

April 2008

**Flash Report**  
The Employees' Retirement System of the  
County of Milwaukee

**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Consulting. Outsourcing. Investments.

## Trustees' Summary

The Total Fund had an aggregate market value of just under \$1.58 billion at the end of April. The Total Fund advanced 2.9% during the month, lagging the Reference Index by 20 basis points.

The large cap domestic equity market, as measured by the Russell 1000 Index, appreciated 5.1% during the month and small cap equity, as measured by the Russell 2000 Index, advanced 4.2%. Growth outpaced value in both the large and small cap spaces.

The international equity market gained 5.6% in April, as measured by the MSCI EAFE Index of developed markets. Emerging market equities, as measured by the MSCI Emerging Markets Index, rose 8.1%.

The investment-grade fixed income market, as measured by the Lehman Aggregate Index, declined 0.2% during the month. High yield issues significantly outperformed the broad market advancing 4.2%, as measured by the Merrill Lynch High Yield Index.

## Recommendations and Comments

- Artisan Partners was selected as the Fund's new mid cap value manager, replacing Hotchkis & Wiley.
- As noted last month, Baring Asset Management announced that Chris Lees, the portfolio manager responsible for the EAFE product would be leaving Baring. Mercer's A- rating was predicated on Lees. Therefore, Mercer has downgraded Baring to B+.
- ING's transition from U.S. focused to global REIT took place in March. ING's benchmark changed to the FTSE/ERPA NAREIT Global Index to reflect the change.

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The Employees' Retirement System of the County of Milwaukee

**MANAGER REPORTED PERFORMANCE**  
As of April 30, 2008

	Assets (\$ millions)	Year To		1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
		April	Date							
Total Fund (1)	1,557.94	2.9	-1.7	-0.5	9.8	12.3	8.4	7.2	-	-
vs. Composite Market Index		3.1	-1.4	-0.3	9.2	11.9	7.3	6.4	-	-
CPI + 4% (1 Month in Arrears)		1.2	2.6	8.0	7.4	7.0	6.8	6.8	-	-
<b>LARGE CAP VALUE EQUITY MANAGER</b>										
Boston Partners	120.44	5.4	-7.1	-7.3	10.7	13.7	7.1	6.8	11.3	8/1/95
Boston Partners - Net		5.4	-7.2	-7.5	10.5	13.5	6.9	6.6	11.1	
vs. Russell 1000 Value + 1%		5.0	-3.9	-8.0	9.4	13.8	7.3	7.0	11.8	
S&P 500 + 1%		5.0	-4.7	-3.7	9.2	11.6	4.3	4.9	10.2	
CPI + 6.5% (1 Month in Arrears)		1.4	3.2	10.5	9.9	9.5	9.3	9.3	9.2	
<b>LARGE CAP GROWTH EQUITY MANAGER</b>										
Mellon Capital Management - Ru 1000 Growth Index	76.61	5.3	-6.5	-0.2	8.9	9.5	N/A	N/A	1.4	5/31/01
Mellon Capital Management - Ru 1000 Growth Index - Net		5.3	-5.5	-0.3	8.9	9.5	N/A	N/A	1.3	
vs. Russell 1000 Growth		5.3	-5.5	-0.2	8.9	9.5	1.1	1.7	1.3	
<b>LARGE CAP EQUITY INDEX MANAGER</b>										
Mellon Capital Management - S&P 500	101.80	4.9	-5.0	-4.6	8.3	10.7	3.4	4.0	9.9	4/13/95
Mellon Capital Management - S&P 500 - Net		4.9	-5.0	-4.6	8.3	10.6	3.3	3.9	9.9	
vs. S&P 500		4.9	-5.0	-4.7	8.2	10.6	3.3	3.9	9.9	
<b>MID CAP VALUE EQUITY MANAGER</b>										
Shares Russell Mid Cap Value (2)	23.89	6.1	-3.1	N/A	N/A	N/A	N/A	N/A	N/A	12/14/2007
Shares Russell Mid Cap Value - Net		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
vs. Russell Mid Cap Value		6.1	-3.1	-1.7	9.7	16.4	10.5	8.9	N/A	
<b>MID CAP GROWTH EQUITY MANAGER</b>										
Artisan Partners	24.48	6.5	-7.0	3.2	13.8	15.7	7.3	N/A	6.4	6/12/00
Artisan Partners - Net		6.5	-7.2	2.3	12.9	14.7	6.4	N/A	5.5	
vs. Russell Mid Cap Growth +1%		7.3	-4.2	-0.9	12.8	16.3	6.4	6.8	0.9	
CPI + 5.7% (1 Month in Arrears)		1.3	3.1	9.7	9.1	8.7	8.5	8.5	8.9	

(1) Total Fund returns represent actual returns through 12/31/2007 and estimated performance thereafter.

