

Hewitt *ennisknupp*

An Aon Company

**Performance Report
Third Quarter 2010**

Ventura County Employees' Retirement Association

In September 2010, Hewitt acquired the Investment Consulting firm EnnisKnupp which merged with Hewitt Investment Group to form Hewitt EnnisKnupp. To avoid confusion, all references to our combined Investment Consulting practice will be Hewitt EnnisKnupp or HEK.

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

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HIGHLIGHTS

HIGHLIGHTS

Market Highlights

Global equity markets regained significant ground during September, following a tough second quarter and turbulent summer. Concerns regarding a faltering global recovery weighed heavily on market sentiment during the first two months of the quarter. Disappointing news on the housing market and unemployment in the U.S. (which remained at 9.6%) also contributed to market volatility in July and August.

The Federal Open Market Committee left the federal funds rate unchanged at its August meeting, within its targeted range of 0.00% to 0.25%. The Fed also recommitted to its quantitative easing program of directly purchasing Treasury securities to enhance market liquidity, in what has become known as QE2, and made clear it is also considering additional supportive measures. Those steps helped bolster market confidence, with many equity market indices posting strong gains in September.

During the third quarter, the U.S. equity market as measured by the Dow Jones U.S. Total Stock Market Index gained 11.5%, bringing it back into positive territory for the year through September with a 5.2% gain. Smaller-cap domestic stocks as measured by the Russell 2000 Index also gained 11.3% during the third quarter and fared better year-to-date, returning 9.1%. Looking abroad, the developed international equity market as measured by the MSCI EAFE Index notched a 16.5% gain during the quarter, while its 1.1% gain for the year reflects the European sovereign debt crisis that unfolded earlier in the year. The MSCI Emerging Markets Index gained 18.0% during the quarter and posted a 10.8% gain for the year through September.

The Barclays Capital U.S. Aggregate Bond Index posted a 2.5% gain during the third quarter, resulting in a 7.9% advance for the year through September. Yields on U.S. Treasuries remained relatively low at quarter-end, with the 10-year and 2-year Treasury notes yielding 2.5% and 0.42%, respectively. Greater concerns regarding currencies began to surface, with the governments of Japan and other countries actively stepping into the market in an attempt to slow the appreciation of their individual currencies, especially relative to the U.S. dollar.

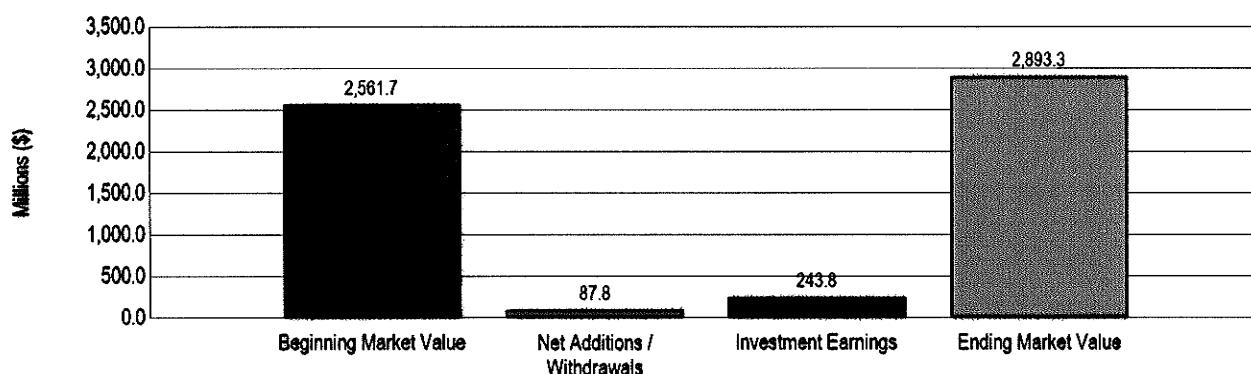
MAJOR MARKET RETURNS

	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10
Dow Jones US Total Stock Index	11.5%	5.2%	11.3%	-6.3%
MSCI All Country World ex-U.S. Index	16.6	3.7	7.6	-7.4
MSCI EAFE Index	16.5	1.1	3.3	-9.5
MSCI Emerging Markets Index	18.0	10.8	20.2	-1.5
MSCI All Country World Index	14.3	3.6	8.4	-7.5
Barclays Capital Aggregate Bond Index	2.5	7.9	8.2	7.4

Asset Growth

As shown below, the asset value of VCERA's Total Fund increased by \$331.6 million during the quarter. The increase in assets was a result of investment gains of \$243.8 million combined with net cash inflows of \$87.8 million.

**Change in Market Value
From July 1, 2010 To September 30, 2010**

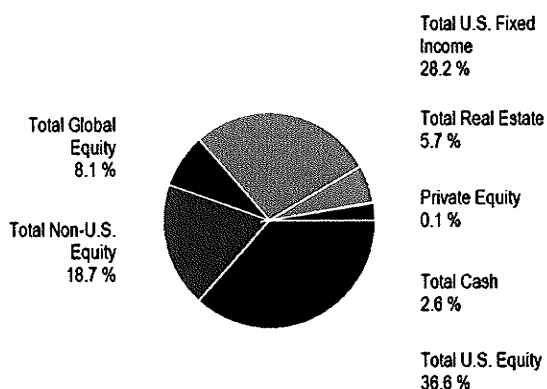


Asset Allocation

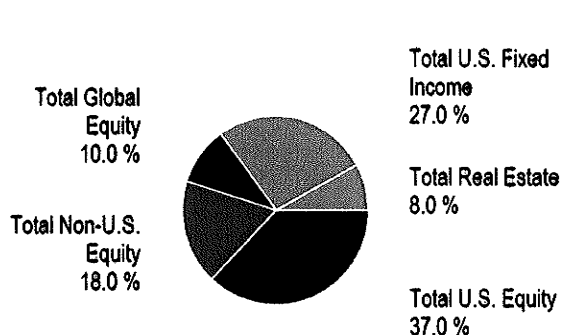
The pie charts below illustrate VCERA's investment allocations relative to its policy. As of September 30, 2010, the Fund was overweight relative to its policy within the non-U.S. equity, cash, and fixed income components. Corresponding underweights were experienced within the U.S. equity, global equity, and real estate components.

Additionally, Ventura's Board approved a total fund policy earlier this year to include allocations in private equity and opportunistic equity. Adams Street Partners and Pantheon Ventures were recently seeded funds to begin the private equity asset class. Once private equity assets rise to 1.0% of total fund, a corresponding policy portfolio will be allocated within the total fund policy.

**ASSET ALLOCATION
ACTUAL AS OF 9/30/10**



**ASSET ALLOCATION
POLICY AS OF 9/30/10**



HIGHLIGHTS

RETURN SUMMARY ENDING 9/30/10

	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10	5 Years Ending 9/30/10	10 Years Ending 9/30/10	Since Inception	Inception Date
Total Fund	10.5%	7.7%	11.7%	-3.0%	3.0%	3.9%	7.7%	3/31/94
Policy Portfolio	9.8	6.5	9.9	-2.4	3.4	3.3	7.7	
Public Fund Index	8.7	6.9	10.4	-1.8	3.8	4.1	7.7	
Total Fund ex-Clifton	10.0	7.3	11.2	-3.0	2.9	3.8	7.7	3/31/94
Policy Portfolio	9.8	6.5	9.9	-2.4	3.4	3.3	7.7	
Total U.S. Equity	11.8	6.0	12.6	-7.5	0.1	1.1	7.1	12/31/93
Performance Benchmark*	11.5	5.2	11.3	-6.3	1.1	0.2	7.6	
Total Non-U.S. Equity	15.9	5.0	8.3	-7.3	3.8	4.1	7.3	3/31/94
Performance Benchmark*	16.6	3.7	7.6	-7.4	4.3	4.2	5.8	
Total Global Equity	14.7	3.1	7.6	-8.9	0.7	-	2.5	4/30/05
MSCI All Country World Index	14.3	3.6	8.4	-7.5	2.4	--	4.1	
Total U.S. Fixed Income	4.0	11.1	13.1	9.3	7.5	7.3	6.8	2/28/94
Barclays Capital Aggregate Bond Index	2.5	7.9	8.2	7.4	6.2	6.4	6.5	
Total Real Estate	4.7	10.7	6.9	-13.6	-1.8	4.7	6.7	3/31/94
Policy Benchmark	5.0	10.2	8.3	-5.3	3.1	6.9	8.6	

Commentary on Investment Performance

The Total Fund returned 10.5% during the third quarter and bested the return of the Policy Portfolio by 70 basis points. The Fund's U.S. equity, global equity, and fixed income components added value over their benchmarks. Partially offsetting results were the below-benchmark returns from the Fund's non-U.S. equity and real estate components.

For the one-year ending September 30, 2010, the Total Fund advanced 11.7%, outpacing the return of the Policy Portfolio by 180 basis points. Outperformance was mainly attributed to significant above-benchmark returns from the fixed income component and smaller but meaningful contributions from the U.S. and non-U.S. equity asset classes. Results were partially offset by underperformance from the global equity and real estate components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has outperformed the return of its benchmark during the trailing ten-year period and equaled it since inception, it has lagged the benchmark during the three- and five-year periods. The Fund's annualized since inception return remains favorable in absolute terms at 7.7%.

The attribution analysis exhibits on page 24 provide additional information regarding each sub-component's contribution to performance during the quarter and trailing one-year period.

*The DJ U.S. Total Stock Market Index. The Index was formerly named 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 2010

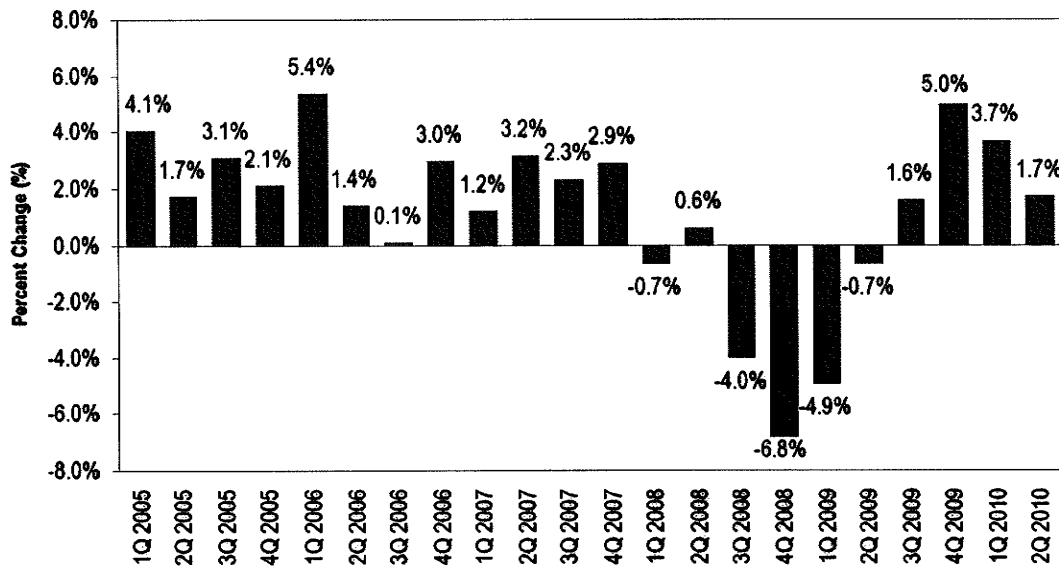
MARKET ENVIRONMENT

MACRO HIGHLIGHTS

The U.S. Federal Reserve (Fed) met twice during the third quarter. The Fed Funds target rate was left unchanged at 0%-.25%. Justification for holding the rate steady was subdued inflation trends and low rates of resource utilization. The quarter was dominated by talk of a double dip as fears continued to mount about the state of the world economy. Expectations for higher interest rates have been pushed out further as central banks have increased concern over the strength of recovery. The Fed is expected to implement a second phase of quantitative easing, by the purchasing of U.S. Treasuries.

According to the final estimate released by the Bureau of Economic Analysis, real GDP increased 1.7% in the second quarter of 2010. This was an upward revision of 0.1 percentage points from the second estimate in August. Purchasing by U.S. residents of goods and services increased to 5.1% in the second quarter, compared to an increase of 3.9% in the first. The notable deceleration in real GDP from 3.7% in the first quarter 2010 was attributable to an increase in imports and a decrease in inventory investment.

Quarterly Gross Domestic Product (Annualized)



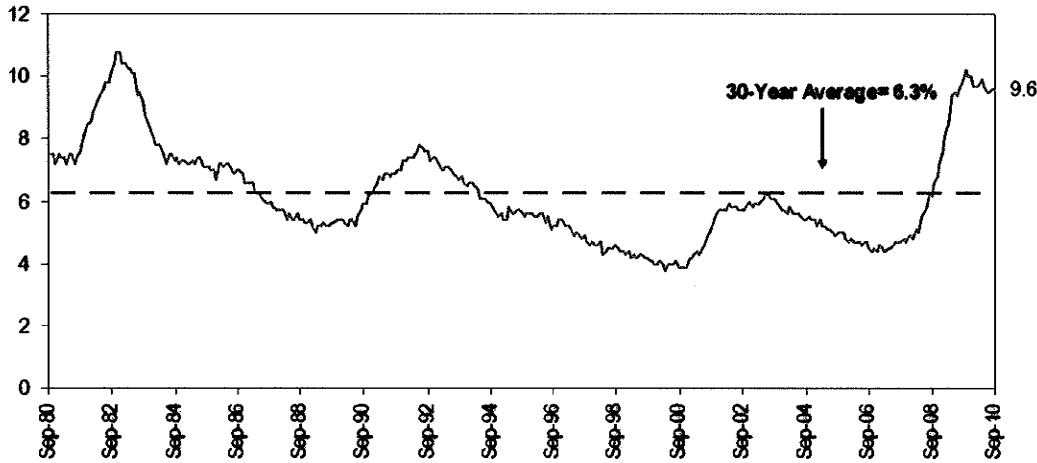
Source: Bureau of Economics Statistics

According to the Bureau of Labor Statistics, the unemployment rate remained unchanged at 9.6% in September as government employment declined by 159,000 workers, reflecting both a drop in the number of temporary jobs (2010 Census being a contributing factor) and job losses at the local government level, decreasing by 76,000 in September. Nonfarm payrolls shed 95,000 jobs in September while private-sector employment continued to modestly increase. Within the private-sector, job growth was experienced with the hospitality and healthcare industries. Construction employment remained weak. Healthcare employment (within education and health services) rose by 24,000 in September and has risen an average of 21,000 per month over the course of 2010. The unemployment rate, shown on the following page, remains at 9.6%, a level not approached since the early 1980s.

MARKET ENVIRONMENT

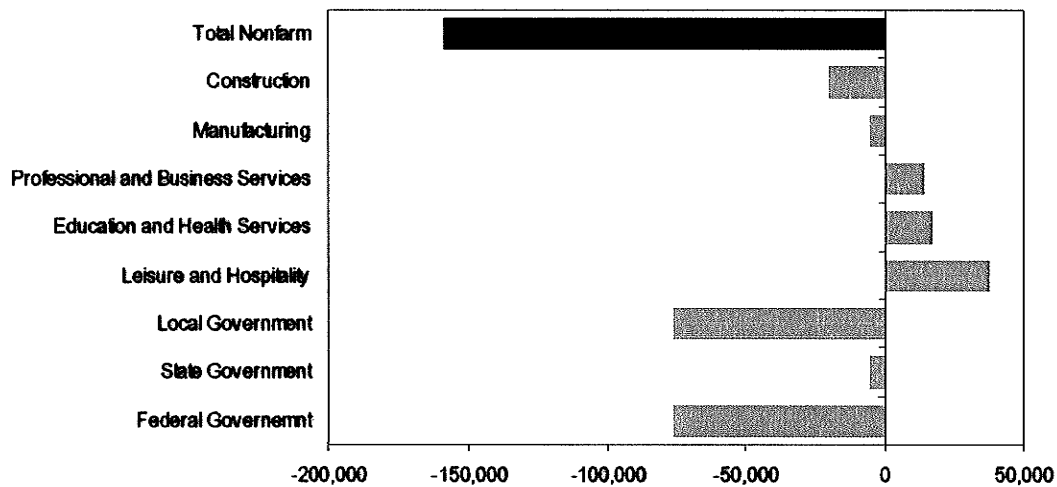
MACRO HIGHLIGHTS

**Unemployment Rate
As of September 2010**



Source: Bureau of Labor Statistics

**One Month Change in Nonfarm Payroll Employment
September 2010**



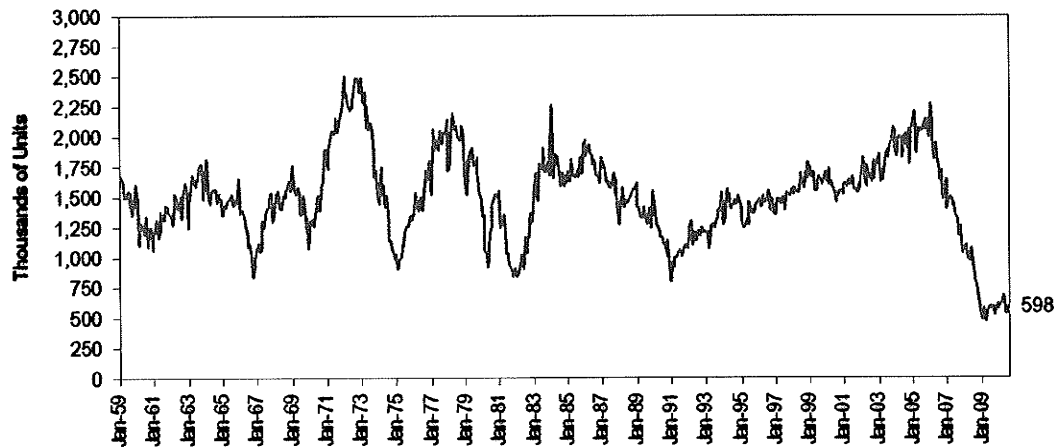
Source: Bureau of Labor Statistics

New housing starts increased 10.5% to a seasonally adjusted annual rate of 598,000 units in August, according to the U.S. Commerce Department. The rate is 2.2% higher than in August 2009. Single-family housing starts increased 4.3% accounting for 438,000 units of all new housing. Building permits for homes increased 1.8% in August, but was 6.7% below the level of August 2009. Builders cut back the production of new homes due to the oversupply of finished homes unsold in the market. The new housing starts can be found on the following page.

MARKET ENVIRONMENT

MACRO HIGHLIGHTS

U.S. Private Owned Housing Starts
Seasonally Adjusted Annual Rate
As of August 2010



Source: U.S. Census Bureau

According to the Bureau of Labor Statistics, September's Consumer Price Index for all urban consumers (CPI-U) increased 0.1% month-over-month on a seasonally adjusted basis. For the second consecutive month, the food index increased contributing to the overall seasonally adjusted increase this month. Four of the six major grocery store food group indexes increased in September as the food index posted its largest increase since October 2008. Within the energy component, the gasoline index rose again in September, leading to a third consecutive increase in the energy index despite a decline in the household energy index. The fuel oil commodities index increased 0.8% in September resulting in an 11.8% twelve month increase on a seasonally unadjusted basis. Overall the energy index rose 3.8% over the last year, with gasoline up 5.1 percent. The CPI-U increased 1.1% over the trailing twelve months.

The core CPI, which excludes volatile food and energy prices, remained unchanged in September, as was the case in August. The shelter index remained unchanged for the second month in a row. The indexes for used cars and trucks, apparel, furnishing and operations, and recreation declined during the month of September, offsetting a sharp increase in the index for medical care and new vehicles. The medical care commodity index increased 0.3% in September for a second straight month resulting in a positive 2.6% twelve month change on a seasonally unadjusted basis. Over the last twelve months, core CPI has risen 0.8 percent, the lowest twelve month increase since March 1961, with the shelter component down 0.4 percent.

After declining for three consecutive months during the second quarter, the Producer Price Index (PPI) increased 0.4% in August and 0.4% in September on a seasonally adjusted basis. At the earlier stages of processing, prices received by manufacturers of intermediate goods increased 0.5 percent as the crude goods index declined 0.5 percent. On an unadjusted basis, prices for finished goods rose 4.0% over the last twelve months. This signified the eleventh straight year-over-year rise.

MARKET ENVIRONMENT

MARKET HIGHLIGHTS

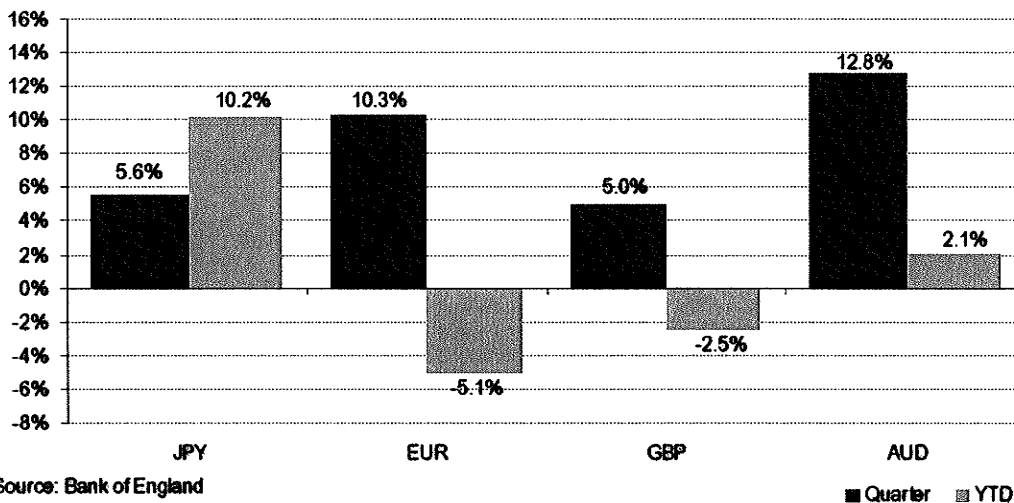
MAJOR MARKET RETURNS

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MSCI All Country World ex-U.S. Index	16.6	3.7	7.6	-7.4	4.3	4.3
MSCI EAFE Index	16.5	1.1	3.3	-9.5	2.0	2.6
MSCI Emerging Markets Index	18.0	10.8	20.2	-1.5	12.7	13.4
MSCI All Country World Index	14.3	3.6	8.4	-7.5	2.4	1.6
Barclays Capital Aggregate Bond Index	2.5	7.9	8.2	7.4	6.2	6.4

U.S. equity markets rebounded posting positive returns in the third quarter. Rebounding from the low of the year that occurred near the end of the second quarter, equity markets were quite volatile during the third quarter with nearly all of the gains being derived from September's strong returns. All U.S. equity economic sectors posted positive returns in the third quarter with materials (21.4%) leading the charge. From a style perspective, growth outperformed value for the third quarter. Despite mixed economic data wavering consumer confidence, markets reacted favorably to further speculation that the economy would not slide back into a recession.

Developed international equities and emerging markets increased 16.5% and 18.0%, respectively. Banking shares and energy companies led the advance while the decline in the U.S. dollar versus most other currencies proved beneficial to investors holding unhedged non-U.S. equity securities. The euro appreciated 10.3%, the Australian dollar nearly 13%, and the Japanese yen nearly 6% versus the U.S. dollar. The four major emerging markets regions all posted positive returns during the third quarter and over the year-to-date period. Returns for the emerging markets regions ranged between 15.8% to 21.8% during the quarter.

**Select Currencies Versus the U.S. Dollar
Ending September 2010**

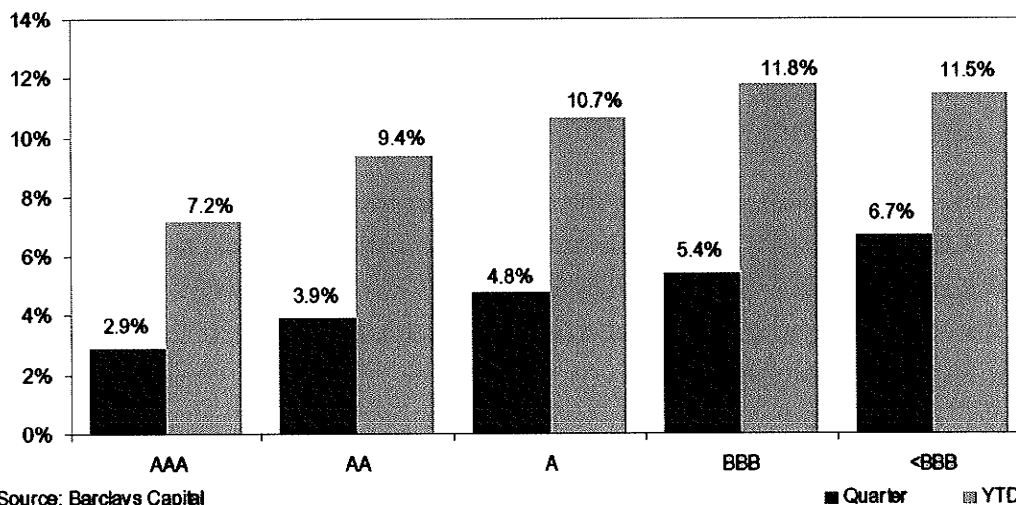


MARKET ENVIRONMENT

MARKET HIGHLIGHTS

The yield curve fell across all maturities during the third quarter, with the yields on the 10- and 30-year bonds falling 43 and 20 basis points, respectively. The yield on the two-year note hit a historic low and finished the quarter at 0.42%. The spread between the three-month and 30-year maturities narrowed from 3.7% to 3.5%. Broad market bond returns were positive during the third quarter (+2.5%), contributing to a return of 7.9% for the year-to-date period. Returns were driven by rising bond prices during the third quarter (+1.6%), coupled with gains from coupon income (+1.0%). For the year-to-date period, both bond price changes and coupon income were positive, providing bond holders with competitive total returns. Mortgage-backed securities trailed the rest of the bond market during the third quarter (+0.6%) and year-to-date period (+2.5%), due to significant spread widening over concerns of possible government action. Long-term government bonds significantly outperformed shorter-term government bonds in the quarter and year-to-date, reflecting the reduction in longer maturity yields. And, continuing the trend from 2009, high yield bonds and lower rated investment-grade securities (BBB) outperformed higher quality bonds in the third quarter and year-to-date. Among high yield bonds, financials led the way with double digit returns to banking, brokerage, and insurance company issues.

