

Fund Facts

Tier II:
**Passively
Managed Fund¹**

Fund Type:
**Small/Mid Cap Stock
(Blend)**

Inception Date:²
11/1/1999

Total Net Assets:³
\$2.7 billion

Expense Ratio:
0.07%

Ave. Weighted Market
Cap:
\$3.8 billion

Number of Holdings:
2,430

Dividend Yield:
1.5%

P/E Ratio (12-month
forward):
14.9x

P/B Ratio:
1.7x

Investment Objective

The Fund seeks to track the performance of the Russell Small Cap Completeness Index. This Index is an unmanaged index considered indicative of the small to mid cap stock market in general. 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

Small/mid-cap investments may be most appropriate for someone with a longer investment horizon. The Fund may be suitable for the investor seeking long-term capital growth and willing to accept larger market fluctuations.

Strategy

The Small/Mid Cap Equity Index Fund (“Fund”) invests in SSgA’s Russell Small/Mid Cap Index Non-Lending Series Fund-Class A. The Fund is managed using a “passive” or “indexing” investing approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The Fund typically seeks to achieve its objective by investing in the securities comprising the Index in the same proportions as they are represented in the Index. In some cases, it may not be possible or practicable to purchase all of the securities comprising the Index, or to hold them in the same weightings as represented in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio. From time to time SSgA may purchase securities that are not yet represented in the Index or sell securities that have not yet been removed from the Index. The Fund uses futures, may use other derivatives and may invest in other investment options.

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:

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.

Business risk: The risk that an investment will lose value because of a decline in a specific company or industry.

Small/Mid Cap risk: Medium-sized companies may suffer more significant losses as well as realize more substantial growth than larger more established companies. Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger more established companies.

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.

Small/Mid Cap Equity Index Fund

as of December 31, 2011

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.

	1 Year	3 Years*	5 Years*	10 Years*
Small/Mid Cap Equity Index Fund ⁴	-3.82%	18.85%	1.56%	6.19%
Russell Small Cap Completeness Index ⁵	-3.92%	18.77%	1.40%	6.14%

Top Holdings

Las Vegas Sands Corp.	0.6%
General Motors	0.6
Annaly Capital Mgmt Inc.	0.6
Alexion Pharmaceuticals Inc.	0.5
Crown Castle Intl. Corp.	0.5
Liberty Global Inc.	0.4
Lyondellbasell Ind.	0.4
Thomson Reuters Corp.	0.4
Liberty Interactive Corp.	0.4
Concho Resources, Inc.	0.4

Sector Weightings**

Financials	21.1
Consumer Discretionary	15.6
Information Technology	15.4
Industrials	14.4
Health Care	11.0
Energy	7.0
Materials	6.3
Utilities	4.2
Consumer Staples	3.6
Telecommunication Services	1.5

Allocation

Equities	98.2%
Cash & Other	1.8

Glossary

P/E Ratio: A P/E ratio represents the share price of a company's stock divided by its earnings per share, typically over a 12-month period. A "forward" P/E uses earnings estimates over the next 12 months. For a fund, the P/E ratio represents the weighted average of the P/E ratios of the stocks in the fund's portfolio.

P/B Ratio: A P/B ratio represents the relationship between the market price of a stock and its book value per share. Book value is a company's total assets minus total liabilities. For a fund, the P/B ratio represents the weighted average of the P/B ratios of the stocks in the fund's portfolio.

Dividend Yield: The portion a company or fund pays out to its shareholders in the form of dividends. The percentage is calculated by dividing the annual dividend per share by the stock's market price. For a stock fund it is the asset weighted average dividend yield of the underlying stock positions of the fund.

* Annualized

**Due to rounding, sector weightings may not equal 100%.

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 that of 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 charged, 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.

Plan Administrative Fee - ING Institutional Plan Services ("ING"), the Plans' record keeper, will deduct an annual record keeping and communication services fee of 18 basis points (0.18%) capped at \$130,000 from your combined account balance on a quarterly basis (0.045% per quarter).

NOT FDIC INSURED - MAY LOSE VALUE - NO BANK GUARANTEE