

Fund Facts

Tier II:
**Passively
Managed Fund¹**

Fund Type:
Bond

Inception Date²:
11/1/1999

Total Net Assets³:
\$7.8 billion

Expense Ratio:
0.06%

Number of Holdings:
4,788

Average Quality⁶:
AA2

Average Maturity:
6.9 years

Duration:
4.7 years

Interest Rate Risk:
Average

Yield:
3.46%

Investment Objective

The Fund seeks to track the performance of the Barclays Capital Aggregate Bond Index. This index is an unmanaged index considered indicative of the broad domestic bond market in general and consists of government, corporate, mortgage-backed and asset-backed securities. There is no assurance that the Fund will achieve its objective. Refer to "Risks" section.

Manager

The Fund is a collective investment trust managed by a team of State Street Global Advisors (SSgA) professionals.

Investor Profile

Bond investments may be most appropriate for someone seeking higher potential income than with a money market investment. The Fund may be suitable for an investor who may desire to balance more aggressive investments with one providing potentially steady income.

Strategy

The Bond Index Fund ("Fund") invests in SSgA's U.S. Bond Index Series Class Securities Lending and Non-Lending Funds. As of March 31, 2010 the Fund is comprised of 52.7% SSgA Series Class Securities Lending Fund and 47.3% SSgA Series Class Non-Lending Fund. The Fund is managed using a "passive" or "indexing" investing approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. Due to the large number of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the Fund to purchase some of the securities comprising the Index or in the same proportion represented in the Index. In such cases, SSgA selects securities for the Fund that it believes will track the characteristics of the Index. The Fund uses futures and may use other derivatives, lends its securities and may invest in other investment funds.

Risks

There are risks involved with investing, including loss of money over short or long periods of time. Fund risks include, but are not limited to:

Interest rate risk: The risk that if interest rates rise bonds will decline in value.

Income risk: The risk that a fund's income will decline because of falling interest rates.

Default (credit) risk: The risk that an issuer fails to

pay interest or principal when due or in a timely manner or that negative perceptions of an issuer's ability to make such payments will cause the price of the security to decline.

Call risk: The risk that the issuer of a callable bond will redeem the bond issue prior to maturity. This typically results in the bond holder reinvesting funds at a lower interest rate resulting in a decline in income and losing the opportunity for additional price appreciation associated with falling interest rates.

Prepayment risk: The risk associated with the early unscheduled return of principal which results in the bondholder losing income due to the early payoff of the debt and potentially having to reinvest funds at lower interest rates.

Market risk: The risk that the price of securities in a fund will rise or fall sometimes rapidly or unpredictably due to factors such as real or perceived adverse economic conditions, political developments, and/or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Stocks generally have greater price volatility than bonds.

Manager risk: The risk that manager decisions can adversely affect the ability of a fund to meet its investment objectives and/or cause a fund to underperform relevant benchmarks.

Securities lending risk: The risk that a fund's participation in a securities lending program may result in losses to the fund. Securities lending programs and subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investment held in collateral pools may decline in value, be sold at a loss or incur credit losses. For the securities lending program used by SSgA the mark-to-market unit price for the collateral pool is currently less than the transactional unit price. SSgA is transacting all activity in their lending fund using a transactional unit value of \$1.00 for the collateral pool. Since March 31, 2009 the mark-to-market unit price of the collateral pool has fluctuated between a quarter end low of \$0.95 on March 31, 2009 and \$0.99 as of March 31, 2010. There can be no assurance that the mark-to-market unit value of the collateral pool will continue to increase and it may decrease in the future. In the event of a material default in the collateral pool the fund would incur its pro rata share of the loss.

Bond Index Fund

as of March 31, 2010

Performance

Current performance may be lower or higher than performance data shown. Performance data shown represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit the Web site at www.varetire.org and select a Plan under the Defined Contribution Plans tab. Choose "Plan Investments" and then "Investment Performance." The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost. Investors should consider the investment objectives, risk, fees and expenses carefully before investing.

