

ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Third Quarter 2008

CONTENTS

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

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

HIGHLIGHTS

HIGHLIGHTS

Third Quarter 2008

Market Comments

The third quarter proved to be quite challenging for investors as high volatility was experienced and stocks incurred losses across the board. The quarter also witnessed unprecedented events as housing agencies, Fannie Mae and Freddie Mac were placed into conservatorship by the Federal Housing Finance Agency. Additionally, major financial institutions, AIG, Lehman Brothers, Merrill Lynch, Wachovia, and Washington Mutual, were rescued or declared bankruptcy. Although the government was proactive in responding to the challenges faced in the markets, it was not able to reverse significant losses suffered. The Dow Jones Wilshire 5000 Index declined 8.7% and was down 18.6% year-to-date. Although the financial sector experienced a difficult market environment, it was the second best performing sector in the Index with a return of 3.0%. Consumer goods (+4.5%) and health care (+1.4%) were the only other sectors that experienced gains. In contrast, energy (-25.4%) and materials (-31.1%) were the worst performing sectors as prices of oil and other commodities plummeted. On a size basis, small cap stocks outperformed their large cap counterparts. With regards to style basis, value stocks significantly outperformed growth mostly as a result of weak performance from the energy and technology sectors.

During the quarter, the MSCI EAFE Index fell 20.6%, as non-U.S. stocks continued to struggle and underperform U.S. stocks. The Index's poor performance was attributed to the weakening of the dollar and concerns that U.S. financial turmoil would lead to a global slowdown became more credible. With the exception of the Philippines (+3.0%), all individual country returns were negative ranging from -45.3% to -0.7%. Similar to U.S. stocks, the energy and materials sectors hindered the Index's performance. The MSCI Emerging Market Index declined 27.0%, as global growth slowed, oil and commodity prices declined, and asset prices fell due to the financial crisis experienced.

The fixed income market did not escape the challenging market conditions, as the LB Aggregate Index decreased by 0.5%, posting a modest gain of 0.6% during the year-to-date period. Investors flight to quality benefited treasury bonds which returned 2.3%, while the Treasury curve steepened. On the other hand, high yield corporate bonds fared the worst with a return of -8.9% as spreads widened due to rising risk premiums. Additionally, investment-grade corporate bonds declined 7.8% and emerging market debt returned -5.8%.

MAJOR MARKET RETURNS

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08
Dow Jones Wilshire 5000 Index	-8.7 %	-18.6 %	-21.3 %	0.6 %
MSCI All Country World ex-U.S. Index	-21.9	-29.9	-30.3	2.6
MSCI EAFE Index	-20.6	-29.3	-30.5	1.1
MSCI Emerging Markets Index	-27.0	-35.5	-33.2	8.4
MSCI All Country World Index	-16.6	-25.5	-26.9	1.3
Lehman Brothers Aggregate Bond Index	-0.5	0.6	3.7	4.2

Third Quarter 2008

Asset Growth

As shown below, the asset value of VCERA's Total Fund decreased by \$192.6 million during the quarter. The decline in assets was a result of investment losses of \$237.8 million.

Market Value (millions) at 6/30/08	\$2,869.5
Income/Appreciation	(237.8)
Net Contributions/Withdrawals	45.2
Market Value (millions) at 9/30/08	\$2,676.9

Asset Allocation

The table below illustrates VCERA's investment allocations relative to its policy. As of September 30, 2008, the Fund was overweight relative to its policy within the fixed income, real estate, and cash components. A corresponding underweight was experienced within the U.S., non-U.S., and global equity components. The portfolio was within the appropriate policy target ranges set forth in the Investment Policy Statement's rebalancing policy.

Approximately \$12.5 million was withdrawn from the Clifton cash account in September, to fund employees benefit payments. In July, contributions totaling \$58.0 million were added to the BGI Equity Market Fund. During the same month, approximately \$0.2 million was transferred to the BGI ACWI ex-U.S. Index.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	38.7%	40.0%	-1.3
Non-U.S. Equity	16.7	18.0	-1.3
Global Equity	5.9	7.0	-1.1
Fixed Income	28.0	27.0	+1.0
Real Estate	9.4	8.0	+1.4
Cash	1.4	0.0	+1.4

HIGHLIGHTS

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	5 Years Ending 9/30/08	10 Years Ending 9/30/08	Since Inception	Inception Date
Total Fund	-9.7 %	-16.5 %	-17.5 %	1.5 %	5.8 %	5.6 %	8.9 %	3/31/80
Policy Portfolio	-8.9	-14.9	-15.4	2.5	6.6	5.3	--	
Public Fund Index	-9.1	-14.2	-14.8	2.8	7.0	5.9	--	
Total U.S. Equity	-8.8	-21.3	-24.2	-1.2	4.6	4.2	7.8	12/31/93
Performance Benchmark*	-8.7	-18.6	-21.3	0.4	5.8	3.9	8.4	
Total Non-U.S. Equity	-20.6	-28.9	-29.7	2.0	10.1	6.7	7.4	3/31/94
Performance Benchmark*	-21.9	-29.9	-30.3	2.6	11.3	6.0	5.7	
Total Global Equity	-14.5	-24.1	-24.6	1.1	--	--	3.8	4/30/05
MSCI All Country World Index	-16.6	-25.5	-26.9	1.3	--	--	4.2	
Total U.S. Fixed Income	-5.0	-5.0	-2.6	2.3	3.1	4.8	5.6	2/28/94
LB Aggregate Bond Index	-0.5	0.6	3.7	4.2	3.8	5.2	6.1	
Total Real Estate	-0.8	-1.0	-0.2	12.2	12.5	11.2	11.0	3/31/94
Policy Benchmark	-0.9	0.5	2.8	12.1	13.5	11.5	11.3	

Commentary on Investment Performance

During the third quarter, the Total Fund declined 9.7% and trailed the return of the Policy Portfolio and the Public Fund Index by 0.8 and 0.6 percentage points, respectively. The Total Fund's underperformance is mainly attributed to below benchmark results from the fixed income component, while the U.S. equity component modestly trailed its benchmark. Albeit with a negative return, the non-U.S. equity, global equity, fixed income, and real estate components saved value to the Total Fund.

Parallel to the quarter, the Total Fund underperformed both the Policy Portfolio and Public Fund Index over the trailing one-year period by 2.1 and 2.7 percentage points, net of fees. With the exception of the non-U.S. and global equity components, underperformance was a result of below benchmark returns from each of the Total Funds underlying components.

The Total Fund's longer-term relative performance remained mixed. While the Total Fund has lagged the returns of the Policy Portfolio over the trailing three- and five-year periods, it has outperformed over the trailing ten-year period.

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

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

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

MARKET ENVIRONMENT
Third Quarter 2008

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	5 Years Ending 9/30/08	10 Years Ending 9/30/08
Dow Jones Wilshire 5000 Index	-8.7 %	-18.6 %	-21.3 %	0.6 %	6.0 %	4.0 %
MSCI All Country World ex-U.S. Index	-21.9	-29.9	-30.3	2.6	11.3	6.5
MSCI EAFE Index	-20.6	-29.3	-30.5	1.1	9.7	5.0
MSCI Emerging Markets Index	-27.0	-35.5	-33.2	8.4	18.7	14.4
MSCI All Country World Index	-16.6	-25.5	-26.9	1.3	8.0	4.3
Lehman Brothers Aggregate Bond Index	-0.5	0.6	3.7	4.2	3.8	5.2

The U.S. broad equity market struggled through a turbulent third quarter which was marked by government bailouts of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and AIG. The market remained highly volatile as it absorbed the effects of the collapse of Lehman Brothers and Washington Mutual along with the reorganization of investment banks Goldman Sachs and Morgan Stanley into bank holding companies. The U.S. government, in an effort to stabilize markets and restore confidence, passed a \$700 billion bailout bill, the Troubled Asset Relief Program (TARP), in which it agreed to purchase distressed assets from banks. On October 8th, following the quarter end, the Federal Open Market Committee cut the target federal funds rate by 50 basis points to 1.5% in a surprise move coordinated with the European Central Bank, Bank of England, and the Bank of Canada.

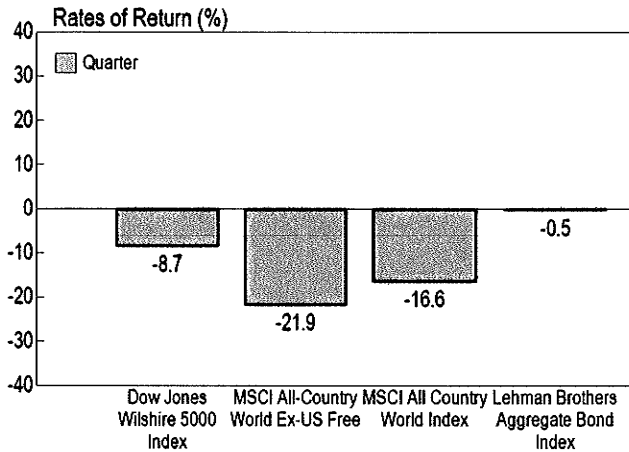
The Dow Jones Wilshire 5000 Index declined 8.7% during the third quarter, yielding a year-to-date loss of 18.6 percentage points. Value stocks outperformed growth stocks with small cap value producing the only positive return for the quarter. Consumer staples and financials were the strongest performing sectors, gaining 1.4% and 3.6% respectively. The energy, utility, and materials sectors produced the weakest returns, yielding -26.1%, -16.9%, and -14.9% respectively.

International markets suffered considerably as financial woes in the U.S. spread abroad. The MSCI All Country World ex-U.S. Index declined 21.9% in the third quarter, underperforming the U.S. market by 13.2 percentage points. Emerging markets led this downturn as commodities dipped and oil prices dropped from second quarter highs. The greatest detractors from performance were the Eastern Europe and Middle East, and Latin American regions which declined 33.1% and 32.6% respectively. No international regions yielded positive returns for the third quarter.

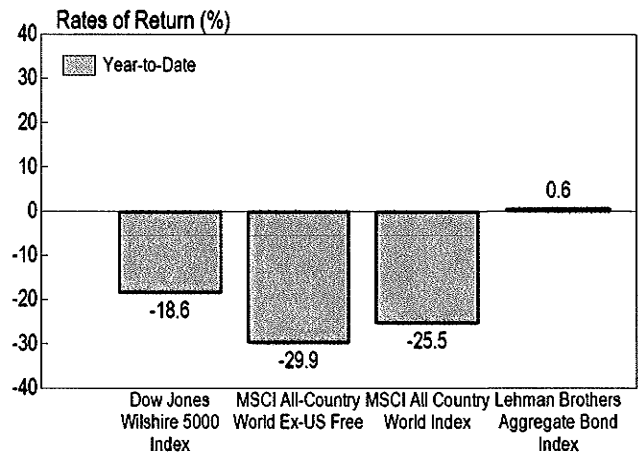
The domestic fixed income market, as measured by the Lehman Brothers Aggregate Bond Index, returned -0.5% for the third quarter, with the government bond and mortgage sectors providing the only positive returns. High yield and corporate bonds were by far the greatest detractors as failures in the financial sector brought uncertainty and instability to the markets. The London Interbank Offered Rate (LIBOR) increased dramatically as this uncertainty discouraged banks from lending to one another. The Treasury yield curve steepened modestly from the second quarter amidst a flight to quality. Money market funds struggled as several failed to maintain a \$1 net asset value due to exposure to failing financials and extreme illiquidity in the market.

MARKET ENVIRONMENT OVERVIEW

MAJOR MARKET RETURNS THIRD QUARTER

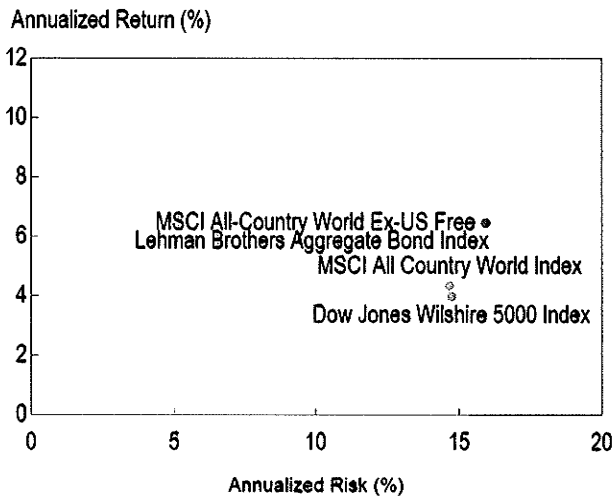


MAJOR MARKET RETURNS YEAR-TO-DATE ENDING 9/30/08

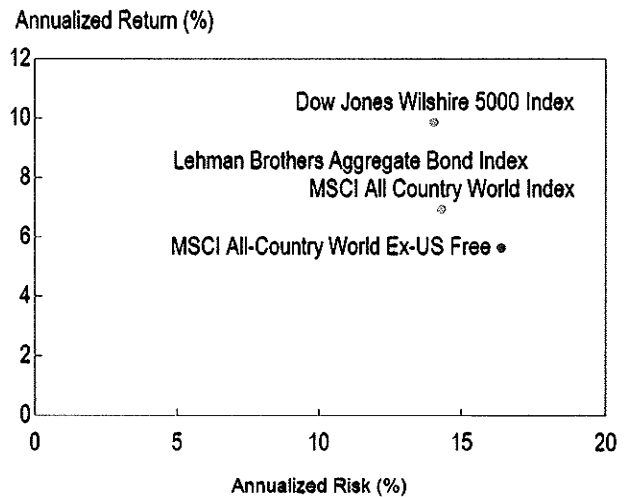


The exhibits above show the performance of the major capital markets during the third quarter and year-to-date period.

MARKET RISK/RETURN 10 YEARS ENDING 9/30/08



MARKET RISK/RETURN 20 YEARS ENDING 9/30/08

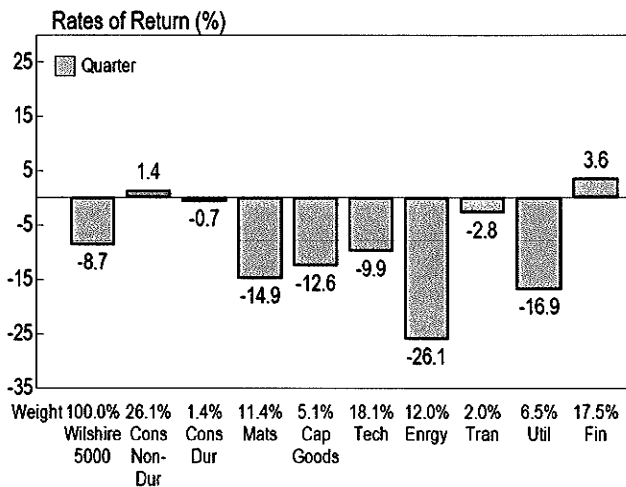


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

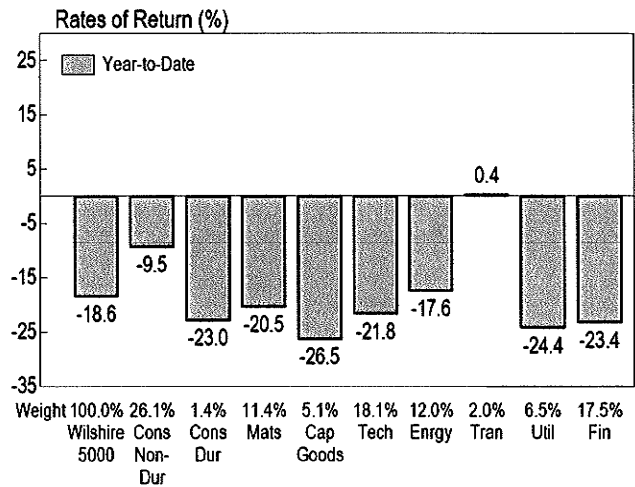
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS THIRD QUARTER



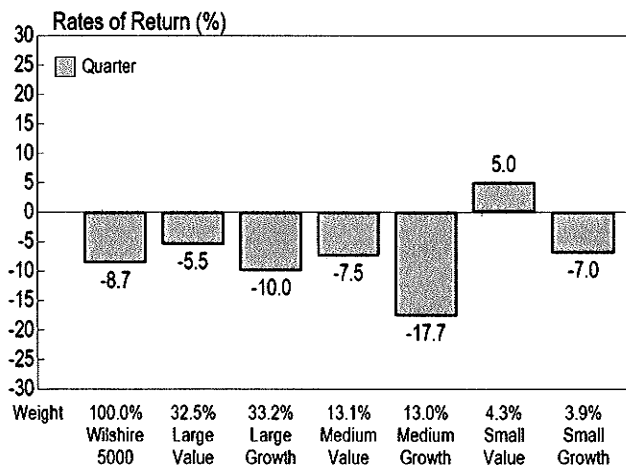
SECTOR RETURNS YEAR-TO-DATE ENDING 9/30/08



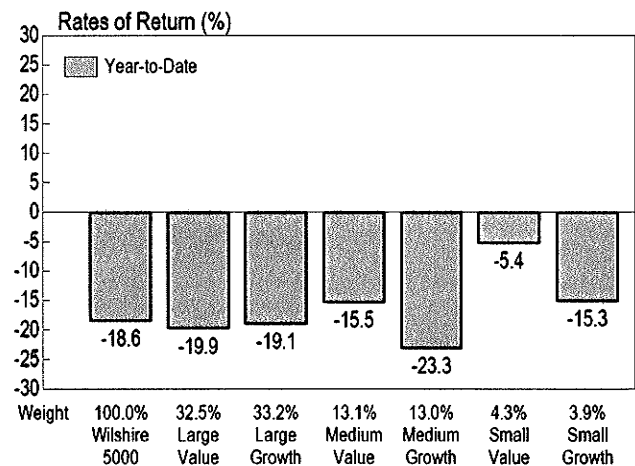
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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 THIRD QUARTER



