Employees' Retirement System of Milwaukee County

Monthly Report

December 31, 2009

Preliminary information, subject to change.

Investment Manager Status Report

Investment Manager	Asset Class	Benchmark	Status	Reason
J.P. Morgan	Core Fixed Income	BarCap Aggregate	In-Compliance	
Loomis	Core Fixed Income	BarCap Aggregate	Termination	Asset Allocation
Mellon Capital	Core Fixed Income	BarCap Aggregate	In-Compliance	
Loomis	High Yield Fixed Income	BarCap High Yield	Termination	Asset Allocation
Mellon Capital	Large-Cap Core Equity	S&P 500	In-Compliance	
Boston Partners	Large-Cap Value Equity	Russell 1000 Value	In-Compliance	
Reinhart Partners	Mid-Cap Growth Equity	Russell MidCap Growth	In-Compliance	
Artisan Partners	Mid-Cap Growth Equity	Russell MidCap Growth	In-Compliance	
AQR	Small-Cap Value Equity	Russell 2000 Value	In-Compliance	
Fiduciary Management	Small-Cap Value Equity	Russell 2000 Value	In-Compliance	
Barings	International Core	MSCI EAFE	In-Compliance	
GMO Large Cap Value	International Value	MSCI EAFE	In-Compliance	
GMO Intl Small Comp	International Small Core	Citigroup ex. US <$2 Billion	In-Compliance	
Barings	Emerging Markets	MSCI EM	In-Compliance	
ING Clarion	Real Estate REIT	NAREIT Equity	Termination	Asset Allocation
Progress	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Adams Street 2005	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Adams Street 2009	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 1998	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 1999	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 2000	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 2001	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 2002	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 2003	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Brinson 2004	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Separate Account - Old	Private Equity - Direct	VE All Private Equity	In-Compliance	
Separate Account - New	Private Equity - Direct	VE All Private Equity	In-Compliance	

Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

In-Compliance – The investment manager states it is acting in accordance with the Investment Policy Guidelines.

Alert – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.

On Notice – The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.

Termination – The Trustees have decided to terminate the investment manager. The investment manager is notified and transition plans are in place.

Consolidated Market Values with Futures Exposure

December 31, 2009

Asset Class	Market Values	Allocation	Target
Total Fixed Income	**$785,409,428**	**44.1%**	**32.0%**
Total U.S. Equity	**$550,055,177**	**30.9%**	**23.0%**
Total International Equity	**$345,155,241**	**19.4%**	**18.0%**
Total Long/Short Equity	**$0**	**0.0%**	**10.0%**
Total REITS	**$42,676,430**	**2.4%**	**7.0%**
Total Infrastructure	**$0**	**0.0%**	**7.0%**
Total Private Equity	**$21,296,420**	**1.2%**	**3.0%**
Total Cash/Cash Equivalents	**$34,451,089**	**1.9%**	**0.0%**
TOTAL PORTFOLIO	**$1,779,043,785**	**100.0%**	**100.0%**

Current Asset Allocation vs. Policy

Asset Class	% of Assets	Target	Difference	Target Range
Fixed Income	44.1%	32.0%	**12.1%**	**27%-47%**
Domestic Equity	30.9%	23.0%	**7.9%**	**16%-30%**
International Equity	19.4%	18.0%	**1.4%**	**13%-23%**
Long/Short Equity	0.0%	10.0%	**-10.0%**	**0%-15%**
Real Estate	2.4%	7.0%	**-4.6%**	**0%-10%**
Infrastructure	0.0%	7.0%	**-7.0%**	**0%-10%**
Private Equity	1.2%	3.0%	**-1.8%**	**0%-8%**
Cash/Other	1.9%	0.0%	**1.9%**	**0%-25%**
TOTAL	**100.0%**	**100.0%**		

Macro Allocation Variance

Asset Class	Allocation with Overlay	Target	Difference
Fixed Income	44.1%	32.0%	12.1%
Real Estate	2.4%	7.0%	-4.6%
Infrastructure	0.0%	7.0%	-7.0%
Total Fixed Income	**46.5%**	**46.0%**	**0.5%**
U.S.	31.9%	23.0%	8.9%
International	18.4%	18.0%	0.4%
Private Equity	1.2%	3.0%	-1.8%
Long/Short	0.0%	10.0%	-10.0%
Total Equity	**51.5%**	**54.0%**	**-2.5%**

