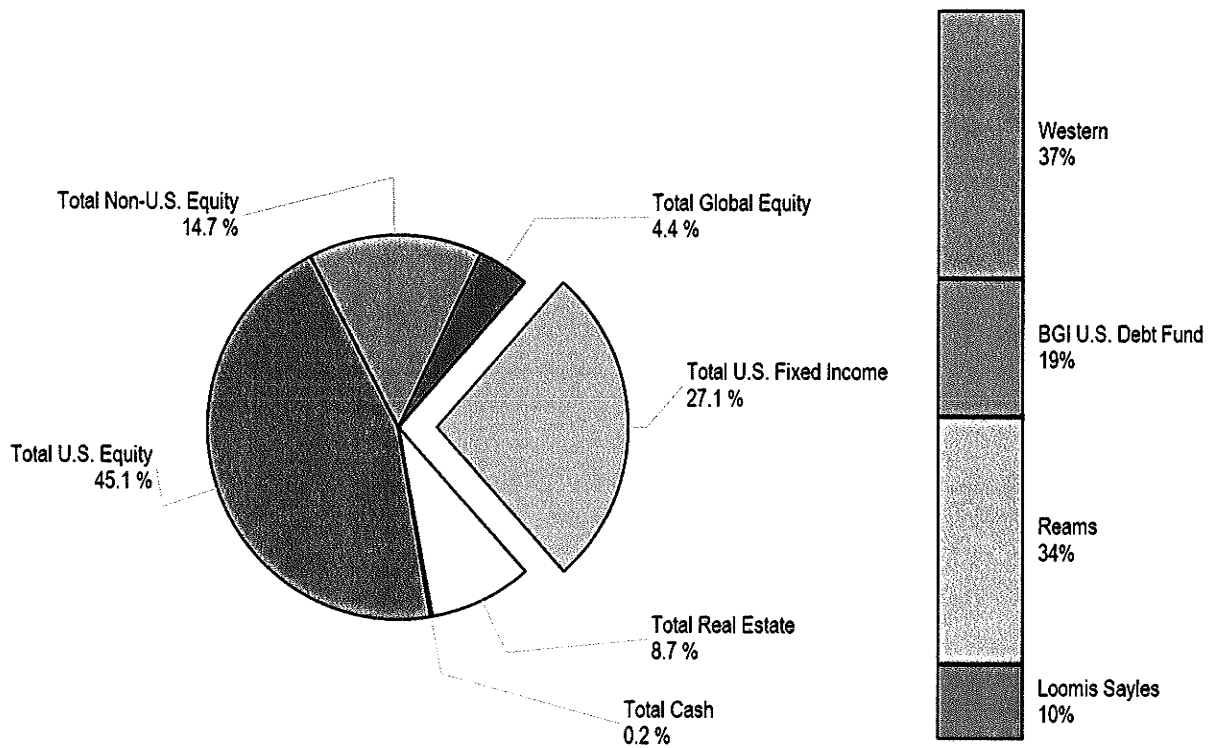
	Wellington Global Equity		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (7 months)	10.5%	--	12.3%	--	-1.8
2006	19.2	53	21.0	47	-1.8
2007	12.7	37	11.7	46	1.0
2008 (3 months)	-12.4	82	-9.3	48	-3.1
Trailing 1-Year	-2.3%	53	-1.2%	46	-1.1
Since Inception (5/31/05)	9.7	--	11.9	--	-2.2