**Fixed Income Returns By Quality
Ending September 2010**



MARKET ENVIRONMENT

MARKET HIGHLIGHTS

Through September 30, 2010

Credit Spreads (bps) (Based on Barclays indices and OAS ^a)	Dec-09	Jun-10	Sep-10	Quarterly Chg (bps)	YTD Chg (bps)	Quarterly Return (%)	YTD Return (%)
Agency Fixed-Rate MBS	19	9	86	77	67	0.6	5.2
CMBS	473	368	304	-64	-169	6.4	19.3
ABS	100	83	71	-12	-29	2.5	7.5
IG Corporates	172	193	175	-18	3	4.7	10.9
IG Financials	226	249	215	-34	-11	5.1	10.0
Convertibles	916	800	838	38	-78	9.8	9.4
High Yield	617	700	621	-79	4	6.7	11.5
Ba	453	536	459	-77	6	7.3	12.6
B	567	676	598	-78	31	6.5	10.3
Caa	868	983	950	-33	82	5.9	10.0
Quality Spread (Caa-Ba)	415	447	491	44	76	-	-
Treasury Yields (% unless noted)							
3-month	0.05	0.16	0.15	-1	10	0.1	0.1
2-year	1.14	0.61	0.42	-19	-72	0.6	2.5
5-year	2.68	1.78	1.26	-52	-142	3.3	10.0
10-year	3.84	2.93	2.51	-42	-133	4.5	14.4
30-year	4.64	3.89	3.68	-21	-96	4.7	20.6
3m-10y Spread (bps)	379	277	236	-41	-143	-	-
2y-10y Spread (bps)	270	232	209	-23	-61	-	-
TIPS Breakevens^b (percentage points of implied inflation; negative = deflation)							
2-year BE	1.24	0.57	0.64	7	-60	-	-
5-year BE	1.95	1.52	1.28	-24	-67	-	-
10-year BE	2.41	1.84	1.82	-2	-59	-	-
30-year BE	2.55	2.19	2.07	-12	-48	-	-
Liquidity Indicators (bps)							
3-mo LIBOR	25	53	29	-24	4	-	-
LIBOR-OIS Spread ^c	9	33	11	-22	2	-	-
TED Spread ^d	20	36	13	-23	-7	-	-
Conventional Fixed Rate Mortgage							
30-year	5.18%	4.68%	4.32%	-36	-36	-	-

^a Option-adjusted spread is the spread after removing embedded options, e.g., prepay, callable; better for cross-sector comparison.

^b TIPS Breakevens are the nominal Treasury yield minus the TIPS yield, and represent market expectations for inflation.

^c LIBOR-OIS is the spread between 3-month LIBOR and the overnight indexed swap rate, and is an indicator of banks' willingness to lend.

^d TED Spread is the difference between 3-month LIBOR and the 3-month T-bill yield, and is a measure of risk premium to lend.

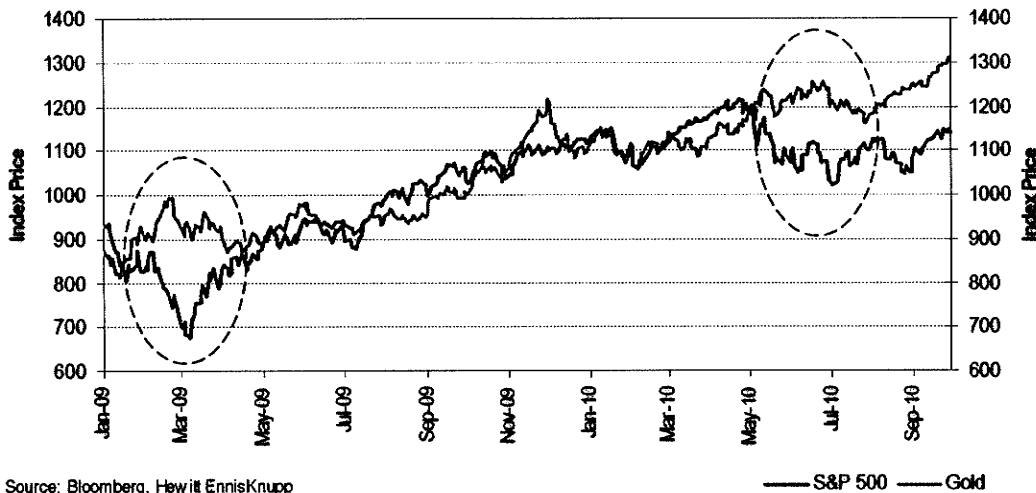
Source: Bloomberg, LehmanLive, Mortgage Bankers Association

MARKET ENVIRONMENT

MAJOR MARKET ISSUES

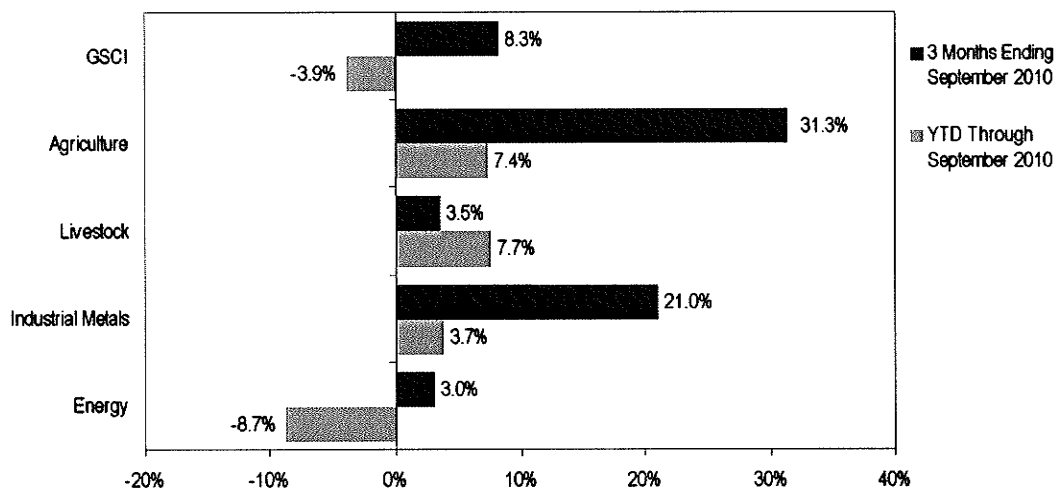
Commodity prices exhibited strong returns over the third quarter. Strength in emerging markets and a weaker U.S. dollar were key drivers for the quarter. Price momentum behind precious metals, particularly gold, has surged over recent months taking prices to an all-time high. Gold has continued to benefit, in some instances, from investors looking to hedge against a rise in risk aversion. The chart below illustrates where a sell-off in the S&P 500, a proxy for risk aversion in the market, coincides with a jump in gold prices. Other metals, such as silver and copper, had strong returns for the quarter with both up over 15 percent. Wheat prices surged after Russia announced a ban on grain exports, which drove up the price of corn and other substitutes.

S&P 500 vs. Gold Daily Closing Prices
Ending September 2010



Source: Bloomberg, Hewitt EnnisKrupp

Commodity Market Highlights
S&P GSCI

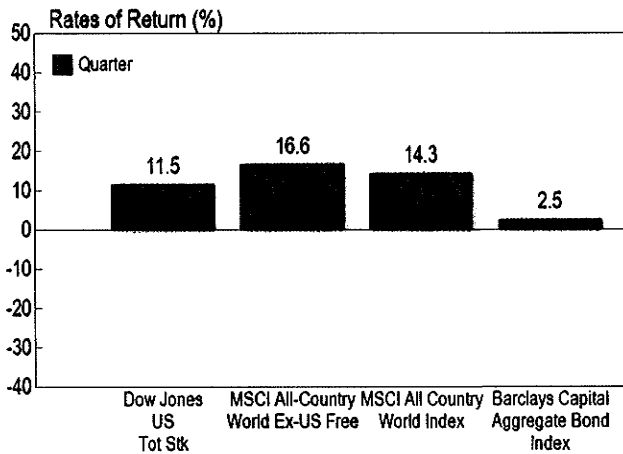


Source: Bloomberg

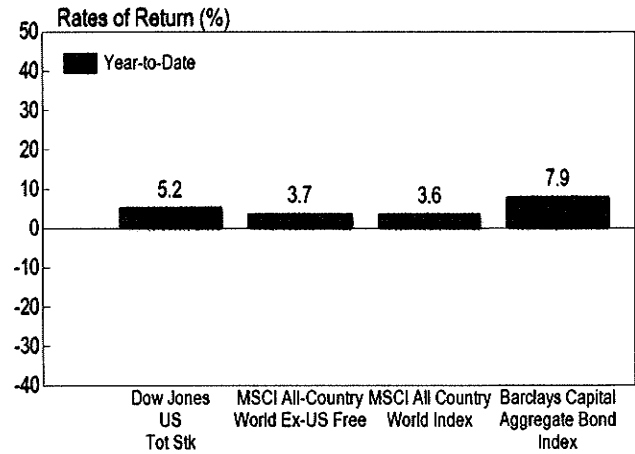
MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS THIRD QUARTER

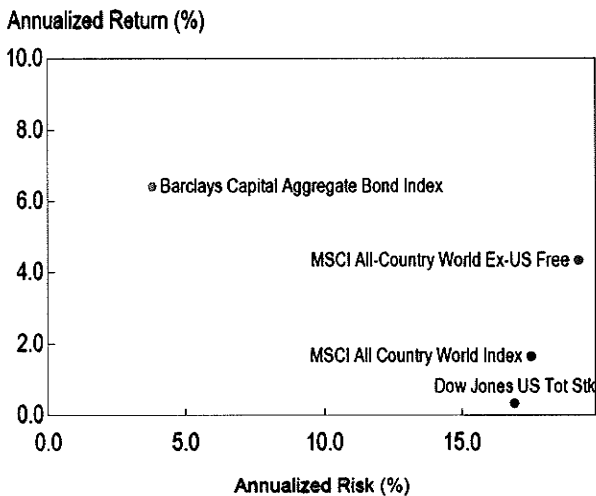


MAJOR MARKET RETURNS YEAR-TO-DATE ENDING 9/30/10

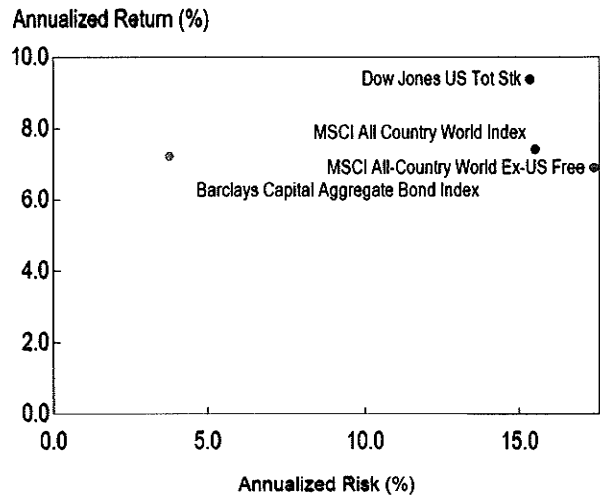


The exhibits above show the performance of the major capital markets during the third quarter and year-to-date periods.

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



MARKET RISK/RETURN 20 YEARS ENDING 9/30/10

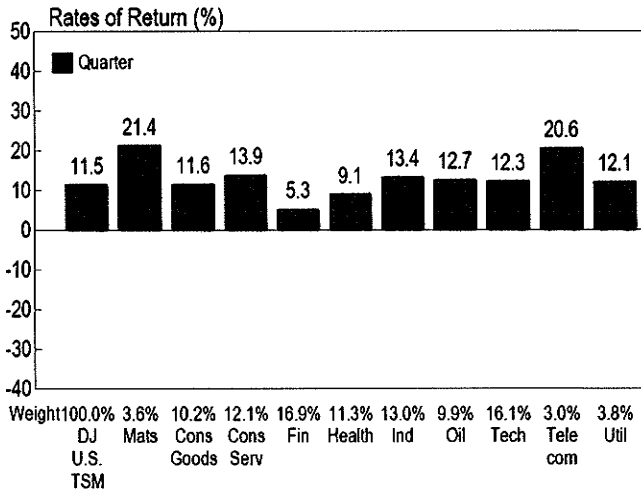


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

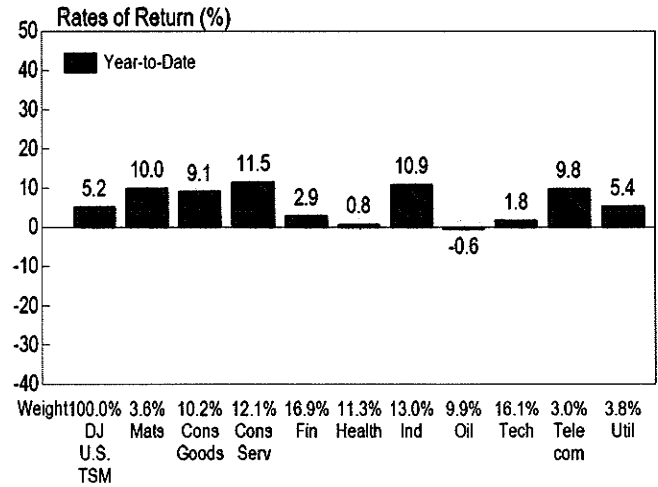
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS THIRD QUARTER



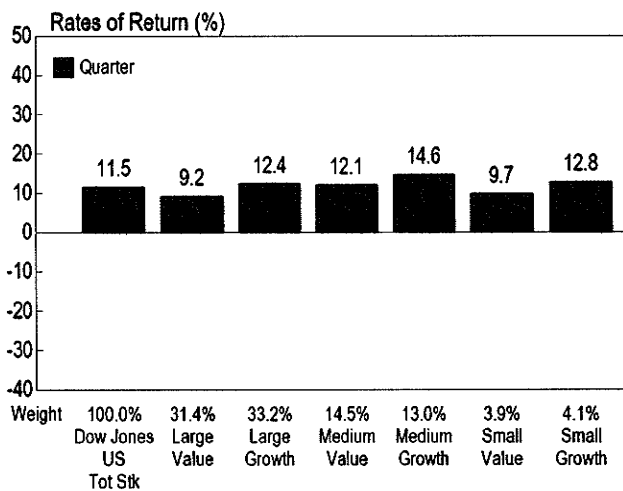
SECTOR RETURNS YEAR-TO-DATE ENDING 9/30/10



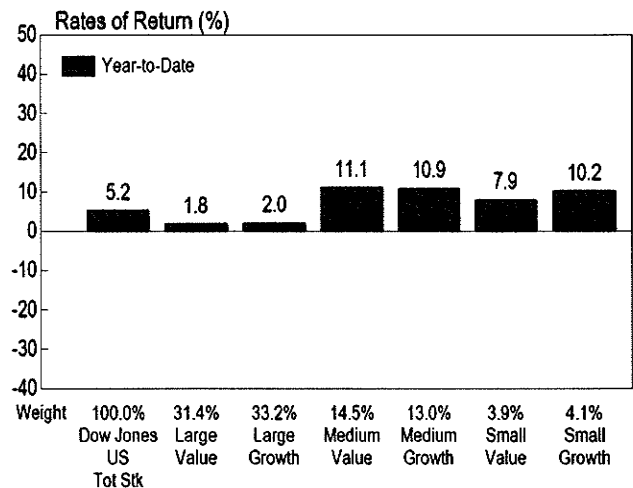
The Dow Jones U.S. Total Stock Market Index is the broadest available measure of the aggregate U.S. stock market. It includes all U.S. common stocks with readily available price information.

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

STYLE RETURNS THIRD QUARTER



STYLE RETURNS YEAR-TO-DATE ENDING 9/30/10

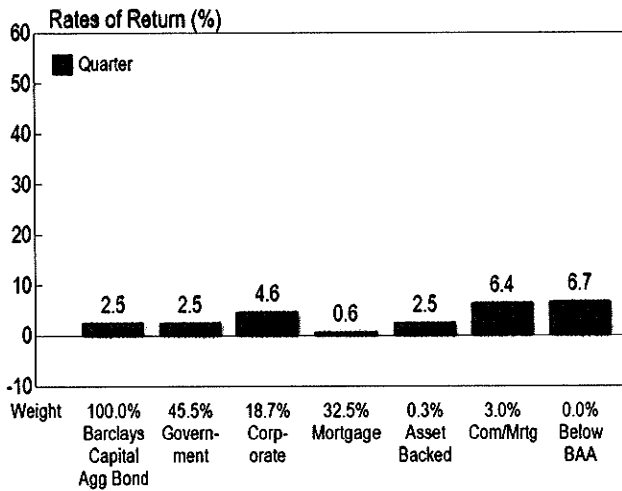


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones U.S. Total Stock Market Index at quarter-end.

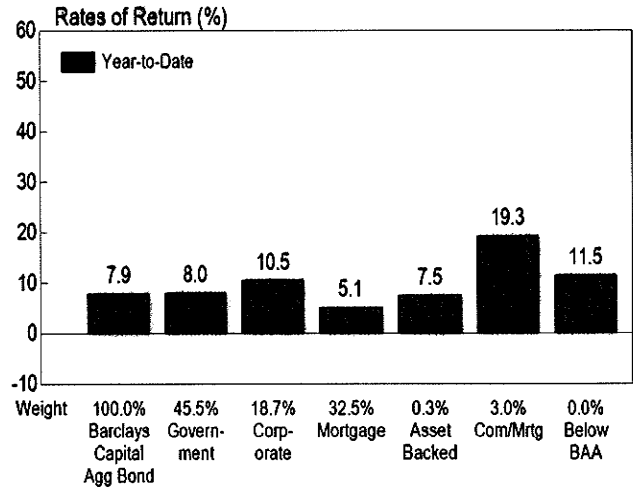
MARKET ENVIRONMENT

U.S. BOND MARKET

SECTOR RETURNS THIRD QUARTER



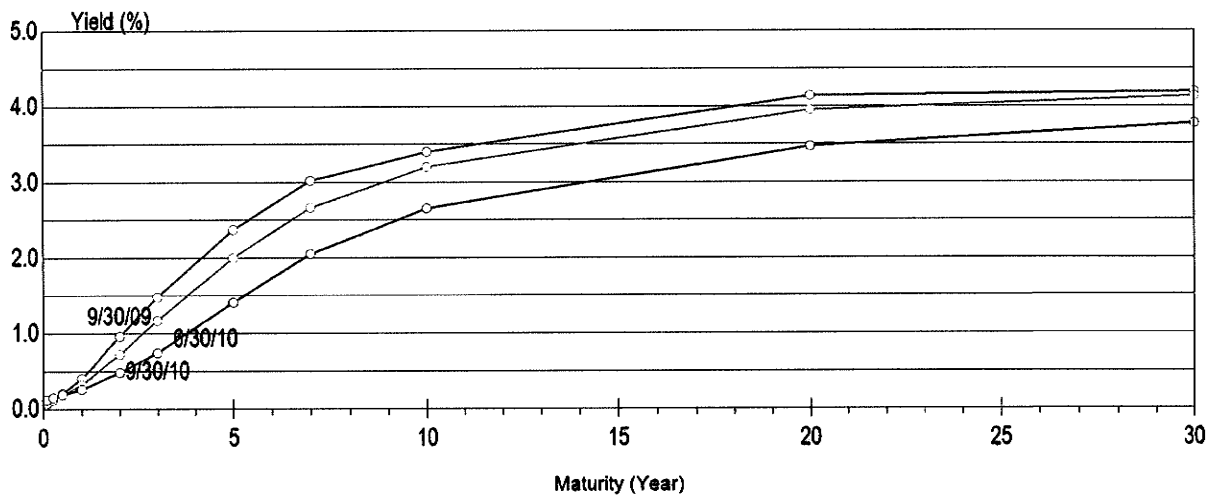
SECTOR RETURNS YEAR-TO-DATE ENDING 9/30/10



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

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

U.S. TREASURY CURVE

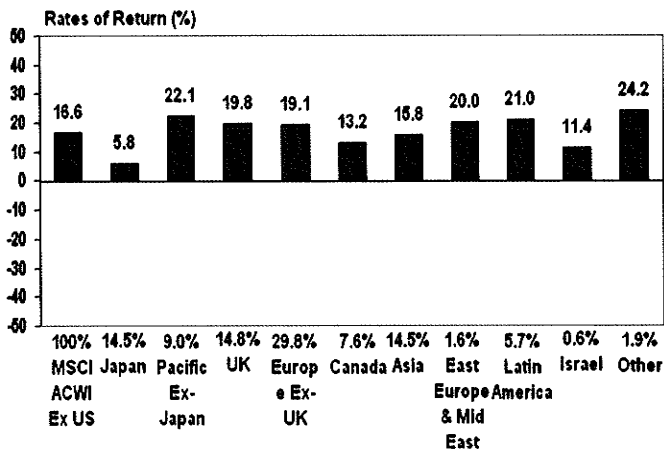


The exhibit above illustrates yields of Treasury securities of various maturities as of September 30, 2010 (Blue), June 30, 2010 (Gold), and September 30, 2009 (Green).