Market Values

December 31, 2009

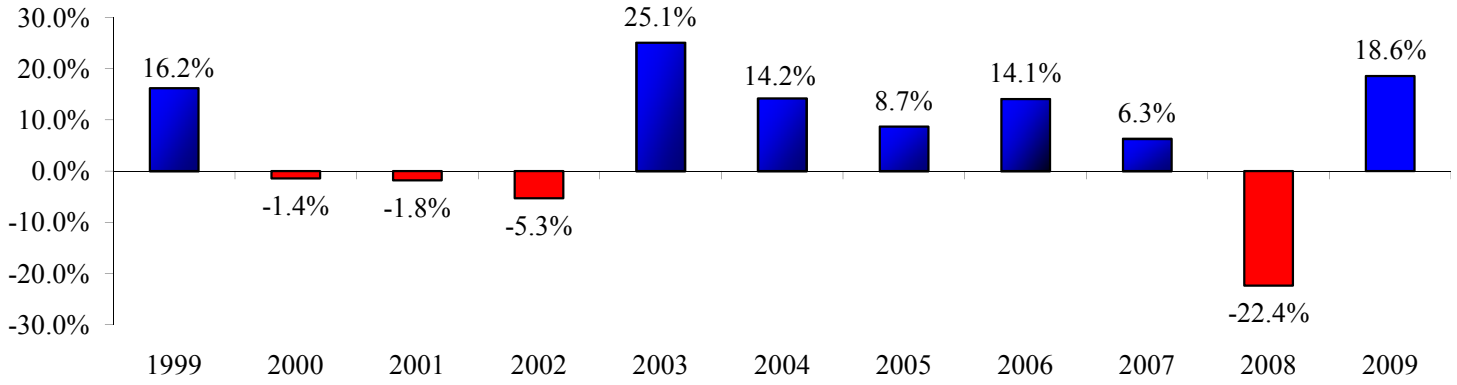
Asset Class	Investment Manager	Market Values	Allocation w/o Overlay	Allocation with Overlay	Target
Core Fixed Income	J.P. Morgan	$256,355,058	14.4%	14.4%	16.0%
Core Fixed Income	Mellon Capital - Non Lending	$308,919,320	17.4%	17.4%	16.0%
Core Fixed Income	Loomis	$99,963,301	5.6%	5.6%	0.0%
High Yield Fixed Income	Loomis	$120,171,749	6.8%	6.8%	0.0%
Total Fixed Income		**$785,409,428**	**44.1%**	**44.1%**	**32.0%**
Large-Cap Core Equity	Mellon Capital - Non Lending	$95,811,876	5.4%	5.4%	6.0%
Large-Cap Value Equity	Boston Partners	$130,902,687	7.4%	7.4%	7.0%
Mid-Cap Growth Equity	Artisan Partners	$45,972,284	2.6%	2.6%	2.5%
Mid-Cap Growth Equity	Reinhart Partners	$44,205,022	2.5%	2.5%	2.5%
Small-Cap Value Equity	AQR	$43,863,148	2.5%	2.5%	2.5%
Small-Cap Value Equity	Fiduciary Management	$44,473,981	2.5%	2.5%	2.5%
Cash Securitization	Cash Equity Overlay	$2,823,184	0.2%	0.2%	---
Cash Securitization	Cash Overlay	$142,002,995	---	8.0%	---
Total U.S. Equity		**$408,052,182**	**22.9%**	**30.9%**	**23.0%**
International Core	Barings	$117,450,135	6.6%	6.6%	6.0%
International Value	GMO Large Cap Value	$114,205,412	6.4%	6.4%	6.0%
International Small Core	GMO Intl Small Companies	$58,096,530	3.3%	3.3%	3.0%
Emerging Markets	Barings	$55,403,164	3.1%	3.1%	3.0%
Total International Equity		**$345,155,241**	**19.4%**	**19.4%**	**18.0%**
Long/Short Equity	TBD	$0	0.0%	0.0%	10.0%
Total Long/Short Equity		**$0**	**0.0%**	**0.0%**	**10.0%**
Real Estate REIT	ING Clarion	$42,676,430	2.4%	2.4%	0.0%
Real Estate - Core	TBD	$0	0.0%	0.0%	7.0%
Total Real Estate		**$42,676,430**	**2.4%**	**2.4%**	**7.0%**
Infrastructure - Core	IFM	$0	0.0%	0.0%	3.5%
Infrastructure - Core	JP Morgan	$0	0.0%	0.0%	3.5%
Total Infrastructure		**$0**	**0.0%**	**0.0%**	**7.0%**
Private Equity FoFs Diversified	Progress	$499,208	0.0%	0.0%	---
Private Equity FoFs Diversified	Adams Street 2005	$5,682,934	0.3%	0.3%	---
Private Equity FoFs Diversified	Adams Street 2009	$2,227,324	0.1%	0.1%	---
Private Equity FoFs Diversified	Brinson 1998	$408,849	0.0%	0.0%	---
Private Equity FoFs Diversified	Brinson 1999	$739,606	0.0%	0.0%	---
Private Equity FoFs Diversified	Brinson 2000	$2,216,409	0.1%	0.1%	---
Private Equity FoFs Diversified	Brinson 2001	$3,416,648	0.2%	0.2%	---
Private Equity FoFs Diversified	Brinson 2002	$1,931,102	0.1%	0.1%	---
Private Equity FoFs Diversified	Brinson 2003	$2,019,375	0.1%	0.1%	---
Private Equity FoFs Diversified	Brinson 2004	$2,068,762	0.1%	0.1%	---
Private Equity - Direct	Separate Account - Old	$5,487	0.0%	0.0%	---
Private Equity - Direct	Separate Account - New	$80,716	0.0%	0.0%	---
Total Private Equity		**$21,296,420**	**1.2%**	**1.2%**	**3.0%**
Cash Short-Term	Transition Account	$249,383	0.0%	0.0%	---
Cash Short-Term	Active Reserve	$308,873,629	17.4%	17.4%	---
Cash Short-Term	General Cash	$14,948,861	0.8%	0.8%	---
Cash Short-Term	Cash Overlay	$9,504,674	0.5%	0.5%	---
Cash Securitization	Pension Futures	$142,002,995	8.0%	0.0%	---
Cash Short-Term	Adjustment Account	-$299,125,458	-16.8%	-16.8%	---
Total Cash Equivalents		**$176,454,084**	**9.9%**	**1.9%**	**0.0%**
TOTAL PORTFOLIO		**$1,779,043,785**	**100.0%**	**100.0%**	**100.0%**