TOTAL U.S. FIXED INCOME

\$797.9 Million and 27.1% of Fund

First Quarter 2008

ASSET ALLOCATION ACTUAL AS OF 3/31/08

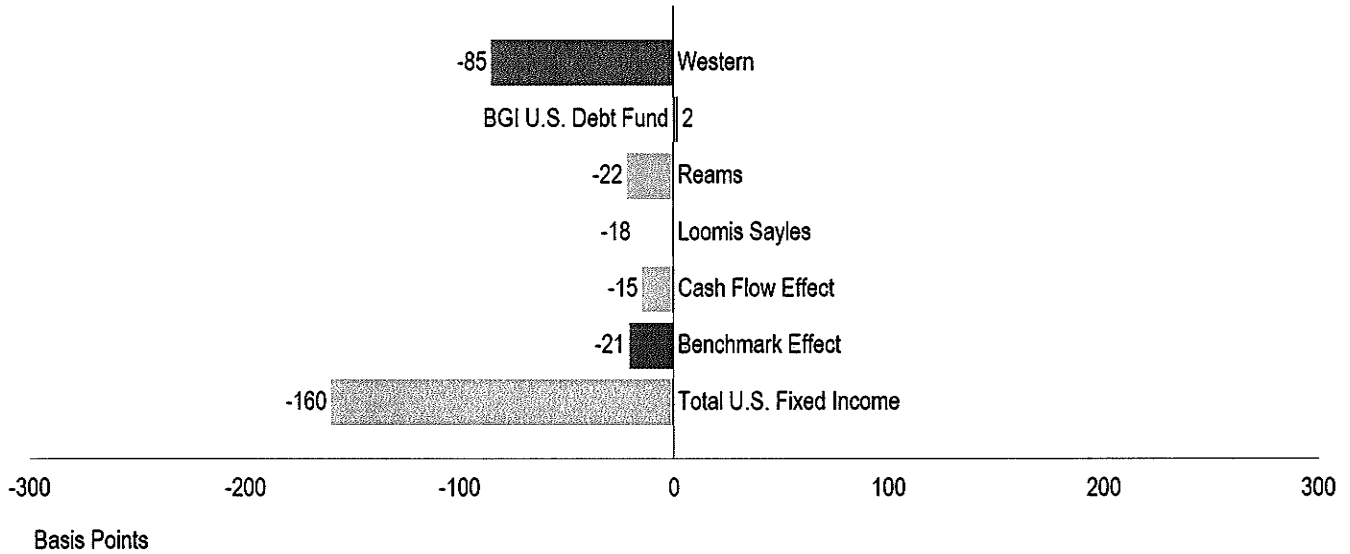


TOTAL U.S. FIXED INCOME

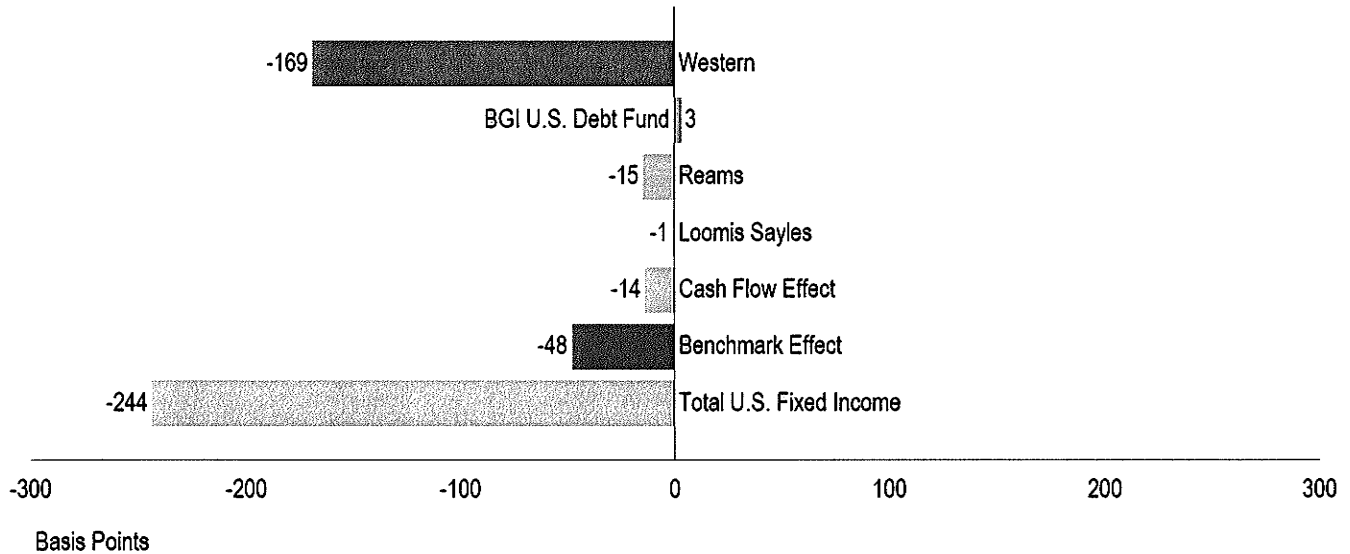
\$797.9 Million and 27.1% of Fund

First Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/08



TOTAL U.S. FIXED INCOME**\$797.9 Million and 27.1% of Fund****First Quarter 2008****RETURN SUMMARY
ENDING 3/31/08**

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	0.6%	69	5.2%	64	5.3%	39	5.1%	31	6.1%	--	6.2%	--	2/28/94
LB Aggregate Bond Index	2.2	26	7.7	27	5.5	27	4.6	50	6.0	--	6.4	--	
Western	-0.1	81	3.1	85	4.4	74	5.1	13	6.4	6	6.7	8	12/31/96
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	6.0	28	6.4	26	
BGI U.S. Debt Fund	2.3	23	7.8	18	5.5	19	4.6	39	6.1	24	6.2	--	11/30/95
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	6.0	28	6.2	--	
Reams	1.5	40	7.2	28	6.3	4	5.8	5	--	--	5.4	29	9/30/01
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	--	--	5.3	34	
Loomis Sayles	-1.6	94	3.0	85	--	--	--	--	--	--	5.5	--	7/31/05
Performance Benchmark	0.1	79	3.0	85	--	--	--	--	--	--	4.8	--	

Commentary on Investment Performance

The U.S. Fixed Income component advanced 0.6% during the quarter, lagging the Lehman Brothers Aggregate Bond Index by approximately 1.6 percentage points. Western, Reams, and Loomis Sayles all underperformed their respective benchmark. The BGI U.S. Debt Fund modestly added value during the period.

Over the trailing one-year period, the Fixed Income component posted a return of 5.2% which underperformed the Lehman Brothers Aggregate Bond Index by 2.5 percentage points. Below-benchmark performance from Western and Ream detracted from results.

The component's longer-term performance remained mixed. The trailing three-year and since inception returns modestly trailed those of the Index, while the trailing five- and ten-year returns exceeded the Index.

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).

WESTERN

\$294.2 Million and 10.0% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	-0.1%	81	3.1%	85	4.4%	74	5.1%	13	6.4%	6	6.7%	8	12/31/96
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	6.0	28	6.4	26	

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

On April 18, 2008, Western Asset announced that Ken Leech, chief investment officer (CIO), would be taking a medical leave of absence effective May 2, 2008 to pursue further testing and treatment of a chronic throat condition that worsened recently. During Mr. Leech's medical leave of absence, Stephen Walsh, deputy CIO, will be overseeing Mr. Leech's portfolio management duties for the Core Plus mutual fund. At this time, we recommend that clients take no action as a result of Mr. Leech's leave of absence. A memorandum detailing our observations is included with this report.