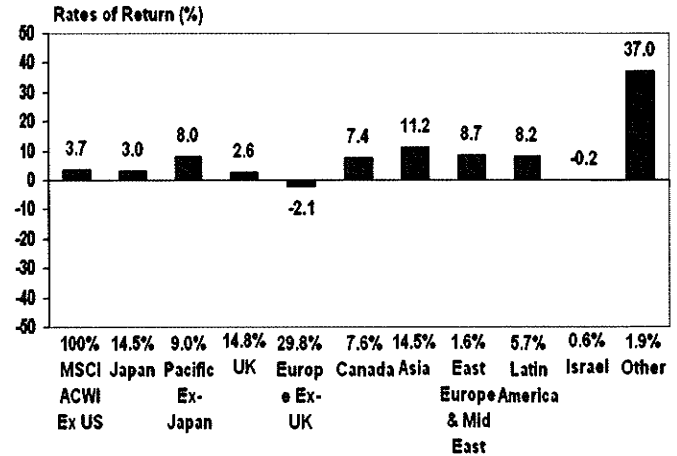
MARKET ENVIRONMENT

NON-US STOCK MARKETS

NON-U.S. STOCK MARKET RETURNS
THIRD QUARTER

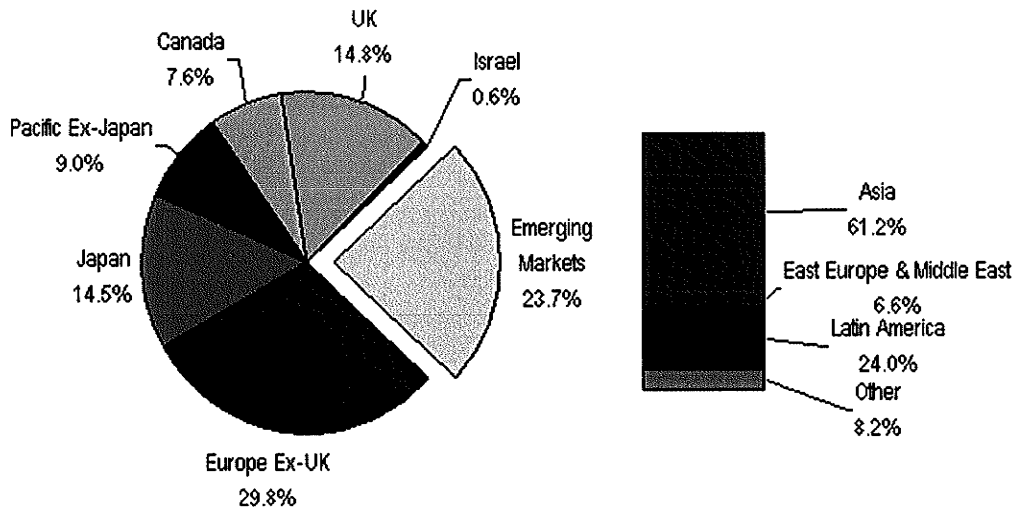


NON-U.S. STOCK MARKET RETURNS
YEAR-TO-DATE ENDING 9/30/2010



The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 21 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

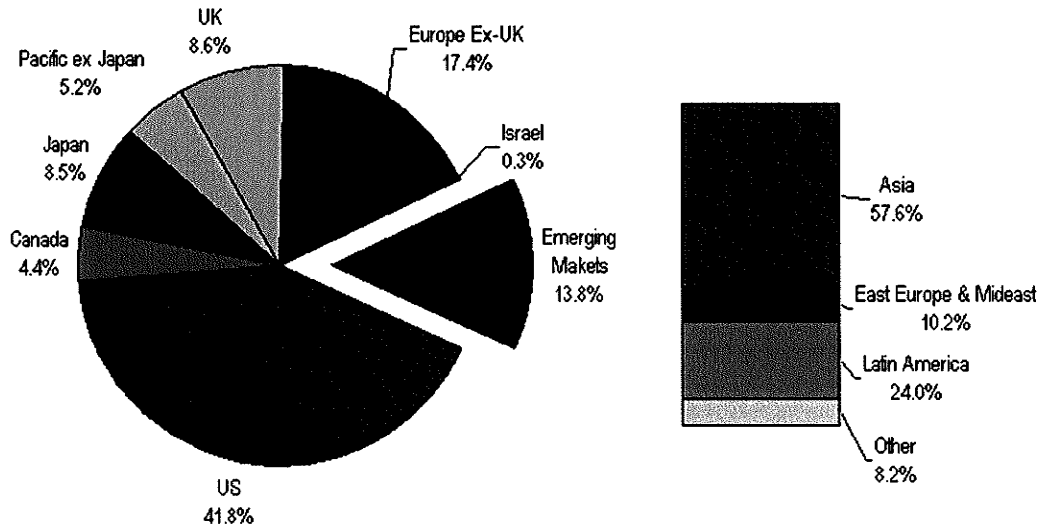
MSCI ALL-COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 9/30/2010



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

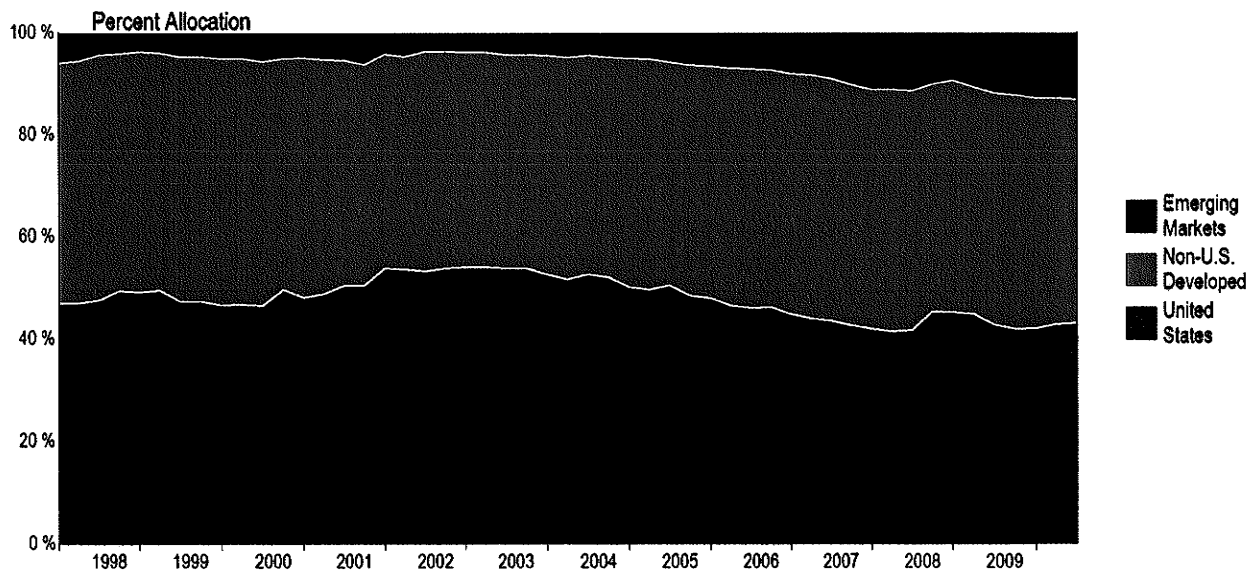
Note on Other: Includes South Africa, Egypt, and Morocco. Returns expressed are the weighted average returns.

**MSCI ALL-COUNTRY WORLD STOCK INDEX
 GEOGRAPHIC ALLOCATION AS OF 9/30/2010**



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 24 developed stock markets and 21 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.
 Note on Other: Includes South Africa, Egypt, and Morocco.

ALLOCATION



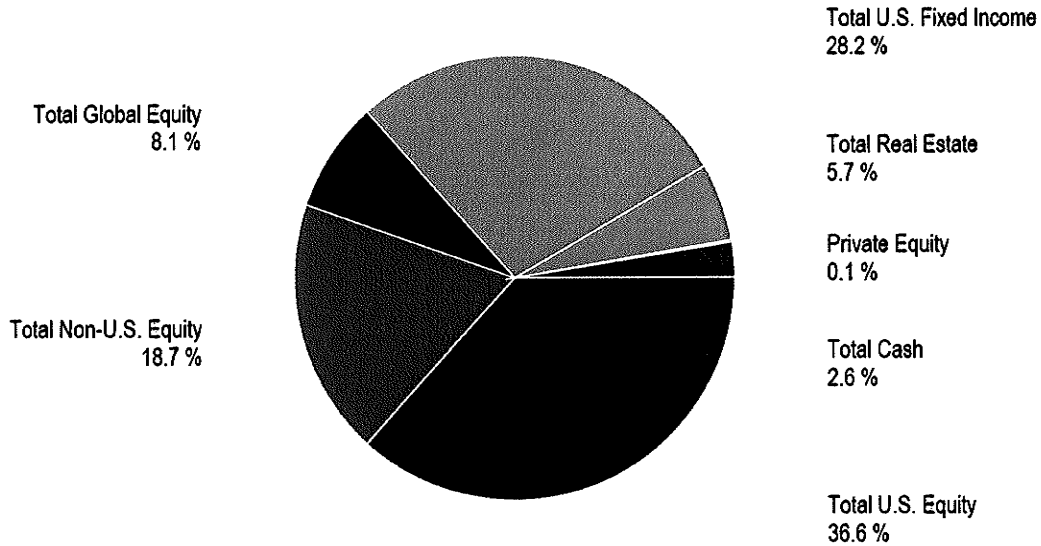
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

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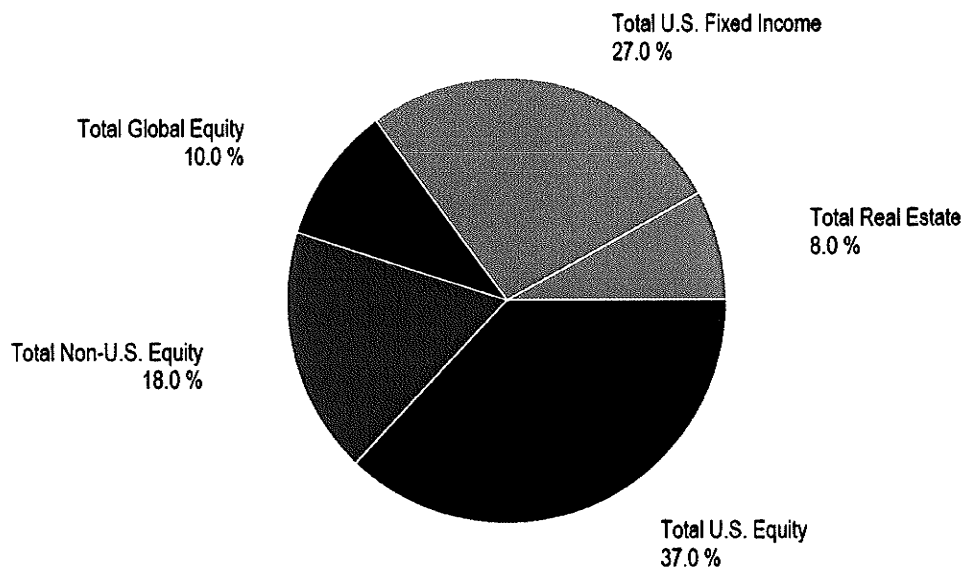
ASSET ALLOCATION

ASSET ALLOCATION

**ASSET ALLOCATION
ACTUAL AS OF 9/30/10**



**ASSET ALLOCATION
POLICY AS OF 9/30/10**



ASSET ALLOCATION

ASSET ALLOCATION AS OF 9/30/10 (\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index Fund	\$27,680	--	--	--	--	--	--	\$27,680	1.0%	
Western U.S. Index Plus	\$70,183	--	--	--	--	--	\$18,031	\$88,214	3.0%	
BlackRock Equity Market Fund	\$944,280	--	--	--	--	--	--	\$944,280	32.6%	
Total U.S. Equity	\$1,042,144	--	--	--	--	--	\$18,031	\$1,060,175	36.6%	37.0%
BlackRock ACWI ex-U.S. Index	--	\$237,597	--	--	--	--	--	\$237,597	8.2%	
Capital Guardian	\$915	\$110,085	--	--	--	--	\$3,433	\$114,433	4.0%	
Sprucegrove	--	\$110,651	--	--	--	--	\$3,305	\$113,956	3.9%	
Artio International Equity II	--	\$73,003	--	--	--	--	\$3,201	\$76,203	2.6%	
Total Non-U.S. Equity	\$915	\$531,336	--	--	--	--	\$9,938	\$542,189	18.7%	18.0%
GMO Global Fund	\$44,081	\$73,426	\$2,141	--	--	--	\$6,297	\$125,944	4.4%	
Acadian	--	\$108,088	--	--	--	--	--	\$108,088	3.7%	
Total Global Equity	\$44,081	\$181,514	\$2,141	--	--	--	\$6,297	\$234,032	8.1%	10.0%
Western	--	--	\$320,007	--	--	--	--	\$320,007	11.1%	
BlackRock U.S. Debt Fund	--	--	\$91,482	--	--	--	--	\$91,482	3.2%	
Reams	--	--	\$282,965	--	--	--	\$15,836	\$298,801	10.3%	
Loomis Sayles	--	--	\$82,636	\$17,969	--	--	\$3,865	\$104,470	3.6%	
Total U.S. Fixed Income	--	--	\$777,090	\$17,969	--	--	\$19,702	\$814,761	28.2%	27.0%
Total Prudential Real Estate	--	--	--	--	\$59,576	--	--	\$59,576	2.1%	
UBS Real Estate	--	--	--	--	\$82,366	--	--	\$82,366	2.8%	
Guggenheim	--	--	--	--	\$16,561	--	--	\$16,561	0.6%	
RREEF	--	--	--	--	\$5,601	--	--	\$5,601	0.2%	
Total Real Estate	--	--	--	--	\$164,104	--	--	\$164,104	5.7%	8.0%
Adams Street Partners	--	--	--	--	--	\$3,849	--	\$3,849	0.1%	
Pantheon Ventures	--	--	--	--	--	\$330	--	\$330	0.0%	
Private Equity	--	--	--	--	--	\$4,179	--	\$4,179	0.1%	0.0%
Clifton Group	--	--	--	--	--	--	\$73,893	\$73,893	2.6%	
Total Cash	--	--	--	--	--	--	\$73,893	\$73,893	2.6%	0.0%
Total Fund	\$1,087,140	\$712,849	\$779,231	\$17,969	\$164,104	\$4,179	\$127,861	\$2,893,333	100.0%	
Percent of Total	37.6%	24.6%	26.9%	0.6%	5.7%	0.1%	4.4%	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.

Ventura's Board approved a total fund policy earlier this year to include allocations in private equity and opportunistic equity. Since the Fund only includes 0.1% toward private equity we're not showing policy allocations to this asset class, but will do so when allocations rise to 1.0% of total assets.

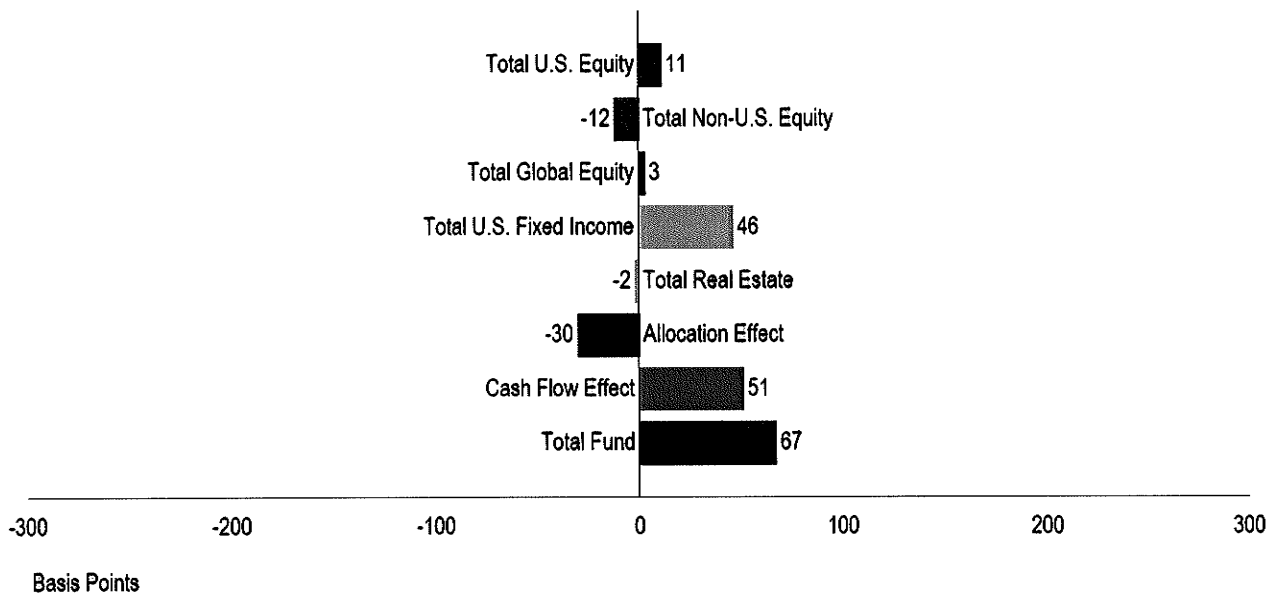
During the quarter the asset value of VCERA's Total Fund increased by \$331.6 million. The increase in assets was a result of investment gains of \$243.8 million combined with net cash inflows of \$87.8 million.

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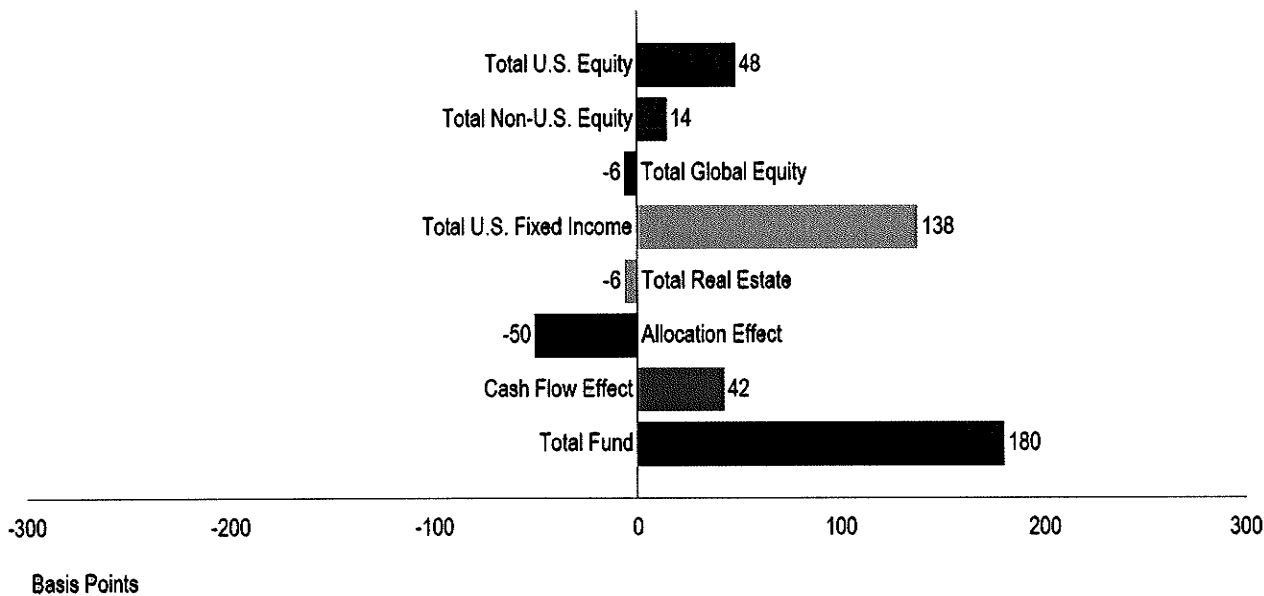
PERFORMANCE EVALUATION

TOTAL FUND

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/10



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/10



Note: The Cash Flow Effect exhibited in the third quarter attribution chart represents the effect the Clifton Group had on the Total Fund.

**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	10.5 %	9	7.7 %	23	11.7 %	17	-3.0 %	69	3.0 %	65	3.9 %	53
Policy Portfolio	9.8	16	6.5	52	9.9	47	-2.4	64	3.4	43	3.3	73
Public Fund Index	8.7	57	6.9	36	10.4	38	-1.8	47	3.8	33	4.1	36

Commentary on Investment Performance

The Total Fund returned 10.5% during the third quarter and bested the return of the Policy Portfolio by 70 basis points. The Fund's U.S. equity, global equity, and fixed income components added value over their benchmarks. Partially offsetting results were the below-benchmark returns from the Fund's non-U.S. equity and real estate components.

For the one-year ending September 30, 2010, the Total Fund advanced 11.7%, outpacing the return of the Policy Portfolio by 180 basis points. Outperformance was mainly attributed to significant above-benchmark returns from the fixed income component and smaller but meaningful contributions from the U.S. and non-U.S. equity asset classes. Results were partially offset by underperformance from the global equity and real estate components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has outperformed the return of its benchmark during the trailing ten-year period and equaled it since inception, it has lagged the benchmark during the three- and five-year periods. The Fund's annualized since inception return remains favorable in absolute terms at 7.7%.

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 an unfavorable 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

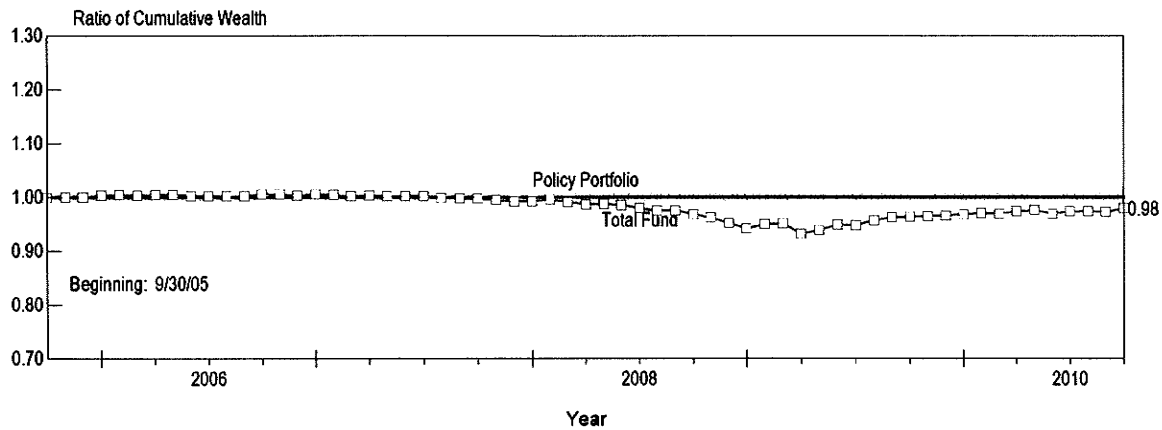
HISTORICAL RETURNS

(BY Years)

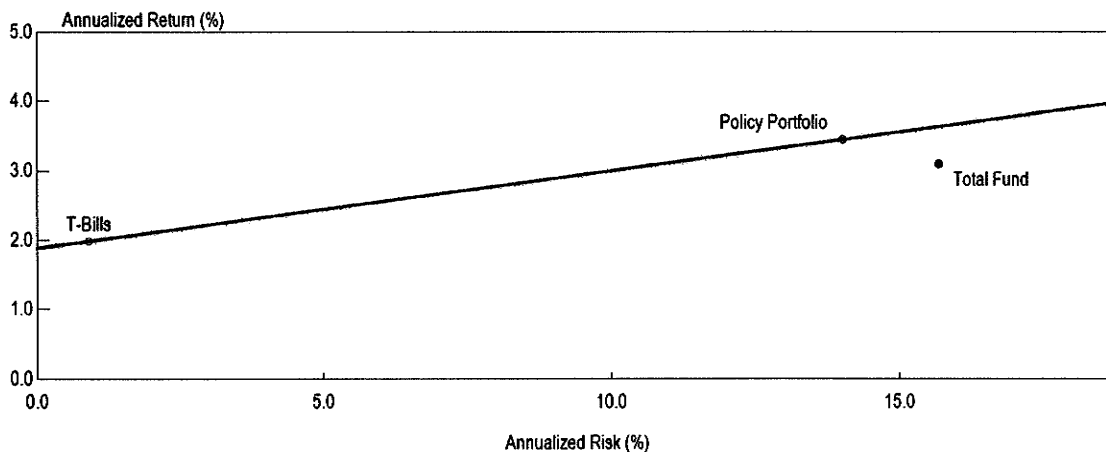
	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1994 (9 months)	1.2%	3.3%	-2.1
1995	25.2	24.6	0.6
1996	14.8	13.6	1.2
1997	18.9	19.9	-1.0
1998	16.7	20.3	-3.6
1999	13.5	14.4	-0.9
2000	0.6	-1.8	2.4
2001	-2.2	-6.0	3.8
2002	-10.6	-10.1	-0.5
2003	24.4	22.9	1.5
2004	10.9	11.3	-0.4
2005	7.8	7.6	0.2
2006	14.2	14.0	0.2
2007	7.0	8.5	-1.5
2008	-30.9	-27.1	-3.8
2009	24.2	20.8	3.4
2010 (9 months)	7.7	6.5	1.2
Trailing 1-Year	11.7%	9.9%	1.8
Trailing 3-Year	-3.0	-2.4	-0.6
Trailing 5-Year	3.0	3.4	-0.4
Trailing 10-Year	3.9	3.3	0.6
Trailing 15-Year	7.1	7.0	0.1

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

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 9/30/10**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 9/30/10**

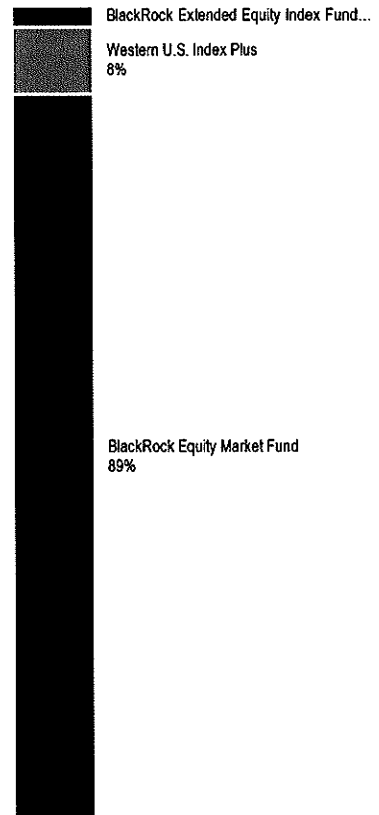
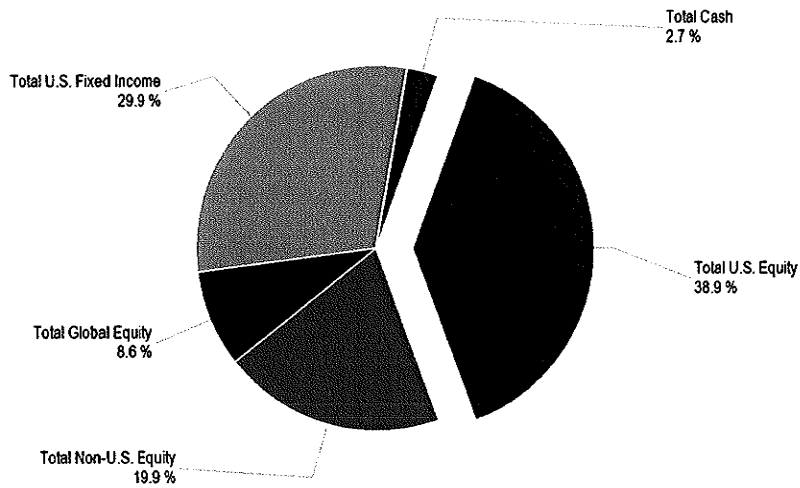


The Ratio of Cumulative Wealth graph on the top of the page illustrates the Total Fund's cumulative performance relative to the Policy Portfolio. An upward sloping line between two points indicates that the component's return exceeded that of the Policy Portfolio, while a downward sloping line indicates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

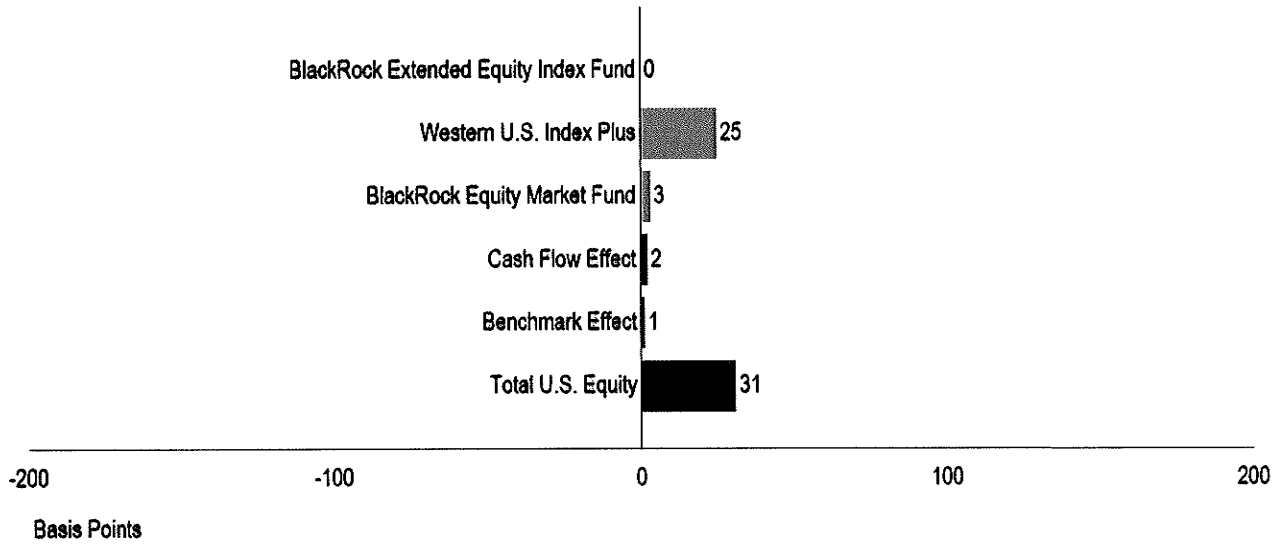
The risk/return graph on the bottom of the page illustrates the historical risk (volatility of returns) and return of VCERA's Total Fund to that of its Policy Portfolio.