Annualized Performance (Gross of Fees)

December 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Total Fund Composite	**0.9%**	**18.6%**	**18.6%**	**-4.1%**	**-0.8%**	**2.8%**	**3.9%**	**8.2%**	**4.7%**
Benchmark									
Actuarial Rate of Return	---	---	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Fixed Income Composite	**-0.8%**	**15.4%**	**15.4%**	**6.7%**	**6.5%**	**6.5%**	**5.8%**	**6.9%**	**7.6%**
Benchmark									
BarCap Aggregate	-1.6%	5.9%	5.9%	5.6%	6.0%	5.6%	5.0%	4.8%	6.3%
Total Domestic Equity Composite	**4.1%**	**32.4%**	**32.4%**	**-8.4%**	**-3.9%**	**0.4%**	**1.9%**	**7.6%**	**1.6%**
Benchmark									
Wilshire 5000	2.7%	28.3%	28.3%	-10.3%	-5.3%	-0.4%	0.9%	6.5%	-0.3%
Total International Equity Composite	**1.4%**	**29.1%**	**29.1%**	**-14.9%**	**-8.4%**	**-3.2%**	**-0.9%**	**4.5%**	**2.3%**
Benchmark									
MSCI EAFE	1.5%	32.5%	32.5%	-13.2%	-5.6%	1.7%	4.0%	10.8%	1.6%
Total Real Estate Composite	**4.1%**	**36.0%**	**36.0%**	**-8.2%**	**-10.7%**	**-0.5%**	**2.2%**	**10.9%**	**11.6%**
Benchmark									
NAREIT Equity	7.2%	28.0%	28.0%	-10.7%	-12.4%	-2.4%	0.3%	9.1%	10.6%

Fiscal Review



Annualized Performance (Gross of Fees)