Commentary on Investment Performance

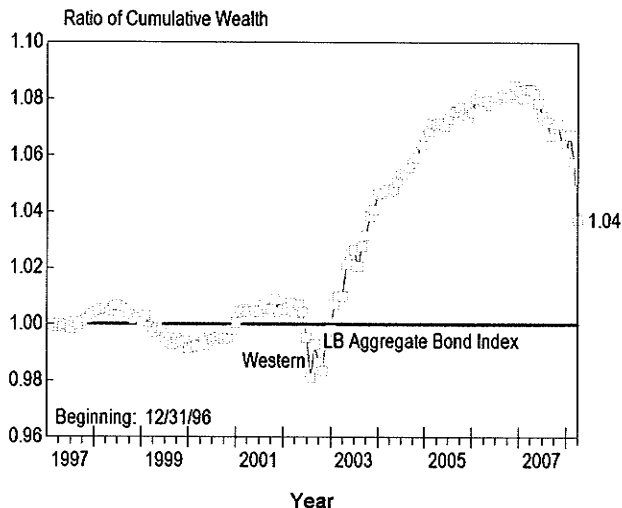
Western's Core Plus strategy declined 0.1% during the quarter, underperforming the Lehman Brothers Aggregate Bond Index by 2.3 percentage points. The primary sources of underperformance came from the manager's mortgage position, their credit exposure, and exposure to non-dollar securities as spread sectors underperformed Treasuries. Western's non-agency mortgage positions were marked down significantly, specifically in the Alt-A space, due to continued forced liquidation of levered mortgage investors. While the portfolio has experienced mark-to-market losses, the losses are unrealized. The portfolio's securities continue to pay coupons and there has been no principal impairment. Western does not plan on changing the composition of its portfolio as the manager is awaiting normalcy to return to the fixed income markets in order to realize its yield advantage versus the benchmark.

During the trailing one-year period, the strategy returned 3.1% which underperformed the benchmark. An overweight allocation to the mortgage-backed sector and diversifying into select non-agency issues hindered the strategy's overall results. Further hampering performance was an emphasis on lower-quality credits, as spreads widened. On the other hand, exposure to TIPS and a tactically driven duration position added value.

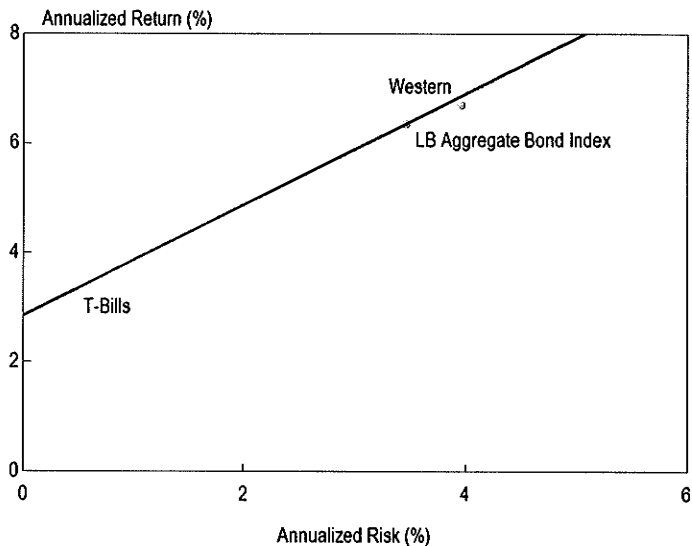
Western's longer-term returns were mostly favorable. With the exception of the trailing three-year period, the strategy's returns exceeded those of the Index for all the periods shown above.

First Quarter 2008

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



**ANNUALIZED RISK RETURN
11 YEARS 3 MONTHS ENDING 3/31/08**



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

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 12/31/07	% at 3/31/08	% at 3/31/08	First Quarter Return
Sector Weightings:				
Treasury/Agency	10%	6%	32%	4.1%
Corporate	25	31	23	0.4
Mortgage-Backed Securities	60	56	39	2.4
Commercial Mortgage-Backed Securities	0	0	5	(2.6)
Asset-Backed	1	1	1	(1.9)
Foreign Bonds	3	3	--	--
Other	--	--	--	--
Cash & Equiv.	1	3	--	--
Total	100 %	100 %	100 %	2.2%
Average Duration	4.4 years	4.2 years	4.4 years	--

WESTERN

\$294.2 Million and 10.0% of Fund

First Quarter 2008

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
2008 (3 months)	-0.1	81	2.2	27	-2.3
Trailing 1-Year	3.1 %	85	7.7 %	20	-4.6
Trailing 3-Year	4.4	74	5.5	22	-1.1
Trailing 5-Year	5.1	13	4.6	39	0.5
Trailing 10-Year	6.4	6	6.0	28	0.4
Since Inception (12/31/96)	6.7	8	6.4	26	0.3

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

First Quarter 2008

**RETURN SUMMARY
ENDING 3/31/08**

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		10 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	2.3%	23	7.8%	18	5.5%	19	4.6%	39	6.1%	24	6.2%	--	11/30/95
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	6.0	28	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 experienced 10 basis points of positive tracking compared to the Lehman Brothers Aggregate Bond Index during the quarter. Bond markets enjoyed solid performance as a flight to quality continued amongst an adverse market environment. Spreads continued to widen due to a decline in profitability, uncertainty following the collapse of Bear Stearns, and assumptions that the present financial crisis would persist.