STYLE RETURNS YEAR-TO-DATE ENDING 9/30/08

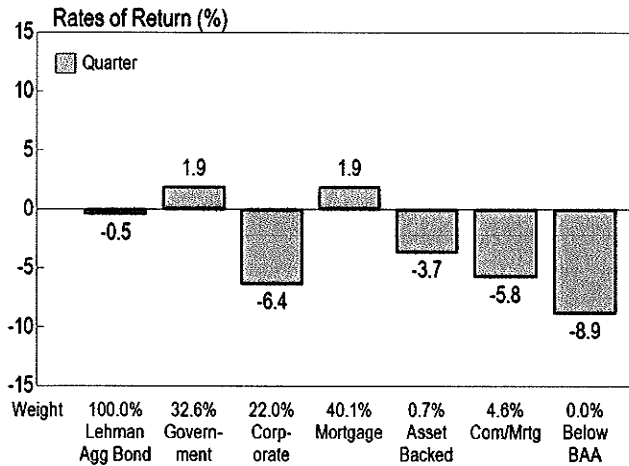


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

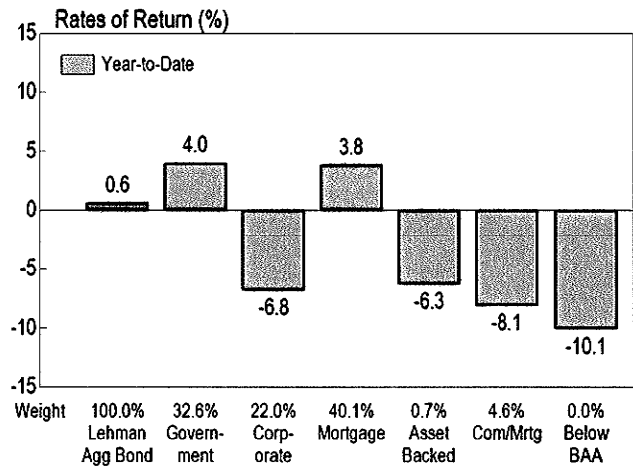
MARKET ENVIRONMENT

U.S. BOND MARKET

SECTOR RETURNS THIRD QUARTER



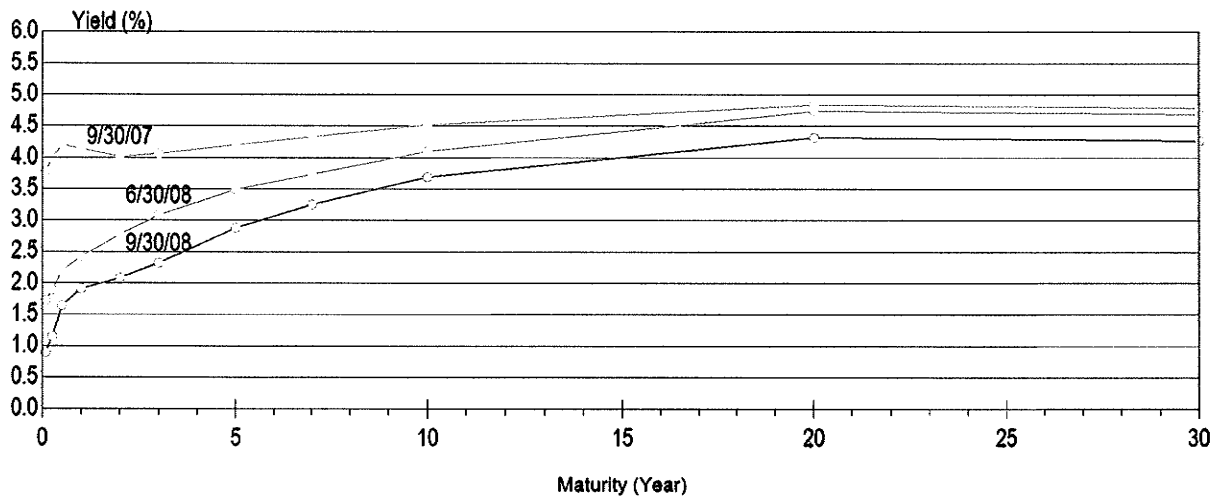
SECTOR RETURNS YEAR-TO-DATE ENDING 9/30/08



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

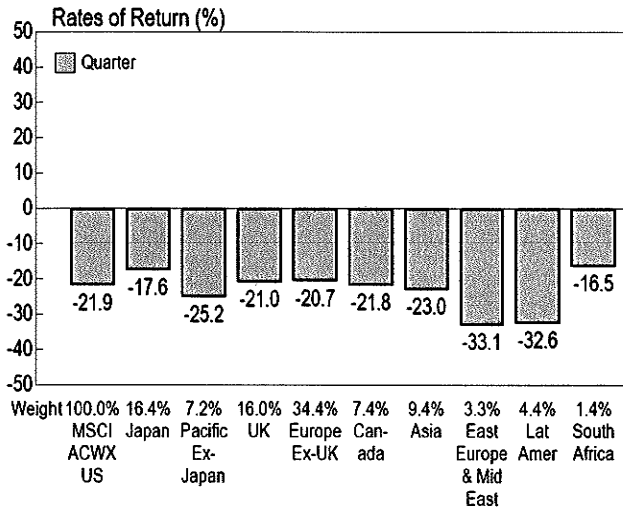


The exhibit above illustrates yields of Treasury securities of various maturities as of September 30, 2007, June 30, 2008, and September 30, 2008.

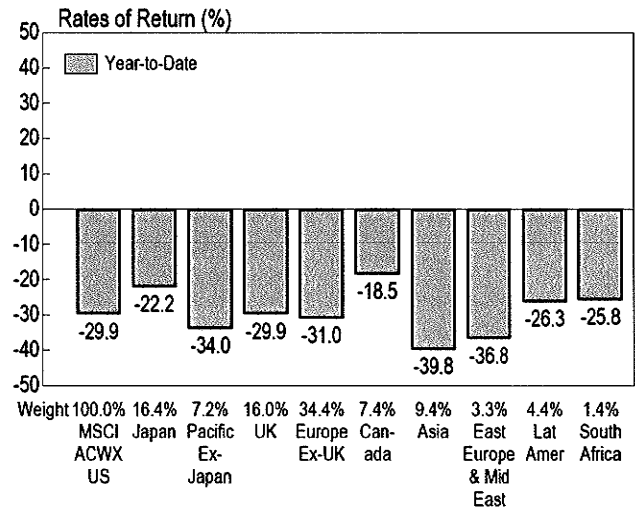
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

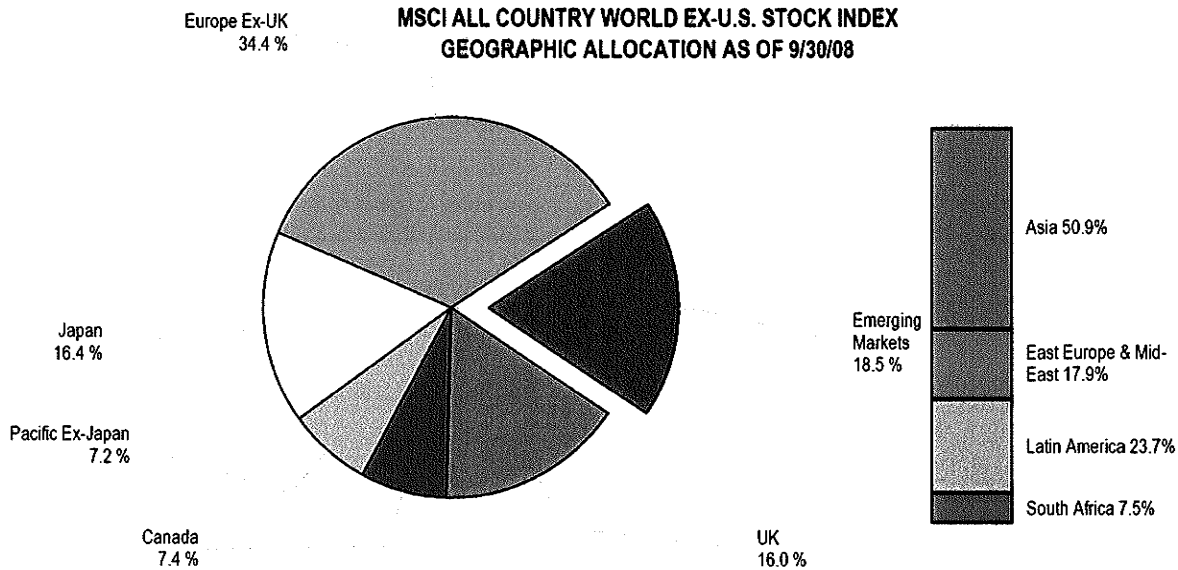
**NON-U.S. STOCK MARKET RETURNS
THIRD QUARTER**



**NON-U.S. STOCK MARKET RETURNS
YEAR-TO-DATE ENDING 9/30/08**

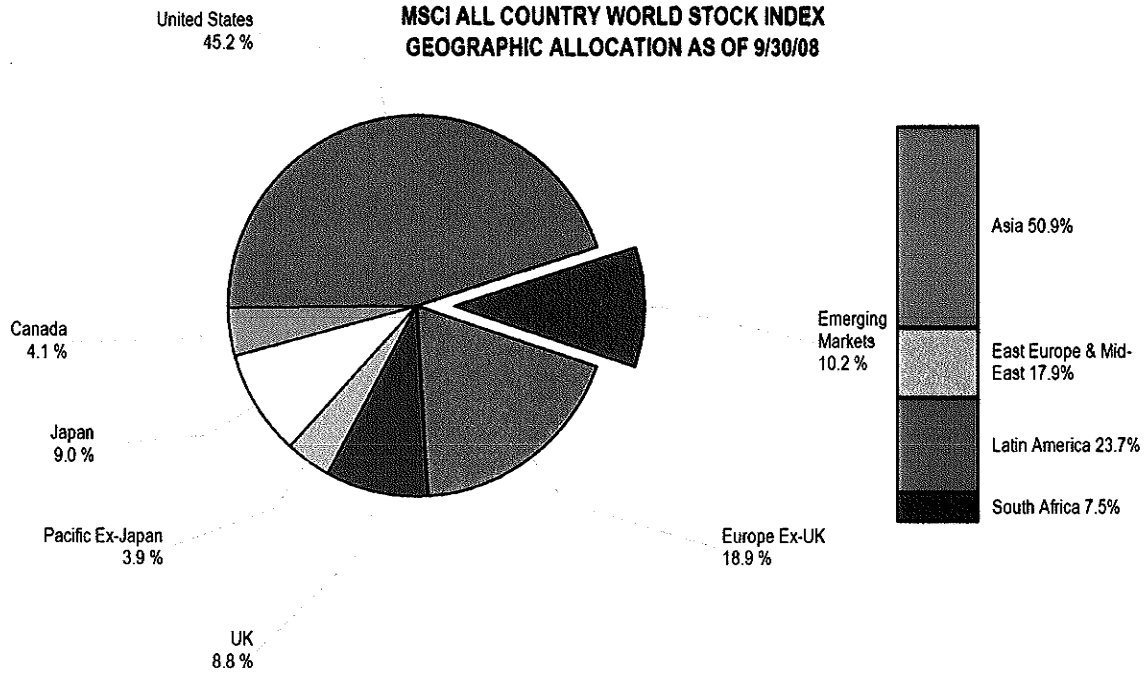


The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.



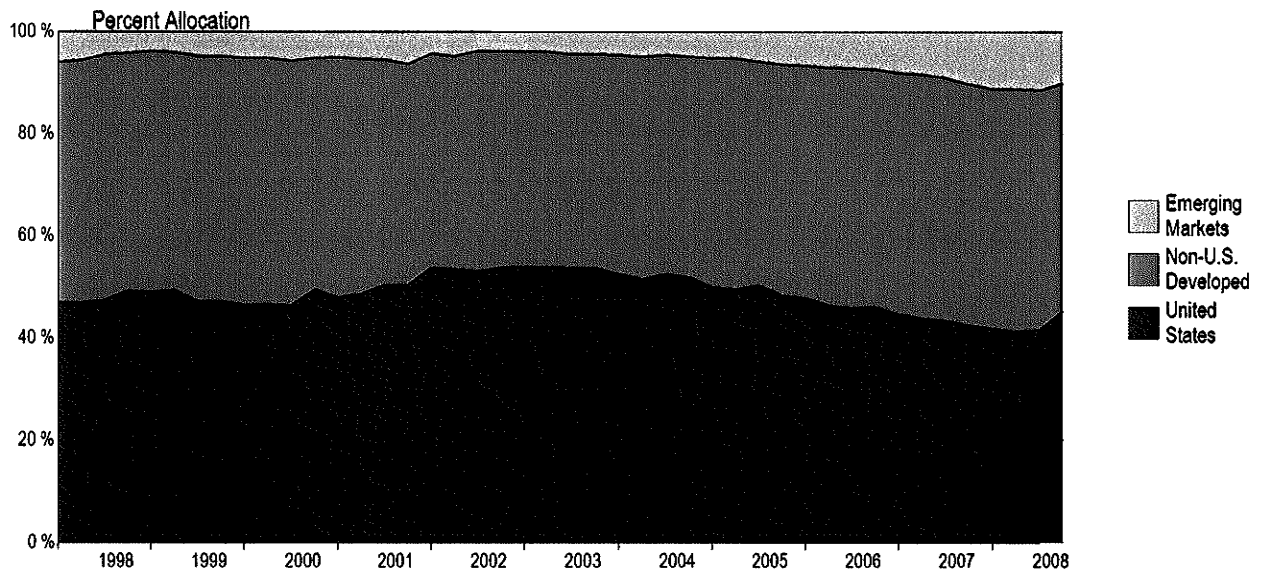
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

MARKET ENVIRONMENT
GLOBAL STOCK MARKETS



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

ALLOCATION



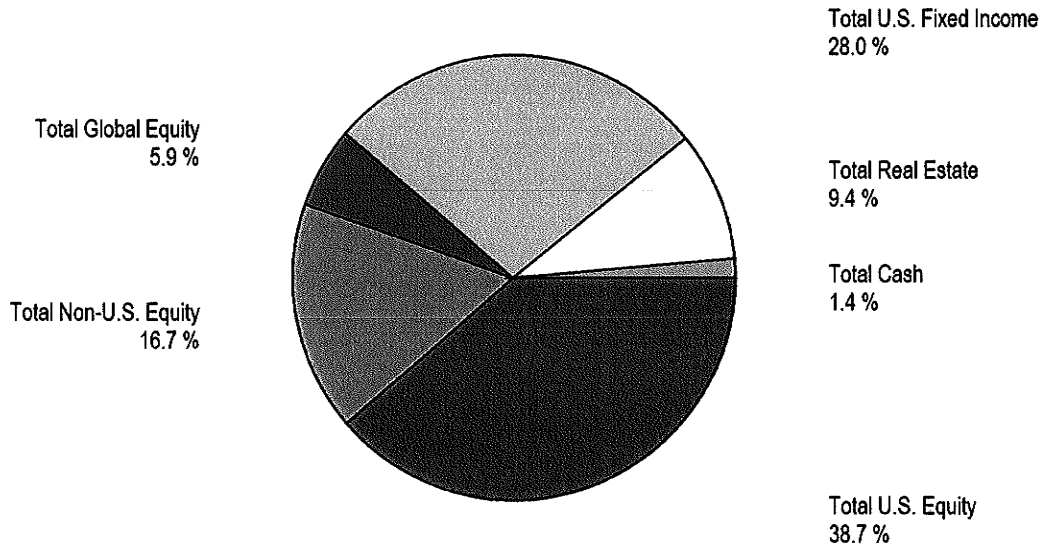
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

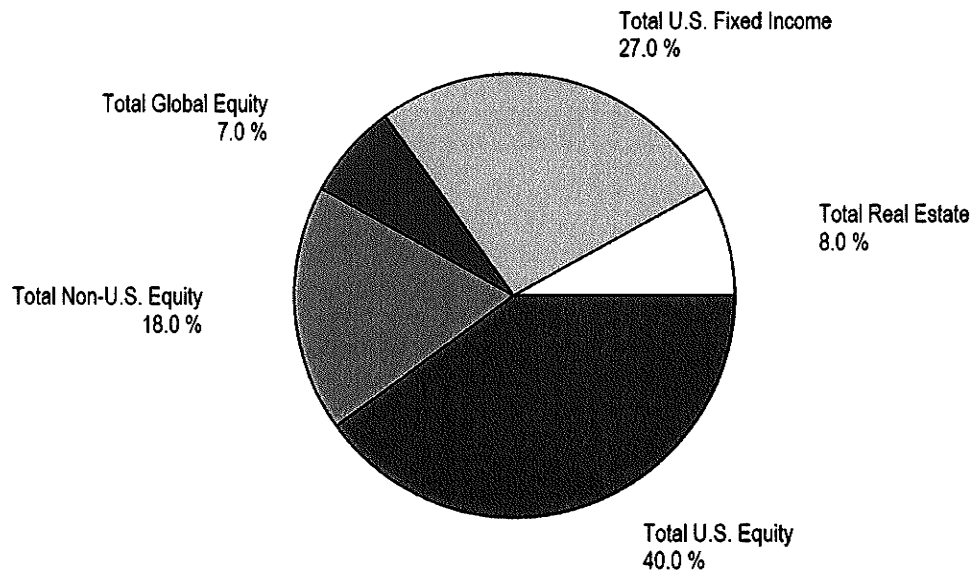
ASSET ALLOCATION

Third Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 9/30/08



ASSET ALLOCATION
POLICY AS OF 9/30/08



ASSET ALLOCATION

Third Quarter 2008

ASSET ALLOCATION AS OF 9/30/08 (\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
BGI Extended Equity Index Fund	\$19,747	--	--	--	--	--	\$19,747	0.7%	
Western U.S. Index Plus	70,033	--	--	--	--	-\$687	69,347	2.6	
BGI Equity Market Fund	945,581	--	--	--	--	--	945,581	35.3	
Total U.S. Equity	1,035,362	--	--	--	--	-687	1,034,675	38.7	40.0%
BGI ACWI ex-U.S. Index	--	\$217,377	--	--	--	--	\$217,377	8.1%	
Capital Guardian	--	105,423	--	--	--	\$10,426	115,850	4.3	
Sprucegrove	--	110,730	--	--	--	3,073	113,802	4.3	
Total Non-U.S. Equity	--	433,530	--	--	--	13,499	447,029	16.7	18.0%
GMO Global Fund	\$38,673	\$35,142	\$739	--	--	\$7,554	\$82,109	3.1%	
Acadian	33,225	--	38,840	--	--	3,003	75,068	2.8	
Total Global Equity	71,898	35,142	39,579	--	--	10,557	157,176	5.9	7.0%
Western	--	--	\$270,158	\$7,526	--	\$1,059	\$278,744	10.4%	
BGI U.S. Debt Fund	--	--	143,482	--	--	--	143,482	5.4	
Reams	--	--	244,702	--	--	10,728	255,430	9.5	
Loomis Sayles	--	--	58,338	12,381	--	931	71,650	2.7	
Total U.S. Fixed Income	--	--	716,680	19,907	--	12,719	749,306	28.0	27.0%
Total Prudential Real Estate	--	--	--	--	\$95,421	--	\$95,421	3.6%	
UBS Real Estate	--	--	--	--	105,707	--	105,707	3.9	
Guggenheim	--	--	--	--	28,917	--	28,917	1.1	
RREEF	--	--	--	--	21,053	--	21,053	0.8	
Total Real Estate	--	--	--	--	251,098	--	251,098	9.4	8.0%
Clifton Group	--	--	--	--	--	\$37,588	\$37,588	1.4%	
Total Cash	--	--	--	--	--	37,588	37,588	1.4	0.0%
Total Fund	\$1,107,260	\$468,672	\$756,259	\$19,907	\$251,098	\$73,676	\$2,676,873	100.0%	100.0%
Percent of Total	41.4%	17.5%	28.3%	0.7%	9.4%	2.8%	100.0%		

Asset Allocation

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

During the quarter, the asset value of VCERA's Total Fund decreased by \$192.6 million. The decline in assets was a result of investment losses of \$237.8 million.