December 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Fixed Income - Core									
J.P. Morgan	**-1.1%**	**8.8%**	**8.8%**	**6.5%**	**6.7%**	**6.1%**	---	---	---
Mellon Capital	**-1.7%**	**5.6%**	**5.6%**	**5.6%**	**6.1%**	**5.7%**	**5.0%**	**4.8%**	**6.4%**
Loomis	**-0.9%**	**23.2%**	**23.2%**	**6.5%**	**7.0%**	**7.0%**	**6.2%**	**7.6%**	**8.9%**
Benchmarks									
BarCap Aggregate	-1.6%	5.9%	5.9%	5.6%	6.0%	5.6%	5.0%	4.8%	6.3%
Fixed Income - High Yield									
Loomis	**2.0%**	**51.2%**	**51.2%**	**8.5%**	**6.3%**	**7.3%**	**6.7%**	**10.7%**	**9.0%**
Benchmarks									
BarCap High Yield	3.3%	58.2%	58.2%	8.1%	6.0%	7.4%	6.5%	10.1%	6.7%
Large-Cap Core Equity									
Mellon Capital	**1.9%**	**26.6%**	**26.6%**	**-10.7%**	**-5.5%**	**-0.6%**	**0.5%**	**5.6%**	**-0.9%**
Benchmarks									
S&P 500	1.9%	26.5%	26.5%	-10.7%	-5.6%	-0.7%	0.4%	5.5%	-1.0%
Large-Cap Value Equity									
Boston Partners	**1.7%**	**26.7%**	**26.7%**	**-8.0%**	**-3.7%**	**1.7%**	**3.7%**	**8.5%**	**6.1%**
Benchmarks									
Russell 1000 Value	1.8%	19.7%	19.7%	-13.1%	-9.0%	-2.0%	-0.3%	5.9%	2.5%
Mid-Cap Growth Equity									
Artisan Partners	**6.7%**	**49.3%**	**49.3%**	**-7.7%**	**1.3%**	**3.5%**	**4.8%**	**10.1%**	---
Reinhart Partners	**5.8%**	**36.7%**	**36.7%**	**-8.5%**	**-3.7%**	**2.2%**	---	---	---
Benchmarks									
Russell MidCap Growth	6.2%	46.3%	46.3%	-9.8%	-3.2%	0.1%	2.4%	9.2%	-0.5%
Small-Cap Value Equity									
AQR	**7.9%**	**31.4%**	**31.4%**	**-6.6%**	**-7.6%**	---	---	---	
Fiduciary Management	**8.4%**	---	---	---	---	---	---	---	
Benchmarks									
Russell 2000 Value	7.6%	20.6%	20.6%	-7.4%	-8.2%	-1.2%	0.0%	8.6%	8.3%
International Large-Cap Equity									
Barings	**1.1%**	**33.2%**	**33.2%**	**-13.8%**	---	---	---	---	
GMO Large Cap Value	**0.7%**	**18.6%**	**18.6%**	**-14.8%**	**-7.2%**	**0.0%**	**2.7%**	**10.9%**	**5.9%**
Benchmarks									
MSCI EAFE	1.5%	32.5%	32.5%	-13.2%	-5.6%	1.7%	4.0%	10.8%	1.6%
International Small-Cap Equity									
GMO Intl Small Companies	**1.4%**	---	---	---	---	---	---	---	
Benchmarks									
Citigroup ex. US <$2 Billion	3.2%	51.7%	51.7%	-10.1%	-4.3%	1.4%	4.4%	13.3%	6.4%
Emerging Markets Equity									
Barings	**3.4%**	---	---	---	---	---	---	---	
Benchmarks									
MSCI Emerging Markets	4.0%	79.0%	79.0%	-8.5%	5.4%	11.6%	15.9%	22.4%	10.1%

Annualized Performance (Gross of Fees)

December 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Real Estate - Equity									
ING Clarion	**4.1%**	**36.0%**	**36.0%**	**-8.2%**	**-10.7%**	**-0.5%**	**2.2%**	**10.9%**	**11.8%**
Benchmarks									
NAREIT Equity	7.2%	28.0%	28.0%	-10.7%	-12.4%	-2.4%	0.3%	9.1%	10.6%

Estimated Annual Investment Management Fees

based on December 31, 2009 reported Market Values

Asset Class	Investment Manager	Fee Schedule	Expense Ratio & Estimated Annual Fee [1]	Industry Average [2]
Core Fixed Income	J.P. Morgan	0.20% on the first $100 million 0.15% on the Balance	0.17% $434,533	0.24%
Core Fixed Income Large-Cap Core Equity	Mellon Capital - Non Lending	0.08% on the first $50 million 0.06% on the next $50 million 0.04% on the next $300 million 0.03% on the Balance	0.05% $191,419	0.06%
Core Fixed Income	Loomis	0.20% on the first $10 million 0.10% on the Balance	0.11% $109,963	0.27%
High Yield Fixed Income	Loomis	0.20% on the first $10 million 0.10% on the Balance	0.11% $130,172	0.50%
Large-Cap Value Equity	Boston Partners	0.40% on the first $15 million 0.30% on the next $25 million 0.20% on the next $25 million 0.15% on the next $35 million 0.10% on the Balance	0.25% $215,597	0.53%
Mid-Cap Growth Equity	Artisan Partners	0.80% on the first $50 million 0.60% on the next $50 million 0.50% on the Balance	0.80% $367,778	0.85%
Mid-Cap Growth Equity	Reinhart Partners	0.60% on the first $25 million 0.50% on the next $25 million 0.40% on the Balance	0.56% $246,025	0.85%
Small-Cap Value Equity	AQR	1.00% on the first $25 million 0.85% on the next $50 million 0.75% on the Balance	0.94% $410,337	1.00%
Small-Cap Value Equity	Fiduciary Management	0.70% on the first $10 million 0.65% on the next $40 million 0.60% on the next $25 million 0.50% on the Balance	0.66% $294,081	1.00%
International Core	Barings	0.75% on the Balance	0.75% $880,876	1.17%
Emerging Markets	Barings	0.75% on the Balance	0.75% $415,524	1.68%
International Value	GMO Large Cap Value	0.67% on the Balance	0.67% $765,176	1.17%
International Small Core	GMO Intl Small Companies	0.75% on the Balance	0.75% $435,724	1.68%
Real Estate REIT	ING Clarion	0.65% on the first $50 million 0.60% on the next $50 million 0.55% on the next $50 million 0.50% on the next $50 million 0.45% on the next $50 million 0.40% on the Balance	0.65% $277,397	1.50%
Cash Securitization	BNY Beta Management	0.025% on the Notional Value	0.025% $35,501	
Total Investment Management Fees			**0.29%** **$5,210,102**	**0.62%**