TOTAL U.S. EQUITY

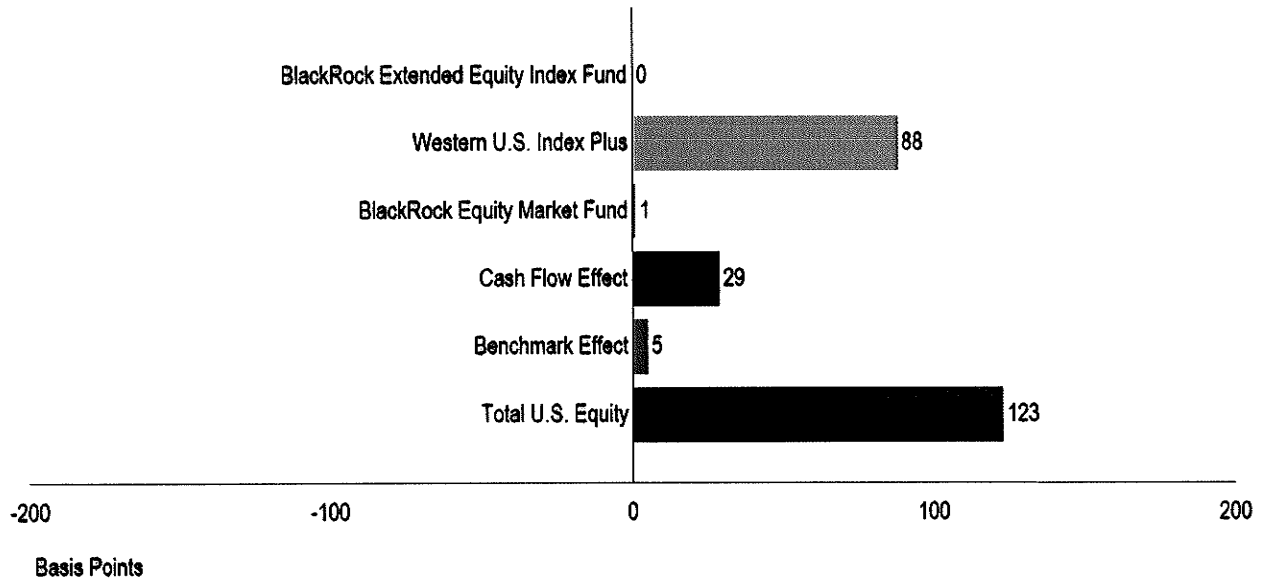
ASSET ALLOCATION ACTUAL AS OF 9/30/10



**MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/10**



**MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 9/30/10**



TOTAL U.S. EQUITY

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	11.8 %	32	6.0 %	30	12.6 %	23	-7.5 %	76	0.1 %	76	1.1 %	42	7.1 %	65	12/31/93
Performance Benchmark*	11.5	48	5.2	49	11.3	44	-6.3	41	1.1	36	0.2	65	7.6	47	
BlackRock Extended Equity Index Fund	12.6	29	11.6	21	16.8	21	-3.6	36	3.0	32	--	--	10.2	--	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	12.5	31	11.4	25	16.8	20	-3.4	33	3.1	30	--	--	10.3	--	
Western U.S. Index Plus	14.4	10	11.7	2	22.5	1	-10.3	91	--	--	--	--	-10.0	--	5/31/07
S&P 500 Index	11.3	49	3.9	37	10.2	38	-7.2	55	--	--	--	--	-6.4	--	
BlackRock Equity Market Fund	11.5	49	5.3	54	11.3	53	--	--	--	--	--	--	-5.5	--	5/31/08
Dow Jones U.S. Total Stock Market Index	11.5	50	5.2	54	11.3	54	--	--	--	--	--	--	-5.5	--	

Commentary on Investment Performance

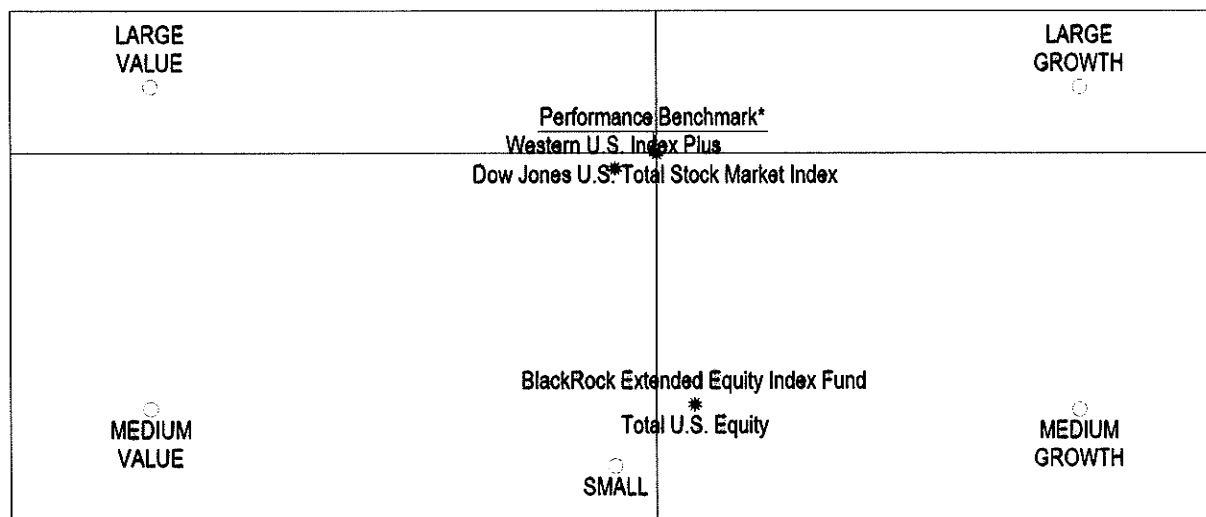
The Total Fund's U.S. equity component advanced 11.8% during the third quarter, outpacing the return of the Performance Benchmark by 30 basis points. Once again, Western's significant outperformance was responsible for the component's above-benchmark result. The Fund's U.S. equity index funds both reasonably tracked their benchmarks for the quarter.

Similar to the third quarter, the U.S. equity component outperformed its benchmark during the trailing one-year period. During this time, Western returned an impressive 22.5%, outperforming its benchmark by 12.3 percentage points. Longer-term performance remains mixed for the U.S. equity component, as the asset class has outperformed during the trailing ten-year period, but has underperformed during the trailing three, five, and since inception 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 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 one-year attribution graph is a result of the combined performance of the individual managers' benchmarks (the S&P 500 Index and the DJ U.S. Completion Total Stock Market Index) out/underperforming the U.S. equity component's Performance Benchmark (the DJ U.S. Total Stock Index).

*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

**EFFECTIVE STYLE MAP
5 YEARS ENDING 9/30/10**



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 U.S. Total Stock Market 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 U.S. Total Stock Market Index, while managers plotting to the right are effectively more growth-oriented.

*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

BLACKROCK EXTENDED EQUITY INDEX FUND

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BlackRock Extended Equity Index Fund	12.6 %	29	11.6 %	21	16.8 %	21	-3.6 %	36	3.0 %	32	10.2 %	--	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	12.5	31	11.4	25	16.8	20	-3.4	33	3.1	30	10.3	--	

Philosophy and Process

The BlackRock 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.

The Fund does not hold publicly traded partnerships (PTPs) because of their potential to distribute unrelated business taxable income. However, the DJ U.S. Completion Total Stock Market Index includes PTPs which result in the Fund experiencing tracking discrepancies. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the difference to be minimal over longer time periods.

HISTORICAL RETURNS (BY YEAR)

	BlackRock Extended Equity Index Fund		Dow Jones U.S. Completion Total Stock Market Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1 %	--	2.4 %	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
2007	5.4	30	5.4	30	0.0
2008	-38.4	58	-39.0	65	0.6
2009	35.0	30	37.5	23	-2.5
2010 (9 months)	11.6	21	11.4	25	0.2
Trailing 1-Year	16.8 %	21	16.8 %	20	0.0
Trailing 3-Year	-3.6	36	-3.4	33	-0.2
Trailing 5-Year	3.0	32	3.1	30	-0.1
Since Inception (10/31/02)	10.2	--	10.3	--	-0.1

**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western U.S. Index Plus	14.4%	10	11.7%	2	22.5%	1	-10.0%	-	5/31/07
S&P 500 Index	11.3	49	3.9	37	10.2	38	-6.4	--	

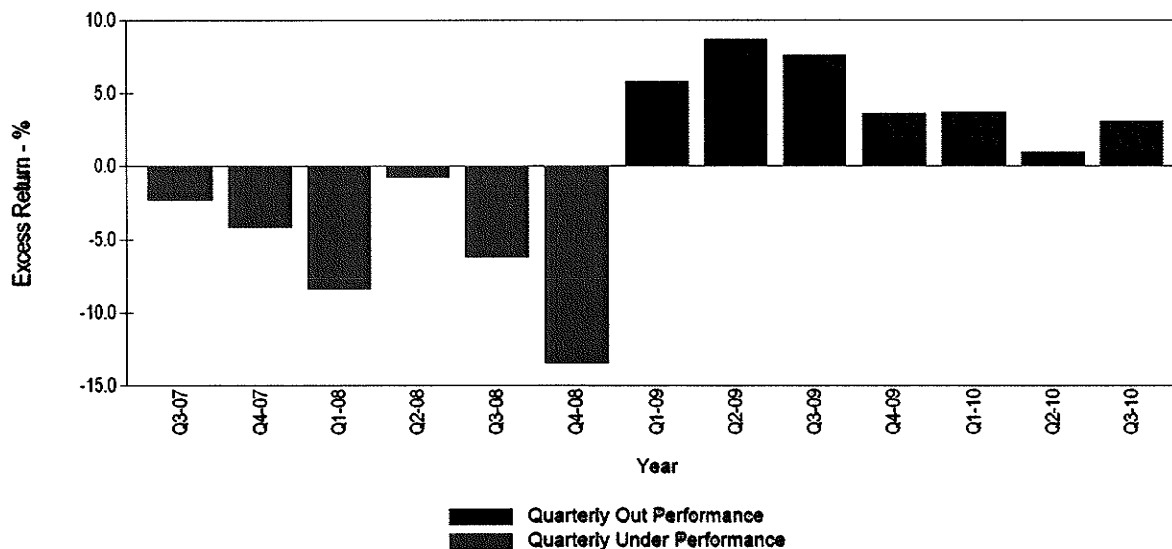
Philosophy and Process

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

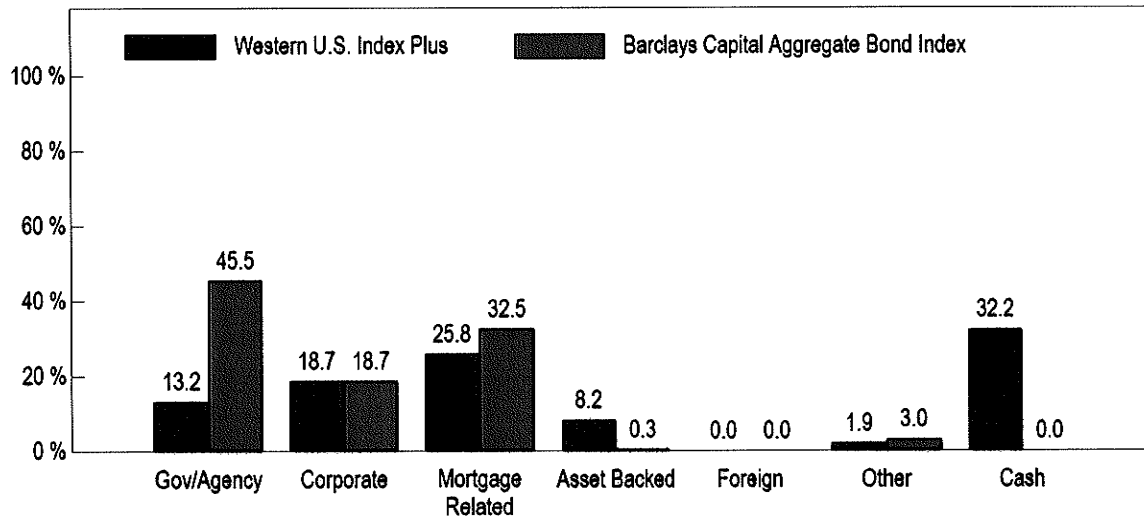
As of September 30, 2010, the manager reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 9.05% allocation to U.S. securities rated below investment grade, exceeding the maximum 5.0% allocation stated in the guidelines. In addition, the portfolio held a 1.04% allocation to Structured Asset Securities Corp. which is rated below investment grade. VCERA's account guidelines allow for a maximum of 1.0% to any one holding rated below investment grade.

Quarterly Excess Performance



WESTERN U.S. INDEX PLUS

SECTOR ALLOCATION AS OF 9/30/10
Western U.S. Index Plus



The exhibit above illustrates the sector allocations of the Western U.S. Index Plus portfolio.

BLACKROCK EQUITY MARKET FUND

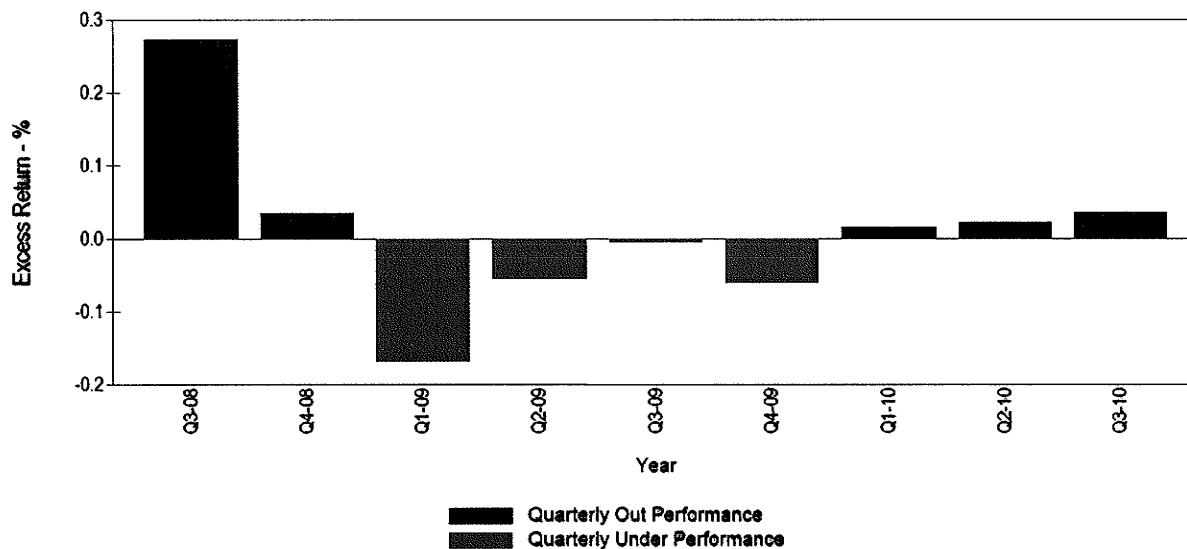
RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BlackRock Equity Market Fund	11.5%	49	5.3%	54	11.3%	53	-5.5%	--	5/31/08
Dow Jones U.S. Total Stock Market Index	11.5	50	5.2	54	11.3	54	-5.5	--	

Philosophy and Process

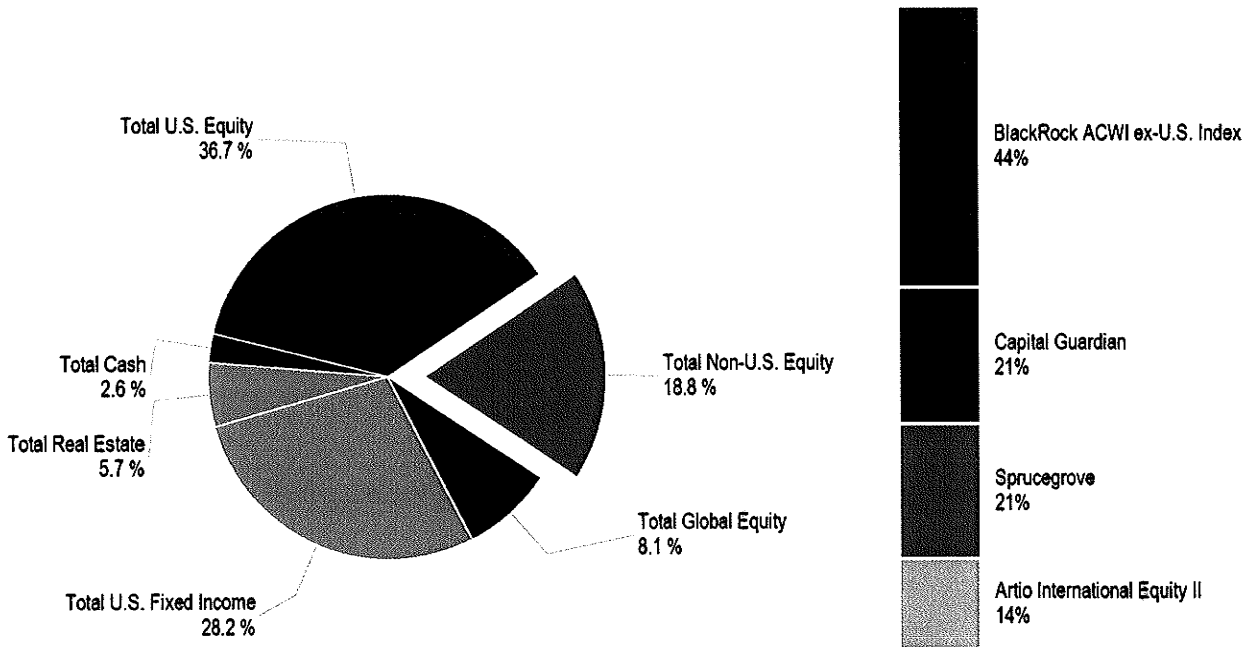
The objective of the BlackRock U.S. Equity Market Fund is to approximate the return of the Dow Jones U.S. Total Stock Market Index. The Dow Jones U.S. Total Stock Market Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.

Quarterly Excess Performance



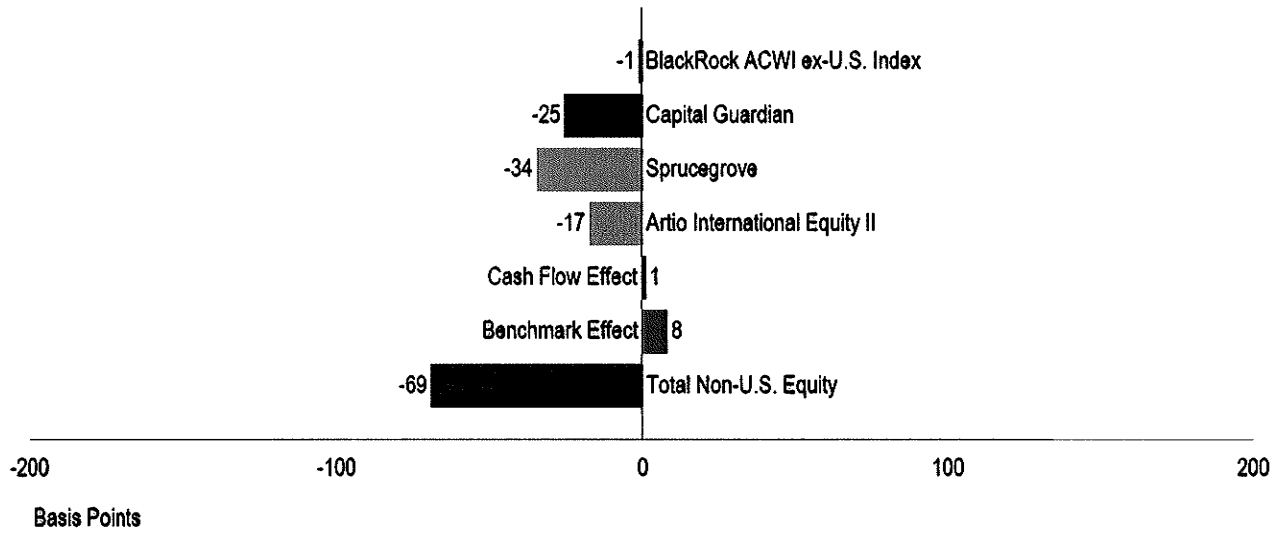
TOTAL NON-U.S. EQUITY

ASSET ALLOCATION ACTUAL AS OF 9/30/10

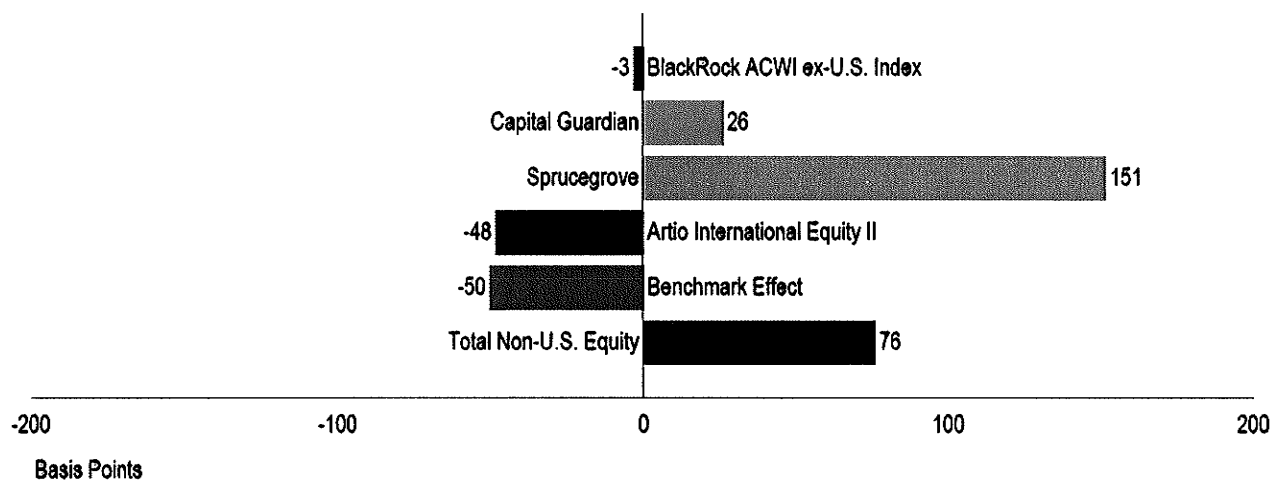


TOTAL NON-U.S. EQUITY

**MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/10**



**MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 9/30/10**



TOTAL NON-U.S. EQUITY

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	15.9 %	56	5.0 %	38	8.3 %	43	-7.3 %	44	3.8 %	45	4.1 %	50	7.3 %	39	3/31/94
Performance Benchmark*	16.6	35	3.7	55	7.6	52	-7.4	47	4.3	34	4.2	49	5.8	72	
BlackRock ACWI ex-U.S. Index	16.8	42	4.7	30	8.4	35	-6.8	29	--	--	--	--	-2.5	23	3/31/07
Performance Benchmark	16.8	42	4.6	30	8.5	35	-6.9	29	--	--	--	--	-2.5	23	
Capital Guardian	15.4	72	4.4	34	8.8	33	-6.7	27	4.7	19	3.9	44	3.2	--	7/31/00
Performance Benchmark*	16.6	46	3.7	41	7.6	37	-7.4	38	4.3	23	4.2	42	3.7	--	
Sprucegrove	14.9	79	8.8	9	10.5	24	-6.0	22	4.0	25	--	--	8.8	20	3/31/02
MSCI EAFE Index	16.5	47	1.1	72	3.3	73	-9.5	55	2.0	62	--	--	6.3	68	
Artio International Equity II	15.4	72	1.5	66	4.3	65	--	--	--	--	--	--	12.5	--	10/31/08
MSCI All Country World ex-U.S. Index	16.6	46	3.7	41	7.6	37	--	--	--	--	--	--	21.9	--	

Commentary on Investment Performance

The non-U.S. equity component advanced 15.9% on an absolute basis but lost 70 basis points of value compared to the return of the MSCI All Country World ex-U.S. Index during the quarter. Underperformance was mainly attributed to negative results by Capital Guardian, Sprucegrove, and Artio. Capital Guardian was hampered by poor stock selection in the consumer discretionary and information technology sectors. Artio was hindered by poor stock selection amongst developed markets and adverse currency exposure. Finally, Sprucegrove suffered from poor stock selection in the materials and telecommunications sectors.