As expected, the Fund closely tracked the return of the Lehman Brothers Aggregate Bond Index over longer-term 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
2008 (3 months)	2.3	23	2.2	27	0.1
Trailing 1-Year	7.8%	18	7.7%	20	0.1
Trailing 3-Year	5.5	19	5.5	22	0.0
Trailing 5-Year	4.6	39	4.6	39	0.0
Trailing 10-Year	6.1	24	6.0	28	0.1
Since Inception (11/30/95)	6.2	--	6.2	--	0.0

REAMS

\$271.1 Million and 9.2% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter		1 Year Ending 3/31/08		3 Years Ending 3/31/08		5 Years Ending 3/31/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	1.5%	40	7.2%	28	6.3%	4	5.8%	5	5.4%	29	9/30/01
LB Aggregate Bond Index	2.2	27	7.7	20	5.5	22	4.6	39	5.3	34	

Philosophy and Process

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

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

Commentary on Investment Performance

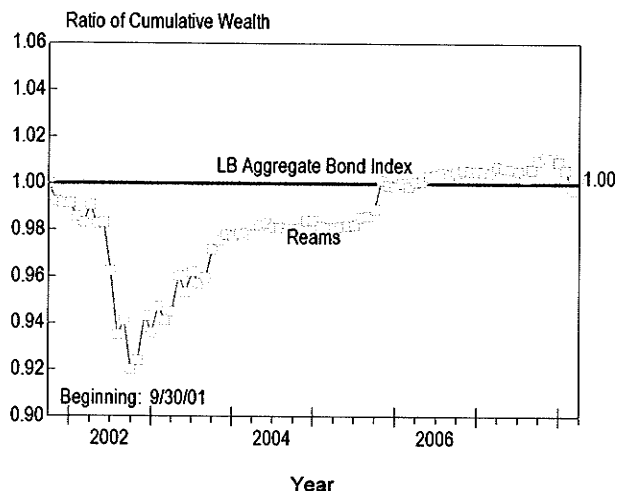
During the first quarter, the Reams Core-Plus portfolio generated a return of 1.5% and lagged the Lehman Brothers Aggregate Bond Index by 0.7 percentage points. The underperformance was largely attributable to the manager's position in commercial mortgage-backed securities (CMBS). The sector came under selling pressure from hedge funds during the period. In addition, an underweight allocation to Treasuries and the manager's holdings within corporate credit further detracted from relative performance. Positives during the period included a curve steepening position and a lack of exposure to subprime, CDOs, or SIVs.

Over the trailing one-year period, Reams produced a return of 7.2% which underperformed the Index by 0.5 percentage points. Sector selection and the manager's duration strategy impeded the portfolio's return. Moreover, the manager's high yield and investment grade holdings also detracted significantly from performance. Performance was aided by the manager's holdings within the mortgage, government-related, and asset backed sectors. Additionally, the portfolio's yield curve strategy added approximately 100 basis points to relative performance.

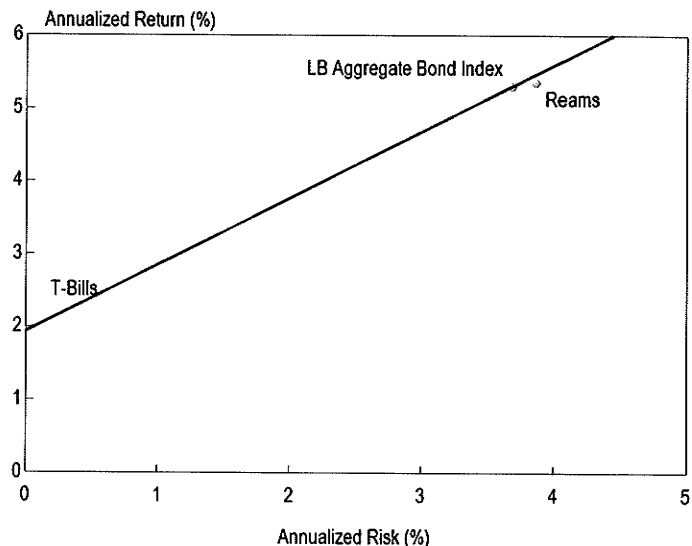
The portfolio's longer-term performance has been favorable as Reams has surpassed the Index over all periods shown above.

First Quarter 2008

**RATIO OF CUMULATIVE WEALTH
6 YEARS 6 MONTHS ENDING 3/31/08**



**ANNUALIZED RISK RETURN
6 YEARS 6 MONTHS ENDING 3/31/08**



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

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 12/31/07	% at 3/31/08	% at 3/31/08	First Quarter Return
Sector Weightings:				
Treasury/Agency	--	--	32%	4.1%
Corporate	45%	40%	23	0.4
Mortgage-Backed Securities	55	55	39	2.4
Commercial Mortgage-Backed Securities	0	0	5	(2.6)
Asset-Backed	--	1	1	(1.9)
Foreign Bonds	--	--	--	--
Other	--	2	--	--
Cash & Equiv.	--	2	--	--
Total	100 %	100 %	100 %	2.2%
Average Duration	4.1 years	4.3 years	4.4 Years	--

REAMS

\$271.1 Million and 9.2% of Fund

First Quarter 2008

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
2008 (3 months)	1.5	40	2.2	27	-0.7
Trailing 1-Year	7.2 %	28	7.7 %	20	-0.5
Trailing 3-Year	6.3	4	5.5	22	0.8
Trailing 5-Year	5.8	5	4.6	39	1.2
Since Inception (9/30/01)	5.4	29	5.3	34	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.