	1 Year	3 Years*	5 Years*	10 Years*
Bond Index Fund ⁴	7.79%	6.30%	5.53 %	6.35%
Barclays Capital Aggregate Bond Index ⁵	7.69	6.14	5.44	6.29

The Fund performance figures above do not take into account the mark-to-market unit value of the securities lending cash collateral pool held by the underlying SSgA U.S. Bond Index Series Class Lending Fund. If SSgA marked-to-market units in the securities lending cash collateral pool, performance would be lower. As of March 31, 2010 the underlying SSgA Series Class Lending Fund represented 52.7% of total Bond Index Fund assets. Please see "Risks" section for additional information about securities lending.

Top Holdings

US/T	29.4%
FNMA	20.5
FHLMC	13.6
GNMA	5.8
FHLB	1.7
C	0.9
GE	0.8
BAC	0.7
JPM	0.6
EIB	0.6

Allocation

Bonds	99.9%
Cash & Other	0.1

Quality Distribution[†]

Aaa	77.9%
Aa	4.1
A	9.6
Baa	8.4

Sector Weightings[†]

Mortgage-Backed Securities (MBS)	35.5%
Treasury	29.4
Industrial	10.0
Agency	8.0
Finance	6.5
Non-Corporates	4.5
CMBS	3.5
Utility	2.2
Asset-Backed Securities (ABS)	0.4
Cash	0.1

Glossary

Quality Ratings: Represents bond issuers' ability to make interest payments and repay principal over time. Rating organizations such as Moody's and Standard & Poor's evaluate the credit worthiness of bonds and assign ratings accordingly. Because the financial condition of an issuer can change, rating organizations may downgrade or upgrade ratings over time. The chart on the right serves as a reference.

Duration: Measures a bond or bond portfolio's price sensitivity to changes in interest rates. The higher the duration number (expressed in years) the greater the interest rate risk.

Yield: Approximates the percent returned on a bond investment if held to maturity.

*Annualized

† May not equal 100% due to rounding.

1 A passively-managed fund tries to track the total return of a particular index. They are often called "passively-managed" because the way your money is invested is determined by the securities that are included in a particular index, not the research and discretion of a portfolio manager.

2 The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Prior to February 28, 2010 the inception date shown reflected the SSgA Series Class Fund. The change was made due to the length of the strategy performance track record for the Plans and because the investment strategy may be comprised of more than one underlying fund.

3 Total Net Assets shown reflect a composite total of SSgA's U.S. Bond Index Series Class Lending and Non-Lending Fund assets. Net assets as of March 31, 2010 for the Series Class Lending Fund were \$6.7 billion and \$1.1 billion for the Series Class Non-Lending Fund.

4 The performance returns shown reflect all fund management fees and expenses, but does not reflect the Plan administrative fee, which would further reduce the returns shown. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars.

5 You cannot invest directly in an Index.

6 The average quality rating reported by SSgA is a composite rating of ratings published by Moody's, Standard & Poor's and Fitch.

Investment Grade	Moody's*	Standard & Poor's ^{††}
Highest Quality	Aaa	AAA
High Quality (very strong)	Aa	AA
Upper-Medium Grade Quality (strong)	A	A
Medium Grade Quality	Baa	BBB
Not Investment Grade		
Lower Medium Grade Quality (somewhat speculative)	Ba	BB
Low Grade Quality (speculative)	B	B
Poor Quality	Caa	CCC
Most Speculative	Ca	CC
Imminent Default or Default	C	C, D

*The ratings from Aa to Ca by Moody's may be modified by the addition of 1, 2 or 3 to show relative standing within the category with 1 ranking in the higher end and 3 ranking in the lower end of the category.

††The ratings from AA to CC by Standard & Poor's may be modified by the addition of a plus or minus sign to show relative standing within the category.

Plan Administrative Fee - ING Institutional Plan Services ("ING"), the Plans' record keeper, will deduct an annual record keeping and communication services fee of 19 basis points (0.19%) capped at \$130,000 from your combined account balance on a quarterly basis (0.0475% per quarter).

NOT FDIC INSURED - MAY LOSE VALUE -NO BANK GUARANTEE