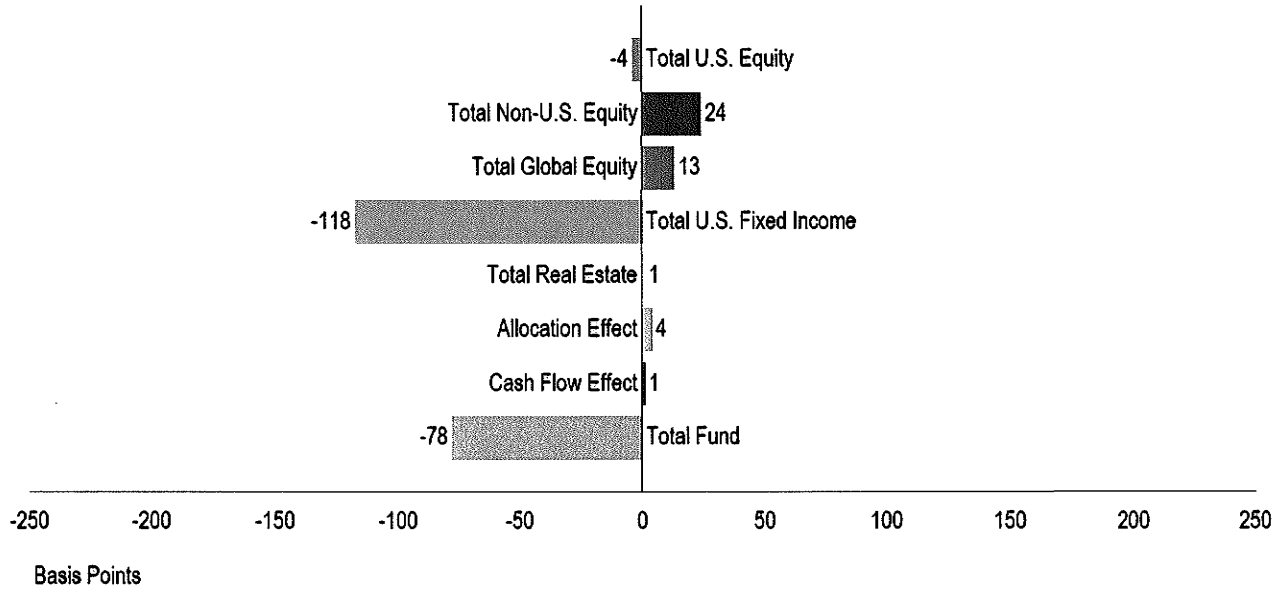
Approximately \$12.5 million was withdrawn from the Clifton cash account in September, to fund employees benefit payments. In July, contributions totaling \$58.0 million were added to the BGI Equity Market Fund. During the same month, approximately \$0.2 million was transferred to the BGI ACWI ex-U.S. Index.

PERFORMANCE EVALUATION

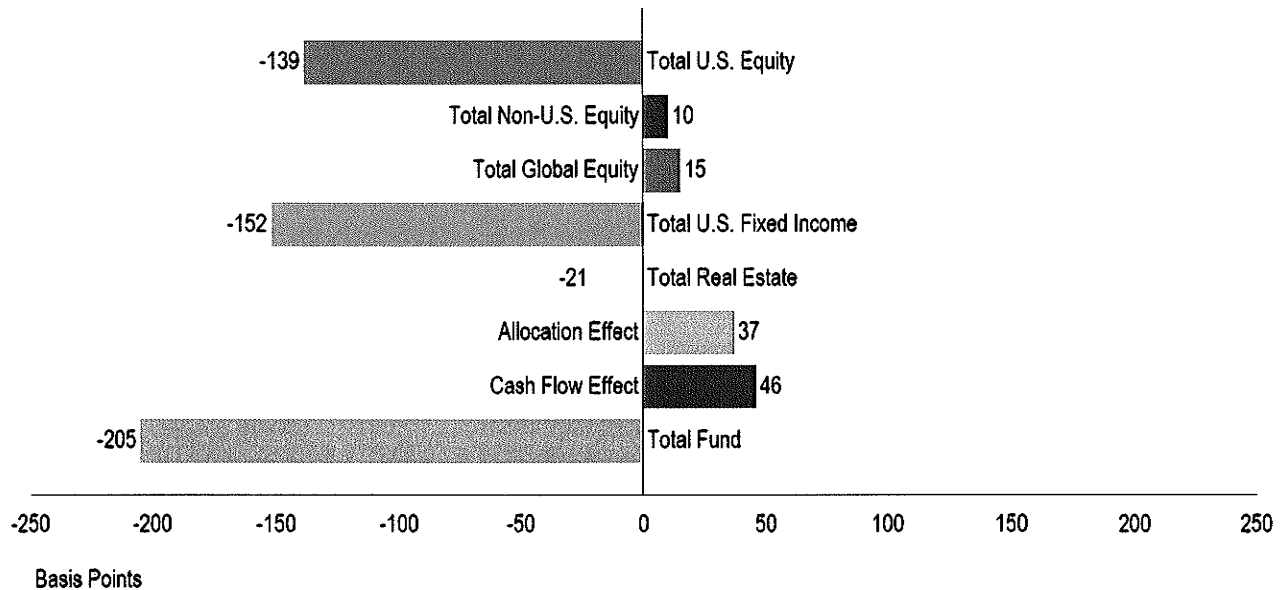
TOTAL FUND

Third Quarter 2008

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/08



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/08



Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		10 Years Ending 9/30/08	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	-9.7 %	63	-16.5 %	88	-17.5 %	88	1.5 %	82	5.8 %	67	5.6 %	68
Policy Portfolio	-8.9	37	-14.9	52	-15.4	51	2.5	45	6.6	48	5.3	79
Public Fund Index	-9.1	48	-14.2	43	-14.8	39	2.8	40	7.0	45	5.9	54

Commentary on Investment Performance

During the third quarter, the Total Fund declined 9.7% and trailed the return of the Policy Portfolio and the Public Fund Index by 0.8 and 0.6 percentage points, respectively. The Total Fund's underperformance is mainly attributed to below benchmark results from the fixed income component, while the U.S. equity component modestly trailed its benchmark. Albeit with a negative return, the non-U.S. equity, global equity, fixed income, and real estate components saved value to the Total Fund.

Parallel to the quarter, the Total Fund underperformed both the Policy Portfolio and Public Fund Index over the trailing one-year period by 2.1 and 2.7 percentage points, net of fees. With the exception of the non-U.S. and global equity components, underperformance was a result of below benchmark returns from each of the Total Funds underlying components.

The Total Fund's longer-term relative performance remained mixed. While the Total Fund has lagged the returns of the Policy Portfolio over the trailing three- and five-year periods, it has outperformed over the trailing ten-year period.

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

Third Quarter 2008

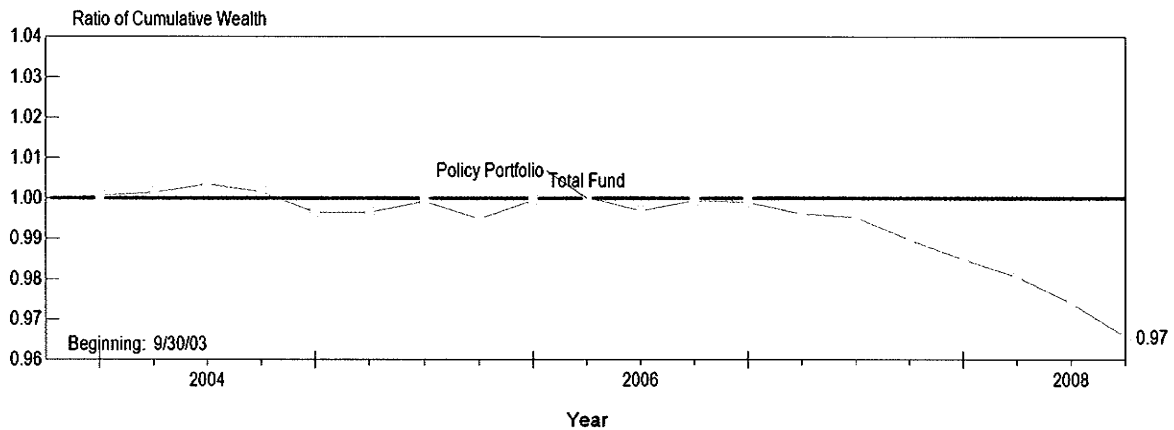
HISTORICAL RETURNS (BY YEAR)

	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 (9 months)	-16.5	-14.9	-1.6
Trailing 1-Year	-17.5 %	-15.4 %	-2.1
Trailing 3-Year	1.5	2.5	-1.0
Trailing 5-Year	5.8	6.6	-0.8
Trailing 10-Year	5.6	5.3	0.3

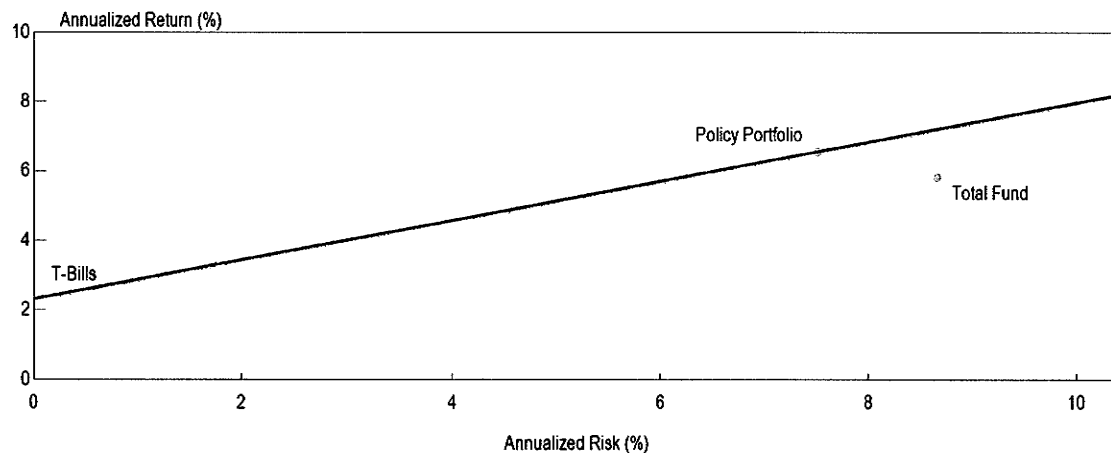
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

Third Quarter 2008

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 9/30/08**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 9/30/08**



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

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

TOTAL FUND

Third Quarter 2008

IMRS SCORES

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

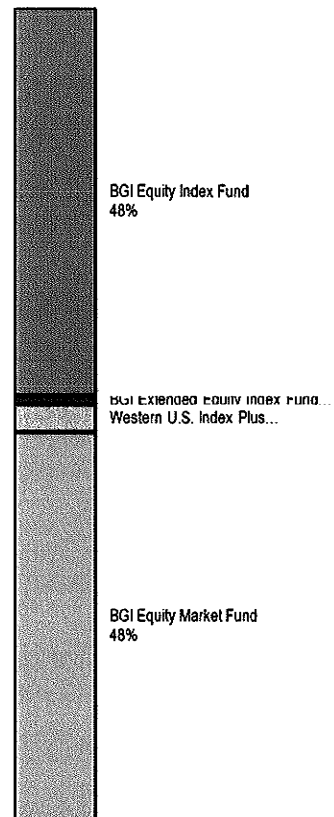
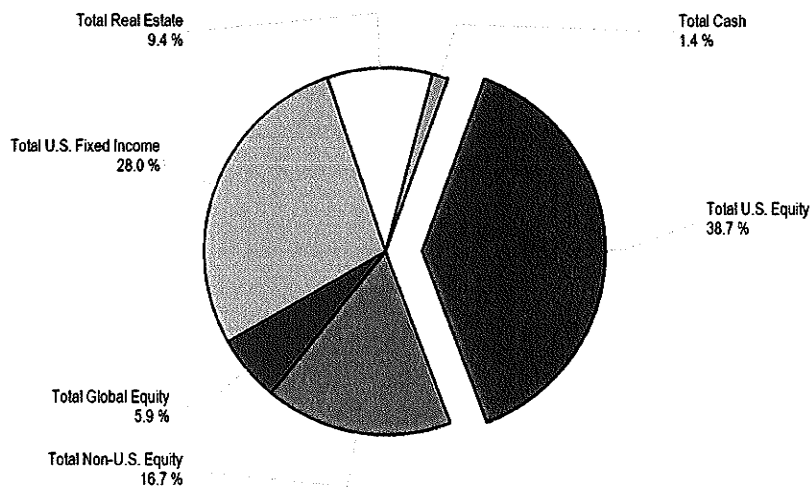
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$1,034.7 Million and 38.7% of Fund

Third Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 9/30/08

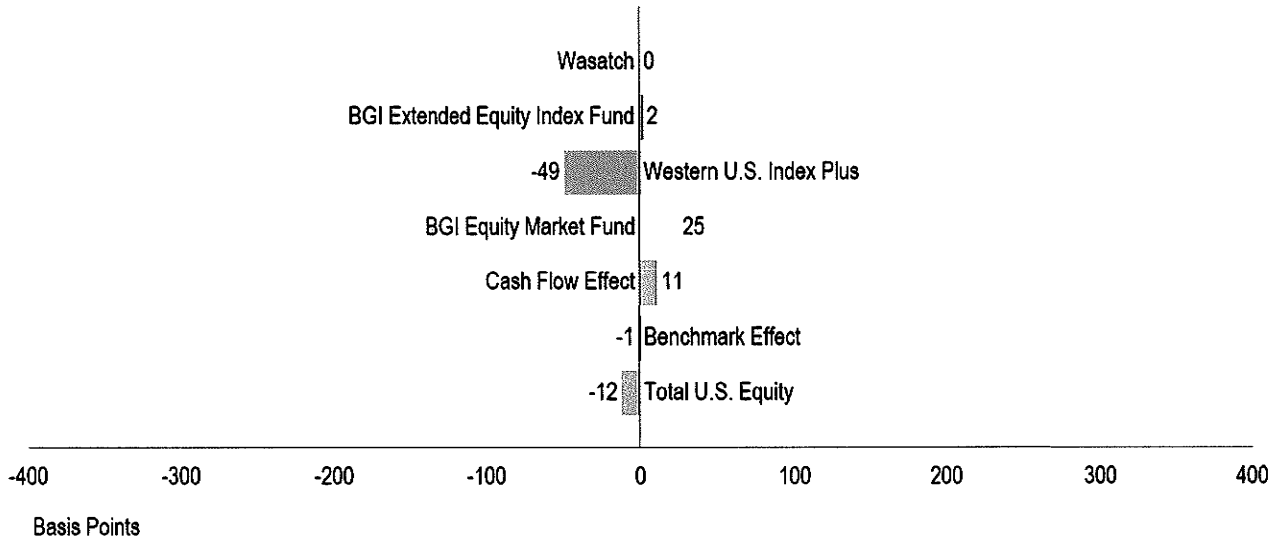


TOTAL U.S. EQUITY

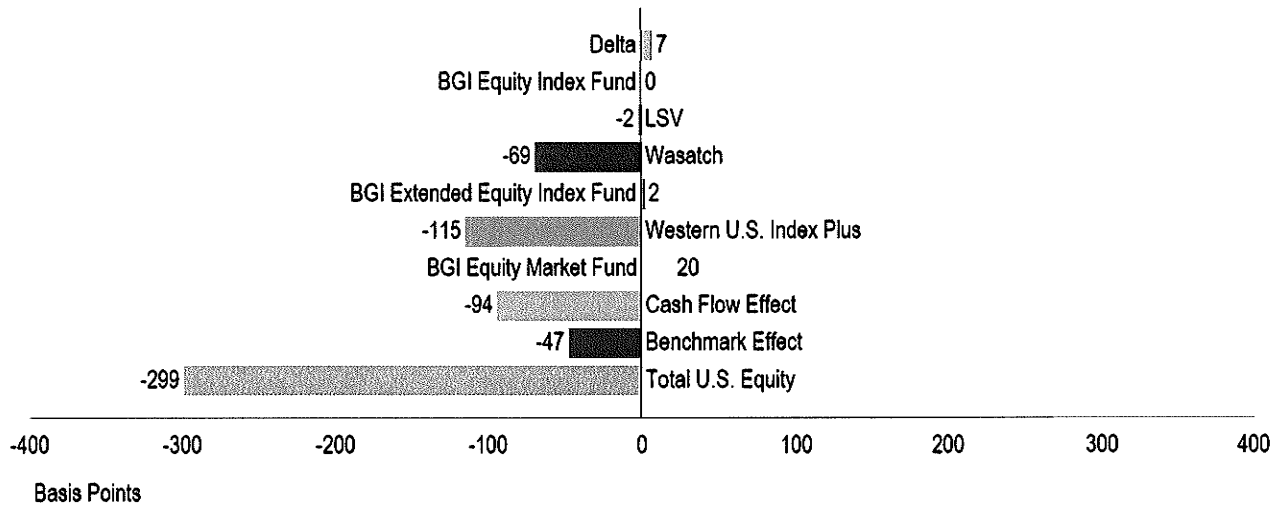
\$1,034.7 Million and 38.7% of Fund

Third Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/08



TOTAL U.S. EQUITY**\$1,034.7 Million and 38.7% of Fund****Third Quarter 2008****RETURN SUMMARY
ENDING 9/30/08**

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	5 Years Ending 9/30/08	10 Years Ending 9/30/08	Since Inception	Inception Date
Total U.S. Equity	-8.8%	-21.3%	-24.2%	-1.2%	4.6%	4.2%	7.8%	12/31/93
Performance Benchmark*	-8.7	-18.6	-21.3	0.4	5.8	3.9	8.4	
BGI Extended Equity Index Fund	-9.2	-16.2	-19.1	1.5	8.6	--	11.9	10/31/02
DJ Wilshire 4500 Index	-10.0	-17.1	-19.8	1.1	8.3	--	11.7	
Western U.S. Index Plus	-14.6	-32.3	-37.4	--	--	--	-30.8	5/31/07
S&P 500 Index	-8.4	-19.3	-22.0	--	--	--	-16.8	
BGI Equity Market Fund	-8.4	--	--	--	--	--	-15.9	5/31/08
DJ Wilshire 5000 Index	-8.7	--	--	--	--	--	-16.1	

Commentary on Investment Performance

During the third quarter, the collective return of the U.S. equity component declined 8.8% and marginally trailed the Performance Benchmark by 10 basis points. Underperformance was due to less-than-benchmark performance from Western. Somewhat offsetting the period's underperformance was above benchmark results from both BGI funds due to positive tracking compared to their respective benchmarks.

