

**Virginia Retirement System
Performance Summary
As of December 31, 2008**

TOTAL FUND PERFORMANCE

(Expressed in Percentages)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Calendar YTD
Total Public Equity	0.3	-0.4	-8.5	-40.9	-22.0	2.9	-34.6	-40.9
Public Equity Custom Benchmark ¹	0.5	-0.3	-8.0	-39.9	-21.9	2.9	-32.7	-39.9
Total Fixed Income	5.3	3.8	3.9	0.7	2.1	3.4	0.1	0.7
Fixed Income Custom Benchmark ²	5.8	5.1	6.2	7.0	5.6	3.5	5.5	7.0
Total Credit Strategies	n/a	n/a	-4.3	-24.9	-14.8	1.1	-21.0	-24.9
Credit Strategies Custom Benchmark ³	n/a	n/a	-6.8	-30.1	-18.7	5.9	-28.6	-30.1
Total Real Estate	11.6	12.5	7.5	-14.2	-11.3	1.7	-13.6	-14.2
Real Estate Custom Benchmark ⁴	11.7	12.7	9.4	-5.6	-7.5	1.7	-7.4	-5.6
Total Private Equity	18.6	20.5	16.5	-6.0	-6.2	-5.9	-6.5	-6.0
Private Equity Custom Benchmark ⁵	6.4	8.3	2.8	-19.0	-7.9	-9.0	-8.9	-19.0
VRS Rebalancing Account	n/a	n/a	n/a	-53.8	-53.9	10.9	-57.5	-53.8
Rebalancing Account Custom Benchmark ⁶	n/a	n/a	n/a	-48.8	-48.9	12.6	-53.0	-48.8
Total Fund	3.7	2.9	-2.6	-27.8	-14.6	1.7	-23.2	-27.8
Total Fund Benchmark - Intermediate ⁷	3.1	2.5	-2.6	-26.8	-13.7	1.8	-21.3	-26.8

Notes:

1. Effective October 2008, the Public Equity Custom Benchmark strategic weights are comprised of U.S., Non-U.S. Developed and Emerging components and are recalculated at the beginning of each month. The U.S. component is represented by the Russell 3000 Index and is weighted as follows: [(Market Value of Total Public Equity less the sum of Non-U.S. Developed and Emerging Market Values) / Market Value of Total Public Equity]. The Non-U.S. Developed component is represented by the MSCI World ex U.S. + Korea 50% hedged Index and is weighted as follows: 18.38% of Total Fund / Market Value of Total Public Equity. The Emerging component is represented by the MSCI Emerging IMI ex Korea Index and is weighted as follows: [(84.11% times the percent of MSCI ACWI comprised of emerging markets excluding Korea times Total Fund) / Market Value of Total Public Equity].

2. Effective January 2007, the Fixed Income Custom Benchmark became the Citigroup Broad Investment Grade (BIG) Index. This benchmark is not customized in any way. Prior to January 2007, the benchmark was a customized version of the Lehman Aggregate Index. The word customized will continue to be associated with the fixed income benchmarks since the two benchmarks will be linked for historical performance purposes.

3. Effective December 2008, the Credit Strategies Custom Benchmark is the weighted average of the Merrill Lynch U.S. High Yield BB-B Constrained Index and the Merrill Lynch All Convertibles Index. During periods of transition related to significant cash flows into or out of the program, the benchmark may represent the performance of individual accounts for the duration of the transition period.

4. Effective April 2006, the Real Estate Custom Benchmark is the weighted average of the NCREIF Property Index (private real estate), the Dow Jones Wilshire REIT Index (domestic public real estate) and the FTSE EPRA/NAREIT Global Real Estate Index (global public real estate).

5. Effective January 1995, the Private Equity Custom Benchmark is the Russell 3000 Index lagged by 3 months plus 250 basis points per annum.

6. Effective July 2007, the Rebalancing Account Custom Benchmark is the weighted average of the Fixed Income, U.S. Equity and Cash exposures (and respective benchmarks) in this account.

7. The Total Fund Benchmark - Intermediate is the weighted average of the VRS asset-class program benchmarks.

Virginia Retirement System

Asset Allocation as of December 31, 2008

(Dollar amounts in Billions / Percent of Total Fund)