Longer term performance has been mixed, with the year-to-date, trailing one-year, three-year, and since-inception returns outperforming while the five- and ten-year trailing returns have underperformed.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's non-U.S. equity component. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The benchmark effect in the quarter attribution graph is a result of the cumulative performance of the individual managers' benchmarks (the MSCI EAFE Index and the MSCI All Country World ex-U.S. IMI Index) out/underperforming the non-U.S. equity component's performance benchmark (the MSCI All Country World ex-U.S. Index).

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

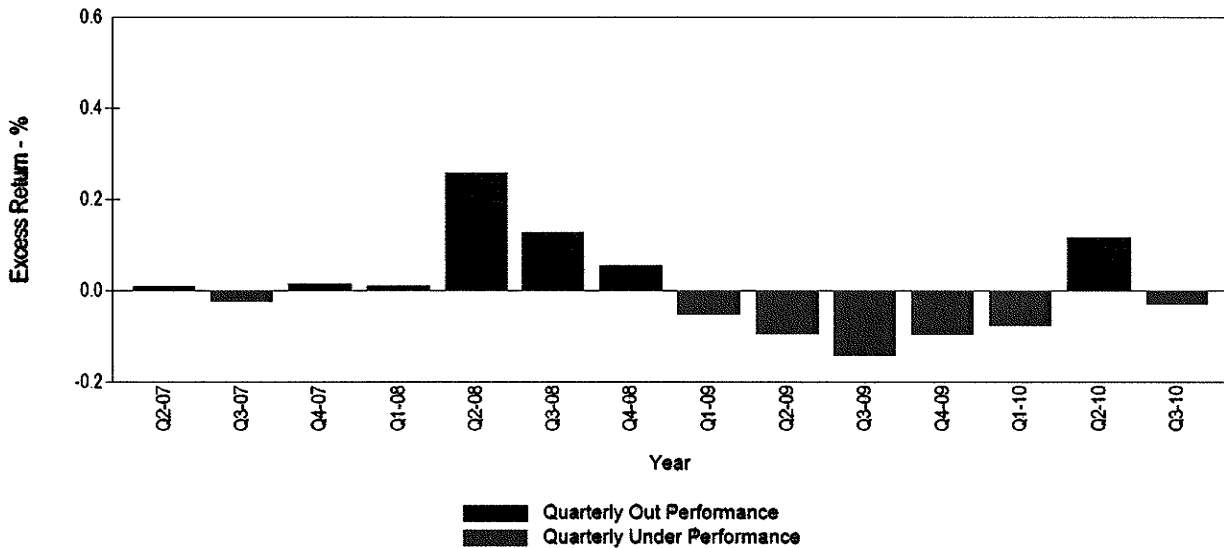
**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BlackRock ACWI ex-U.S. Index	16.8%	42	4.7%	30	8.4%	35	-6.8%	29	-2.5%	23	3/31/07
Performance Benchmark	16.8	42	4.6	30	8.5	35	-6.9	29	-2.5	23	

Philosophy and Process

The BlackRock ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.

Quarterly Excess Performance



CAPITAL GUARDIAN

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	15.4 %	72	4.4 %	34	8.8 %	33	-6.7 %	27	4.7 %	19	3.2 %	--	7/31/00
Performance Benchmark*	16.6	46	3.7	41	7.6	37	-7.4	38	4.3	23	3.7	--	

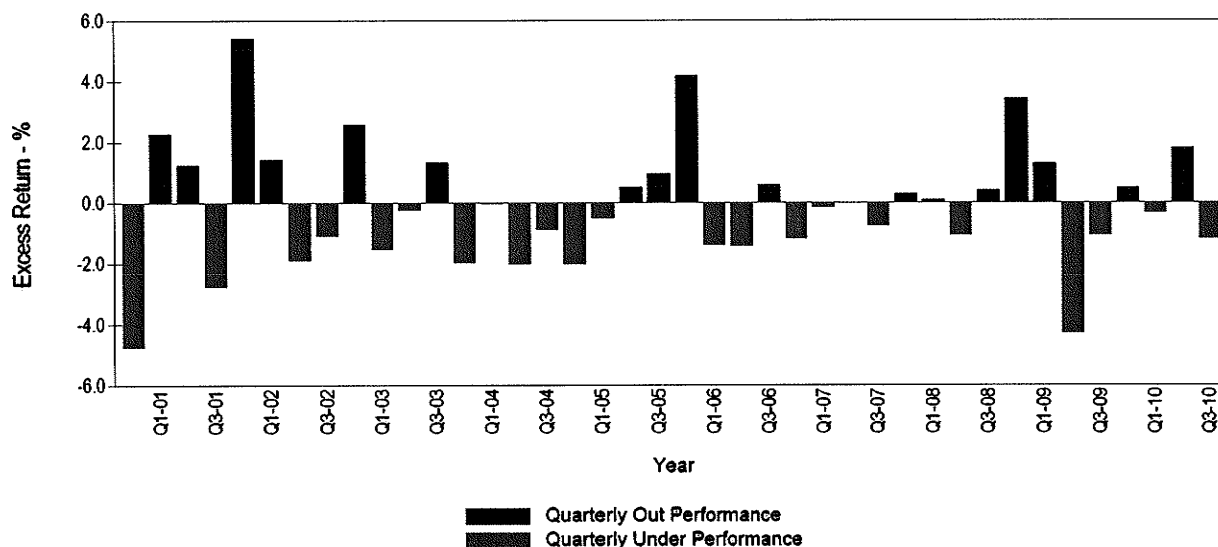
Philosophy and Process

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

Manager Update

Earlier this year the Board decided to terminate Capital Guardian and allocate assets to two new non-U.S. equity managers, Walter Scott, based out of the U.K., and Hexavest, from Canada. Capital Guardian has been notified of their pending termination and a transition manager, StateStreet Bank, will unwind its portfolio.

Quarterly Excess Performance



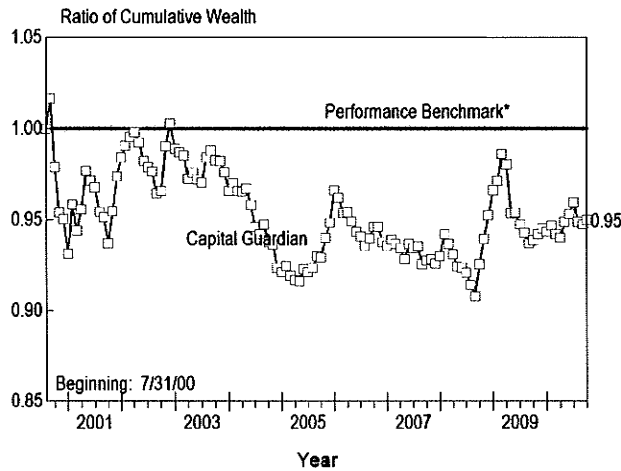
*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

COUNTRY ALLOCATION RETURNS
3 MONTHS ENDING 9/30/10

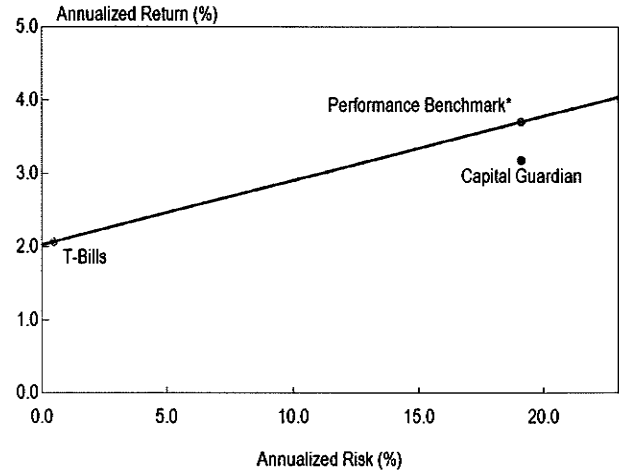
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	1.2%	0.2%	28.3%
Belgium	0.0	0.7	19.6
Czech Republic*	0.0	0.1	17.1
Denmark	1.4	0.7	17.7
Finland	0.9	0.8	26.6
France	8.7	7.0	20.8
Germany	7.5	5.5	16.7
Greece	0.0	0.2	18.8
Hungary*	0.0	0.1	27.0
Ireland	1.0	0.2	-3.6
Italy	0.7	2.0	19.8
Netherlands	3.9	1.8	16.3
Norway	0.2	0.6	29.4
Poland*	0.8	0.4	35.5
Portugal	0.0	0.2	20.5
Russia*	1.6	1.4	13.4
Spain	0.6	2.6	27.5
Sweden	0.7	2.2	24.7
Switzerland	5.3	5.4	13.3
United Kingdom	11.2	14.8	19.8
Asia/Pacific			
Australia	2.6%	5.9%	23.6%
China*	4.7	4.3	10.7
Hong Kong	1.7	1.8	21.9
India*	3.8	1.9	15.4
Indonesia*	0.7	0.6	17.7
Japan	16.7	14.5	5.8
Korea*	3.4	3.2	17.2
Malaysia*	0.7	0.7	18.9
New Zealand	0.0	0.1	13.3
Pakistan*	0.0	-	-
Philippines*	0.0	0.1	29.1
Singapore	0.2	1.2	15.8
Sri Lanka*	0.0	-	-
Taiwan, China*	2.2	2.5	19.0
Thailand*	0.6	0.4	32.4
Americas			
Argentina*	0.0%	-	-
Brazil*	3.9	3.9%	21.7%
Canada	3.9	7.6	13.2
Chile*	0.0	0.4	32.6
Colombia*	0.0	0.2	32.4
Mexico*	2.6	1.0	11.5
Peru*	0.0	0.2	24.9
United States	0.8	-	11.4
Venezuela*	0.0	-	-
Other			
Egypt*	0.0%	0.1%	10.6%
Israel	1.3	0.6	11.4
Morocco*	0.0	0.0	8.3
Jordan*	0.0	-	-
Other Countries*	0.0	-	-
South Africa*	1.7	1.8	25.4
Turkey*	0.2	0.4	31.9
Cash			
Cash	2.9%	0.0%	-
Total	100.0%	100.0%	16.6%
Developed	70.2	76.3	
Emerging*	26.8	23.7	
Cash	2.9	0.0	

CAPITAL GUARDIAN

RATIO OF CUMULATIVE WEALTH 10 YEARS 2 MONTHS ENDING 9/30/10



ANNUALIZED RISK RETURN 10 YEARS 2 MONTHS ENDING 9/30/10



HISTORICAL RETURNS (BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0 %	--	-6.6 %	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
2007	15.9	29	16.7	25	-0.8
2008	-43.4	40	-45.5	60	2.1
2009	38.1	30	41.4	21	-3.3
2010 (9 months)	4.4	34	3.7	41	0.7
Trailing 1-Year	8.8 %	33	7.6 %	37	1.2
Trailing 3-Year	-6.7	27	-7.4	38	0.7
Trailing 5-Year	4.7	19	4.3	23	0.4
Since Inception (7/31/00)	3.2	--	3.7	--	-0.5

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

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

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

**RETURN SUMMARY
ENDING 9/30/10**

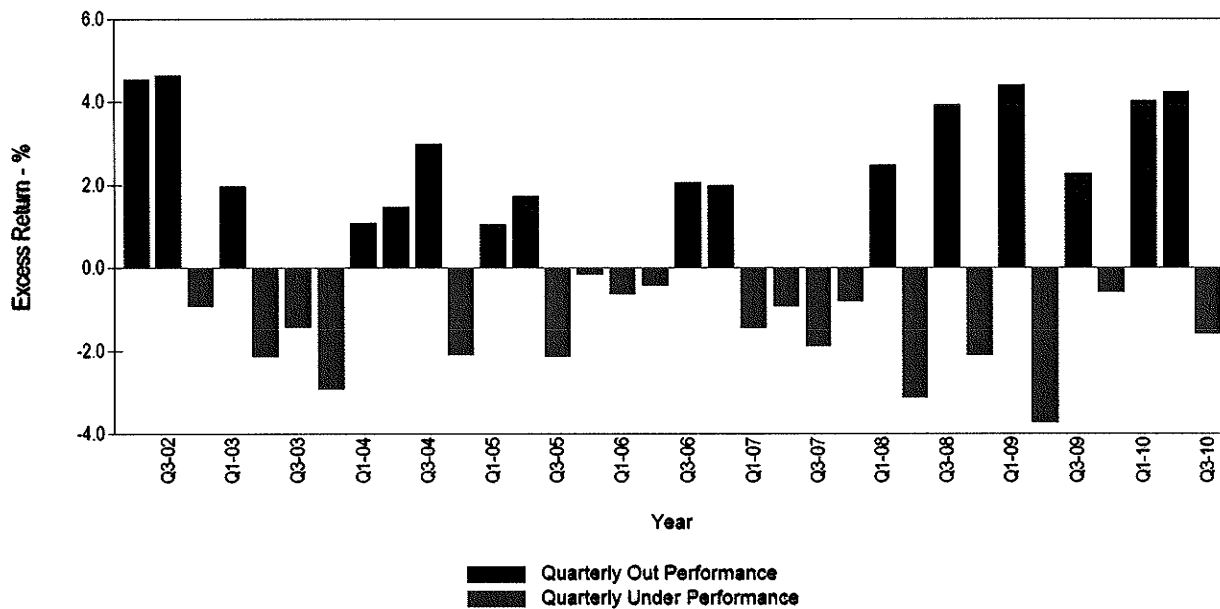
	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	14.9%	79	8.8%	9	10.5%	24	-6.0%	22	4.0%	25	8.8%	20	3/31/02
MSCI EAFE Index	16.5	47	1.1	72	3.3	73	-9.5	55	2.0	62	6.3	68	

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.

Quarterly Excess Performance

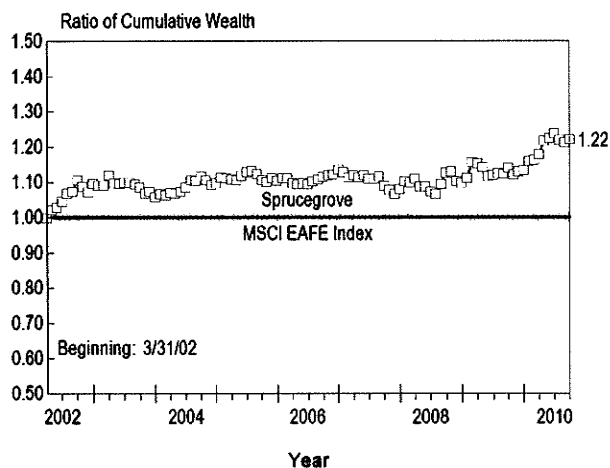


SPRUCEGROVE

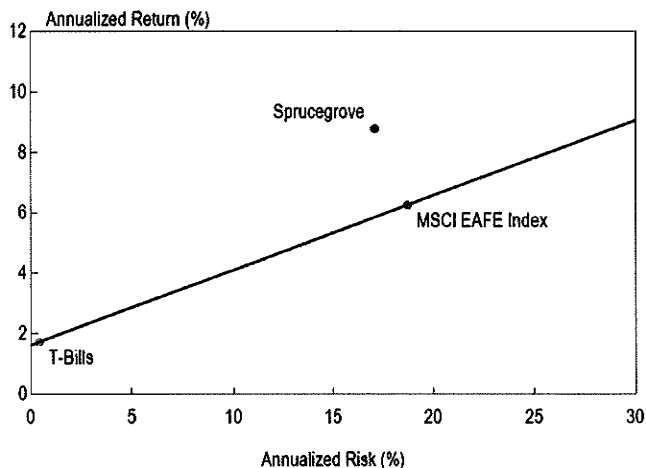
COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 9/30/10

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0%	0.3%	28.3%
Belgium	0.0	1.0	19.6
Czech Republic*	0.0	--	17.1
Denmark	0.0	1.0	17.7
Finland	1.0	1.1	26.6
France	3.0	10.1	20.8
Germany	4.6	8.0	16.7
Greece	0.0	0.3	18.8
Hungary*	0.7	--	27.0
Ireland	4.2	0.2	-3.6
Italy	2.8	2.9	19.8
Netherlands	3.2	2.6	16.3
Norway	0.0	0.8	29.4
Poland*	0.0	--	35.5
Portugal	0.0	0.3	20.5
Russia*	0.0	--	13.4
Spain	2.1	3.8	27.5
Sweden	0.0	3.2	24.7
Switzerland	11.2	7.8	13.3
United Kingdom	18.1	21.6	19.8
Asia/Pacific			
Australia	2.7%	8.6%	23.6%
China*	1.3	--	10.7
Hong Kong	5.1	2.7	21.9
India*	1.3	--	15.4
Indonesia*	0.0	--	17.7
Japan	20.1	21.1	5.8
Korea*	3.6	--	17.2
Malaysia*	0.7	--	18.9
New Zealand	0.0	0.1	13.3
Pakistan*	0.0	--	--
Philippines*	0.0	--	29.1
Singapore	5.6	1.7	15.8
Sri Lanka*	0.0	--	--
Taiwan, China*	0.0	--	19.0
Thailand*	0.0	--	32.4
Americas			
Argentina*	0.0%	--	--
Brazil*	1.4	--	21.7%
Canada	2.4	--	13.2
Chile*	0.0	--	32.6
Colombia*	0.0	--	32.4
Mexico*	0.0	--	11.5
Peru*	0.0	--	24.9
United States	0.0	--	11.4
Venezuela*	0.0	--	--
Other			
Egypt*	0.0%	--	10.6%
Israel	0.0	0.8%	11.4
Morocco*	0.0	--	8.3
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	2.0	--	25.4
Turkey*	0.0	--	31.9
Cash			
Cash	2.9%	--	--
Total	100.0%	100.0%	16.5%
Developed	86.1	100.0	
Emerging*	11.0	--	
Cash	2.9	--	

**RATIO OF CUMULATIVE WEALTH
8 YEARS 6 MONTHS ENDING 9/30/10**



**ANNUALIZED RISK RETURN
8 YEARS 6 MONTHS ENDING 9/30/10**



**HISTORICAL RETURNS
(BY YEAR)**

	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.5	69	0.8
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008	-42.5	33	-43.4	40	0.9
2009	36.1	34	31.8	55	4.3
2010 (9 months)	8.8	9	1.1	72	7.7
Trailing 1-Year	10.5%	24	3.3%	73	7.2
Trailing 3-Year	-6.0	22	-9.5	55	3.5
Trailing 5-Year	4.0	25	2.0	62	2.0
Since Inception (3/31/02)	8.8	20	6.3	68	2.5

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

ARTIO INTERNATIONAL EQUITY II

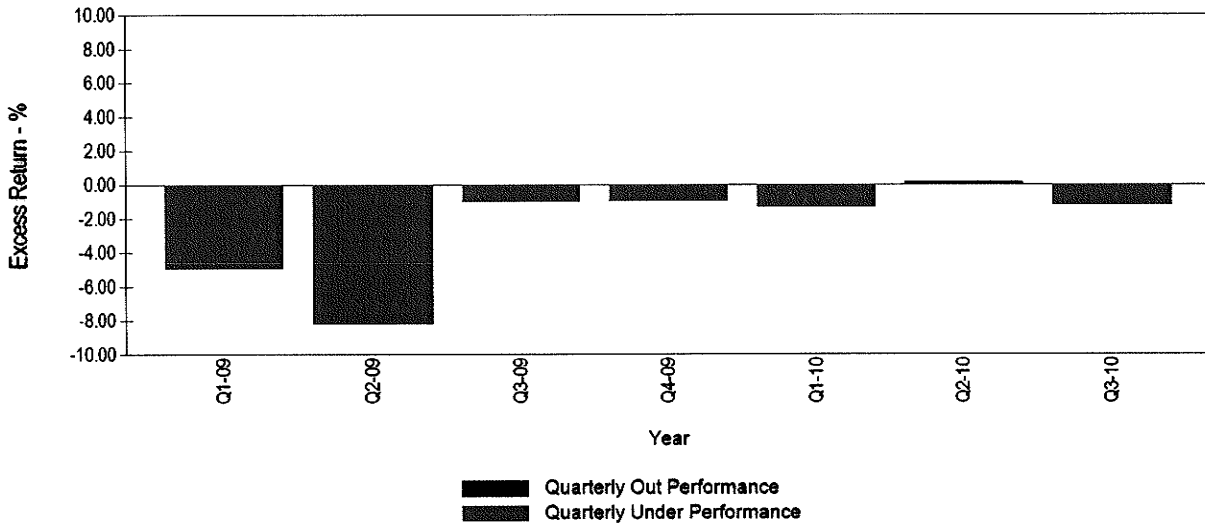
RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Artio International Equity II	15.4 %	72	1.5 %	66	4.3 %	65	12.5 %	--	10/31/08
MSCI All Country World ex-U.S. Index	16.6	46	3.7	41	7.6	37	21.9	-	

Philosophy and Process

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

Quarterly Excess Performance



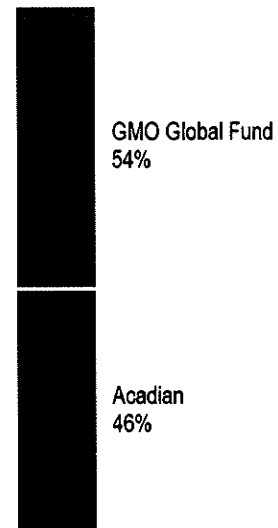
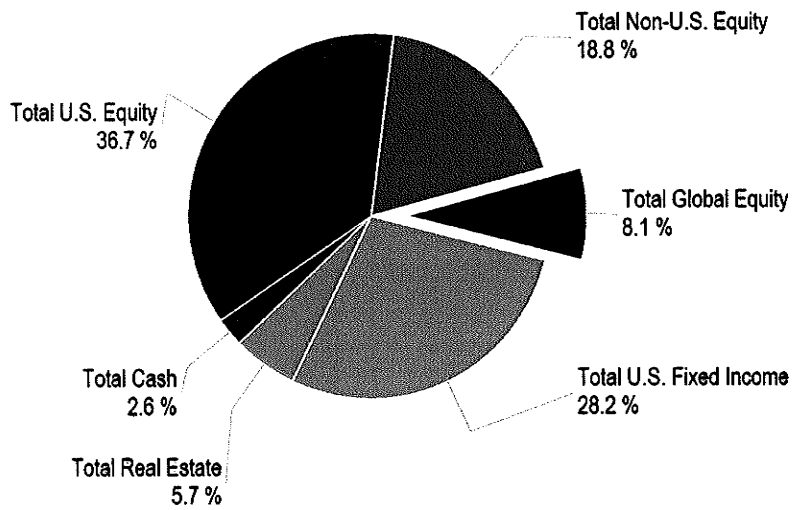
ARTIO INTERNATIONAL EQUITY II

COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 9/30/10

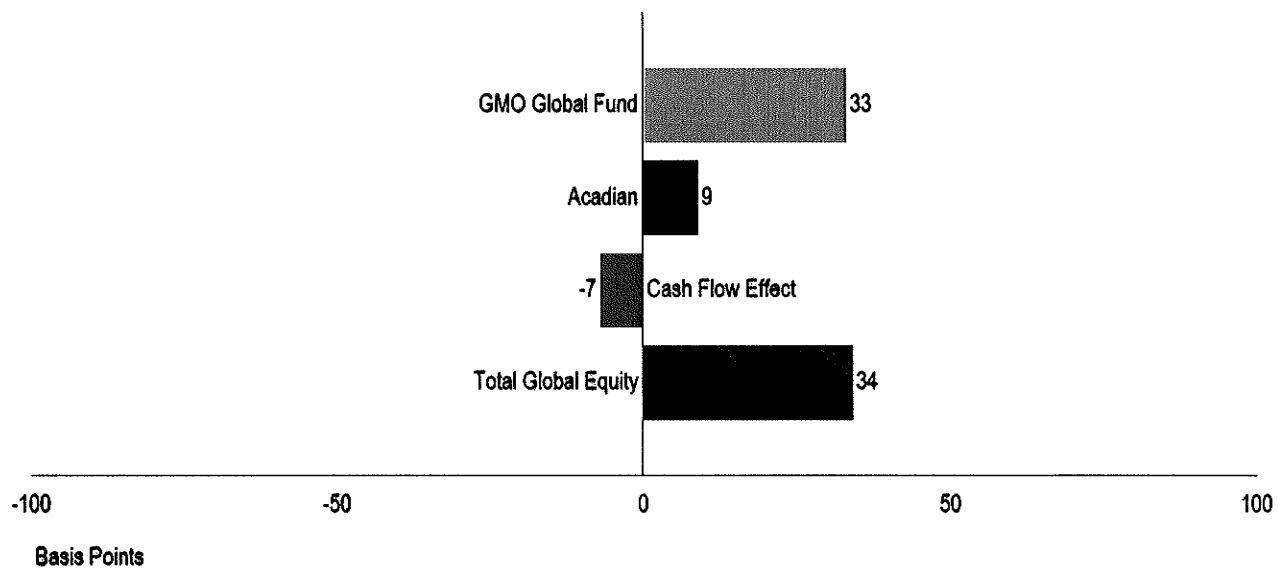
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	1.0 %	0.2 %	28.3 %
Belgium	0.2	0.7	19.6
Czech Republic*	1.2	0.1	17.1
Denmark	1.5	0.7	17.7
Finland	1.1	0.8	26.6
France	6.5	7.0	20.8
Germany	6.6	5.5	16.7
Greece	0.5	0.2	18.8
Hungary*	0.0	0.1	27.0
Ireland	0.3	0.2	-3.6
Italy	0.3	2.0	19.8
Netherlands	3.9	1.8	16.3
Norway	0.5	0.6	29.4
Poland*	0.0	0.4	35.5
Portugal	0.2	0.2	20.5
Russia*	4.7	1.4	13.4
Spain	0.1	2.6	27.5
Sweden	1.5	2.2	24.7
Switzerland	5.0	5.4	13.3
United Kingdom	16.9	14.8	19.8
Asia/Pacific			
Australia	1.5 %	5.9 %	23.6 %
China*	7.7	4.3	10.7
Hong Kong	2.6	1.8	21.9
India*	6.0	1.9	15.4
Indonesia*	0.1	0.6	17.7
Japan	8.3	14.5	5.8
Korea*	0.8	3.2	17.2
Malaysia*	0.0	0.7	18.9
New Zealand	0.0	0.1	13.3
Pakistan*	0.0	-	-
Philippines*	0.0	0.1	29.1
Singapore	1.1	1.2	15.8
Sri Lanka*	0.0	-	-
Taiwan, China*	1.8	2.5	19.0
Thailand*	0.0	0.4	32.4
Americas			
Argentina*	0.0 %	-	-
Brazil*	2.3	3.9 %	21.7 %
Canada	6.3	7.6	13.2
Chile*	0.0	0.4	32.6
Colombia*	0.0	0.2	32.4
Mexico*	1.0	1.0	11.5
Peru*	0.1	0.2	24.9
United States	0.6	-	11.4
Venezuela*	0.0	-	-
Other			
Egypt*	0.0 %	0.1 %	10.6 %
Israel	0.4	0.6	11.4
Morocco*	0.0	0.0	8.3
Jordan*	0.0	-	-
Other Countries*	0.2	-	-
South Africa*	3.2	1.8	25.4
Turkey*	0.0	0.4	31.9
Cash			
Cash	4.2 %	0.0 %	-
Total	100.0 %	100.0 %	16.6 %
Developed	66.7	76.3	
Emerging*	29.1	23.7	
Cash	4.2	0.0	

TOTAL GLOBAL EQUITY

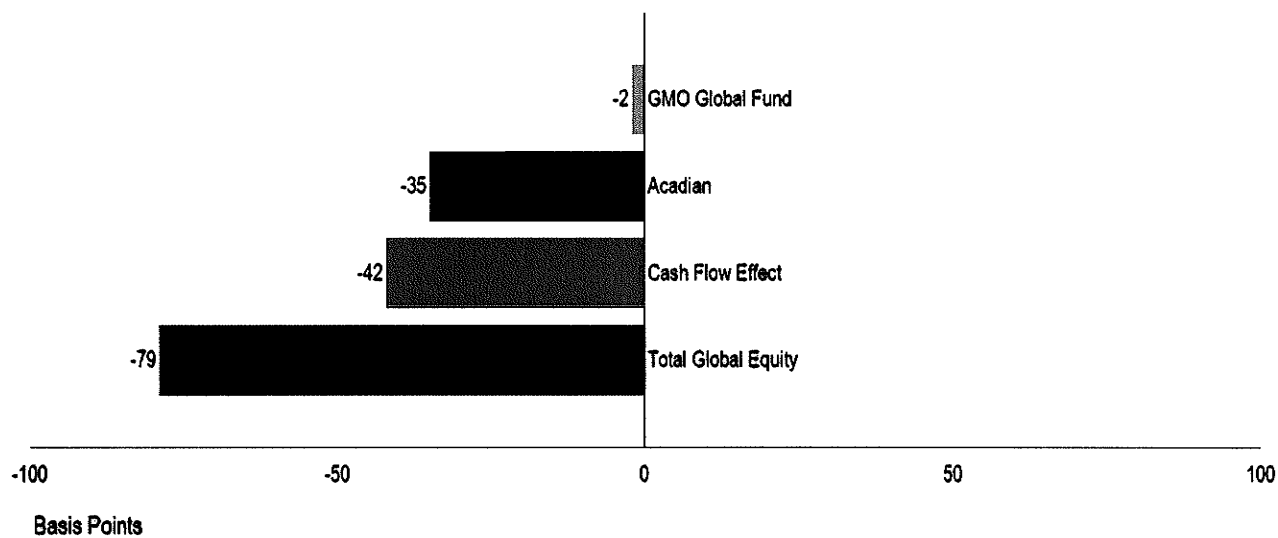
ASSET ALLOCATION ACTUAL AS OF 9/30/10



**MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/10**



**MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 9/30/10**



TOTAL GLOBAL EQUITY

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	14.7 %	25	3.1 %	43	7.6 %	51	-8.9 %	60	0.7 %	62	2.5 %	--	4/30/05
MSCI All Country World Index	14.3	29	3.6	33	8.4	41	-7.5	36	2.4	38	4.1	--	
GMO Global Fund	14.9	23	3.0	44	8.3	42	-5.4	16	3.0	32	4.8	--	4/30/05
MSCI All Country World Index	14.3	29	3.6	33	8.4	41	-7.5	36	2.4	38	4.1	--	
Acadian	14.5	25	3.5	35	7.6	51	--	--	--	--	-14.0	--	5/31/08
MSCI All Country World Index	14.3	29	3.6	33	8.4	41	--	--	--	--	-7.7	--	

Commentary on Investment Performance

During the third quarter, the global equity portfolio returned 14.7%, beating the return of the MSCI All Country World Index by 40 basis points. Both GMO and Acadian added incremental value during the quarter. GMO added value through superior stock selection in the U.S., EAFE, and emerging markets sectors. Acadian was assisted by a combination of positive stock selection and country overweight positions in Thailand and Poland, as well as a country overweight to Chile.

The global equity portfolio has lagged the return of the MSCI All Country World Index during all longer-term periods shown above.

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.

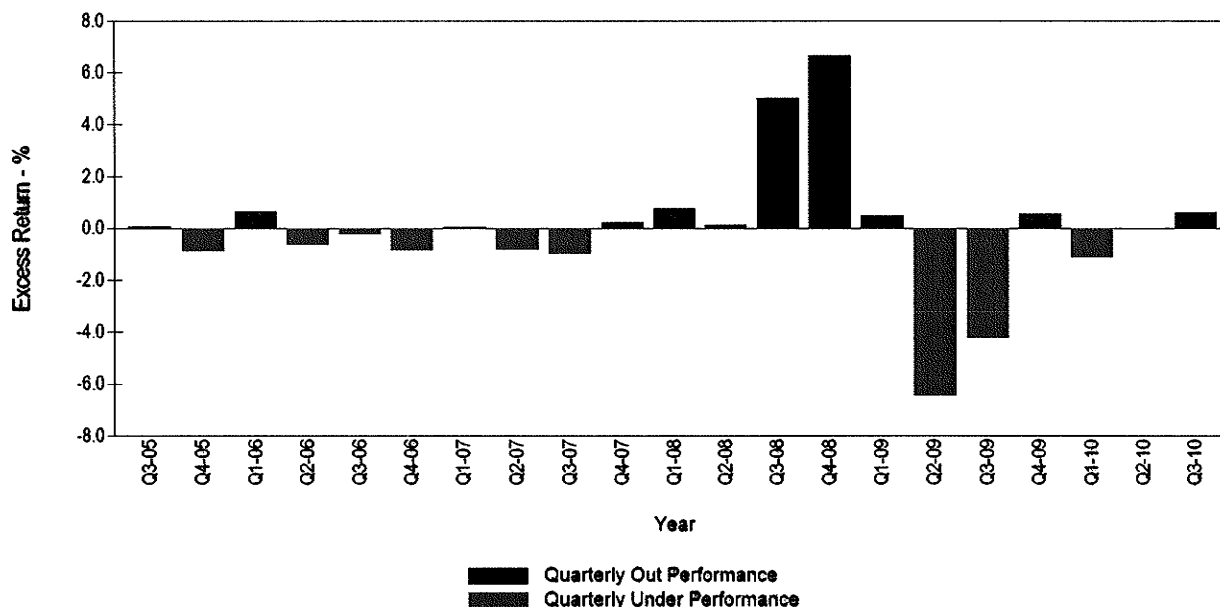
**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	14.9%	23	3.0%	44	8.3%	42	-5.4%	16	4.8%	-	4/30/05
MSCI All Country World Index	14.3	29	3.6	33	8.4	41	-7.5	36	4.1	-	

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.

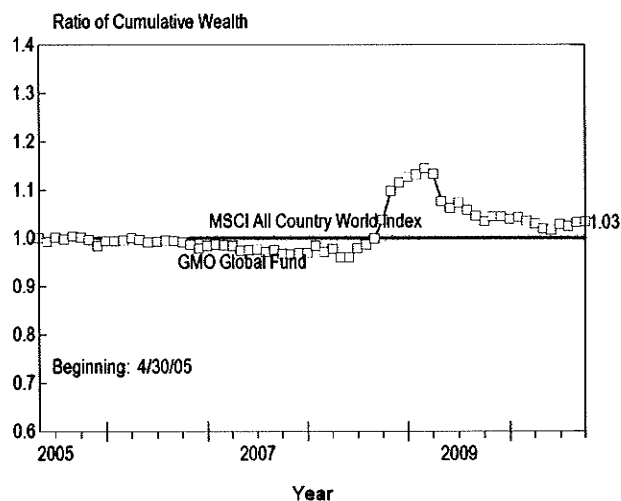
Quarterly Excess Performance



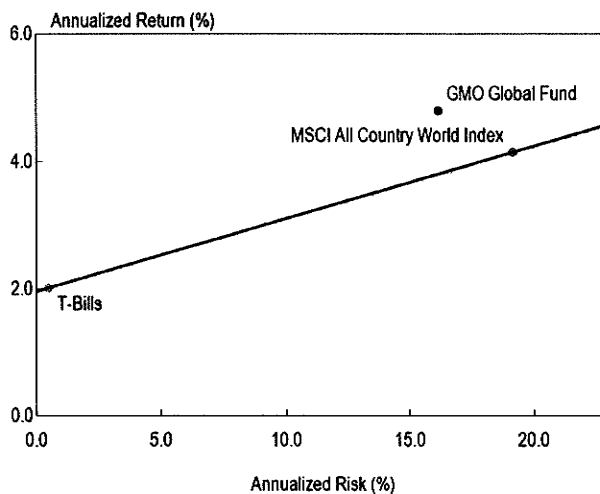
COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 9/30/10

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.3 %	0.1 %	28.3 %
Belgium	0.7	0.4	19.6
Czech Republic*	0.4	0.1	17.1
Denmark	0.8	0.4	17.7
Finland	0.4	0.4	26.6
France	4.8	4.1	20.8
Germany	2.6	3.2	16.7
Greece	0.2	0.1	18.8
Hungary*	0.3	0.1	27.0
Ireland	0.2	0.1	-3.6
Italy	2.6	1.1	19.8
Netherlands	1.7	1.1	16.3
Norway	0.3	0.3	29.4
Poland*	0.2	0.2	35.5
Portugal	0.0	0.1	20.5
Russia*	2.3	0.8	13.4
Spain	0.7	1.5	27.5
Sweden	1.8	1.3	24.7
Switzerland	4.9	3.1	13.3
United Kingdom	9.9	8.6	19.8
Asia/Pacific			
Australia	1.1 %	3.4 %	23.6 %
China*	1.2	2.5	10.7
Hong Kong	0.6	1.1	21.9
India*	1.2	1.1	15.4
Indonesia*	0.3	0.3	17.7
Japan	10.6	8.5	5.8
Korea*	3.5	1.8	17.2
Malaysia*	0.3	0.4	18.9
New Zealand	0.1	0.0	13.3
Pakistan*	0.0	-	-
Philippines*	0.1	0.1	29.1
Singapore	1.5	0.7	15.8
Sri Lanka*	0.0	-	-
Taiwan, China*	1.3	1.5	19.0
Thailand*	1.0	0.2	32.4
Americas			
Argentina*	0.0 %	-	-
Brazil*	1.9	2.3 %	21.7 %
Canada	0.3	4.4	13.2
Chile*	0.2	0.2	32.6
Colombia*	0.0	0.1	32.4
Mexico*	0.2	0.6	11.5
Peru*	0.0	0.1	24.9
United States	34.0	41.8	11.4
Venezuela*	0.0	-	-
Other			
Egypt*	0.2 %	0.1 %	10.6 %
Israel	0.1	0.3	11.4
Morocco*	0.0	0.0	8.3
Jordan*	0.0	-	-
Other Countries*	0.0	-	-
South Africa*	0.4	1.0	25.4
Turkey*	1.2	0.3	31.9
Cash			
Cash	3.5 %	-	-
Total	100.0 %	100.0 %	14.3 %
Developed	80.3	86.2	
Emerging*	16.2	13.8	
Cash	3.5	-	

**RATIO OF CUMULATIVE WEALTH
5 YEARS 5 MONTHS ENDING 9/30/10**



**ANNUALIZED RISK RETURN
5 YEARS 5 MONTHS ENDING 9/30/10**



**HISTORICAL RETURNS
(BY YEAR)**

	GMO Global Fund		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
2005 (8 months)	13.7 %	--	14.4 %	--	-0.7
2006	19.7	52	21.0	47	-1.3
2007	10.0	56	11.7	46	-1.7
2008	-32.8	9	-42.2	53	9.4
2009	24.3	86	34.6	31	-10.3
2010 (9 months)	3.0	44	3.6	33	-0.6
Trailing 1-Year	8.3 %	42	8.4 %	41	-0.1
Trailing 3-Year	-5.4	16	-7.5	36	2.1
Since Inception (4/30/05)	4.8	--	4.1	--	0.7

ACADIAN

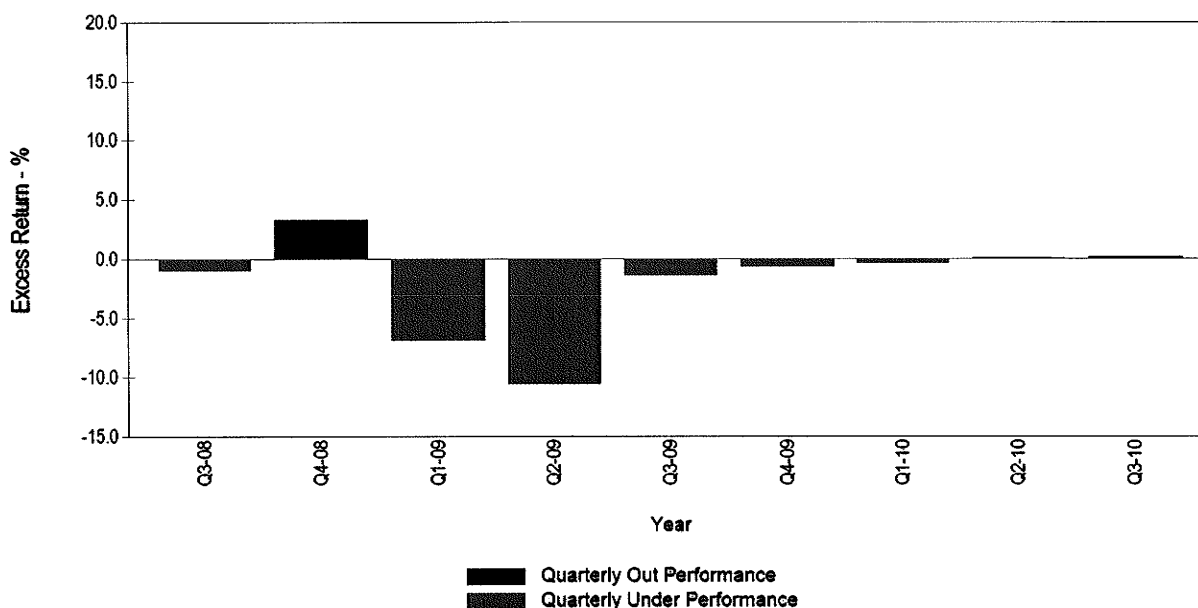
RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Acadian	14.5%	25	3.5%	35	7.6%	51	-14.0%	--	5/31/08
MSCI All Country World Index	14.3	29	3.6	33	8.4	41	-7.7	--	

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.

Quarterly Excess Performance

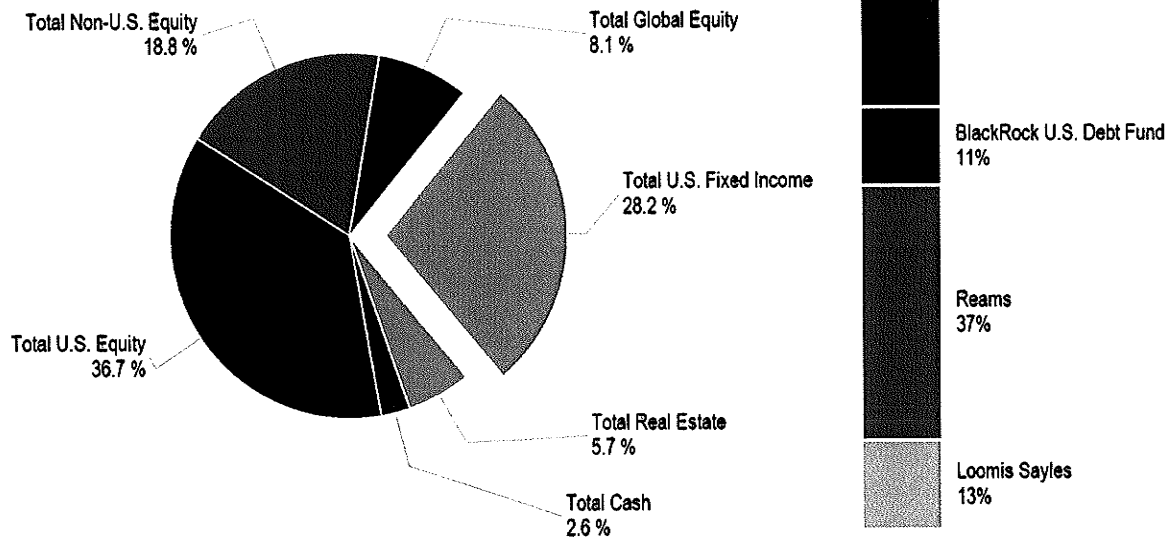


COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 9/30/10

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	-0.3 %	0.1 %	28.3 %
Belgium	0.0	0.4	19.6
Czech Republic*	0.0	0.1	17.1
Denmark	-0.7	0.4	17.7
Finland	0.0	0.4	26.6
France	2.4	4.1	20.8
Germany	6.2	3.2	16.7
Greece	0.3	0.1	18.8
Hungary*	0.0	0.1	27.0
Ireland	-0.9	0.1	-3.6
Italy	0.8	1.1	19.8
Netherlands	-1.2	1.1	16.3
Norway	-0.2	0.3	29.4
Poland*	0.9	0.2	35.5
Portugal	0.0	0.1	20.5
Russia*	0.6	0.8	13.4
Spain	-0.3	1.5	27.5
Sweden	0.9	1.3	24.7
Switzerland	-0.2	3.1	13.3
United Kingdom	4.3	8.6	19.8
Asia/Pacific			
Australia	5.5 %	3.4 %	23.6 %
China*	3.8	2.5	10.7
Hong Kong	0.5	1.1	21.9
India*	0.1	1.1	15.4
Indonesia*	1.0	0.3	17.7
Japan	12.6	8.5	5.8
Korea*	1.1	1.8	17.2
Malaysia*	0.0	0.4	18.9
New Zealand	0.0	0.0	13.3
Pakistan*	0.0	--	--
Philippines*	0.2	0.1	29.1
Singapore	3.0	0.7	15.8
Sri Lanka*	0.0	--	--
Taiwan, China*	2.4	1.5	19.0
Thailand*	4.7	0.2	32.4
Americas			
Argentina*	0.0 %	--	--
Brazil*	1.5	2.3 %	21.7 %
Canada	0.9	4.4	13.2
Chile*	1.9	0.2	32.6
Colombia*	0.0	0.1	32.4
Mexico*	2.4	0.6	11.5
Peru*	0.0	0.1	24.9
United States	45.8	41.8	11.4
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	0.1 %	10.6 %
Israel	0.0	0.3	11.4
Morocco*	0.0	0.0	8.3
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	0.0	1.0	25.4
Turkey*	0.0	0.3	31.9
Cash			
Cash	0.0 %	--	--
Total	100.0 %	100.0 %	14.3 %
Developed	79.4	86.2	
Emerging*	20.6	13.8	
Cash	0.0	--	

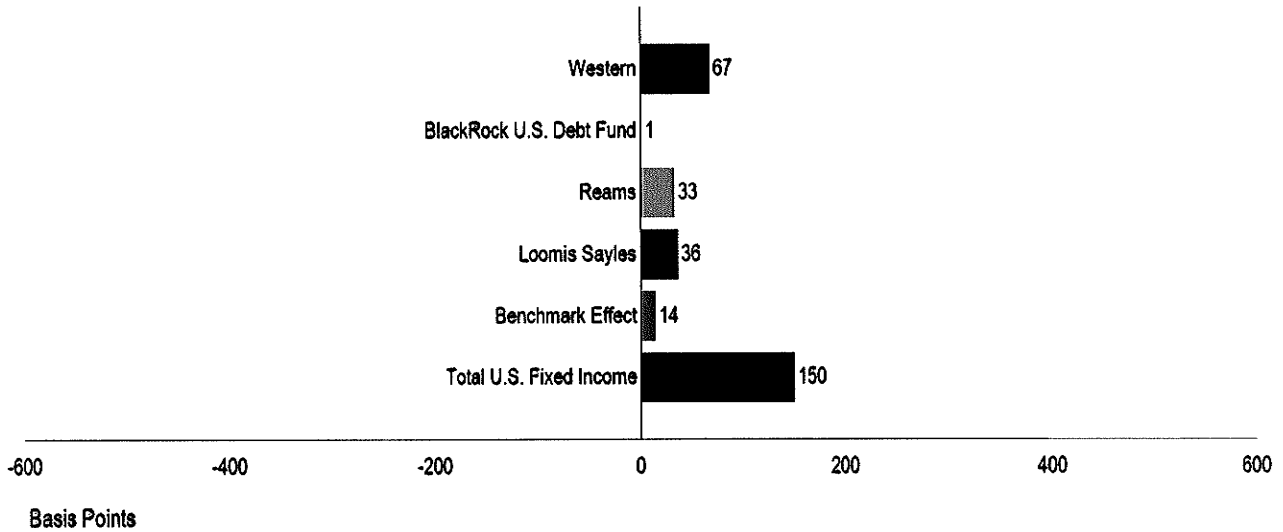
TOTAL U.S. FIXED INCOME

ASSET ALLOCATION ACTUAL AS OF 9/30/10

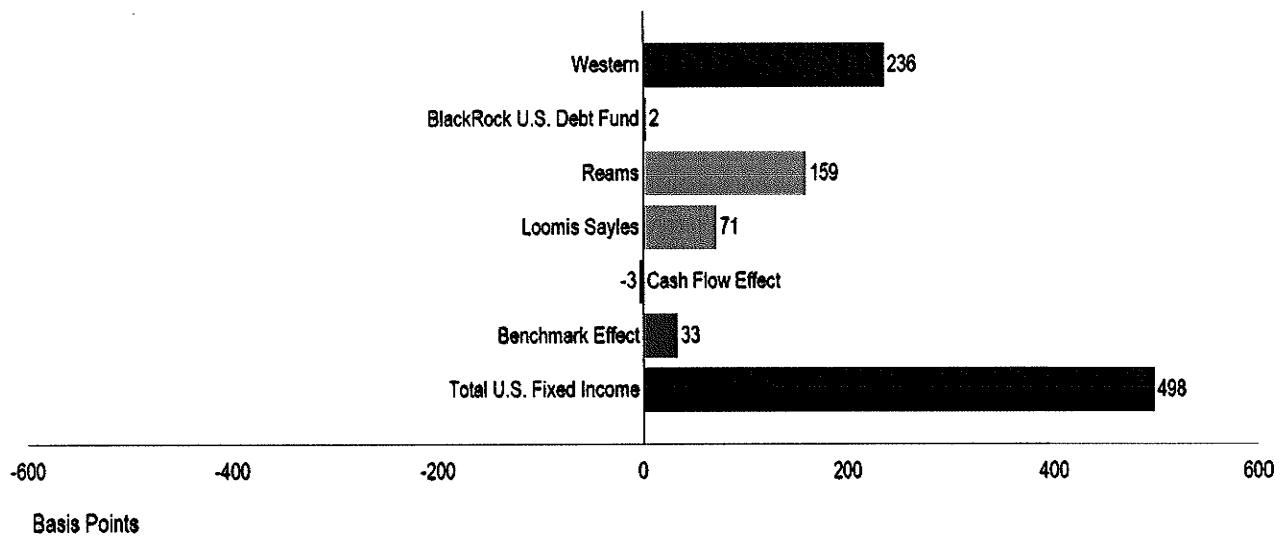


TOTAL U.S. FIXED INCOME

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 9/30/10



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 9/30/10



TOTAL U.S. FIXED INCOME

RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	4.0%	19	11.1%	12	13.1%	12	9.3%	6	7.5%	4	7.3%	12	6.8%	--	2/28/94
Barclays Capital Aggregate Bond Index	2.5	87	7.9	72	8.2	83	7.4	43	6.2	43	6.4	55	6.5	--	
Western	4.2	12	11.9	5	14.2	6	7.2	72	5.9	73	7.1	20	6.9	17	12/31/96
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	6.4	65	6.4	60	
BlackRock U.S. Debt Fund	2.5	88	8.1	77	8.4	83	7.6	62	6.3	58	6.5	61	6.3	--	11/30/95
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	6.4	65	6.3	--	
Reams	3.4	39	10.8	13	12.4	15	11.3	2	8.9	1	--	--	7.1	8	9/30/01
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	--	--	5.7	66	
Loomis Sayles	6.5	2	12.4	3	16.5	2	8.2	40	7.6	14	--	--	7.6	--	7/31/05
Performance Benchmark	3.6	27	8.7	56	10.8	35	7.7	58	6.8	32	--	--	6.6	--	

Commentary on Investment Performance

The fixed income portfolio gained 4.0% during the quarter, beating the return of the Barclays Capital Aggregate Bond Index by 150 basis points. Western, Reams, and Loomis Sayles outperformed their benchmarks for the quarter. Western's overweight to financial corporates, exposure to non-agency mortgage-backed securities, and high-yield allocations aided performance. Reams' security and sector selection proved positive, particularly within the high yield securities and mortgage-backed securities. Loomis Sayles' exposure to equity-influenced convertibles positively affected performance for the quarter.