The U.S. equity component lagged the return of the Performance Benchmark by 2.9 percentage points over the trailing one-year period. Significant underperformance from Western was responsible for the component's below-benchmark return.

The U.S. equity portfolio's longer-term performance remains mixed. While the portfolio has outperformed its benchmark during the trailing ten-year period, it has underperformed over the trailing three- and five-year periods.

The attribution analysis on the previous page highlights each manager's contribution to the relative performance within VCERA's U.S. equity component over the past three-month and trailing one-year periods. The 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).

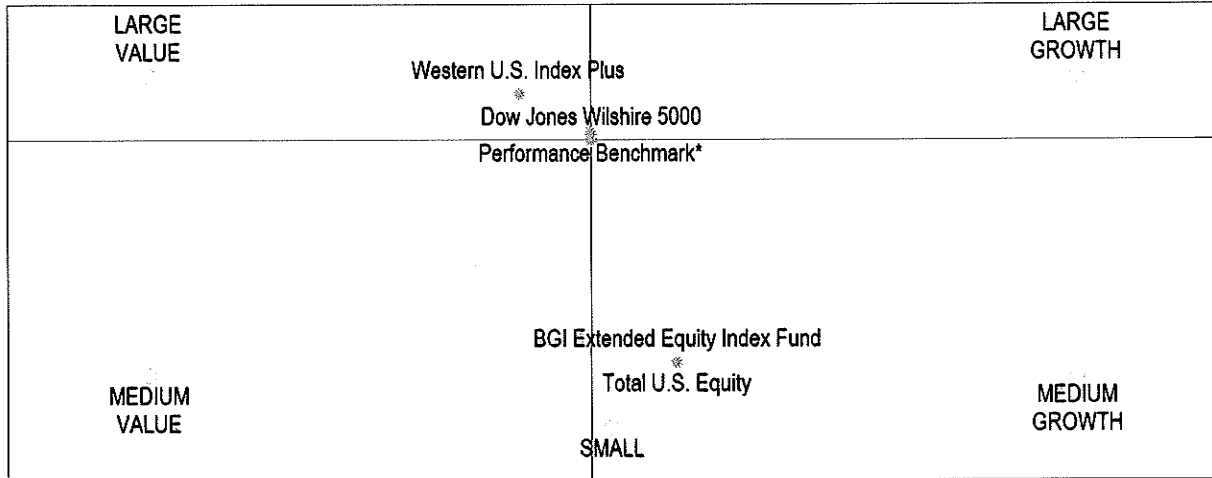
*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

TOTAL U.S. EQUITY

\$1,034.7 Million and 38.7% of Fund

Third Quarter 2008

EFFECTIVE STYLE MAP 5 YEARS ENDING 9/30/08



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.

BGI EXTENDED EQUITY INDEX FUND

\$19.7 Million and 0.7% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity Index Fund	-9.2%	80	-16.2%	66	-19.1%	52	1.5%	34	8.6%	37	11.9%	-	10/31/02
DJ Wilshire 4500 Index	-10.0	82	-17.1	70	-19.8	62	1.1	35	8.3	46	11.7	-	

Philosophy and Process

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

Commentary on Investment Performance

The BGI Extended Equity Index Fund experienced 80 basis points in positive tracking relative to the DJ Wilshire 4500 Index. During the third quarter, capital goods (-16.9%) and utilities (-16.5%) were the Index's worst performing sectors. Although the financial sector experienced a difficult market environment during the quarter, it was the best performing sector with a return of 10.4%.

The Fund has experienced positive tracking relative to the Index over longer-term trailing periods illustrated 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 (9 months)	-16.2	66	-17.1	70	0.9
Trailing 1-Year	-19.1%	52	-19.8%	62	0.7
Trailing 3-Year	1.5	34	1.1	35	0.4
Trailing 5-Year	8.6	37	8.3	46	0.3
Since Inception (10/31/02)	11.9	-	11.7	--	0.2

WESTERN U.S. INDEX PLUS

\$69.3 Million and 2.6% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western U.S. Index Plus	-14.6 %	84	-32.3 %	98	-37.4 %	99	-30.8 %	--	5/31/07
S&P 500 Index	-8.4	37	-19.3	46	-22.0	53	-16.8	--	

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 September 30, 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 6.4% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines. In addition, the portfolio held a 2.1% 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 generated a loss of 14.6% during the third quarter and trailed the S&P 500 Index by 6.2 percentage points. The Fund's performance suffered due to exposure to investment grade and high yield credit, as major financial institutions were rescued or declared bankruptcy resulting in severe price depreciation. The manager's holdings in local currency emerging market debt hampered performance, as spreads widened during investors' flight to quality. The Fund's losses were partially offset by an overweight allocation to the US Dollar and underweight allocations to the Euro and Pound Sterling. Additionally, the Fund's overweight duration stance and curve steepener positions proved favorable as short-term treasury rates plummeted.

Over the longer-term periods shown above, the Fund has significantly underperformed the S&P 500 Index. The portfolio's focus on lower quality bonds has detracted from performance, as spreads have continued to widen. Also detracting significantly from performance was the portfolio's emphasis on the financial sector.

WESTERN U.S. INDEX PLUS

\$69.3 Million and 2.6% of Fund

Third Quarter 2008

	Portfolio Allocation	
	\$MM	%
Sector Distribution:		
Treasury	\$0.0	0%
Agency	0.0	0
<i>Investment Grade Corporates</i>		
Finance	8.0	11
Industrial	4.3	6
Utilities	1.1	2
High Yield Corporates	4.8	7
Yankee	0.0	0
Asset-Backed	5.6	8
Mortgage-Backed	42.8	62
Foreign Bonds	1.2	2
Emerging Market Debt	1.7	2
Cash	-0.7	-1
Other (Derivatives)	0.5	1
Total	\$69.3	100.0%

	Portfolio Allocation	
	\$MM	%
Quality Distribution:		
Treasury/Agency	\$0.0	0%
Aaa/AAA	45.4	65
Aa/AA	2.5	4
A/A	6.8	10
Baa/BBB	9.7	14
BB/Ba	1.8	3
B	1.5	2
Below B	1.6	2
Total	\$69.3	100.0%

The tables above illustrate the portfolio characteristics of the Western U.S. Index Plus as of September 30, 2008.

BGI Equity Market Fund

\$945.6 Million and 35.3% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Since Inception	Inception Date
BGI Equity Market Fund	-8.4 %	-15.9 %	5/31/08
DJ Wilshire 5000 Index	-8.7	-16.1	

Philosophy and Process

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

Commentary on Investment Performance

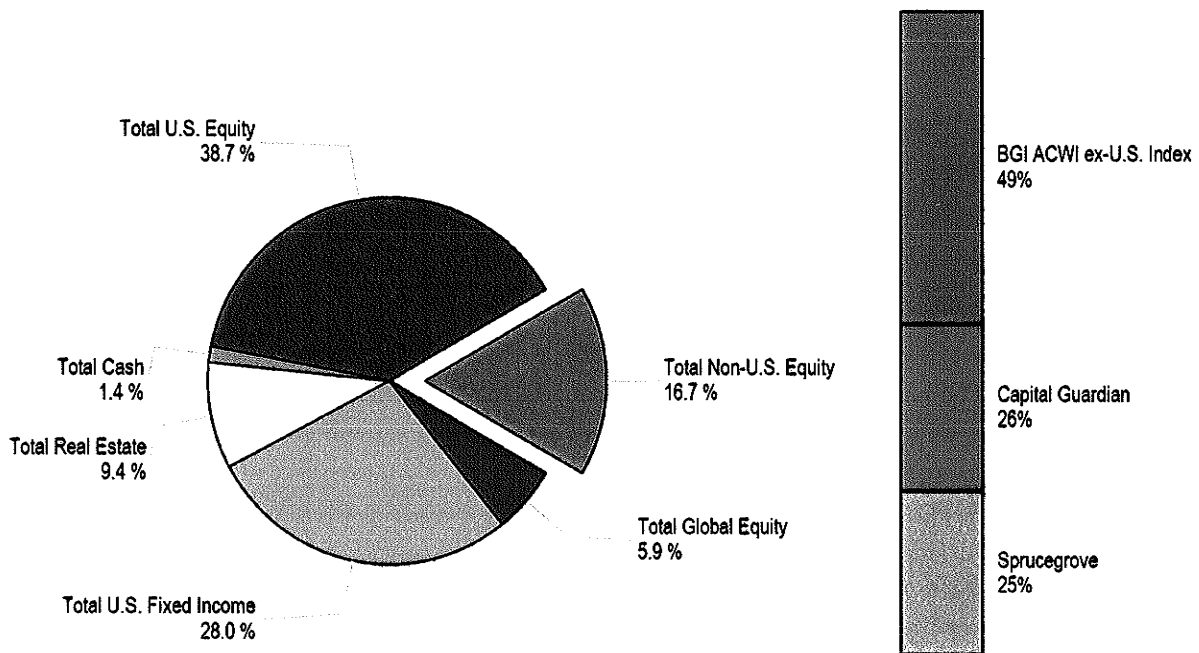
During the quarter, the Fund declined by 8.4% and experienced approximately 30 basis points of positive tracking compared to the DJ Wilshire 5000 Index.

Since the Fund's inception, it has approximated the return of the Index.

TOTAL NON-U.S. EQUITY
\$447.0 Million and 16.7% of Fund

Third Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 9/30/08

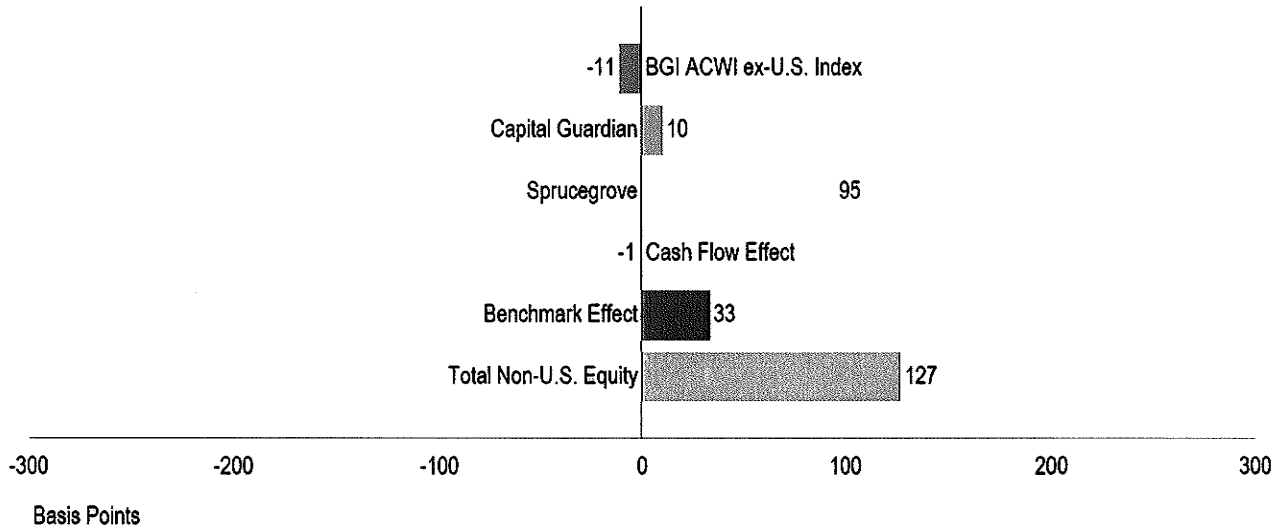


TOTAL NON-U.S. EQUITY

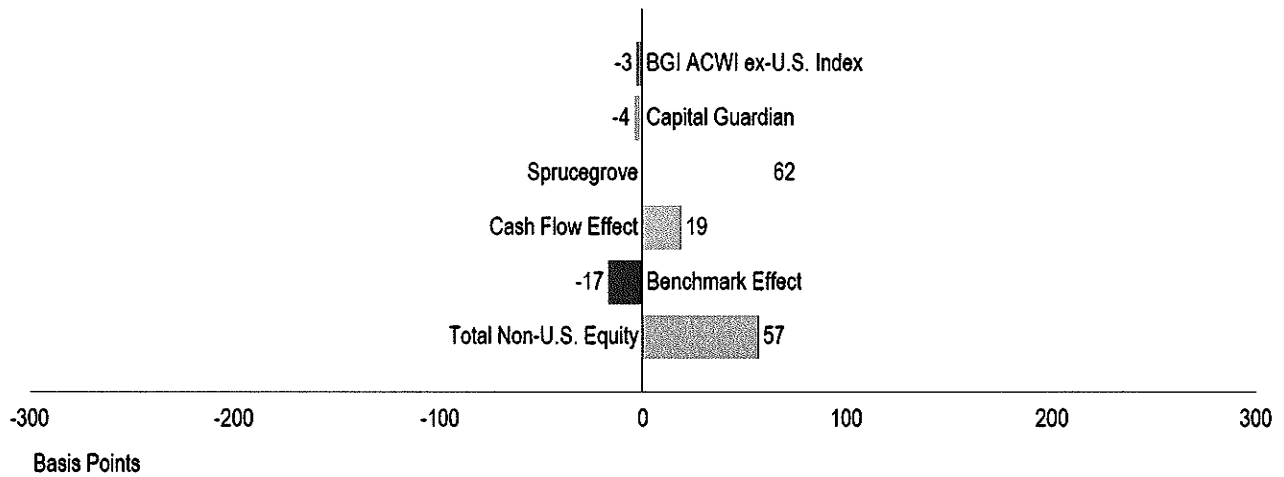
\$447.0 Million and 16.7% of Fund

Third Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/08



TOTAL NON-U.S. EQUITY

\$447.0 Million and 16.7% of Fund

Third Quarter 2008

RETURN SUMMARY

ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		10 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-20.6 %	53	-28.9 %	47	-29.7 %	53	2.0 %	53	10.1 %	54	6.7 %	62	7.4 %	38	3/31/94
Performance Benchmark*	-21.9	71	-29.9	63	-30.3	59	2.6	36	11.3	24	6.0	77	5.7	75	
BGI ACWI ex-U.S. Index	-22.1	54	-29.9	54	-30.3	43	--	--	--	--	--	--	-14.6	31	3/31/07
MSCI All Country World ex-U.S. Index	-21.9	50	-29.9	54	-30.3	43	--	--	--	--	--	--	-14.6	31	
Capital Guardian	-21.5	46	-30.2	58	-30.5	45	2.5	30	10.0	45	--	--	2.0	--	7/31/00
Performance Benchmark*	-21.9	50	-29.9	54	-30.3	43	2.6	28	11.3	29	--	--	3.0	--	
Sprucegrove	-16.6	18	-26.2	14	-28.1	25	1.8	43	10.5	33	--	--	9.2	24	3/31/02
MSCI EAFE Index	-20.6	38	-29.3	43	-30.5	46	1.1	51	9.7	54	--	--	7.2	52	

Commentary on Investment Performance

The non-U.S. equity portfolio declined 20.6% during the third quarter, but managed to save value relative to the MSCI All Country World ex-U.S. Index. Although negative in absolute terms, both of the portfolio's active managers experienced higher returns than their respective benchmarks. BGI incurred 20 basis points of negative tracking relative to the MSCI All Country World ex-U.S. Index.

Over the trailing one-year period, the collective return of the non-U.S. equity portfolio produced a loss of 29.7%, but saved approximately 60 basis points in value compared to its benchmark. Sprucegrove's return of -28.1% exceeded the return of the MSCI EAFE Index, while Capital Guardian modestly underperformed its benchmark by 20 basis points.