First Quarter 2008

**RETURN SUMMARY
ENDING 3/31/08**

	First Quarter	1 Year Ending 3/31/08	Since Inception	Inception Date
Loomis Sayles	-1.6%	3.0%	5.5%	7/31/05
Performance Benchmark	0.1	3.0	4.8	
LB Aggregate Bond Index	2.2	7.7	5.4	

Philosophy and Process

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

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

Commentary on Investment Performance

The Loomis Sayles portfolio declined 1.6% during the first quarter, trailing the Performance Benchmark by 1.7 percentage points. The underperformance was largely attributable to the manager's overweight position in high yield corporate securities. Also detracting from relative performance was Loomis' overweight allocation to investment-grade credit and its exposure to ResCap holdings, which is GMAC's residential mortgage arm. Tempering losses during the quarter was the manager's timely purchase of Bear Stearns debt ahead of the bailout given the thesis that the investment bank was too big to fail. Loomis has been selectively adding to financial paper and continues to avoid the homebuilding sector.

Loomis Sayles trailing one-year return of 3.0% approximated the Performance Benchmark. The manager's mortgage back and U.S. investment grade holdings were the main detractors from performance. Conversely, the portfolio's non-U.S. dollar and U.S. high yield holdings contributed to the portfolio's return.

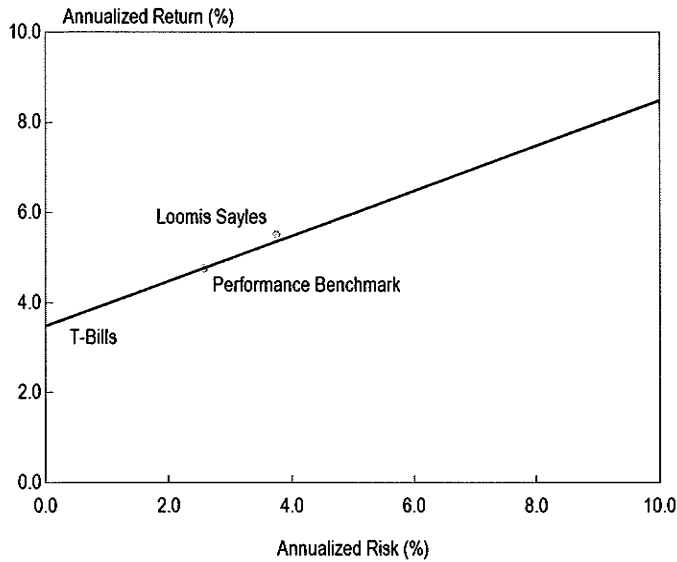
The manager's since inception return remained favorable as it exceeded the Performance Benchmark by 0.7 percentage points.

LOOMIS SAYLES

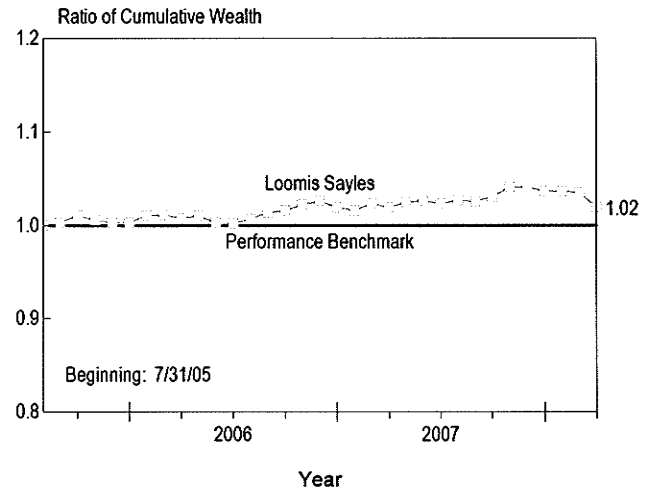
\$81.9 Million and 2.8% of Fund

First Quarter 2008

ANNUALIZED RISK RETURN 2 YEARS 8 MONTHS ENDING 3/31/08



RATIO OF CUMULATIVE WEALTH 2 YEARS 8 MONTHS ENDING 3/31/08



	Loomis Sayles Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 12/31/07	% at 3/31/08	% at 3/31/08	First Quarter Return
Sector Weightings:				
Treasury/Agency	12%	6%	32%	4.1%
Corporate	64	70	23	0.4
Mortgage-Backed Securities	--	--	39	2.4
Commercial Mortgage-Backed Securities	--	--	5	(2.6)
Asset-Backed	--	--	1	(1.9)
Foreign Bonds	24	24	--	--
Other	--	--	--	--
Cash & Equiv.	--	--	--	--
Total	100 %	100 %	100 %	2.2%
Average Duration	6.9 Years	7.3 Years	4.4 Years	--

First Quarter 2008

**HISTORICAL RETURNS
(BY YEAR)**

	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7 %	--	0.4 %	--	0.3
2006	9.0	1	7.3	2	1.7
2007	6.7	23	5.0	84	1.7
2008 (3 months)	-1.6	94	0.1	79	-1.7
Trailing 1-Year	3.0 %	85	3.0 %	85	0.0
Since Inception (7/31/05)	5.5	--	4.8	--	0.7