During the trailing one-year period, the fixed income component outperformed its benchmark by 4.9 percentage points. Each of the component's active managers contributed positively to outperformance. Longer-term performance remains favorable as shown in the table above.

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

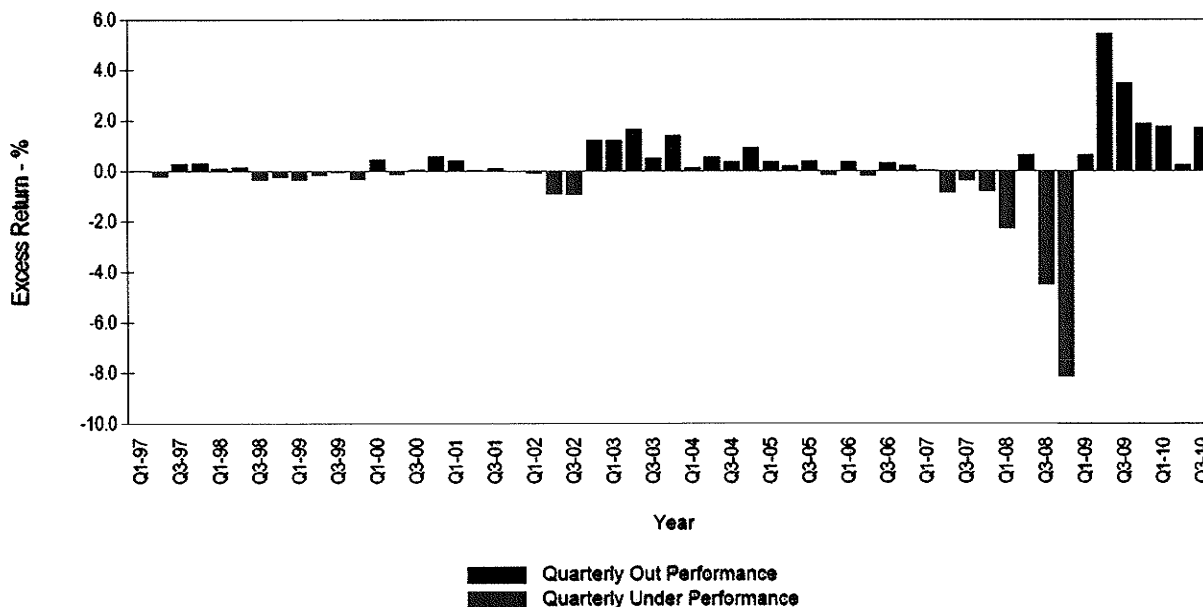
**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	4.2%	12	11.9%	5	14.2%	6	7.2%	72	5.9%	73	7.1%	20	6.9%	17	12/31/96
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	6.4	65	6.4	60	

Philosophy and Process

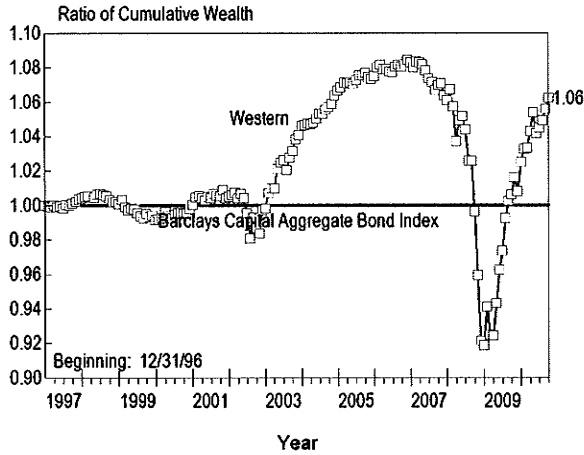
Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate 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.

Quarterly Excess Performance

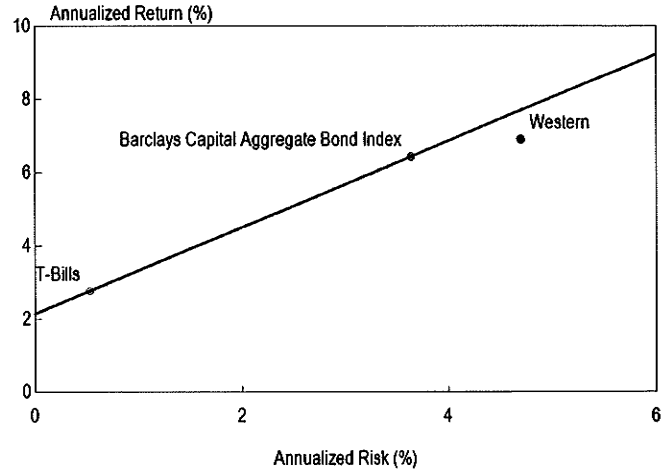


WESTERN

**RATIO OF CUMULATIVE WEALTH
13 YEARS 9 MONTHS ENDING 9/30/10**

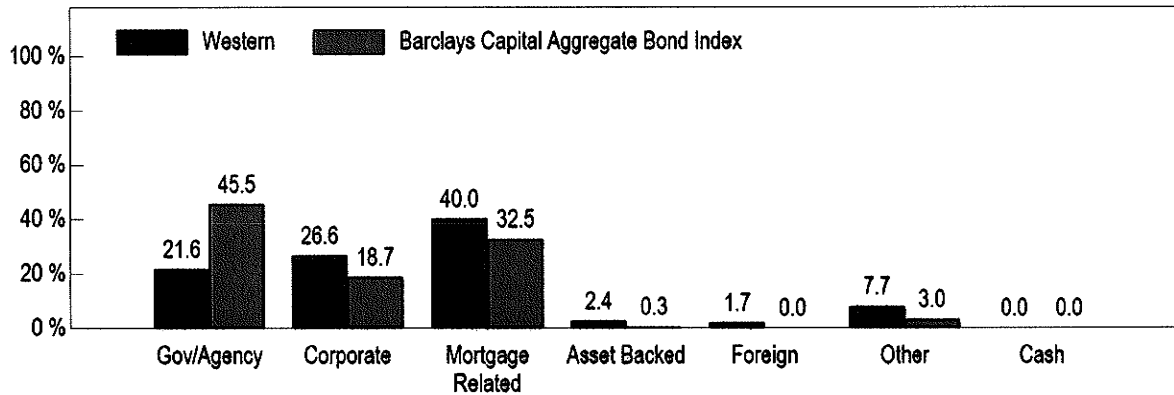


**ANNUALIZED RISK RETURN
13 YEARS 9 MONTHS ENDING 9/30/10**



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

**SECTOR ALLOCATION AS OF 9/30/10
Western**



HISTORICAL RETURNS
 (BY YEAR)

	Western		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
2007	4.8	86	7.0	16	-2.2
2008	-8.9	85	5.2	16	-14.1
2009	18.2	21	5.9	92	12.3
2010 (9 months)	11.9	5	7.9	84	4.0
Trailing 1-Year	14.2%	6	8.2%	89	6.0
Trailing 3-Year	7.2	72	7.4	66	-0.2
Trailing 5-Year	5.9	73	6.2	63	-0.3
Trailing 10-Year	7.1	20	6.4	65	0.7
Since Inception (12/31/96)	6.9	17	6.4	60	0.5

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

BLACKROCK U.S. DEBT FUND

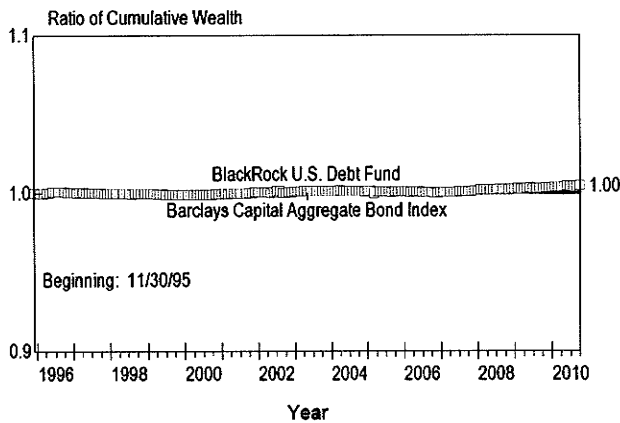
RETURN SUMMARY ENDING 9/30/10

	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		10 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BlackRock U.S. Debt Fund	2.5 %	88	8.1 %	77	8.4 %	83	7.6 %	62	6.3 %	58	6.5 %	61	6.3 %	--	11/30/95
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	6.4	65	6.3	--	

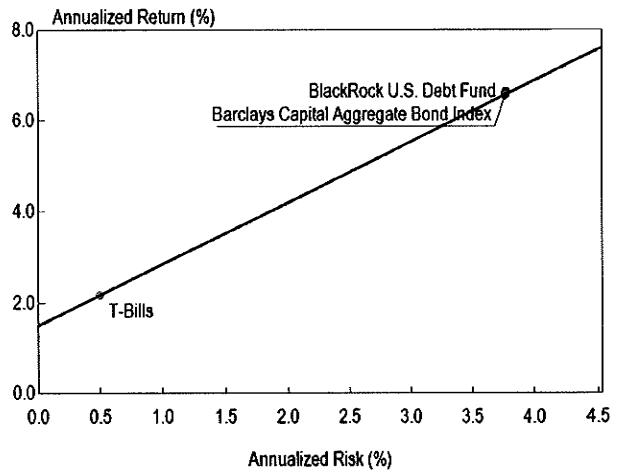
Philosophy and Process

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

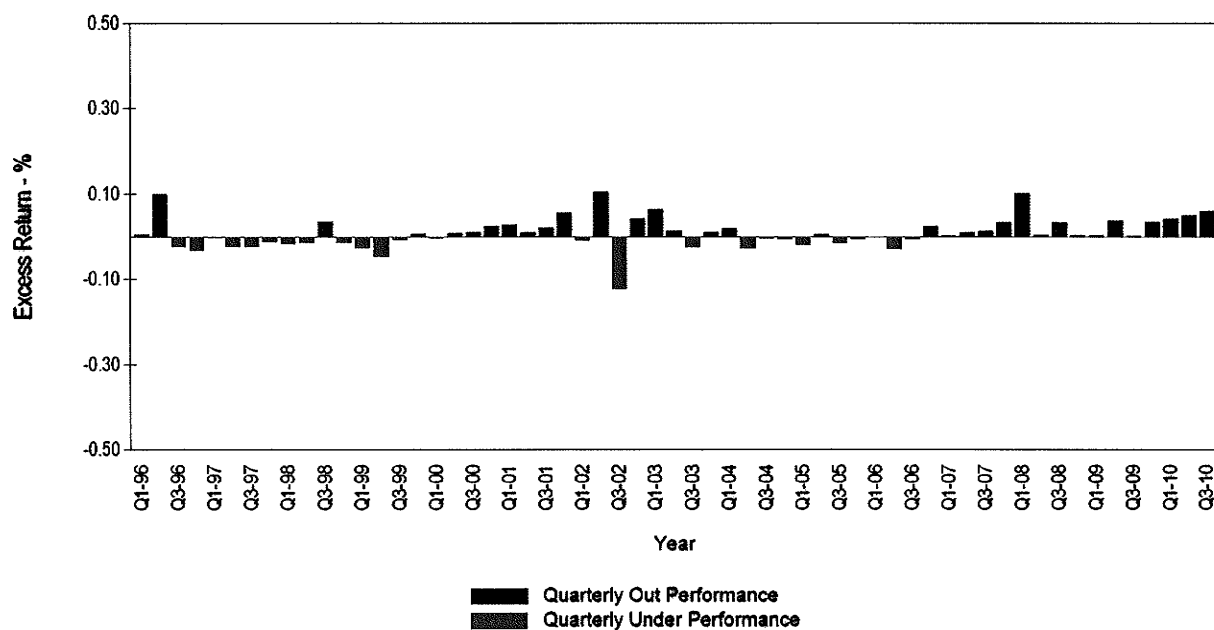
**RATIO OF CUMULATIVE WEALTH
14 YEARS 10 MONTHS ENDING 9/30/10**



**ANNUALIZED RISK RETURN
10 YEARS 6 MONTHS ENDING 9/30/10**



Quarterly Excess Performance



**HISTORICAL RETURNS
(BY YEAR)**

	BlackRock U.S. Debt Fund		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2000 (9 months)	9.3%	31	9.2%	36	0.1
2001	8.6	34	8.4	38	0.2
2002	10.3	24	10.3	24	0.0
2003	4.2	68	4.1	69	0.1
2004	4.3	59	4.3	58	0.0
2005	2.4	60	2.4	58	0.0
2006	4.3	55	4.3	53	0.0
2007	7.0	15	7.0	16	0.0
2008	5.4	16	5.2	16	0.2
2009	6.0	91	5.9	92	0.1
2010 (9 months)	8.1	77	7.9	84	0.2
Trailing 1-Year	8.4%	83	8.2%	89	0.2
Trailing 3-Year	7.6	62	7.4	66	0.2
Trailing 5-Year	6.3	58	6.2	63	0.1
Trailing 10-Year	6.5	61	6.4	65	0.1
Since Inception (11/30/95)	6.3	--	6.3	--	0.0

REAMS

RETURN SUMMARY ENDING 9/30/10

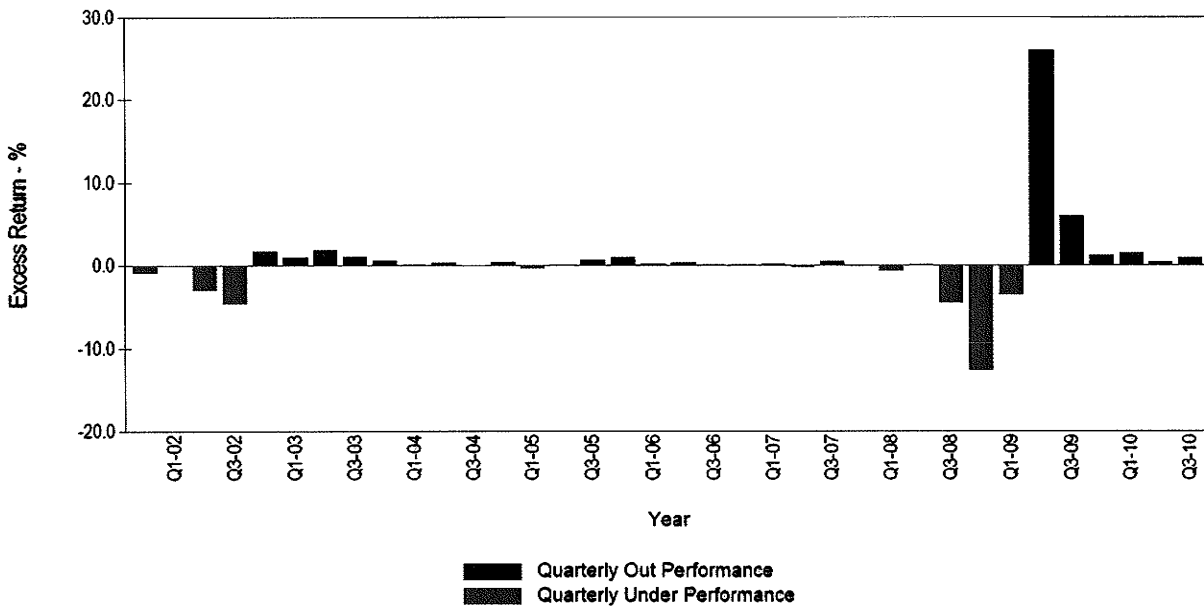
	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		5 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	3.4%	39	10.8%	13	12.4%	15	11.3%	2	8.9%	1	7.1%	8	9/30/01
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.2	63	5.7	66	

Philosophy and Process

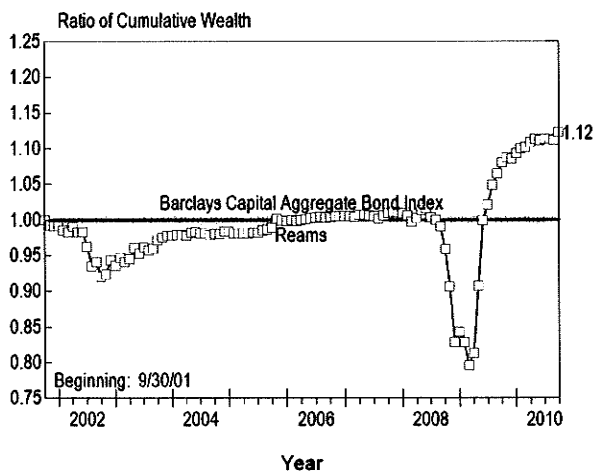
Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when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

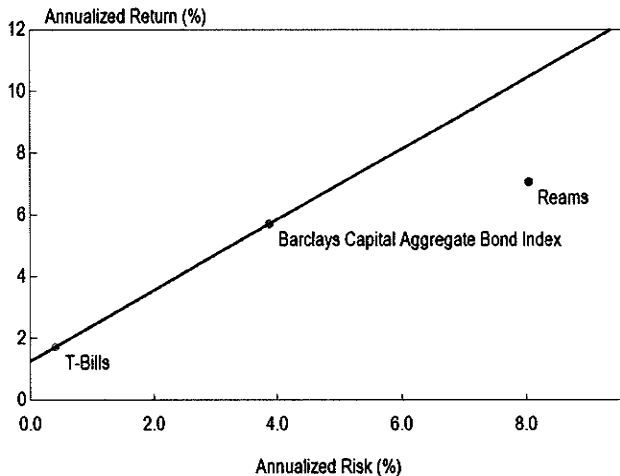
Quarterly Excess Performance



**RATIO OF CUMULATIVE WEALTH
9 YEARS ENDING 9/30/10**

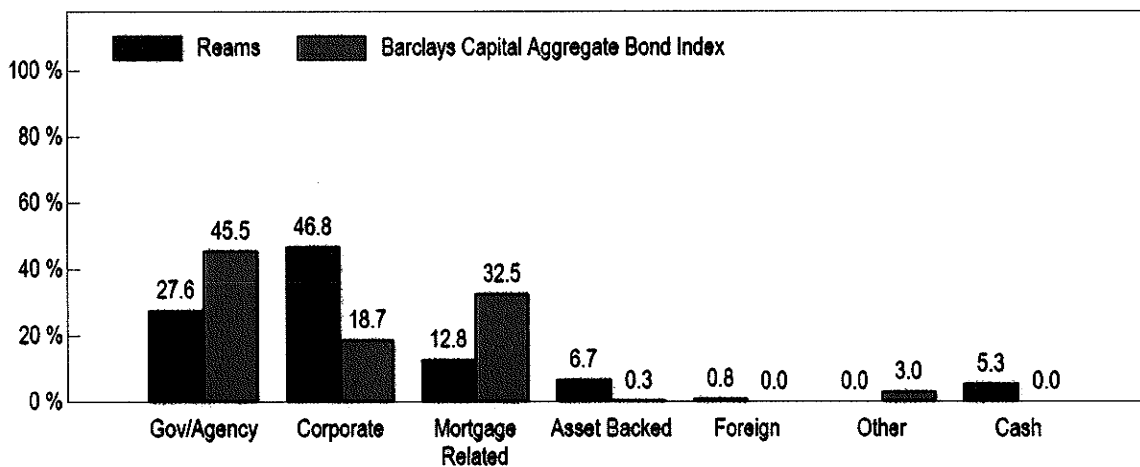


**ANNUALIZED RISK RETURN
9 YEARS ENDING 9/30/10**



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

SECTOR ALLOCATION AS OF 9/30/10



REAMS

HISTORICAL RETURNS (BY YEAR)

	Reams		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8%	91	0.0%	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
2007	7.4	6	7.0	16	0.4
2008	-12.1	95	5.2	16	-17.3
2009	37.3	1	5.9	92	31.4
2010 (9 months)	10.8	13	7.9	84	2.9
Trailing 1-Year	12.4%	15	8.2%	89	4.2
Trailing 3-Year	11.3	2	7.4	66	3.9
Trailing 5-Year	8.9	1	6.2	63	2.7
Since Inception (9/30/01)	7.1	8	5.7	66	1.4

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

**RETURN SUMMARY
ENDING 9/30/10**

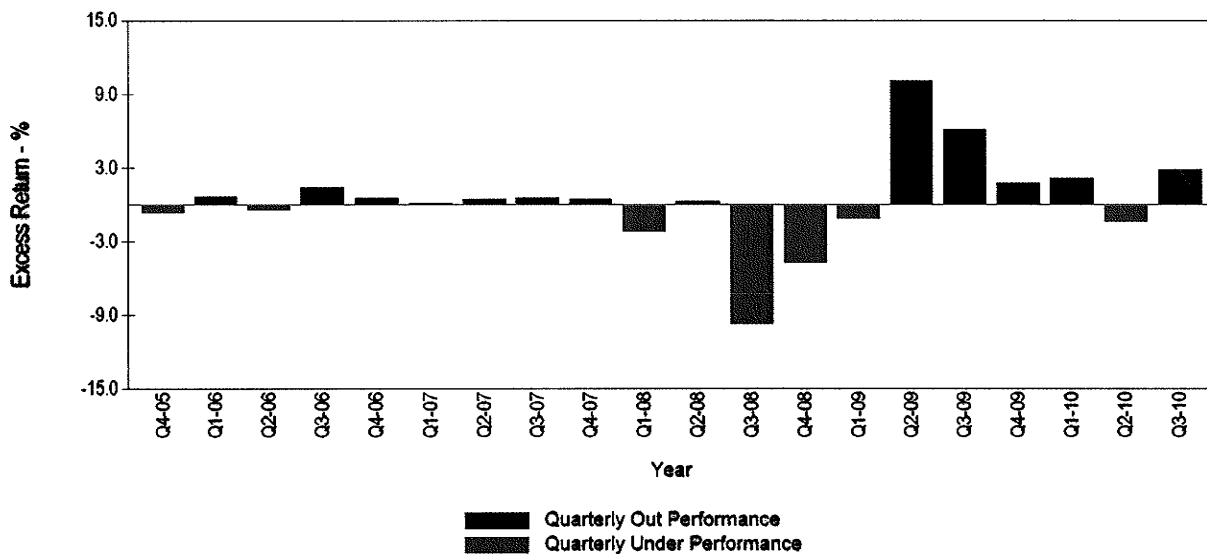
	Third Quarter		Year-To-Date		1 Year Ending 9/30/10		3 Years Ending 9/30/10		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Loomis Sayles	6.5%	2	12.4%	3	16.5%	2	8.2%	40	7.6%	--	7/31/05
Performance Benchmark	3.6	27	8.7	56	10.8	35	7.7	58	6.6	--	
Barclays Capital Aggregate Bond Index	2.5	90	7.9	84	8.2	89	7.4	66	6.0	--	

Philosophy and Process

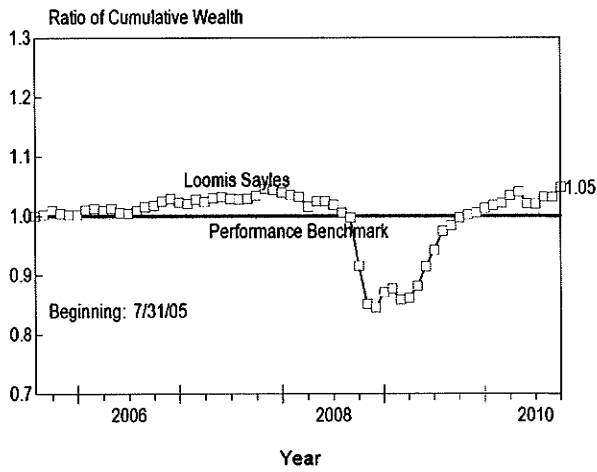
Loomis Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, 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% Barclays Capital Aggregate Bond Index and 40% Barclays Capital High Yield Index.