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

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

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

BGI ACWI ex-U.S. Index

\$217.4 Million and 8.1% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	-22.1%	54	-29.9%	54	-30.3%	43	-14.6%	31	3/31/07
MSCI All Country World ex-U.S. Index	-21.9	50	-29.9	54	-30.3	43	-14.6	31	

Philosophy and Process

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

Commentary on Investment Performance

The BGI ACWI ex-U.S. Index Fund fell 22.1% and experienced a negative tracking error relative to the MSCI All Country World ex-U.S. Index during the quarter.

The Fund has matched the returns of the MSCI All Country World ex-U.S. Index over all long-term periods, as expected.

Third Quarter 2008

**RETURN SUMMARY
ENDING 9/30/08**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-21.5%	46	-30.2%	58	-30.5%	45	2.5%	30	10.0%	45	2.0%	--	7/31/00
Performance Benchmark*	-21.9	50	-29.9	54	-30.3	43	2.6	28	11.3	29	3.0	--	

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

During the third quarter, the Capital Guardian non-U.S. equity portfolio's return of -21.5% exceeded that of the MSCI All Country World ex-U.S. Index by 0.4 percentage points. The largest contributor to performance was favorable stock selection in the information technology sector, specifically in Japan. The manager stated that holdings in this sector are expected to receive a boost from next-generation upgrades. An overweight allocation to consumer staples also aided performance, as holdings in consumer staples are traditionally seen as a safe haven in economic slowdown periods. In contrast, stock selection in the energy sector dragged on performance, as energy stocks suffered great losses during the quarter. Additionally, stock selection in the financial sector detracted from performance. Capital Guardian continues to hold an underweight position in this sector, as it believes financials will continue to contract.

Over the one-year period, Capital Guardian posted a loss of 30.5% and underperformed the MSCI All Country World ex-U.S. Index by 20 basis points. Poor stock selection in Germany and within the utilities and energy sectors contributed to the portfolio's underperformance. An overweight allocation to emerging markets and positive stock selection within the information technology sector somewhat offset the portfolio's underperformance.

The portfolio's longer-term performance is unfavorable, as Capital Guardian has trailed during all long-term periods illustrated above.

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

CAPITAL GUARDIAN

\$115.8 Million and 4.3% of Fund

Third Quarter 2008

COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 9/30/08

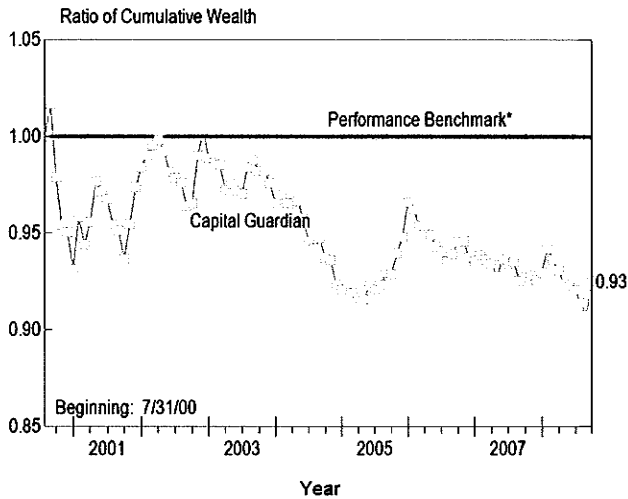
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.5 %	0.4 %	-41.2 %
Belgium	-	0.7	-31.8
Czech Republic*	-	0.2	-25.8
Denmark	-	0.7	-26.3
Finland	0.2	1.0	-27.3
France	13.5	8.1	-18.9
Germany	3.5	6.7	-20.6
Greece	-	0.5	-21.4
Hungary*	-	0.2	-19.1
Ireland	0.6	0.3	-42.2
Italy	0.1	2.8	-22.2
Netherlands	3.7	1.9	-21.1
Norway	1.1	0.6	-40.7
Poland*	0.3	0.3	-15.8
Portugal	-	0.2	-18.6
Russia*	1.5	1.5	-45.3
Spain	1.7	3.2	-17.2
Sweden	1.4	1.6	-22.8
Switzerland	8.6	5.8	-13.2
United Kingdom	11.0	16.0	-21.0
Asia/Pacific			
Australia	1.4 %	4.7 %	-26.6 %
China*	2.0	2.7	-25.2
Hong Kong	0.6	1.5	-22.9
India*	0.8	1.2	-13.9
Indonesia*	0.5	0.3	-26.3
Japan	20.2	16.4	-17.7
Korea*	2.5	2.4	-24.2
Malaysia*	0.4	0.5	-17.9
New Zealand	-	0.1	-16.8
Pakistan*	-	0.0	-36.2
Philippines*	0.1	0.1	3.1
Singapore	0.3	0.9	-22.2
Taiwan, China*	1.5	1.9	-25.3
Thailand*	0.2	0.3	-22.6
Americas			
Argentina*	-	0.1 %	-44.0 %
Brazil*	1.5 %	2.8	-37.9
Canada	5.9	7.4	-21.8
Chile*	0.2	0.3	-10.4
Colombia*	-	0.1	-8.4
Mexico*	3.8	1.0	-18.7
Peru*	-	0.1	-34.3
United States	0.1	-	-9.1
Other			
Egypt*	0.2 %	0.1 %	-27.5 %
Israel*	0.1	0.5	-15.4
Morocco*	-	0.1	-21.8
Jordan*	-	0.0	-13.2
Other Countries*	0.4	-	-
South Africa*	0.8	1.4	-16.5
Turkey*	0.1	0.3	-0.7
Cash			
Cash	8.7 %	-	-
Total	100.0 %	100.0 %	-21.9 %
Developed	74.4	81.5	
Emerging*	16.9	18.5	
Cash	8.7	-	

CAPITAL GUARDIAN

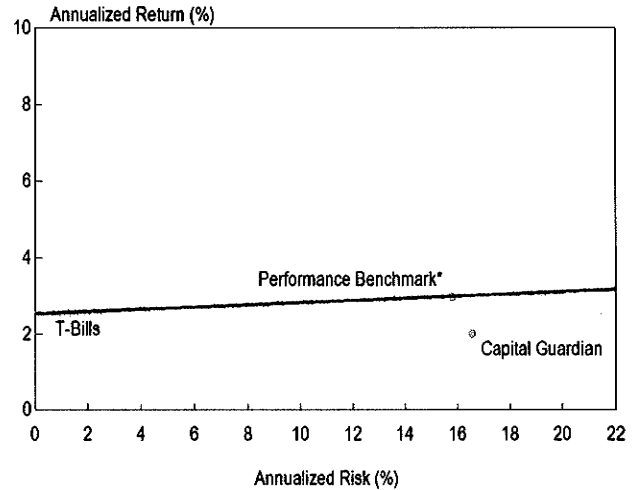
\$115.8 Million and 4.3% of Fund

Third Quarter 2008

RATIO OF CUMULATIVE WEALTH 8 YEARS 2 MONTHS ENDING 9/30/08



ANNUALIZED RISK RETURN 8 YEARS 2 MONTHS ENDING 9/30/08



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 20.2% France 13.5% United Kingdom 11.0% Switzerland 8.6% Canada 5.9%	Japan 16.4% United Kingdom 16.0% France 8.1% Canada 7.4% Germany 6.7%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$41.5 billion	N/A
Number of Holdings	213	1,910
Top 5 Holdings	CG Non-US Small Cap Fund Roche Nestle SABMiller BAE Systems	HSBC Holdings Nestle BP Total Toyota Motor Company
Sector Emphasis	Financials	Financials
Cash Allocation	8.7%	N/A
Annual Turnover	0.0%	N/A
Total Fund Assets	\$115.8 million	N/A
Inception Date	7/14/2000	N/A
Portfolio Manager	Team Approach	N/A

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

CAPITAL GUARDIAN

\$115.8 Million and 4.3% of Fund

Third Quarter 2008

HISTORICAL RETURNS (BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0%	—	-6.6%	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
2007	15.9	29	16.7	25	-0.8
2008 (9 months)	-30.2	58	-29.9	54	-0.3
Trailing 1-Year	-30.5%	45	-30.3%	43	-0.2
Trailing 3-Year	2.5	30	2.6	28	-0.1
Trailing 5-Year	10.0	45	11.3	29	-1.3
Since Inception (7/31/00)	2.0	—	3.0	--	-1.0

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

Third Quarter 2008

**RETURN SUMMARY
ENDING 9/30/08**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	-16.6%	18	-26.2%	14	-28.1%	25	1.8%	43	10.5%	33	9.2%	24	3/31/02
MSCI EAFE Index	-20.6	38	-29.3	43	-30.5	46	1.1	51	9.7	54	7.2	52	

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

Although negative in absolute terms, Sprucegrove's third quarter return of -16.6% surpassed that of the MSCI EAFE Index by 4.0 percentage points. The Fund primarily benefited from strong stock selection in the industrials, materials, and consumer discretionary sectors. Conversely, stock selection in the financial sector hindered performance. In country terms, favorable stock selection in Japan and the U.K. aided performance. Performance was somewhat offset by an overweight position in Ireland.

Sprucegrove returned -28.1% over the trailing one-year period and exceeded the return of the Index by 2.4 percentage points. The Fund's relative out-performance to the Index was a result of strong stock selection in the industrials sector. From a country perspective, positive stock selection in Japan and Hong Kong was partially offset by stock selection in the U.K.

Long-term performance remains favorable as Sprucegrove has outperformed the MSCI EAFE Index over all long-term periods shown above.

SPRUCEGROVE

\$113.8 Million and 4.3% of Fund

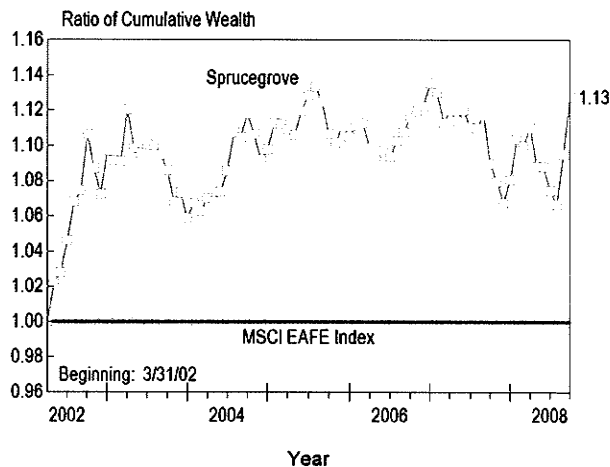
Third Quarter 2008

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 9/30/08

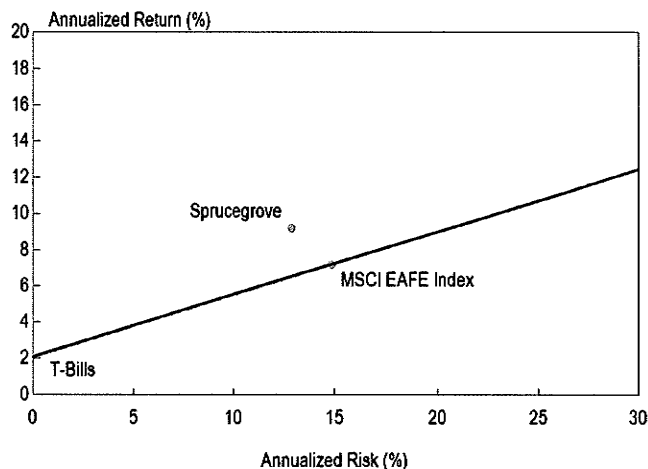
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	—	0.5 %	-41.2 %
Belgium	—	0.9	-31.8
Czech Republic*	—	0.0	-25.8
Denmark	0.3 %	1.0	-26.3
Finland	0.3	1.4	-27.3
France	3.8	11.0	-18.9
Germany	3.6	9.0	-20.6
Greece	0.5	0.7	-21.4
Hungary*	1.3	0.0	-19.1
Ireland	5.8	0.4	-42.2
Italy	3.2	3.7	-22.2
Netherlands	2.3	2.5	-21.1
Norway	0.1	0.9	-40.7
Poland*	—	0.0	-15.8
Portugal	—	0.3	-18.6
Russia*	—	0.0	-45.3
Spain	1.8	4.3	-17.2
Sweden	—	2.1	-22.8
Switzerland	12.4	7.9	-13.2
United Kingdom	20.4	21.7	-21.0
Asia/Pacific			
Australia	1.2 %	6.3 %	-26.6 %
China*	—	0.0	-25.2
Hong Kong	5.2	2.1	-22.9
India*	2.2	0.0	-13.9
Indonesia*	—	0.0	-26.3
Japan	15.4	22.1	-17.7
Korea*	3.2	0.0	-24.2
Malaysia*	0.6	0.0	-17.9
New Zealand	—	0.1	-16.8
Pakistan*	—	0.0	-36.2
Philippines*	—	0.0	3.1
Singapore	4.5	1.2	-22.2
Sri Lanka*	—	0.0	0.0
Taiwan, China*	—	0.0	-25.3
Thailand*	—	0.0	-22.6
Americas			
Argentina*	—	0.0 %	-44.0 %
Brazil*	1.3 %	0.0	-37.9
Canada	2.6	0.0	-21.8
Chile*	—	0.0	-10.4
Colombia*	—	0.0	-8.4
Mexico*	4.4	0.0	-18.7
Peru*	—	0.0	-34.3
United States	—	0.0	-9.1
Venezuela*	—	0.0	0.0
Other			
Egypt*	—	0.0 %	-27.5 %
Israel*	—	0.0	-15.4
Morocco*	—	0.0	-21.8
Jordan*	—	0.0	-13.2
Other Countries*	—	0.0	0.0
South Africa*	0.9 %	0.0	-16.5
Turkey*	—	0.0	-0.7
Cash			
Cash	2.7 %	0.0 %	—
Total	100.0 %	100.0 %	-20.6 %
Developed	83.3	100.0	
Emerging*	14.0	0.0	
Cash	2.7	0.0	

Third Quarter 2008

**RATIO OF CUMULATIVE WEALTH
6 YEARS 6 MONTHS ENDING 9/30/08**



**ANNUALIZED RISK RETURN
6 YEARS 6 MONTHS ENDING 9/30/08**



	Sprucegrove	MSCI EAFE
Country Emphasis	United Kingdom 20.4% Japan 15.4% Switzerland 12.4% Ireland 5.8% Hong Kong 5.2%	Japan 22.1% United Kingdom 21.7% France 11.0% Germany 9.0% Switzerland 7.9%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$26.6 billion	N/A
Number of Holdings	106	1,022
Top 5 Holdings	Nestle Novartis Total HSBC Holdings CLP Holdings	HSBC Holdings Nestle BP Total Toyota Motor Company
Sector Emphasis	Consumer Discretionary	Financials
Cash Allocation	2.7%	N/A
Annual Turnover	10.0%	N/A
Total Fund Assets	\$113.8 million	N/A
Inception Date	4/1/2002	N/A
Portfolio Manager	Team Approach	N/A

SPRUCEGROVE

\$113.8 Million and 4.3% of Fund

Third Quarter 2008

HISTORICAL RETURNS (BY YEAR)

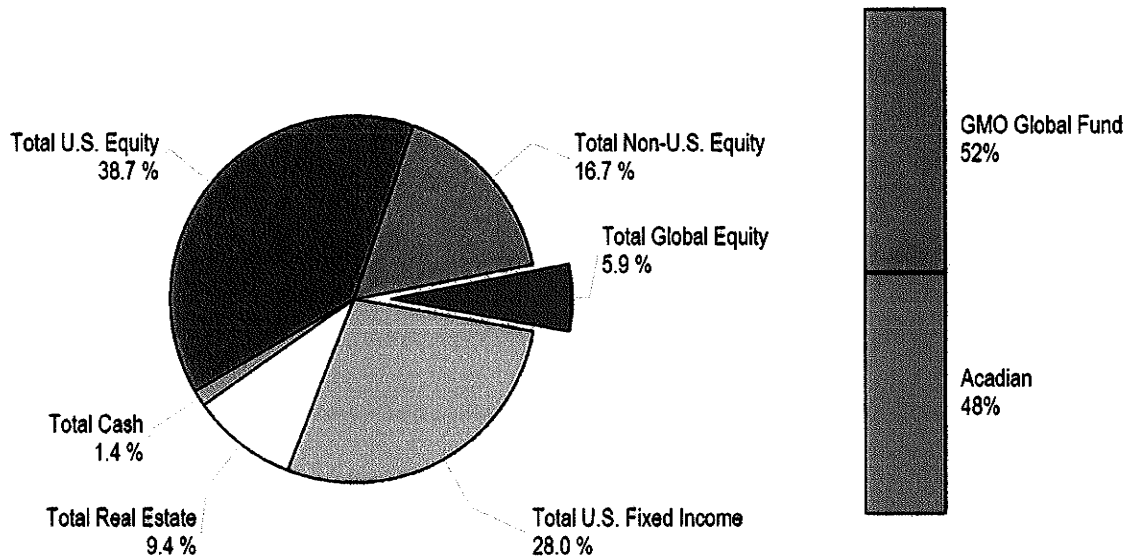
	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.5	69	0.8
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008 (9 months)	-26.2	14	-29.3	43	3.1
Trailing 1-Year	-28.1%	25	-30.5%	46	2.4
Trailing 3-Year	1.8	43	1.1	51	0.7
Trailing 5-Year	10.5	33	9.7	54	0.8
Since Inception (3/31/02)	9.2	24	7.2	52	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
\$157.2 Million and 5.9% of Fund