[1] Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.

[2] Source: 2005 Marquette Associates Investment Management Fee Study.

Glossary

Alpha measures nonsystematic return, or the return of the manager that cannot be attributed to the market. It can be thought of as how the manager performed if the market has no gain or loss. Marquette calculates alpha as the annualized y-intercept of the best fit line based on the ordinary least squares regression, using the market's quarterly return less the risk-free rate as the independent variable and the manager's quarterly return less the risk-free rate as the dependent variable. Marquette uses the 90-day T-Bill returns as the risk-free rate.

Beta measures the volatility of the manager. It is a measure of systematic risk, or the manager return attributable to market movements. A beta equal to 1.0 indicates a volatility level equivalent to the market. Higher betas are associated with higher volatility levels, while lower betas are associated with lower volatility levels. Marquette calculates beta as the covariance (correlation of two assets multiplied by their standard deviation) divided by the variance (standard deviation squared) of the market.

Credit Ratings are a method of evaluating the possibility of default by a bond issuer. Marquette uses ratings issued by Moody's Investors Service with the following ratings:

Aaa	Highest Quality
Aa	High Grade, High Quality
A	Upper Medium Grade
Baa	Medium Grade
Ba	Non-Investment Grade
B	Speculative
Caa	Poor to Default
Ca	Highest Speculation
C	May Be in Default

Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

Equity yield measures the annual return of the portfolio attributable to dividends. It is determined by dividing the total amount of annual dividends per total shares by the average market price of the total stocks in the portfolio.

Market capitalization is the value of a corporation as determined by the market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share.

Modified Duration is the ratio of Macaulay duration to (1 + y), where y = the bond yield. Modified duration is inversely related to the approximate percentage change in price for a given change in yield.

Net of Fees calculations are an estimate of the performance of the total fund and individual managers after taking into account management fees. The estimate is calculated by subtracting the current estimated annual expense ratio from the historical gross of fee returns.

Price-to-Book Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Book ratios. The ratio is calculated by dividing the price of a stock by the book value of the company. Low Price/Book ratios are associated with value stocks and vice versa.

Glossary

Price-to-Earnings Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Earnings ratios. The ratio is calculated by dividing the price of a stock by the last twelve months' earnings of the company. Low Price/Earnings ratios are associated with value stocks and vice versa.

R-Squared measures how closely the manager's returns track the benchmark. The closer the R-squared statistic is to 1.0, the more closely related the manager's returns are to the benchmark. A higher R-squared also increases the reliability of alpha and beta.

Sharpe Ratio measures the excess return per unit of risk. The higher the ratio, the more efficient the manager. It is the average return of the manager minus the risk-free rate, divided by the standard deviation of the differences of the two return streams.

Trading Effect assesses the total performance caused by cash flows into and out of the portfolio, in addition to all purchases and sales of securities during the quarter. This effect is calculated by subtracting the buy and hold equity return of the portfolio from the actual equity return of the portfolio for the quarter.

Yield to Worst is computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

Due to current market conditions, there is general uncertainty regarding credit pricing which has resulted in significant differences between pricing sources. Marquette Associates, Inc. utilizes pricing sources it believes to be reliable; however, we can make no assurances as to their accuracy.

The sources of information used in this report are believed to be reliable. Marquette has not independently verified all of the information contained herein.

This report has been prepared and presented in compliance with the IMCA Performance Reporting Standards. It meets the mandatory requirements of those standards. IMCA has not been involved with the preparation or review of the report.