(2) Index performance is used to represent the investment in Russell Mid Cap Value Shares.  
For Measures are High

**MANAGER REPORTED PERFORMANCE**  
As of April 30, 2008

	Assets (\$ millions)	Year To		1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
		April	Date							
<b>MID CAP CORE EQUITY MANAGERS</b>										
EARNEST Partners	25.20	8.7	1.4	3.3	N/A	N/A	N/A	N/A	10.9	2/18/05
EARNEST Partners - Net		8.7	1.2	2.4	N/A	N/A	N/A	N/A	10.1	
vs. Russell Mid Cap Index + 1% CPI + 5.7% (1 Month in Arrears)		6.8	-3.6	-5.3	11.9	17.2	9.8	9.3	9.9	
		1.3	3.1	9.7	9.1	8.7	8.5	8.5	9.2	
<b>SMALL CAP EQUITY MANAGERS</b>										
Reinhart Partners	22.70	5.6	-3.7	-5.1	13.3	N/A	N/A	N/A	10.6	2/18/05
Reinhart Partners - Net		5.5	-4.1	-5.8	12.6	N/A	N/A	N/A	10.0	
vs. S&P 400 CPI + 5.7% (1 Month in Arrears)		7.7	-1.8	-2.8	11.2	15.2	8.6	9.6	8.8	
		1.3	3.1	9.7	9.1	8.7	8.5	8.5	9.2	
<b>INTERNATIONAL EQUITY MANAGERS</b>										
Westfield Capital Management	39.88	7.0	-5.7	2.2	12.1	15.2	6.7	N/A	6.1	2/6/01
Westfield Capital Management - Net (1)		6.9	-6.0	1.3	11.1	14.2	5.7	N/A	5.4	
vs. Russell 2000 Growth CPI + 5.9% (1 Month in Arrears)		5.1	-8.3	-6.7	9.9	13.3	3.9	2.2	4.1	
		1.3	3.1	9.9	9.3	8.9	8.7	8.7	8.7	
AQR AQR - Net (1)	36.00	1.6	-3.9	-16.1	N/A	N/A	N/A	N/A	-8.1	10/22/2006
		1.6	-4.2	-17.1	N/A	N/A	N/A	N/A	-9.1	
vs. Russell 2000 Value Russell 2000 + 2% CPI + 5.9% (1 Month in Arrears)		3.2	-3.6	-15.1	7.3	14.1	9.8	7.7	-3.3	
		4.4	-5.5	-9.0	10.6	15.8	9.0	7.3	2.4	
		1.3	3.1	9.9	9.3	8.9	8.7	8.7	8.9	
<b>INTERNATIONAL EQUITY MANAGERS</b>										
Bairing	98.26	6.6	-3.6	N/A	N/A	N/A	N/A	N/A	-9.6	11/1/2007
Bairing - Net		6.5	-3.8	N/A	N/A	N/A	N/A	N/A	-9.9	
vs. EAFE + 1% CPI + 6.7% (1 Month in Arrears)		5.6	-3.4	-0.3	17.7	21.9	10.4	8.0	-8.5	
		1.4	3.3	10.7	10.1	9.7	9.5	9.5	5.7	
Granttham, Mayo	138.00	4.6	-3.9	0.6	17.9	24.3	16.3	12.1	12.0	4/13/95
Granttham, Mayo - Net		4.5	-4.1	-0.1	17.1	23.5	15.5	11.3	11.3	
vs. EAFE + 1% CPI + 6.7% (1 Month in Arrears)		5.6	-3.4	-0.3	17.7	21.9	10.4	8.0	8.7	
		1.4	3.3	10.7	10.1	9.7	9.5	9.5	9.4	

(1) Net performance calculated by Mercer, based off fee schedule.