Third Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 9/30/08

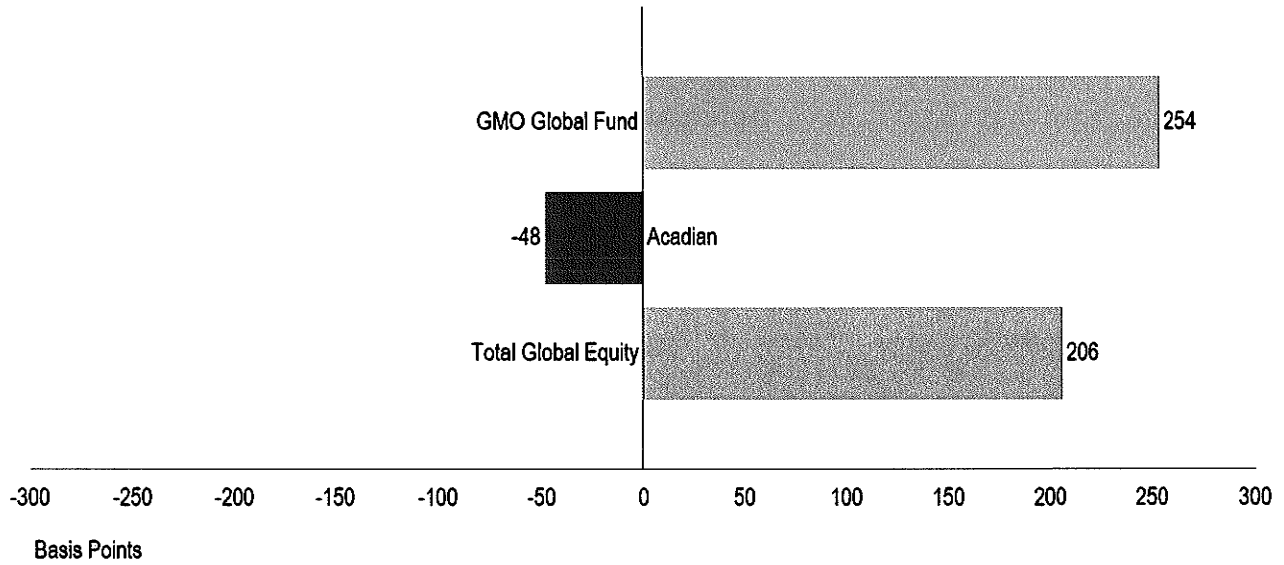


TOTAL GLOBAL EQUITY

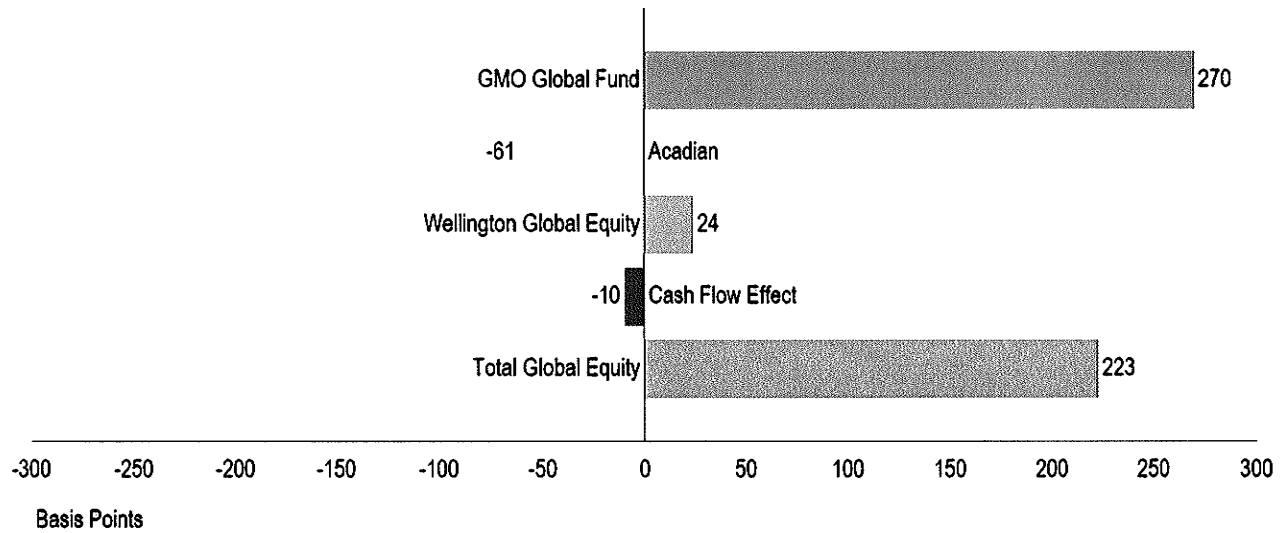
\$157.2 Million and 5.9% of Fund

Third Quarter 2008

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/08



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/08



TOTAL GLOBAL EQUITY
\$157.2 Million and 5.9% of Fund

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-14.5 %	30	-24.1 %	32	-24.6 %	24	3.8 %	--	4/30/05
MSCI All Country World Index	-16.6	49	-25.5	45	-26.9	45	4.2	--	
GMO Global Fund	-11.6	16	-20.3	7	-21.5	9	5.3	--	4/30/05
MSCI All Country World Index	-16.6	49	-25.5	45	-26.9	45	4.2	--	
Acadian	-17.6	54	--	--	--	--	-24.7	--	5/31/08
MSCI All Country World Index	-16.6	49	--	--	--	--	-23.5	--	

Commentary on Investment Performance

The collective return of the global equity portfolio declined 14.5% during the quarter and surpassed the return of the MSCI All Country World Index by 2.1 percentage points. GMO contributed positively to the portfolio's relative outperformance, while Acadian partially offset performance.

The portfolio's trailing one- year return of -24.6% saved approximately 2.3 percentage points in value relative to the Index. Above benchmark returns from GMO and Wellington, prior to being terminated, contributed to the portfolio's relative outperformance.

Over the since-inception period, the global equity portfolio has trailed the MSCI All Country World Index by 40 basis points. While GMO has outperformed its benchmark during this period, Wellington's prior performance has detracted results.

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

GMO

\$82.1 Million and 3.1% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	-11.6%	16	-20.3%	7	-21.5%	9	2.5%	23	5.3%	--	4/30/05
MSCI All Country World Index	-16.6	49	-25.5	45	-26.9	45	1.3	34	4.2	--	

Philosophy and Process

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

Commentary on Investment Performance

During the third quarter, the GMO Global Equity Allocation Fund decreased by 11.6%, surpassing the return of the MSCI All Country World Index by 5.0 percentage points. GMO's asset allocation decisions contributed the most to relative outperformance, while implementation decisions also saved value. In terms of asset allocation, owning a small amount of fixed income aided performance as equity markets across the board experienced significant losses. Holding a significant cash allocation, 9.7%, also favored performance. With respect to implementation, the U.S. Quality Strategy was the largest contributor to performance, as this strategy only holds U.S. companies with low leverage and does not hold any financial companies. GMO continues to hold a significant allocation to U.S. Quality, as it believes U.S. quality companies will be able to better preserve their profitability in the current challenging market conditions. The Fund's worst performing strategies included the Emerging Market Opportunities and International Growth Equity strategies.

Over all long-term periods shown above, the Fund has outperformed the MSCI All Country World Index.

Third Quarter 2008

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 9/30/08

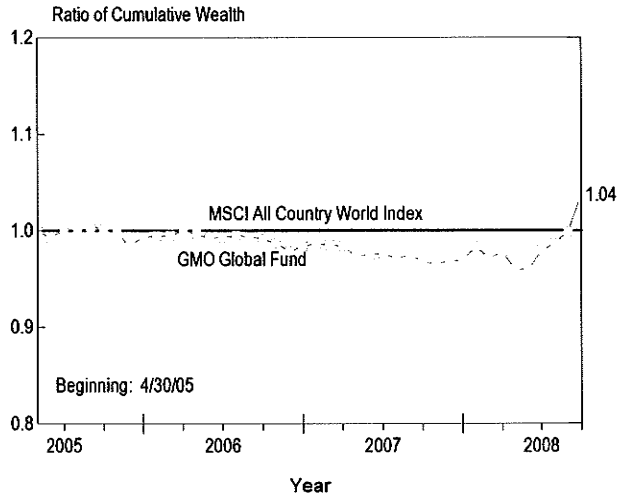
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.2 %	-41.2 %
Belgium	0.2 %	0.4	-31.8
Czech Republic*	--	0.1	-25.8
Denmark	0.3	0.4	-26.3
Finland	0.8	0.6	-27.3
France	4.3	4.5	-18.9
Germany	3.1	3.7	-20.6
Greece	0.1	0.3	-21.4
Hungary*	0.2	0.1	-19.1
Ireland	0.1	0.2	-42.2
Italy	1.0	1.5	-22.2
Netherlands	0.9	1.0	-21.1
Norway	0.4	0.4	-40.7
Poland*	0.1	0.2	-15.8
Portugal	--	0.1	-18.6
Russia*	0.8	0.9	-45.3
Spain	0.6	1.7	-17.2
Sweden	0.4	0.9	-22.8
Switzerland	3.1	3.2	-13.2
United Kingdom	7.3	8.8	-21.0
Asia/Pacific			
Australia	1.2 %	2.6 %	-26.6 %
China*	0.6	1.5	-25.2
Hong Kong	0.7	0.8	-22.9
India*	0.1	0.7	-13.9
Indonesia*	--	0.2	-26.3
Japan	8.4	9.0	-17.7
Korea*	1.7	1.3	-24.2
Malaysia*	0.2	0.3	-17.9
New Zealand	--	0.0	-16.8
Pakistan*	0.1	0.0	-36.2
Philippines*	0.1	0.1	3.1
Singapore	0.9	0.5	-22.2
Taiwan, China*	1.0	1.0	-25.3
Thailand*	0.5	0.1	-22.6
Americas			
Argentina*	--	0.1 %	-44.0 %
Brazil*	1.4 %	1.5	-37.9
Canada	1.0	4.1	-21.8
Chile*	--	0.1	-10.4
Colombia*	--	0.1	-8.4
Mexico*	0.2	0.6	-18.7
Peru*	--	0.1	-34.3
United States	47.3	45.2	-9.1
Other			
Egypt*	0.2 %	0.1 %	-27.5 %
Israel*	0.2	0.3	-15.4
Morocco*	--	0.0	-21.8
Jordan*	--	0.0	-13.2
Other Countries*	0.2	--	--
South Africa*	0.5	0.8	-16.5
Turkey*	0.6	0.2	-0.7
Cash			
Cash	9.2 %	--	--
Total	100.0 %	100.0 %	-16.6 %
Developed	82.1	89.9	
Emerging*	8.7	10.1	
Cash	9.2	--	

GMO

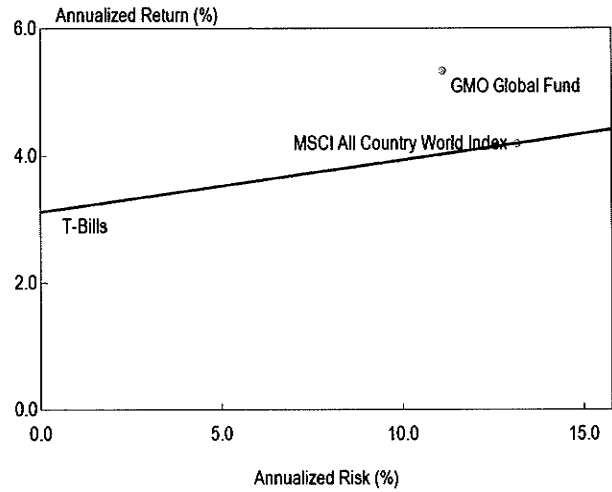
\$82.1 Million and 3.1% of Fund

Third Quarter 2008

RATIO OF CUMULATIVE WEALTH 3 YEARS 5 MONTHS ENDING 9/30/08



ANNUALIZED RISK RETURN 3 YEARS 5 MONTHS ENDING 9/30/08



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 (9 months)	-20.3	7	-25.5	45	5.2
Trailing 1-Year	-21.5%	9	-26.9%	45	5.4
Trailing 3-Year	2.5	23	1.3	34	1.2
Since Inception (4/30/05)	5.3	--	4.2	--	1.1

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Acadian	-17.6%	54	-24.7%	-	5/31/08
MSCI All Country World Index	-16.6	49	-23.5	-	

Philosophy and Process

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

Commentary on Investment Performance

The Acadian Global with Opportunistic Shorting Fund's return of -17.6% trailed that of the MSCI All Country World Index by 1.0 percentage point during the quarter. The Fund's overweight positions in Japan, U.S., and Russia impeded performance. Additionally, unfavorable stock selection in Australia and the Netherlands dragged on performance. In contrast, strong stock selection and an underweight position in Norway and Canada proved beneficial for the Fund.

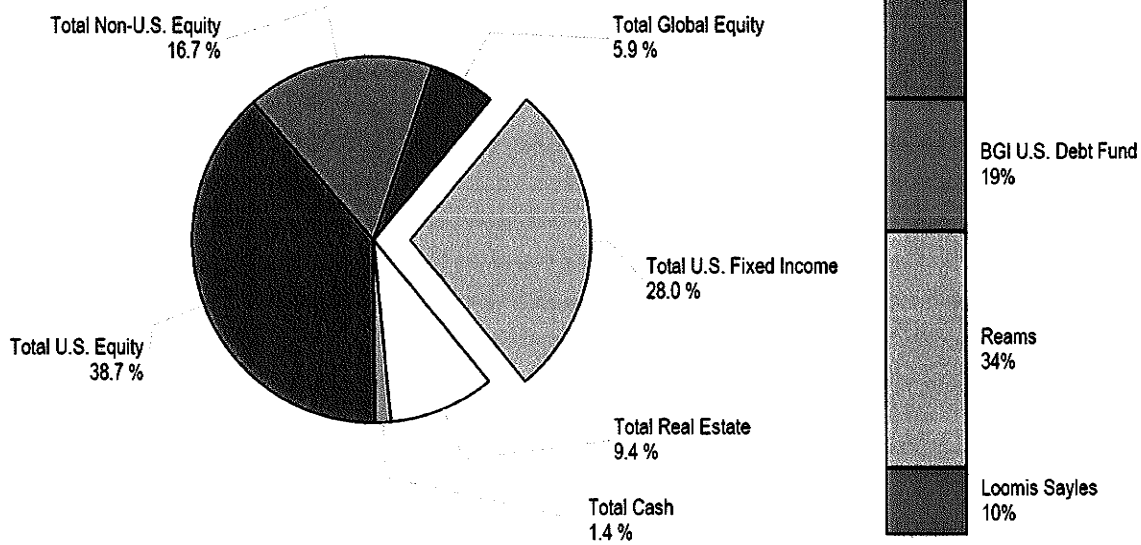
Since the Fund's inception, it has trailed the Index by 1.2 percentage points.

TOTAL U.S. FIXED INCOME

\$749.3 Million and 28.0% of Fund

Third Quarter 2008

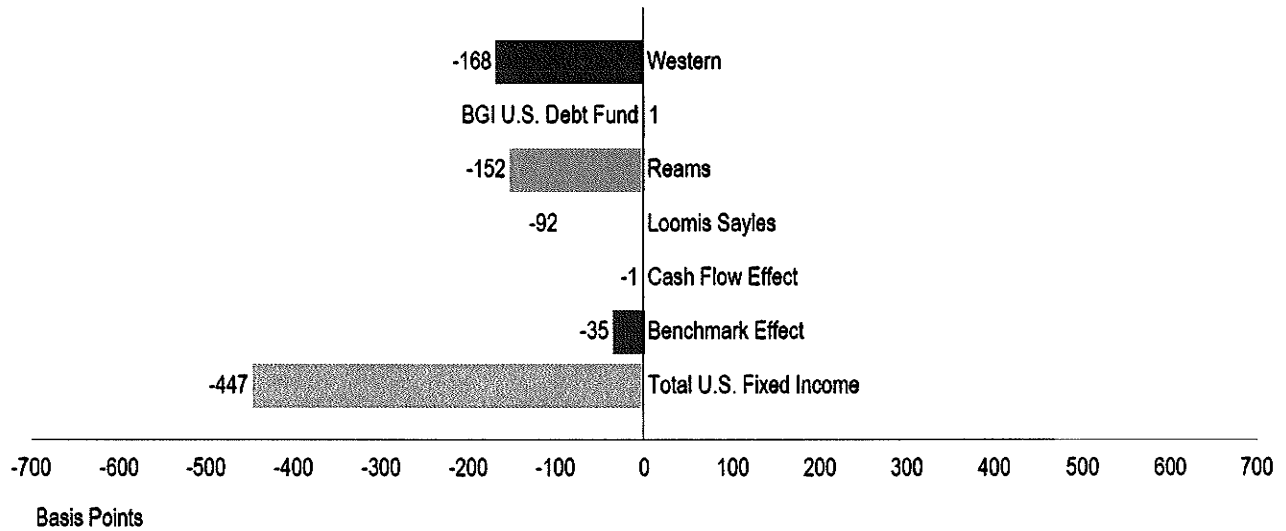
ASSET ALLOCATION ACTUAL AS OF 9/30/08



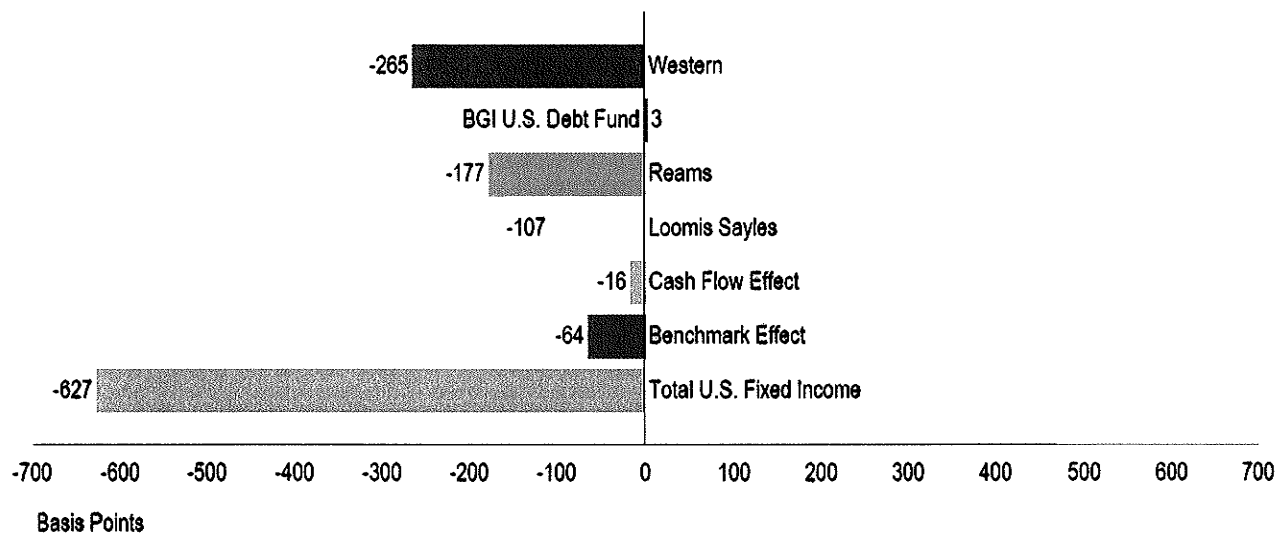
TOTAL U.S. FIXED INCOME
\$749.3 Million and 28.0% of Fund

Third Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 9/30/08



TOTAL U.S. FIXED INCOME

\$749.3 Million and 28.0% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		10 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	-5.0 %	85	-5.0 %	77	-2.6 %	70	2.3 %	67	3.1 %	61	4.8 %	--	5.6 %	--	2/28/94
LB Aggregate Bond Index	-0.5	4	0.6	9	3.7	10	4.2	8	3.8	20	5.2	--	6.1	--	
Western	-5.0	86	-5.5	84	-3.4	82	1.5	86	3.1	61	5.1	27	5.9	23	12/31/96
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	5.2	20	5.9	18	
BGI U.S. Debt Fund	-0.5	22	0.8	21	3.8	17	4.2	12	3.8	21	5.2	15	5.9	--	11/30/95
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	5.2	20	5.8	--	
Reams	-5.0	86	-4.4	76	-1.6	71	3.1	49	3.5	41	--	--	4.1	65	9/30/01
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	--	--	4.7	21	
Loomis Sayles	-12.6	99	-14.1	99	-12.5	99	0.0	96	--	--	--	--	0.2	--	7/31/05
Performance Benchmark	-3.9	76	-3.7	71	-2.5	76	3.0	53	--	--	--	--	2.7	--	

Commentary on Investment Performance

The U.S. Fixed Income component declined 5.0% during the quarter and trailed the Lehman Brothers Aggregate Bond Index by 4.5 percentage points. All active underlying managers contributed negatively to the component's return, as Loomis Sayles performed the worst on an absolute basis. BGI U.S. Equity Debt Fund matched the returns of the Index, as expected.