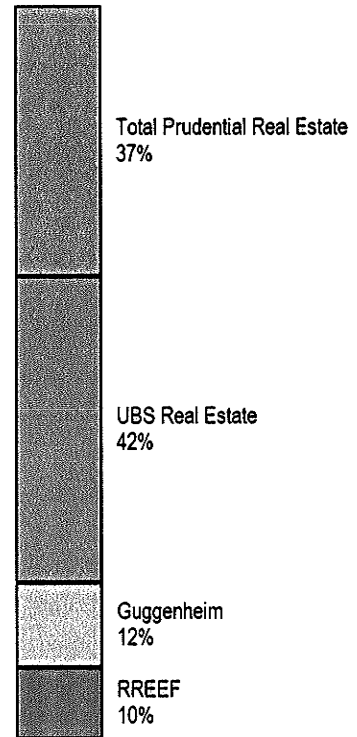
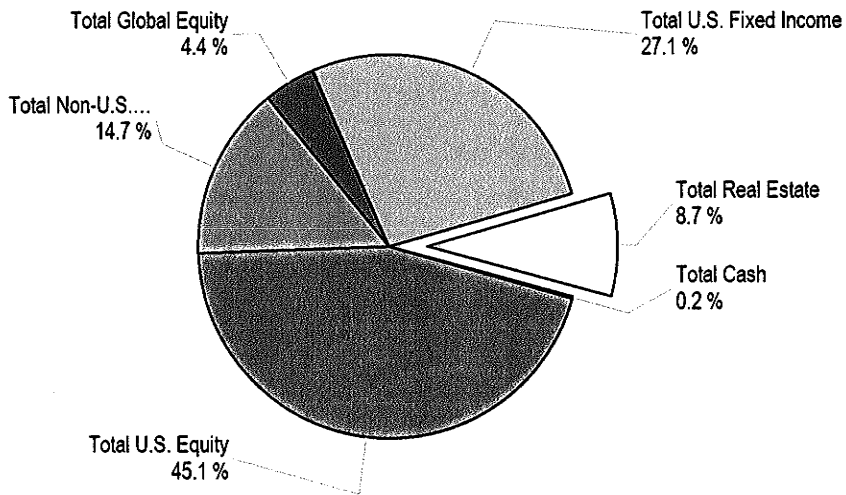
The table above compares the historical annual and cumulative annualized returns of the Loomis Sayles Reams portfolio and its Performance Benchmark.

TOTAL REAL ESTATE

\$255.3 Million and 8.7% of Fund

First Quarter 2008

ASSET ALLOCATION ACTUAL AS OF 3/31/08



TOTAL REAL ESTATE
\$255.3 Million and 8.7% of Fund

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08	5 Years Ending 3/31/08	Since Inception	Inception Date
Total Real Estate	0.8 %	9.9 %	15.8 %	13.8 %	11.6 %	3/31/94
Policy Benchmark	1.2	12.6	16.0	14.6	11.8	
Total Prudential Real Estate	0.5	12.8	18.0	--	12.7	6/30/04
Policy Benchmark	1.2	12.6	16.0	--	16.0	
UBS Real Estate	1.4	10.6	14.9	14.0	14.0	3/31/03
NCREIF Open End Fund Index	1.2	12.6	15.6	14.3	14.3	
Guggenheim	1.1	0.2	--	--	9.8	6/30/06
Performance Benchmark	1.6	3.7	--	--	10.9	
RREEF	-0.4	--	--	--	-0.5	10/1/07
NCREIF Open End Fund Index	1.2	--	--	--	3.5	

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

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

Commentary on Investment Performance

The collective return of the real estate component trailed that of the Policy Benchmark by 0.4 percentage points. Modest outperformance generated by UBS was counteracted by the less-than-benchmark performance from Prudential, Guggenheim, and RREEF.

While strong in absolute terms, the real estate component's trailing one-year return of 9.9% lagged that of the Policy Benchmark by 2.7 percentage points. Below-benchmark performance from UBS and Guggenheim was the primary detractor from the period's poor relative result.

Despite posting strong double-digit returns, the component's relative performance has trailed the Policy Benchmark during all longer-term periods shown above.

PRUDENTIAL

\$94.4 Million and 3.2% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08	Since Inception	Inception Date
Total Prudential Real Estate	0.5 %	12.7 %	18.0 %	12.7 %	6/30/04
Policy Benchmark	1.2	12.6	16.0	16.0	
PRISA Fund I	0.5	12.8	16.6	16.6	3/31/05
NCREIF Open End Fund Index	1.2	12.6	15.6	15.6	

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 advanced 0.5% during the quarter, but fell short of the Index by 0.7 percentage points. The manager reported that the period's unfavorable performance was a result of appraisal cap rate increases in the office and residential sectors as well as turmoil in the debt markets. The Fund's asset value, net of fees, was \$12.4 billion as of quarter-end. Quarterly cash flow distributions added to \$45.7 million, while withdrawals totaled \$266.7 million. The portfolio's geographic and property type allocations did not change significantly from the previous quarter. The Fund had 248 investments and was being 24.5% levered.

During the quarter, the manager sold Savage Town Square, a grocery store in Minnesota, resulting in \$13.7 million in net of proceeds and an internal rate of return of 9.7%. The manager also reported that \$154.9 million of acquisitions were completed during the first quarter. JSM North Hollywood Milano, an apartment complex in North Hollywood, California, was among the manager's completed acquisitions. In addition, \$37.8 million was funded in a retail center located in Annapolis, Maryland and an initial \$22.0 million was funded to a \$142 million construction loan facility.

The Fund's performance remained favorable for all the longer-term periods shown above.

First Quarter 2008

RETURN SUMMARY
ENDING 3/31/08

	First Quarter	1 Year Ending 3/31/08	3 Years Ending 3/31/08	Since Inception	Inception Date
UBS Real Estate	1.4 %	10.6 %	14.9 %	14.0 %	3/31/03
NCREIF Open End Fund Index	1.2	12.6	15.6	14.3	
NCREIF NPI	1.6	13.6	16.8	15.1	

Philosophy and Process

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

Manager Monitoring

During the quarter, UBS completed the conversion of their current insurance company separate account products into private REIT (Real Estate Investment Trust) products. The affected funds include the former RESA, which going forward will be the Trumbull Property Fund. Additionally, UBS announced the retirement of three managing directors, Siad Swan (Portfolio Manager), Dean Linqvist (CFO), and James O'Keefe (Senior Advisor), all effective March 1, 2008. Mr. Swan will be replaced by Gary Gowdy, who has more than 30 years of investment experience in the industry.