Policy Measures are Highlighted

**MANAGER REPORTED PERFORMANCE**  
As of April 30, 2008

**INTERNATIONAL SMALL CAP EQUITY MANAGER**

Assets (\$ millions)	Year To		Since Inception						
	April	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Capital Guardian	2.4	-13.8	-12.2	17.8	26.6	13.8	9.5	10.3	10/31/97
Capital Guardian - Net	2.4	-14.0	-12.7	17.2	25.9	13.2	8.9	9.6	

vs. MSCI World Ex U.S. Small Cap + 1%  
CPI + 6.9% (1 Month In Arrears)

**CORE FIXED INCOME MANAGERS**

JPMorganChase	112.73	-0.5	1.2	6.0	N/A	N/A	N/A	N/A	5.9	11/1/05
JPMorganChase - Net		-0.5	1.1	5.8	N/A	N/A	N/A	N/A	5.8	

vs. LB Aggregate + 0.5%  
CPI + 2.6% (1 Month In Arrears)

Mellon Capital Management	352.42	-0.2	2.1	7.1	5.0	4.4	5.8	6.0	6.2	1/31/96
Mellon Capital Management - Net		-0.2	2.1	7.1	5.0	4.4	5.8	6.0	6.1	

Loomis, Sayles	98.27	1.1	0.8	5.8	6.1	6.9	8.9	7.8	9.7	6/30/91
Loomis, Sayles - Net		1.1	0.8	5.7	6.0	6.8	8.7	7.7	9.5	

vs. Fixed Income Reference Index + 0.5% (1)  
LB Aggregate + 0.5%  
CPI + 2.6% (1 Month In Arrears)

(1) The Fixed Income Reference Index consists of the 50/50 benchmark until May 1999 and the Lehman Brothers Aggregate Index thereafter.

Policy Measures are highlighted

**MANAGER REPORTED PERFORMANCE**  
As of April 30, 2008

HIGH YIELD FIXED INCOME MANAGER	Assets (\$ millions)	April	Year To Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Since Inception	Inception Date
Loomis, Sayles	118.86	3.2	1.2	-1.2	6.2	9.3	9.4	7.4	11.9	11/30/82	
Loomis, Sayles - Net		3.2	1.2	-1.3	6.1	9.1	9.3	7.2	11.8		
vs. Merrill Lynch High Yield + 1.5% CPI + 5.0% (1 Month in Arrears)		4.3	1.5	0.7	8.2	9.6	9.1	7.1	N/A		
		1.3	2.9	9.0	8.4	8.0	7.8	7.8	N/A		

**REAL ESTATE MANAGER**

ING Clarion Real Estate Securities	58.68	6.4	8.1	-11.2	13.7	20.2	17.0	12.8	12.5	1/13/97
ING Clarion Real Estate Securities - Net		6.3	7.9	-11.6	13.3	19.7	16.6	12.3	12.0	
vs. Reference Index 1 + 1% (1) Reference Index 2 + 1% (2) CPI + 5.9% (1 Month in Arrears)		6.4	8.8	-12.8	13.1	20.0	17.4	13.5	13.3	
		6.4	8.8	-11.7	12.9	19.6	17.1	12.8	12.5	
		1.3	3.1	9.9	9.3	8.9	8.7	8.7	8.6	

**VENTURE CAPITAL MANAGERS**

Adams Street Partners (3)	30.36	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	10/1/92
Adams Street Partners (4)	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	1/2005
Progress (3)	2.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	7/1/95

- (1) Consists of the Wilshire REIT Index from inception to March 2008 and the NAREIT Global Index forward.
- (2) Consists of the MSCI US REIT Index from inception to March 2008 and the NAREIT Global Index forward.
- (3) Consists of the most recently available custody Market Value to account for the cash the manager does not include in their values.
- (4) The assets invested with Adams Street Partners is aggregated to account for the custody cash.