The component returned -2.6% over the trailing one-year period and lagged the Lehman Brothers Aggregate Bond Index by 6.3 percentage points. Underperformance was a result of below benchmark returns from all the underlying active managers.

Over longer-term periods shown above, the component has underperformed the Lehman Brothers Aggregate Bond 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).

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		10 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	-5.0 %	86	-5.5 %	84	-3.4 %	82	1.5 %	86	3.1 %	61	5.1 %	27	5.9 %	23	12/31/96
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	5.2	20	5.9	18	

Philosophy and Process

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

Manager Monitoring

As of September 30, 2008, Western reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 1.02% allocation to Ford and a 1.05% allocation to GMAC, both are rated below investment grade. VCERA's account guidelines allow for a maximum of 1% to any one holding rated below investment grade.

Commentary on Investment Performance

During the third quarter, Western produced a loss of 5.0%, lagging the Lehman Brothers Aggregate Bond Index by 4.5 percentage points. A main factor in the Fund's underperformance was its emphasis on financial issues. Also impeding performance was the Fund's exposure to TIPS as oil prices continued to decline. Allocation to high-yield bonds dragged on performance as the financial sector was under extreme pressure. Somewhat mitigating losses was the Fund's overweight allocation to agency mortgage-backed securities.

The Fund's trailing one-year return of -3.4% underperformed that of the Index by 7.1 percentage points. The primary detractor from performance was the Fund's focus on lower-quality credits and financial issues, as spreads continued to widen during the subprime lending crisis. Overweight exposure to the mortgage-backed sector also hindered returns.

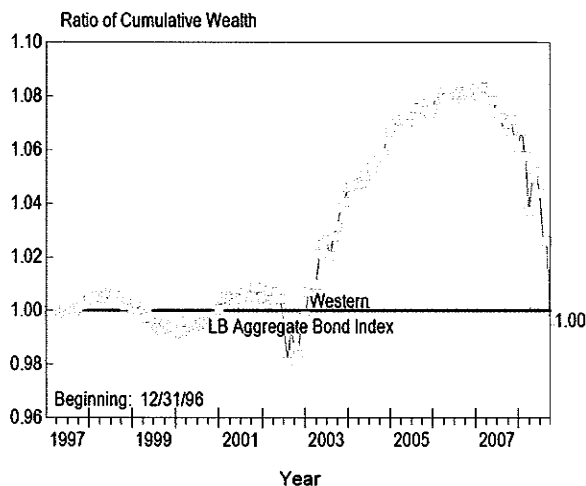
All of Western's long-term performance as illustrated above has been unfavorable relative to its benchmark, with the exception of the since inception period.

WESTERN

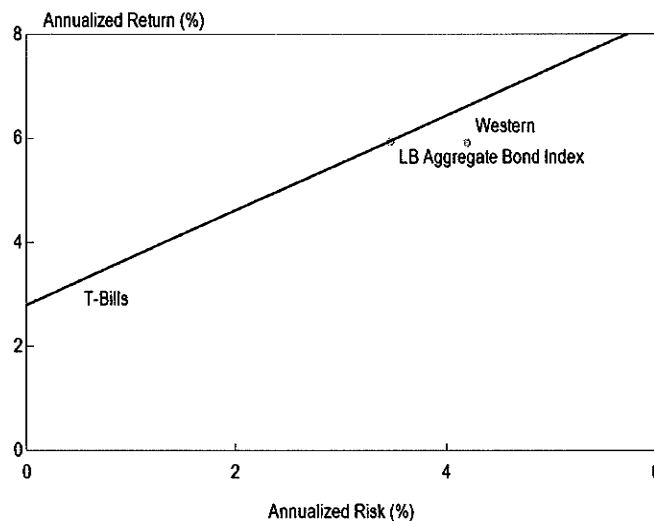
\$278.7 Million and 10.4% of Fund

Third Quarter 2008

**RATIO OF CUMULATIVE WEALTH
11 YEARS 9 MONTHS ENDING 9/30/08**



**ANNUALIZED RISK RETURN
11 YEARS 9 MONTHS ENDING 9/30/08**



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 6/30/08	% at 9/30/08	% at 9/30/2008	Third Quarter Return
Sector Weightings:				
Treasury/Agency	5%	4%	33%	1.9%
Corporate	31	29	22	(6.4)
Mortgage-Backed Securities	60	62	40	1.9
Commercial Mortgage-Backed Securities	0	0	4	(5.8)
Asset-Backed	1	1	1	(3.7)
Foreign Bonds	2	3	--	--
Other	--	--	--	--
Cash & Equiv.	1	1	--	--
Total	100 %	100 %	100 %	(0.5%)
Average Duration	5.4 years	4.7 years	4.5 years	--

Third 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 (9 months)	-5.5	84	0.6	22	-6.1
Trailing 1-Year	-3.4%	82	3.7%	20	-7.1
Trailing 3-Year	1.5	86	4.2	15	-2.7
Trailing 5-Year	3.1	61	3.8	22	-0.7
Trailing 10-Year	5.1	27	5.2	20	-0.1
Since Inception (12/31/96)	5.9	23	5.9	18	0.0

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

BGI U.S. DEBT FUND

\$143.5 Million and 5.4% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		10 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	-0.5%	22	0.8%	21	3.8%	17	4.2%	12	3.8%	21	5.2%	15	5.9%	--	11/30/95
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	5.2	20	5.8	--	

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 matched the Lehman Brothers Aggregate Bond Index return of -0.5% during the third quarter.

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

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 (9 months)	0.8	21	0.6	22	0.2
Trailing 1-Year	3.8%	17	3.7%	20	0.1
Trailing 3-Year	4.2	12	4.2	15	0.0
Trailing 5-Year	3.8	21	3.8	22	0.0
Trailing 10-Year	5.2	15	5.2	20	0.0
Since Inception (11/30/95)	5.9	--	5.8	--	0.1

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter		Year-To-Date		1 Year Ending 9/30/08		3 Years Ending 9/30/08		5 Years Ending 9/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	-5.0 %	86	-4.4 %	76	-1.6 %	71	3.1 %	49	3.5 %	41	4.1 %	65	9/30/01
LB Aggregate Bond Index	-0.5	23	0.6	22	3.7	20	4.2	15	3.8	22	4.7	21	

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 third quarter, the Reams Core-Plus portfolio declined 5.0%, underperforming the Lehman Brothers Aggregate Bond Index by 4.5 percentage points. The portfolio was hurt by sector selection, as holdings within CMBS and high yield detracted significantly from performance. Holdings in investment grade credit also subtracted from returns, as spreads widened throughout the quarter. An underweight allocation to MBS proved to be unfavorable as spreads narrowed. On a positive note, the portfolio's duration strategy and government related holdings added relative value.

Over the trailing one-year period, Reams has underperformed the Lehman Brothers Aggregate Bond Index by 5.3 percentage points. Sector selection was the primary detractor of performance. In particular, holdings in investment grade credit, high yield, and MBS hampered returns as de-leveraging continued to weigh down on the credit markets.

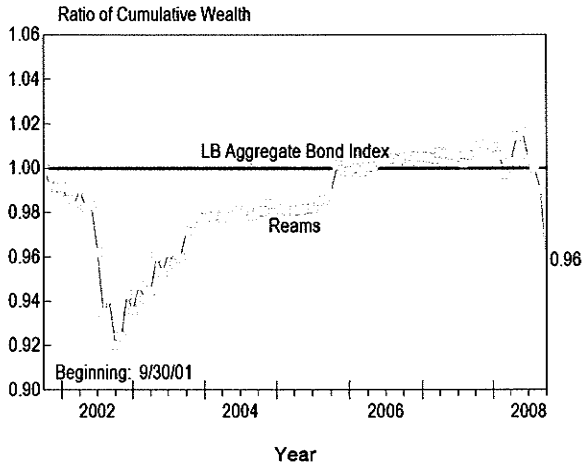
The portfolio continues to be significantly overweight in CMBS and corporate sectors. The manager believes that CMBS holdings have very low delinquency rates and have low risk of incurring any underlying losses, thus having an overweight allocation is seen as quite beneficial in the long-term. Additionally, the manager notes that spreads experienced in the financial and industrial sectors are well higher than historical extremes. During the quarter, overweight allocations to CMBS and corporate sectors were increased.

REAMS

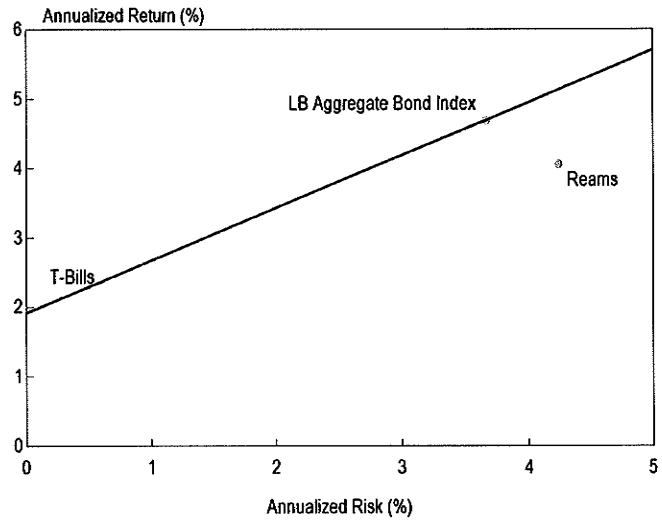
\$255.4 Million and 9.5% of Fund

Third Quarter 2008

**RATIO OF CUMULATIVE WEALTH
7 YEARS ENDING 9/30/08**



**ANNUALIZED RISK RETURN
7 YEARS ENDING 9/30/08**



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

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 6/30/08	% at 9/30/08	% at 9/30/08	Third Quarter Return
Sector Weightings:				
Treasury/Agency	1%	0%	33%	1.9%
Corporate	39	53	22	(6.4)
Mortgage-Backed Securities	58	39	40	1.9
Commercial Mortgage-Backed Securities	0	0	4	(5.8)
Asset-Backed	1	4	1	(3.7)
Foreign Bonds	--	--	--	--
Other	0	0	--	--
Cash & Equiv.	1	4	--	--
Total	100 %	100 %	100 %	(0.5%)
Average Duration	4.6 years	4.8 years	4.5 years	--

Third 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 (9 months)	-4.4	76	0.6	22	-5.0
Trailing 1-Year	-1.6%	71	3.7%	20	-5.3
Trailing 3-Year	3.1	49	4.2	15	-1.1
Trailing 5-Year	3.5	41	3.8	22	-0.3
Since Inception (9/30/01)	4.1	65	4.7	21	-0.6

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

LOOMIS SAYLES

\$71.7 Million and 2.7% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	Since Inception	Inception Date
Loomis Sayles	-12.6 %	-14.1 %	-12.5 %	0.0 %	0.2 %	7/31/05
Performance Benchmark	-3.9	-3.7	-2.5	3.0	2.7	
LB Aggregate Bond Index	-0.5	0.6	3.7	4.2	4.0	

Philosophy and Process

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

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

Commentary on Investment Performance

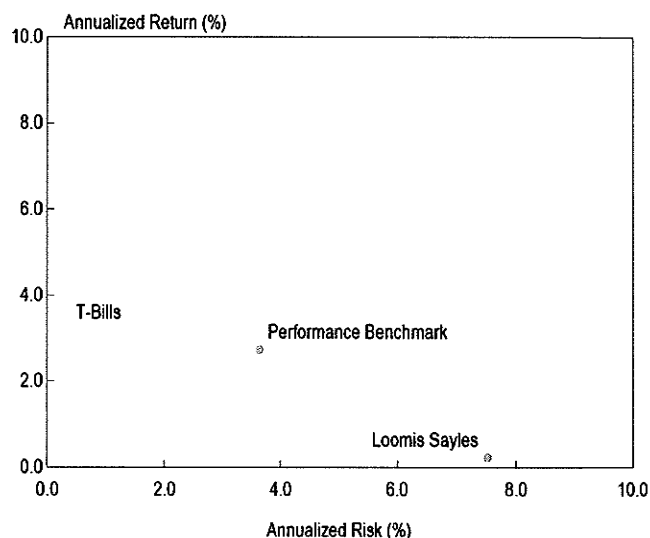
Loomis Sayles returned -12.6% during the third quarter, significantly underperforming the Performance Benchmark. The portfolio's significant overweight allocation to U.S. investment grade and non-U.S. high yield sectors relative to the Performance Benchmark, impeded the portfolio's return. Loomis Sayles underweight allocation to the MBS sector further detracted from performance. Modestly adding value was holdings in the U.S. high yield sector, as this sector experienced less exposure to financials than investment grade. The portfolio also benefited from having a modest allocation to cash.

Over the trailing one-year period, Loomis Sayles declined 12.5%, trailing the Performance Benchmark by 10.0 percentage points. This significant underperformance is mostly attributed to weak third quarter performance. The portfolio's preferreds and U.S. investment grade holdings were the primary detractors of performance.

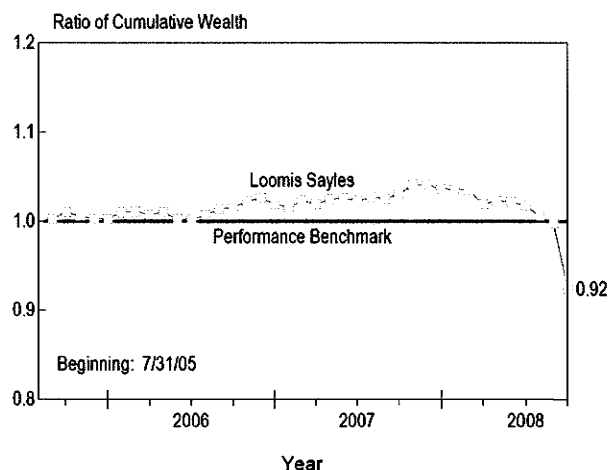
Loomis Sayles's trailing three-year and since inception returns have underperformed those of the Performance Benchmark. Once again, the portfolio's significantly weak third quarter performance is attributed to below benchmark returns.