Commentary on Investment Performance

During the quarter, the UBS RESA portfolio produced a return of 1.4% which outpaced the NCREIF Open End Fund Index, but modestly underperforming the NCREIF Property Index. The Fund invested \$43 million in two retail properties as part of an existing joint venture during the quarter. In addition, the Fund received proceeds of \$173 million from sales of two industrial buildings and one large office property. UBS disposed of three investments during the first quarter, which included two industrial buildings located in Cayce, SC and Portland, Oregon and a Class A office building in Washington, DC. Also during the quarter, the portfolio acquired two retail properties which were part of a pre-existing joint venture investment program. A Crossroads Towne Center in Arizona was one of the new acquisitions acquired, and was obtained for \$24.7 million. The property is 100% leased. The other acquisition was Gilbert Gateway Towne Center in Arizona which was acquired for a gross investment of \$18.4million and is 98% leased.

At the end of the quarter, the net asset value of the portfolio was \$10.2 billion and the amount of leverage in the portfolio was 13.7%. 104 of the portfolio's investments, or approximately 46% of the market value of the portfolio, were valued during the quarter. The net realized/unrealized gain for the quarter was \$36.8 million.

Despite posting double-digit returns, the portfolio has underperformed the NCREIF Open End Fund Index and the NCREIF Property Index over all long-term periods shown above.

GUGGENHEIM

\$29.6 Million and 1.0% of Fund

First Quarter 2008

RETURN SUMMARY ENDING 3/31/08

	First Quarter	1 Year Ending 3/31/08	Since Inception	Inception Date
Guggenheim	1.1 %	0.2 %	9.8 %	6/30/06
Performance Benchmark	1.6	3.7	10.9	

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's first quarter return of 1.1% trailed that of the Performance Benchmark by 0.5 percentage points. As of quarter end, the Fund had \$591.5 million in assets and a vacancy rate of 13.7%. With regards to geography and property type allocations, the Fund experienced no significant change from the previous quarter. During the quarter, the Fund increased its allocation to the public market to 32% in order to meet its target allocation. With respect to public market investments, Guggenheim increased its allocation to an affiliated real estate manager which holds direct property investments and also to its REIT managers with large-cap directives. Regarding the private market investments, the Fund decreased its allocations to the Clarion Lion Properties Fund, Morgan Stanley Prime Property Fund, and BlackRock Granite Property Fund.

Guggenheim's longer-term performance is unfavorable, as it has trailed the Performance Benchmark for all periods shown above.

First Quarter 2008

**RETURN SUMMARY
ENDING 3/31/08**

	First Quarter	Since Inception	Inception Date
RREEF	-0.4%	-0.5%	10/1/07
NCREIF Open End Fund Index	1.2	3.5	

Philosophy and Process

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

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

Commentary on Investment Performance

RREEF declined 0.4% during the first quarter, which lagged the benchmark by approximately 1.6 percentage points. As of quarter end, the portfolio's total asset value, net of fees, totaled \$2.1 billion with a cash position of 3.2%. The manager completed approximately \$154.9 million in acquisitions during the quarter. The portfolio had an 18.5% vacancy rate. No dispositions were made during the period. The portfolio maintained approximately the same property type and geographic allocations as those in the previous quarter.

The manager reported that the Fund's exit queue was \$153.7 million as of quarter end. Redemptions totaled \$97.8 million as five investors exited from the portfolio.

Longer-term performance remained below the benchmark .

The manager recently noted that the Fund is approaching its sixth year of operation and will be moving toward a more aggressive disposition strategy. The Fund is focusing on selling well located and stabilized assets, in order to maximize returns and increasing share value.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	First Quarter	Annualized Periods Ending 3/31/08				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
DJ Wilshire 5000 Index	-9.5%	-5.8%	6.4%	12.5%	4.0%	9.4%
S&P 500 Index	-9.4	-5.1	5.9	11.3	3.5	9.5
Russell 3000 Index	-9.5	-6.1	6.1	12.1	3.9	9.4
Russell 1000 Value Index	-8.7	-10.0	6.0	13.7	5.5	10.7
Russell 1000 Growth Index	-10.2	-0.8	6.3	10.0	1.3	7.8
Russell MidCap Value Index	-8.6	-14.1	6.6	16.8	8.2	12.0
Russell MidCap Growth Index	-10.9	-4.6	7.8	15.2	5.2	9.4
Russell 2000 Value Index	-6.5	-16.9	4.3	15.4	7.5	11.3
Russell 2000 Growth Index	-12.8	-8.9	5.7	14.2	1.7	6.2
Domestic Bond Indices:						
Lehman Brothers Aggregate Index	2.2%	7.7%	5.5%	4.6%	6.0%	6.3%
Lehman Brothers Govt/Credit Index	2.5	8.4	5.5	4.6	6.1	6.4
Lehman Brothers Long Govt/Credit Index	0.8	6.4	5.1	5.5	6.9	7.6
Lehman Brothers 1-3 Year Govt/Credit Index	2.7	8.2	5.3	3.7	5.1	5.3
Lehman Brothers U.S. MBS Index	2.4	7.8	5.8	4.8	6.0	6.3
Lehman Brothers High Yield Index	-3.0	-3.7	4.9	8.6	4.8	6.9
Lehman Brothers Universal Index	1.7	6.6	5.5	5.0	6.1	6.5
Real Estate Indices:						
NCREIF Property Index	1.6%	13.6%	16.8%	15.1%	12.6%	11.2%
NCREIF ODCE Index	1.1	12.0	15.6	13.9	11.7	10.3
DJ Wilshire Real Estate Securities Index	2.1	-18.9	11.6	18.9	11.1	11.6
FTSE NAREIT US Real Estate Index	1.4	-17.4	11.7	18.3	10.7	11.7
Foreign/Global Stock Indices:						
MSCI All Country World Index	-9.3%	-1.2%	11.1%	17.2%	5.1%	8.6%
MSCI All Country World ex-U.S. Index	-9.1	2.1	16.0	23.5	7.3	8.7
MSCI EAFE Index	-8.9	-2.7	13.3	21.4	6.2	8.1
MSCI EAFE Index (in local currency)	-15.0	-14.8	8.6	14.6	2.8	6.3
MSCI World ex-U.S.A. Small Cap Index	-6.5	-9.9	11.5	25.5	9.5	7.4
MSCI Emerging Markets Index	-11.0	21.3	29.2	35.5	12.2	10.6
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	10.9%	22.3%	7.4%	9.0%	7.4%	7.1%
Citigroup Hedged World Gov't Bond Index	2.1	6.1	4.9	4.3	5.6	7.0
Cash Equivalents:						
Treasury Bills (30-Day)	0.5%	3.5%	3.5%	2.5%	3.1%	3.5%
EnnisKnupp STIF Index	0.9	5.0	4.6	3.3	4.0	4.3
Inflation Index:						
Consumer Price Index	1.7%	4.0%	3.4%	3.0%	2.8%	2.7%