Policy Measures are Highlighted

**ASSET ALLOCATION**  
As of April 30, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
<b>Total Large Cap Equity</b>	<b>19.2 %</b>	<b>20.0 %</b>	<b>17.0 %</b>	<b>25.0 %</b>
Boston Partners	7.7			
Mellon Capital Russell 1000 Growth	4.9			
Mellon Capital S&P 500	6.5			
<b>Total Medium Cap Equity</b>	<b>6.2 %</b>	<b>6.0 %</b>	<b>4.0 %</b>	<b>7.5 %</b>
Artisan Partners	1.6			
iShares	1.5			
EARNEST Partners	1.6			
Reinhart Partners	1.5			
<b>Total Small Cap Equity</b>	<b>4.9 %</b>	<b>5.0 %</b>	<b>3.0 %</b>	<b>6.5 %</b>
Westfield	2.6			
AQR	2.3			
<b>Total International Equity</b>	<b>15.2 %</b>	<b>16.0 %</b>	<b>11.0 %</b>	<b>21.0 %</b>
Baring	6.3			
Grantham, Mayo	8.9			
<b>Int'l Small Cap Equity</b>	<b>3.4 %</b>	<b>4.0 %</b>	<b>0.0 %</b>	<b>7.0 %</b>
Capital Guardian	3.4			
<b>Venture Capital</b>	<b>2.1 %</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>5.0 %</b>
<b>TOTAL EQUITY</b>	<b>51.0 %</b>	<b>54.0 %</b>	<b>37.0 %</b>	<b>74.0 %</b>

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**ASSET ALLOCATION**  
As of April 30, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
<b>Total Core Fixed Income</b>	<b>36.2 %</b>	<b>35.0 %</b>	<b>31.0 %</b>	<b>41.0 %</b>
JP Morgan	7.2			
Mellon Capital	22.6			
Loomis, Sayles	6.3			
<b>High-Yield Fixed Income</b>	<b>7.6 %</b>	<b>7.0 %</b>	<b>5.0 %</b>	<b>9.0 %</b>
Loomis, Sayles	7.6 %			
<b>Cash</b>	<b>1.5 %</b>	<b>1.0 %</b>	<b>0.0 %</b>	<b>5.0 %</b>
<b>TOTAL FIXED INCOME</b>	<b>45.3 %</b>	<b>43.0 %</b>	<b>34.0 %</b>	<b>55.0 %</b>
<b>REAL ESTATE</b>	<b>3.8 %</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>7.5 %</b>
<b>ALTERNATIVE INVESTMENTS</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>		

**AVERAGE CREDIT QUALITY  
OF CURRENT FIXED INCOME MANAGERS**

JP Morgan	AA+
Mellon Capital Management	AAA
Loomis Investment Grade	A1
Loomis High Yield	Ba3

**Mercer Ratings for  
Current Managers**

Mercer		Mercer	
	Rating		Rating
<b>Large Cap Eq</b>			
Boston Partners	A-	<b>Int'l Small Cap Eq</b>	N
Mellon Russell 1000 Growth	N <sup>1</sup>	Cap. Guardian	N
Mellon S&P 500	N <sup>1</sup>	<b>Core Fixed</b>	
<b>Mid &amp; Small Cap Eq</b>			
Artisan	B+	JP Morgan	B
iShares	N	Mellon	N <sup>1</sup>
EARNEST Partners	B+	Loomis, Sayles	B (T)
Reinhart & Mahoney	N	<b>High Yield Fixed</b>	
Westfield	A-(T)	Loomis, Sayles	B (T)
AQR	A	<b>Real Estate</b>	
<b>Int'l Eq</b>			
Baring	B+	ING Clarion	B+
Grantham, Mayo Intl Intrinsic Value	A-		
Grantham, Mayo Intl Small Company	A-		

<sup>1</sup> Mercer no longer rates index funds, however, Mercer considers Mellon to be a top tier index provider.

**The Employees' Retirement System of the County of Milwaukee  
Proposed Investment Manager Due Diligence 2008**

<u>Date</u>	<u>Managers Invited to Present</u>
16-January	Westfield
13-February	EARNEST Partners
20-February	Loomis Sayles
19-March	Boston Partners
16-April	Baring
21-May	Artisan
18-June	Adam Street Partners
16-July	ING Clarion
20-August	AQR
17-September	Capital Guardian
15-October	GMO
12-November	JP Morgan
17-December	Reinhart Partners

Notes:

The format and timings of all investment manager presentations are to be dictated by the Pension Board. Suggested discussion outline attached for all but venture capital, real estate managers and Loomis Sayles (who have to present two strategies under management).

# MERCER



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