Third Quarter 2008

**ANNUALIZED RISK RETURN
3 YEARS 2 MONTHS ENDING 9/30/08**



**RATIO OF CUMULATIVE WEALTH
3 YEARS 2 MONTHS ENDING 9/30/08**



	Loomis Sayles Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 6/30/08	% at 9/30/08	% at 9/30/08	Third Quarter Return
Sector Weightings:				
Treasury/Agency	—	—	33%	1.9%
Corporate	78%	78	22	(6.4)
Mortgage-Backed Securities	—	—	40	1.9
Commercial Mortgage-Backed Securities	—	1	4	(5.8)
Asset-Backed	—	1	1	(3.7)
Foreign Bonds	17	17	--	--
Other	4	2	--	--
Cash & Equiv.	1	1	--	--
Total	100 %	100 %	100 %	(0.5%)
Average Duration	7.3 Years	6.8 Years	4.5 Years	--

LOOMIS SAYLES

\$71.7 Million and 2.7% of Fund

Third Quarter 2008

HISTORICAL RETURNS (BY YEAR)

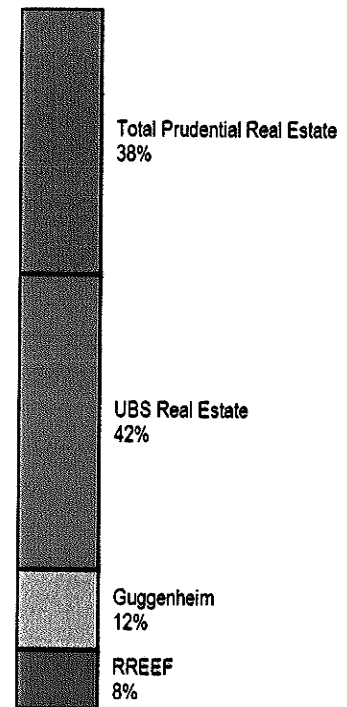
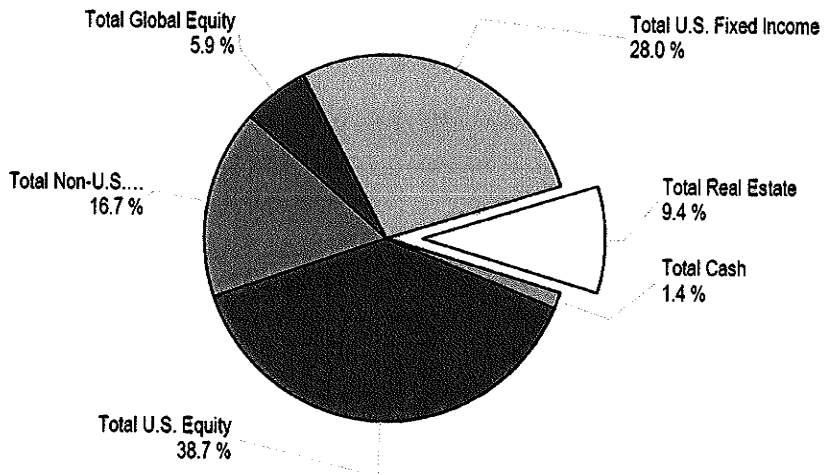
	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7%	--	0.4%	--	0.3
2006	9.0	1	7.3	2	1.7
2007	6.7	23	5.0	84	1.7
2008 (9 months)	-14.1	99	-3.7	71	-10.4
Trailing 1-Year	-12.5%	99	-2.5%	76	-10.0
Trailing 3-Year	0.0	96	3.0	53	-3.0
Since Inception (7/31/05)	0.2	--	2.7	--	-2.5

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

TOTAL REAL ESTATE
\$251.1 Million and 9.4% of Fund

Third Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 9/30/08



TOTAL REAL ESTATE

\$251.1 Million and 9.4% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	5 Years Ending 9/30/08	Since Inception	Inception Date
Total Real Estate	-0.8%	-1.0%	-0.2%	12.2%	12.5%	11.0%	3/31/94
Policy Benchmark	-0.9	0.5	2.8	12.1	13.5	11.3	
Total Prudential Real Estate	0.2	1.1	2.9	16.0	--	11.3	6/30/04
Policy Benchmark	-0.9	0.5	2.8	12.1	--	13.8	
UBS Real Estate	0.1	0.6	2.2	11.0	12.8	12.5	3/31/03
NCREIF Open End Fund Index	-0.9	0.5	2.8	11.7	13.1	12.8	
Guggenheim	-1.0	-1.2	-5.3	--	--	6.5	6/30/06
Performance Benchmark	1.5	2.2	0.4	--	--	8.7	
RREEF	-9.0	-16.0	-16.1	--	--	-16.1	10/1/07
NCREIF Open End Fund Index	-0.9	0.5	2.8	--	--	2.8	

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 real estate portfolio decreased by 0.8% during the third quarter, but modestly surpassed the return of the Policy Benchmark by 10 basis points. Below benchmark returns from Guggenheim and RREEF were offset by above benchmark returns from Prudential and UBS.

Over the trailing one-year period the real estate portfolio declined 0.2%, while the Policy Benchmark gained 2.8%. With the exception of Prudential, all underlying managers contributed to the portfolio's underperformance.

Albeit posting double digit returns over the longer-term periods illustrated above, the portfolio has trailed its benchmark over all periods, except for the trailing three-year period.

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	Since Inception	Inception Date
Total Prudential Real Estate	0.2%	1.1%	2.9%	16.0%	11.3%	6/30/04
Policy Benchmark	-0.9	0.5	2.8	12.1	13.8	
PRISA Fund I	0.2	1.1	2.9	12.8	14.3	3/31/05
NCREIF Open End Fund Index	-0.9	0.5	2.8	11.7	13.0	

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

The Prudential PRISA Fund I advanced 0.2% during the quarter, outperforming the NCREIF Open End Fund Index by 1.1 percentage points. Although the Fund's total return was positive, it experienced a depreciation return of -0.93%, which mostly consisted of value loss in the office, retail, and industrial portfolios. Valuation losses were primarily due to increased capitalization rates and decreased exceptions with regards to lease activity and rent growth. As spreads continues to widen, the Fund benefited from the marking-to-market of its debt, which somewhat mitigated valuation losses experienced.

During the third quarter, the Fund invested \$440.3 million in acquisitions. Two of the largest acquisitions were mezzanine investments. The Fund's net proceeds of all sales completed in quarter totaled \$335.2 million. The Fund drew down approximately \$17.5 million of client deposits in the quarter. Redemption requests totaled \$243.6 million, which exceeded the available cash. Thus, the Fund implemented a withdrawal queue for September 30, 2008. Actual withdrawals summed to \$49.3 million. The manager estimates that the withdrawal queue at year-end will be \$841 million.

The Fund's longer-term performance remained mixed. Although the Fund has underperformed its benchmark during the since inception period, it has outperformed over the trailing one- and three-year periods.

UBS REALTY

\$105.7 Million and 3.9% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	3 Years Ending 9/30/08	5 Years Ending 9/30/08	Since Inception	Inception Date
UBS Real Estate	0.1%	0.6%	2.2%	11.0%	12.8%	12.5%	3/31/03
NCREIF Open End Fund Index	-0.9	0.5	2.8	11.7	13.1	12.8	
NCREIF NPI	-0.2	2.0	5.3	13.2	14.2	13.7	

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

On June 16, 2008, UBS hired Doug Harper as an Executive Director within the Client and Portfolio Services Group. Mr. Harper previously served in a similar position at Broadway Partners. Mr. Harper has also worked at BlackRock/SSR Realty and NCREIF.

Commentary on Investment Performance

The UBS RESA portfolio returned 0.1% and outperformed both the NCREIF Open End Fund Index and NCREIF Property Index by 1.0 and 0.3 percentage points, respectively. During the quarter, the portfolio experienced an unrealized loss of approximately \$85.6 million. With respect to property types, the hotel segment produced the largest gains, returning 1.4%. In contrast, the industrial segment of the portfolio declined 0.1% and was the only property type that produced negative returns.

During the quarter, the Fund invested \$5.5 million in two industrial properties located in Florida and Wisconsin. The Fund also completed a \$150.7 million acquisition in an 100% leased office property in Lake Forest, IL. The manager noted that three investments, a 286-unit apartment and two industrial properties, were sold because future capital outlays were not expected to provide a sufficient return on investment.

Over longer term periods illustrated above, the portfolio has posted strong returns, but has underperformed both Indices.

Third Quarter 2008

RETURN SUMMARY
ENDING 9/30/08

	Third Quarter	Year-To-Date	1 Year Ending 9/30/08	Since Inception	Inception Date
Guggenheim	-1.0%	-1.2%	-5.3%	6.5%	6/30/06
Performance Benchmark	1.5	2.2	0.4	8.7	

Philosophy and Process

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

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

Commentary on Investment Performance

As of the date of publishing this report, Guggenheim had yet to publish audited reports for the third quarter. The manager's preliminary performance analysis indicated a third quarter net-return of -1.0% which trailed the performance benchmark by approximately 2.5 percentage points. At the end of the quarter, the Fund held 33% of its assets in public real estate securities and the remaining 67% in private real estate investments. The Fund remained well diversified both across geographic regions and amongst property types.

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

RREEF

\$21.1 Million and 0.8% of Fund

Third Quarter 2008

RETURN SUMMARY ENDING 9/30/08

	Third Quarter	Year-To-Date	Since Inception	Inception Date
RREEF	-9.0 %	-16.0 %	-16.1 %	9/30/07
NCREIF Open End Fund Index	-0.9	0.5	2.8	

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 decreased by 9.0% during the third quarter, trailing the NCREIF Open End Fund Index by 8.1 percentage points. A below benchmark return was due to a write-down of \$238.1 million, approximately 5% of the Fund, as all of the Fund's assets were externally appraised. The majority of the decline was attributed to development projects and the office sector. Negative adjustments were also experienced in other property types, which indicated continuing reduction of expenditures in the capital markets. The manager stated that due to lack of liquidity and market uncertainty, the Fund will be setting aside all cash available for distribution for the third quarter in a reserve fund to cover any future capital needs.

During the quarter, the Fund sold Pacific Center, a office complex in San Diego, for \$172.2 million. The sale resulted in an internal rate of return of 14.2% over a four-year holding period. The Fund also executed two new leases at the recently completed Ontario Airport Towers, in Ontario, CA, which brought the building's occupancy rate to 34 percent. Over the quarter, the average occupancy rate did not change in the office, industrial, and retail sectors. However in the residential portfolio, the occupancy rate increased from 90% to 94%.

The Fund's year-to-date and since inception returns have considerably underperformed those of the Index as a result of significant decline in consecutive quarters.

APPENDIX I

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Third Quarter	Annualized Periods Ending 9/30/08				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
DJ Wilshire 5000 Index	-8.7%	-21.3%	0.6%	6.0%	4.0%	8.3%
S&P 500 Index	-8.4	-22.0	0.2	5.2	3.1	8.4
Russell 3000 Index	-8.7	-21.5	0.3	5.7	3.8	8.3
Russell 1000 Value Index	-6.1	-23.6	0.1	7.1	5.5	9.3
Russell 1000 Growth Index	-12.3	-20.9	0.0	3.7	0.6	6.9
Russell MidCap Value Index	-7.5	-20.5	0.5	10.0	9.2	10.9
Russell MidCap Growth Index	-17.7	-24.7	-0.8	6.5	5.5	7.8
Russell 2000 Value Index	5.0	-12.3	2.0	9.4	10.1	10.7
Russell 2000 Growth Index	-7.0	-17.1	1.5	6.6	4.7	5.2
Domestic Bond Indices:						
Lehman Brothers Aggregate Index	-0.5%	3.7%	4.2%	3.8%	5.2%	5.9%
Lehman Brothers Govt/Credit Index	-1.6	2.4	3.6	3.3	5.0	5.7
Lehman Brothers Long Govt/Credit Index	-3.4	-0.4	2.0	3.7	5.3	6.5
Lehman Brothers 1-3 Year Govt/Credit Index	0.2	4.4	4.7	3.3	4.6	5.1
Lehman Brothers U.S. MBS Index	1.9	7.0	5.5	4.8	5.7	6.2
Lehman Brothers High Yield Index	-8.9	-11.2	1.0	4.4	4.4	5.9
Lehman Brothers Universal Index	-1.2	2.3	3.9	3.9	5.4	5.9
Real Estate Indices:						
NCREIF Property Index	-0.2%	5.3%	13.2%	14.2%	11.8%	11.2%
NCREIF ODCE Index	-0.9	2.3	11.7	12.8	10.7	10.3
DJ Wilshire Real Estate Securities Index	4.5	-12.9	5.1	13.6	12.9	11.2
FTSE NAREIT US Real Estate Index	5.6	-11.1	5.6	13.5	12.5	11.2
Foreign/Global Stock Indices:						
MSCI All Country World Index	-16.6%	-26.9%	1.3%	8.0%	4.3%	6.4%
MSCI All Country World IMI	-16.6	-26.9	1.2	8.3	5.0	--
MSCI All Country World ex-U.S. Index	-21.9	-30.3	2.6	11.3	6.5	5.7
MSCI All Country World ex-U.S. IMI	-22.3	-30.9	2.4	11.3	6.7	--
MSCI All Country World ex-U.S. Small Cap Index	-25.3	-37.3	-0.6	10.9	8.6	--
MSCI EAFE Index	-20.6	-30.5	1.1	9.7	5.0	5.1
MSCI EAFE IMI	-20.9	-30.9	0.8	9.7	5.3	--
MSCI EAFE Index (in local currency)	-13.0	-28.8	-1.8	7.0	3.2	4.3
MSCI Emerging Markets IMI	-27.0	-34.2	8.1	18.4	12.8	--
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-4.2%	5.2%	5.5%	5.6%	5.2%	5.9%
Citigroup Hedged World Gov't Bond Index	2.7	4.4	3.7	4.2	4.9	6.6
Cash Equivalents:						
Treasury Bills (30-Day)	0.3%	1.8%	3.2%	2.5%	2.9%	3.5%
EnnisKnupp STIF Index	0.6	3.6	4.6	3.5	3.8	4.3
Inflation Index:						
Consumer Price Index	0.0%	4.9%	3.2%	3.4%	2.9%	2.8%

APPENDIX II

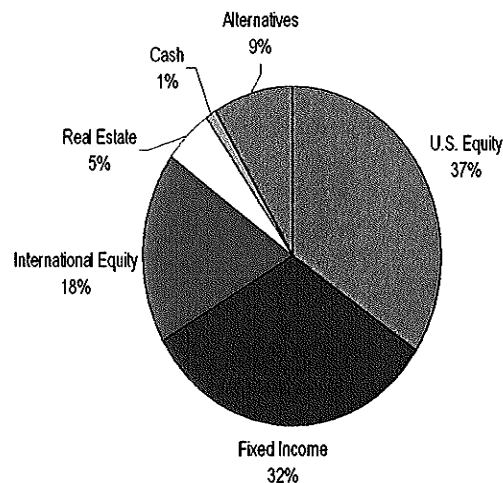
Description of Fund Benchmarks and Universe Rankings

Total Fund

Policy Portfolio- As of June 2008, the return was based on a combination of 40% Russell 3000 Index, 27% Lehman Brothers Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 7% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to June 2008, the return was based on a combination of 47% Russell 3000 Index, 27% 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 October 2007, 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 \$839.0 billion as of 9/30/2008.

Mellon Analytical Aggregate Public Fund as of 9/30/2008



APPENDIX II

Capital Guardian

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

Universe. A universe of 99 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$231.2 billion as of 9/30/2008.

Sprucegrove

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

Universe. A universe of 99 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$231.2 billion as of 9/30/2008.

Total Global Equity

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$149.2 billion as of 9/30/2008.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$149.2 billion as of 9/30/2008.

Acadian

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

Universe. A universe of 67 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$149.2 billion as of 9/30/2008.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 120 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$580.0 billion as of 9/30/2008.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 120 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$580.0 billion as of 9/30/2008.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 120 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$580.0 billion as of 9/30/2008.

Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 120 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$580.0 billion as of 9/30/2008.

Loomis Sayles

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

Universe. A universe of 120 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$580.0 billion as of 9/30/2008.

APPENDIX II

Total Real Estate

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

Prudential Real Estate

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

Prudential Real Estate PRISA

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

UBS RESA

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

Guggenheim

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

RREEF

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

Description of Benchmarks (continued)

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

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

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

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

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 524 funds with an equity aggregate market value of \$669.7 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 461 funds with an international equity aggregate market value of \$348.3 billion.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 54 funds with a global equity aggregate market value of \$129.3 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 121 funds with a fixed income aggregate market value of \$600.4 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.

APPENDIX II

Manager	Restrictions	In Compliance as of 9/30/08
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Western Index	- Average weighted Duration of portfolio security holdings are one year or less	YES
Plus	-Bonds rated investment grade by either Moody's, Standard & Poor's, or Fitch's must comprise at least 90% of the total portfolio at the time of purchase	YES
	-Below-investment grade holdings must not exceed 1% in any single issuer	NO
	-A maximum of 10% of the portfolio may be invested in non-dollar denominated securities	YES
	-A maximum of 5% of the portfolio may be invested in un-hedged non-dollar denominated securities	YES
	-A maximum of 5% of the portfolio may be invested in U.S. securities rated below investment grade	NO
	-A maximum of 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated below investment grade	YES
	-A maximum of 10% of the portfolio may be invested in CDOs, CBOs & CLOs	YES
	-A maximum of 10% per issuer for obligations of their national governments	YES
	-A maximum of 10% per issuer of private mortgage-backed and asset-backed securities, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which the maximum is 25% per issuer	YES
	-A maximum of 3% per issuer of investment grade corporations	YES
	-A maximum of 2% per issuer for obligations of other issuers excluding investments in commingled vehicles	YES
	-A maximum of 10% of portfolio may be invested in issuers rated below Baa3 or BBB- / A2 or P2	YES
	-A maximum of 20% of the portfolio may be invested in original futures, margin, and option premiums, exclusive of any in-the-money portion of premiums.	YES
	-No leverage is permitted in the portfolio	YES
Capital Guardian	-Portfolio is a commingled fund.	N/A
Sprucegrove	-Portfolio is a commingled fund.	N/A
GMO	-Portfolio is a separate account of mutual funds.	N/A
BGI U.S. Debt	-Portfolio is a commingled fund.	N/A
Reams	-Duration may be managed to a maximum 25% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of A	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity	YES
	-A maximum of 15% of the portfolio may be invested in high yield bonds	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities	YES
	-The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity	YES
	-Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES

*Based on affirmative statement from manager

APPENDIX II

Manager	Restrictions	In Compliance as of 9/30/08
Loomis Sayles	-At least 50% of the portfolio must be invested in investment grade securities at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-60% of the portfolio must be invested in U.S. domiciled issues	YES
Western Core Plus	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of AA	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase	YES
	-A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase	YES
	-A maximum of 1% per issue for below investment grade securities	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase	YES
	-The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating	YES
	-Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES

* Based on affirmative statement from manager

APPENDIX II

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
BGI Extended Market Fund	4	Daily	Commingled Fund
Western U.S. Index Plus	20	Daily	Separate Acct.
BGI Equity Market Fund	2	Daily	Commingled Fund
Capital Guardian	50	Monthly	Commingled Fund
Sprucegrove	43	Monthly	Commingled Fund
BGI ACWI ex-U.S. Index	11	Daily	Commingled Fund
GMO	66	Daily	Commingled Fund
Acadian	75	Daily	Commingled Fund
BGI U.S. Debt Fund	4	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	23	Daily	Separate Acct.
Loomis Sayles	39	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	23	--	--