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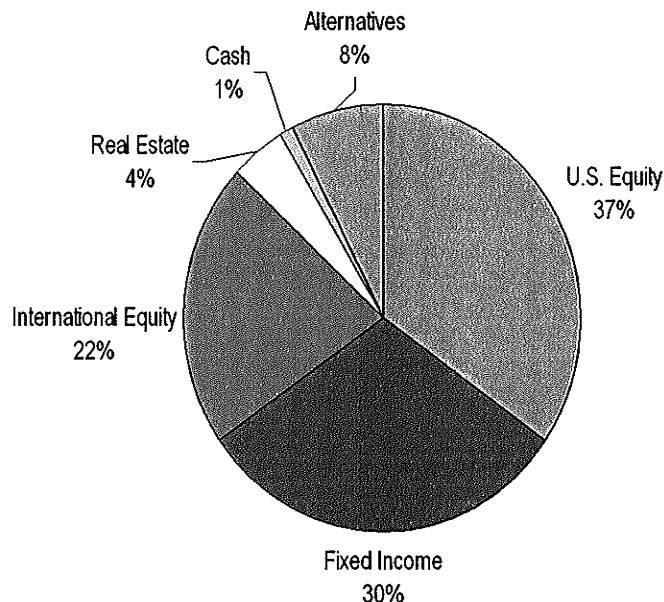
Description of Fund Benchmarks and Universe Rankings

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 60 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$931.0 billion as of 3/31/2008.

Mellon Analytical Aggregate Public Fund as of 3/31/2008



Total U.S. Equity

Benchmark. The Russell 3000 Index.

Universe. A universe of 450 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$610.3 billion as of 3/31/2008.

Delta

Benchmark. The S&P 500 Index.

Universe. A universe of 374 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$751.1 billion as of 3/31/2008.

BGI Equity Index Fund

Benchmark. The S&P 500 Index.

Universe. A universe of 374 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$751.1 billion as of 3/31/2008.

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 \$68.7 billion as of 3/31/2008.

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 \$71.2 billion as of 3/31/2008.

Wasatch Advisors

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

Universe. A universe of 81 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$49.0 billion as of 3/31/2008.

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Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 374 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$751.1 billion as of 3/31/2008.

Total Non-U.S. Equity

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

Universe. A universe of 400 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$340.2 billion as of 3/31/2008.

BGI ACWI ex U.S.

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

Universe. A universe of 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$275.6 billion as of 3/31/2008.

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 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$275.6 billion as of 3/31/2008.

Sprucegrove

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

Universe. A universe of 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$275.6 billion as of 3/31/2008.

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 \$90.2 billion as of 3/31/2008.

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 \$90.2 billion as of 3/31/2008.

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 \$90.2 billion as of 3/31/2008.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 125 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$627.4 billion as of 3/31/2008.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 125 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$627.4 billion as of 3/31/2008.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 125 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$627.4 billion as of 3/31/2008.

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Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 125 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$627.4 billion as of 3/31/2008.

Loomis Sayles

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

Universe. A universe of 125 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$627.4 billion as of 3/31/2008.

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 450 funds with an equity aggregate market value of \$610.3 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 400 funds with an international equity aggregate market value of \$340.2 billion.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 50 funds with a global equity aggregate market value of \$90.2 billion.

Fixed Income Universe - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 125 funds with a fixed income aggregate market value of \$627.4 billion.

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

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

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

Manager "Watch" Status Policy

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

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

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

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

"Watch" status:

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

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Manager	Restrictions	In Compliance as of 3/31/08
Reams	<ul style="list-style-type: none"> -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
Loomis Sayles	<ul style="list-style-type: none"> -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 Core Plus	<ul style="list-style-type: none"> -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

* 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	64	Daily	Separate Acct.
Wasatch	79	Daily	Separate Acct.
Western U.S. Index Plus	20	Daily	Separate Acct.
Capital Guardian	49	Monthly	Commingled Fund
Sprucegrove	41	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	17	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	--	--