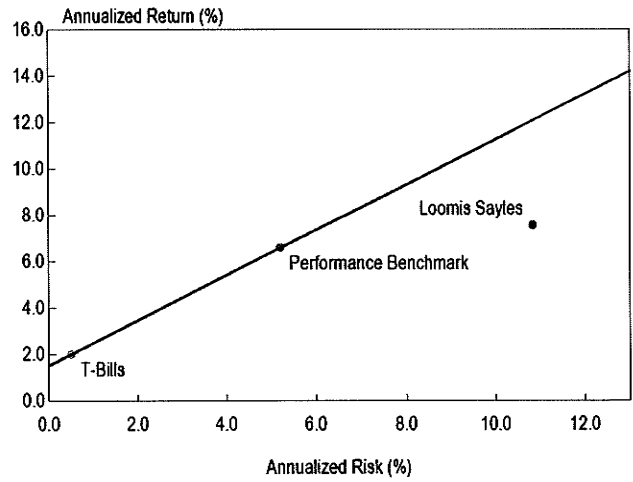
Quarterly Excess Performance



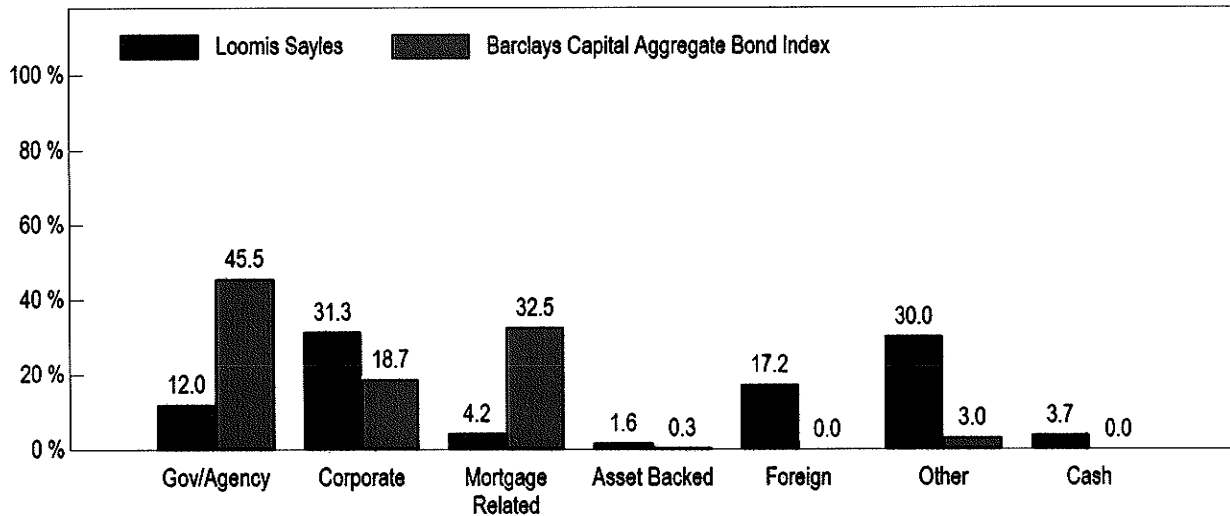
**RATIO OF CUMULATIVE WEALTH
5 YEARS 2 MONTHS ENDING 9/30/10**



**ANNUALIZED RISK RETURN
5 YEARS 2 MONTHS ENDING 9/30/10**



**SECTOR ALLOCATION AS OF 9/30/10
Loomis Sayles**



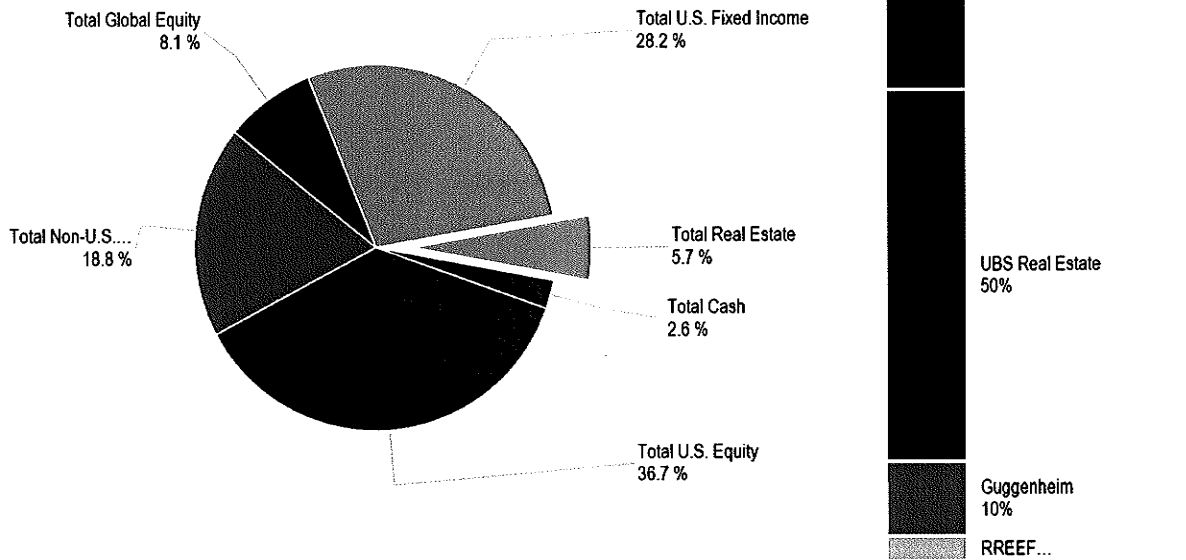
**HISTORICAL RETURNS
(BY YEAR)**

	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2005 (5 months)	0.7%	--	0.5%	--	0.2
2006	9.0	1	6.8	3	2.2
2007	6.7	23	5.1	77	1.6
2008	-19.9	99	-4.6	73	-15.3
2009	38.1	1	18.8	18	19.3
2010 (9 months)	12.4	3	8.7	56	3.7
Trailing 1-Year	16.5%	2	10.8%	35	5.7
Trailing 3-Year	8.2	40	7.7	58	0.5
Since Inception (7/31/05)	7.6	--	6.6	--	1.0

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

TOTAL REAL ESTATE

ASSET ALLOCATION ACTUAL AS OF 9/30/10



TOTAL REAL ESTATE

RETURN SUMMARY ENDING 9/30/10

	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10	5 Years Ending 9/30/10	10 Years Ending 9/30/10	Since Inception	Inception Date
Total Real Estate	4.7%	10.7%	6.9%	-13.6%	-1.8%	4.7%	6.7%	3/31/94
Policy Benchmark	5.0	10.2	8.3	-5.3	3.1	6.9	8.6	
Total Prudential Real Estate	2.9	10.4	7.2	-14.2	-1.3	--	-1.6	6/30/04
Policy Benchmark	5.0	10.2	8.3	-5.3	3.1	--	5.9	
UBS Real Estate	5.2	12.2	8.6	-7.1	1.4	--	5.5	3/31/03
NCREIF Open End Fund Index	5.0	10.2	8.3	-5.3	2.9	--	6.5	
Guggenheim	7.3	9.3	8.5	-18.4	--	--	-9.3	6/30/06
Performance Benchmark	6.6	11.7	13.2	-3.4	--	--	1.9	
RREEF	14.2	8.7	-6.2	-39.2	--	--	-39.2	10/1/07
NCREIF Open End Fund Index	5.0	10.2	8.3	-5.3	--	--	-5.3	

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

During the quarter the real estate portfolio improved 4.7%, underperforming the benchmark by 30 basis points. UBS, Guggenheim, and RREEF outperformed their benchmarks while Prudential underperformed. The portfolio's longer-term performance remains unfavorable on a relative basis, mostly due to recent underperformance. Since the portfolio's inception, it has returned 6.7% annually.

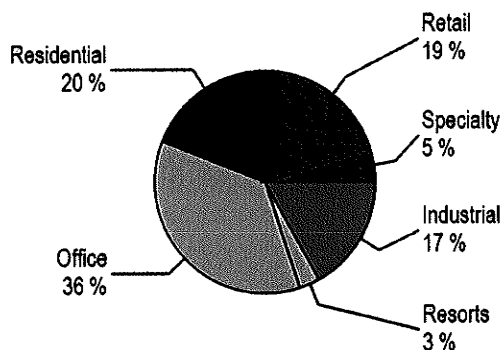
**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10	5 Years Ending 9/30/10	Since Inception	Inception Date
Total Prudential Real Estate	2.9%	10.4%	7.2%	-14.2%	-1.3%	-1.6%	6/30/04
Policy Benchmark	5.0	10.2	8.3	-5.3	3.1	5.9	

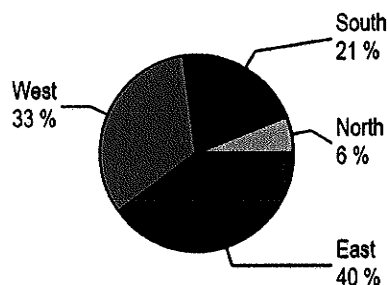
Philosophy and Process

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.

Property Type Allocation
Allocation as of September 30, 2010



Geographic Diversification
Allocation as of September 30, 2010



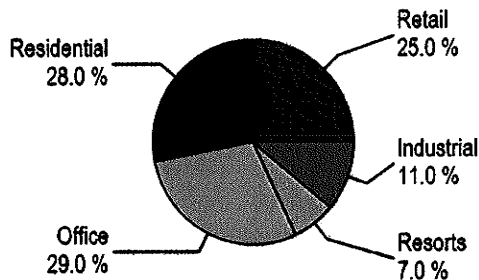
**RETURN SUMMARY
ENDING 9/30/10**

	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10	5 Years Ending 9/30/10	Since Inception	Inception Date
UBS Real Estate	5.2 %	12.2 %	8.6 %	-7.1 %	1.4 %	5.5 %	3/31/03
NCREIF Open End Fund Index	5.0	10.2	8.3	-5.3	2.9	6.5	
NCREIF NPI	3.9	8.1	5.8	-4.6	3.7	7.1	

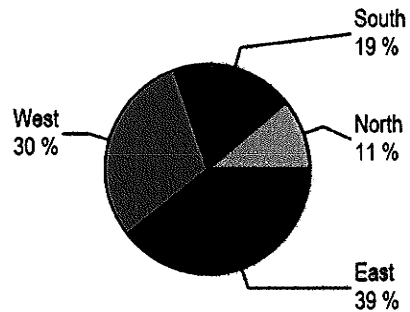
Philosophy and Process

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

Property Type Allocation
Allocation as of September 30, 2010



Geographic Diversification
Allocation as of September 30, 2010



GUGGENHEIM

RETURN SUMMARY ENDING 9/30/10

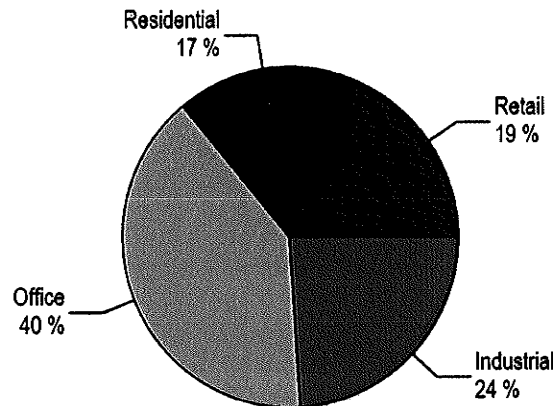
	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	3 Years Ending 9/30/10	Since Inception	Inception Date
Guggenheim	7.3%	9.3%	8.5%	-18.4%	-9.3%	6/30/06
Performance Benchmark	6.6	11.7	13.2	-3.4	1.9	

Philosophy and Process

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

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

Property Type Allocation
Allocation as of September 30, 2010



**RETURN SUMMARY
ENDING 9/30/10**

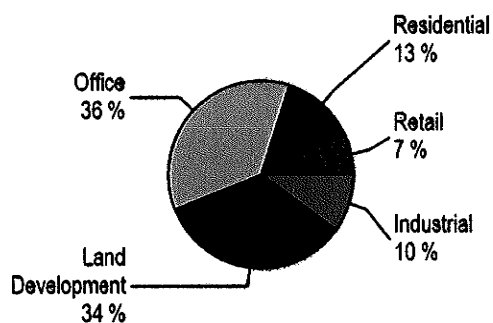
	Third Quarter	Year-To-Date	1 Year Ending 9/30/10	Since Inception	Inception Date
RREEF	14.2%	8.7%	-6.2%	-39.2%	10/1/07
NCREIF Open End Fund Index	5.0	10.2	8.3	-5.3	

Philosophy and Process

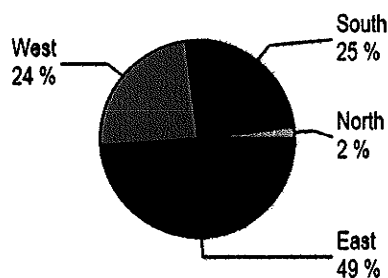
RREEF employs 625 real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a \$600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market 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.

Property Type Allocation
Allocation as of September 30, 2010



Geographic Diversification
Allocation as of September 30, 2010



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APPENDIX I

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Third Quarter	Annualized Periods Ending 9/30/10				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	11.5%	11.3%	-6.3%	1.2%	0.3%	6.6%
S&P 500 Index	11.3	10.2	-7.2	0.6	-0.4	6.5
Russell 3000 Index	11.5	11.0	-6.6	0.9	0.1	6.6
Russell 1000 Value Index	10.1	8.9	-9.4	-0.5	2.6	7.4
Russell 1000 Growth Index	13.0	12.7	-4.4	2.1	-3.4	5.3
Russell MidCap Value Index	12.1	16.9	-4.8	2.0	7.8	9.8
Russell MidCap Growth Index	14.6	18.3	-3.9	2.9	-0.9	7.0
Russell 2000 Value Index	9.7	11.8	-5.0	0.7	7.7	9.0
Russell 2000 Growth Index	12.8	14.8	-3.7	2.3	-0.1	3.9
Domestic Bond Indices:						
Barclays Capital Aggregate Index	2.5%	8.2%	7.4%	6.2%	6.4%	6.4%
Barclays Capital Govt/Credit Index	3.3	8.7	7.5	6.1	6.5	6.4
Barclays Capital Long Govt/Credit Index	5.9	13.6	10.2	7.3	8.4	7.9
Barclays Capital 1-3 Year Govt/Credit Index	0.9	3.3	4.6	4.7	4.6	5.1
Barclays Capital U.S. MBS Index	0.6	5.7	7.5	6.4	6.3	6.4
Barclays Capital High Yield Index	6.7	18.4	8.7	8.4	8.0	7.3
Barclays Capital Universal Index	2.9	8.9	7.3	6.3	6.6	6.6
Real Estate Indices:						
NCREIF Property Index	3.9%	5.8%	-4.6%	3.7%	7.2%	8.9%
NCREIF ODCE Index	5.2	6.0	-11.3	-1.0	4.1	6.7
Dow Jones Real Estate Securities Index	13.2	30.1	-7.2	1.3	9.9	10.4
FTSE NAREIT US Real Estate Index	12.8	30.3	-6.1	1.9	10.4	10.3
Foreign/Global Stock Indices:						
MSCI All Country World Index	14.3%	8.4%	-7.5%	2.4%	1.6%	5.6%
MSCI All Country World IMI	14.5	9.3	-7.4	2.4	2.0	5.5
MSCI All Country World ex-U.S. Index	16.6	7.6	-7.4	4.3	4.3	5.6
MSCI All Country World ex-U.S. IMI	16.8	8.5	-7.0	4.5	4.7	5.4
MSCI All Country World ex-U.S. Small Cap Index	18.4	15.6	-4.5	6.4	8.8	6.2
MSCI EAFE Index	16.5	3.3	-9.5	2.0	2.6	4.5
MSCI EAFE IMI	16.6	3.8	-9.2	2.1	2.8	4.6
MSCI EAFE Index (in local currency)	7.1	2.5	-10.5	-0.9	-0.8	4.0
MSCI Emerging Markets IMI	18.3	21.6	-0.9	13.3	13.4	6.2
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	10.4%	4.5%	8.4%	7.3%	8.0%	5.7%
Citigroup Hedged World Gov't Bond Index	1.9	4.8	5.7	4.8	5.2	6.6
Cash Equivalents:						
Treasury Bills (30-Day)	0.0%	0.1%	0.7%	2.0%	2.0%	2.9%
EnnisKnupp STIF Index	0.1	0.3	1.6	3.0	2.8	3.7
Inflation Index:						
Consumer Price Index	0.2%	1.1%	1.6%	1.9%	2.3%	2.4%

APPENDIX II

Description of Fund Benchmarks and Universe Rankings

Total Fund

Policy Portfolio- As of April 2010, the return was based on a combination of 37% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 10% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to April 2010, the return was based on a combination of 40% DJ U.S. Total Stock Market Index, 27% Barclays 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% DJ U.S. Total Stock Market Index, 27% Barclays 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% DJ U.S. Total Stock Market Index, 29% Barclays Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Barclays 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 728 funds compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$2.0 trillion as of 9/30/2010.

Total U.S. Equity

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 501 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$551.0 billion as of 9/30/2010.

BlackRock Extended Equity Index Fund

Benchmark. The DJ U.S. Completion Total Stock Market Index.

Universe. A universe of 63 actively managed domestic large cap stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$53.6 billion as of 9/30/2010.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 379 actively managed domestic large cap stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$605.5 billion as of 9/30/2010.

BlackRock Equity Market Fund

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 741 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$865.7 billion as of 9/30/2010.

Total Non-U.S. Equity

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

Universe. A universe of 432 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$279.0 billion as of 9/30/2010.

BlackRock ACWI ex U.S.

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

Universe. A universe of 96 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$242.6 billion as of 9/30/2010.

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 96 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$242.6 billion as of 9/30/2010.

Sprucegrove

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

Universe. A universe of 96 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$242.6 billion as of 9/30/2010.

Artio Global

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

Universe. A universe of 96 actively managed domestic stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$242.6 billion as of 9/30/2010.

Total Global Equity

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

Universe. A universe of 61 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$144.0 billion as of 9/30/2010.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 61 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$144.0 billion as of 9/30/2010.

Acadian

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

Universe. A universe of 61 actively managed global stock portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$144.0 billion as of 9/30/2010.

Total Fixed Income

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 94 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$239.7 billion as of 9/30/2010.

Western Asset Management

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 105 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$339.8 billion as of 9/30/2010.

BlackRock U.S. Debt Index Fund

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 105 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$339.8 billion as of 9/30/2010.

Reams

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 105 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$339.8 billion as of 9/30/2010.

Loomis Sayles

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

Universe. A universe of 105 actively managed fixed income portfolios compiled by BNY Mellon Performance & Risk Analytics, LLC with an aggregate market value of \$339.8 billion as of 9/30/2010.

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.

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

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

APPENDIX II

Description of Terms

Rank - A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

Universe - A distribution of the returns achieved by a group of funds with similar investment objectives.

U.S. Stock Universe - The rankings are based on a universe that is designed to represent the average equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, and includes 465 funds with an equity aggregate market value of \$436.0 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 BNY Mellon Performance & Risk Analytics, LLC, and includes 441 funds with an international equity aggregate market value of \$218.9 billion.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by BNY Mellon Performance & Risk Analytics, LLC, and includes 63 funds with a global equity aggregate market value of \$139.5 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 BNY Mellon Performance & Risk Analytics, LLC, and includes 89 funds with a fixed income aggregate market value of \$209.8 billion.

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

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

Style Map - This illustration represents the manager's style compared to that of the broadest stock index (the DJ U.S. Total Stock Market Index). 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, Western, and RREEF are currently on watch for performance reasons.

APPENDIX II

Manager	Restrictions	In Compliance as of 9/30/10
Loomis Sayles	<ul style="list-style-type: none"> -At least 50% of the portfolio must be invested in investment grade securities at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -60% of the portfolio must be invested in U.S. domiciled issues 	YES YES YES
Western Core Plus	<ul style="list-style-type: none"> -Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of AA -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase -A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase -A maximum of 1% per issue for below investment grade securities -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio* 	YES YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

APPENDIX II

Account	Fee Schedule	Market Value As of 9/30/2010	% of Portfolio	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Total U.S. Equity	No Fee	\$1,060,174,653	36.7%		--	--
BlackRock Extended Equity Index Fund	0.10% of First \$50.0 Mil, 0.08% of Next \$50.0 Mil, 0.04% Thereafter	\$27,680,227	1.0%	\$0	\$27,680	0.10%
Western U.S. Index Plus	0.20% of Assets	\$88,213,939	3.1%		\$176,428	0.20%
BlackRock Equity Market Fund	0.03% of First \$250.0 Mil, 0.02% Thereafter	\$944,280,488	32.7%	\$0	\$213,856	0.02%
Total Non-U.S. Equity	No Fee	\$542,189,439	18.8%		--	--
BlackRock ACWI ex-U.S. Index	0.14% of First \$100.0 Mil, 0.12% Thereafter	\$237,597,210	8.2%	\$0	\$305,117	0.13%
Capital Guardian	0.70% of First \$25.0 Mil, 0.55% of Next \$25.0 Mil, 0.42% of Next \$200.0 Mil, 0.38% Thereafter	\$114,433,045	4.0%	\$0	\$586,340	0.51%
Sprucegrove	0.90% of First \$5.0 Mil, 0.65% of Next \$10.0 Mil, 0.55% of Next \$25.0 Mil, 0.50% of Next \$35.0 Mil, 0.25% of Next \$225.0 Mil, 0.20% Thereafter	\$113,956,008	3.9%	\$0	\$519,890	0.46%
Artio International Equity II	0.85% of First \$20.0 Mil, 0.65% of Next \$20.0 Mil, 0.55% of Next \$40.0 Mil, 0.45% Thereafter	\$76,203,175	2.6%	\$0	\$499,117	0.65%
Total Global Equity	No Fee	\$234,032,493	8.1%		--	--
GMO Global Fund	0.65% of Assets	\$125,944,437	4.4%	\$0	\$818,639	0.65%
Acadian	0.95% of First \$25.0 Mil, 0.90% Thereafter	\$108,088,056	3.7%	\$0	\$985,293	0.91%
Total U.S. Fixed Income	No Fee	\$814,760,537	28.2%		--	--
Western	0.30% of First \$100.0 Mil, 0.15% Thereafter	\$320,007,327	11.1%		\$630,011	0.20%
BlackRock U.S. Debt Fund	0.15% of First \$25.0 Mil, 0.08% of Next \$25.0 Mil, 0.05% of Next \$50.0 Mil, 0.04% of Next \$100.0 Mil, 0.03% of Next \$300.0 Mil, 0.02% Thereafter	\$91,481,891	3.2%	\$0	\$78,241	0.09%
Reams	0.20% of First \$150.0 Mil, 0.15% Thereafter	\$298,801,355	10.3%	\$0	\$523,202	0.18%
Loomis Sayles	0.50% of First \$20.0 Mil, 0.40% of Next \$30.0 Mil, 0.30% Thereafter	\$104,469,964	3.6%	\$0	\$383,410	0.37%
Total Real Estate	No Fee	\$164,103,813	5.7%		--	--
Total Prudential Real Estate	0.81% of Assets	\$59,576,058	2.1%	\$0	\$482,566	0.81%
UBS Real Estate	0.90% of Assets	\$82,366,082	2.9%	\$0	\$741,295	0.90%
Guggenheim	0.50% of Assets	\$16,560,845	0.6%		\$82,804	0.50%
RREEF	0.60% of Assets	\$5,600,829	0.2%	\$0	\$33,605	0.60%
Total Cash	No Fee	\$73,893,229	2.6%		--	--
Clifton Group	0.15% of First \$25.0 Mil, 0.10% of Next \$75.0 Mil, 0.04% Thereafter	\$73,893,229	2.6%	\$0	\$86,393	0.12%
Investment Management Fee		\$2,889,154,165	100.0%		\$7,173,887	0.25%

Note: This table excludes the newly added Private Equity asset class.