

June 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 over \$1.49 billion at the end of June. The Total Fund depreciated 4.4% during the month, outperforming the Reference Index by 50 basis points.

The large cap domestic equity market, as measured by the Russell 1000 Index, declined 8.3% during the month and small cap equity, as measured by the Russell 2000 Index, fell 7.7%. Growth outpaced value in both the large and small cap spaces.

The international equity market dropped 8.2% in June, as measured by the MSCI EAFE Index of developed markets. Emerging market equities, as measured by the MSCI Emerging Markets Index, depreciated 10.0%.

The investment-grade fixed income market, as measured by the Lehman Aggregate Index, declined 0.1% during the month. High yield issues lagged the broad market falling 2.7%, 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. The transition of assets from the BGI iShares to Artisan Partners took place on June 26. Performance reporting for the new mandate will begin with the July report.

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The Employees' Retirement System of the County of Milwaukee

MANAGER REPORTED PERFORMANCE
As of June 30, 2008

	Assets (\$ millions)	Year To										Since Inception	Inception Date
		June	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception				
Total Fund (1)	1,491.80	-4.4	-5.2	-4.7	7.2	10.2	7.8	6.8	-	-	-	-	-
vs. Composite Market Index		-4.9	-5.5	-4.9	6.4	9.1	6.7	6.0	-	-	-	-	-
CPI + 4% (1 Month in Arrears)		1.2	4.8	8.2	7.7	7.4	6.9	6.9	-	-	-	-	-
LARGE CAP VALUE EQUITY MANAGER													
Boston Partners	111.79	-9.0	-13.4	-15.7	6.1	10.5	5.8	6.3	10.5	10.5	10.5	10.5	8/1/95
Boston Partners - Net		-9.0	-13.6	-15.9	5.9	10.3	5.6	6.1	10.3	10.3	10.3	10.3	8/1/95
vs. Russell 1000 Value + 1%		-9.5	-13.1	-17.8	4.5	9.9	5.7	5.9	10.8	10.8	10.8	10.8	8/1/95
S&P 500 + 1%		-8.3	-11.4	-12.1	5.4	8.6	3.5	3.9	9.4	9.4	9.4	9.4	8/1/95
CPI + 6.5% (1 Month in Arrears)		1.4	5.8	10.7	10.2	9.9	9.4	9.4	9.4	9.4	9.4	9.4	8/1/95
LARGE CAP GROWTH EQUITY MANAGER													
Mellon Capital Management - Ru 1000 Growth Index	73.68	-7.2	-9.1	-6.0	5.9	7.4	1.1	N/A	0.8	0.8	0.8	0.8	5/31/01
Mellon Capital Management - Ru 1000 Growth Index - Net		-7.2	-9.1	-6.0	5.9	7.3	1.1	N/A	0.7	0.7	0.7	0.7	5/31/01
vs. Russell 1000 Growth		-7.2	-9.1	-6.0	5.9	7.3	1.1	1.0	0.7	0.7	0.7	0.7	5/31/01
LARGE CAP EQUITY INDEX MANAGER													
Mellon Capital Management - S&P 500	94.44	-8.4	-11.9	-13.0	4.5	7.6	2.5	3.0	9.2	9.2	9.2	9.2	4/13/95
Mellon Capital Management - S&P 500 - Net		-8.4	-11.9	-13.0	4.4	7.6	2.5	2.9	9.1	9.1	9.1	9.1	4/13/95
vs. S&P 500		-8.4	-11.9	-13.1	4.4	7.6	2.5	2.9	9.1	9.1	9.1	9.1	4/13/95
MID CAP VALUE EQUITY MANAGER													
Artisan Partners - Mid Cap Value (2)	22.38	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6/26/2008
Artisan Partners - Mid Cap Value - Net		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6/26/2008
vs. Russell Mid Cap Value		-8.9	-8.6	-17.1	5.0	13.0	9.3	8.4	N/A	N/A	N/A	N/A	6/26/2008
MID CAP GROWTH EQUITY MANAGER													
Artisan Partners - Mid Cap Growth	23.40	-7.8	-11.0	-6.2	9.7	12.8	6.2	N/A	5.7	5.7	5.7	5.7	6/12/00
Artisan Partners - Mid Cap Growth - Net		-7.9	-11.4	-6.9	8.8	11.9	5.3	N/A	4.8	4.8	4.8	4.8	6/12/00
vs. Russell Mid Cap Growth +1%		-7.2	-6.3	-5.4	9.2	13.3	6.1	6.6	0.6	0.6	0.6	0.6	6/12/00
CPI + 5.7% (1 Month in Arrears)		1.3	5.5	9.9	9.4	9.1	8.6	8.6	8.6	8.6	8.6	8.6	6/12/00

(1) Total Fund returns represent actual returns through 3/31/2008 and estimated performance thereafter.

(2) Performance will begin with the July report. Policy Measures are Highlighted

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As of June 30, 2008

	Assets (\$ millions)	Year To										Since Inception	Inception Date
		June	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception				
MID CAP CORE EQUITY MANAGERS													
EARNEST Partners	24.26	-7.4	-2.2	-3.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.2	2/18/05
EARNEST Partners - Net		-7.6	-2.7	-4.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.3	
vs. Russell Mid Cap Index + 1% CPI + 5.7% (1 Month in Arrears)		-7.9	-7.1	-10.2	7.8	14.1	9.1	9.1	9.1	8.6	8.6	8.2	9.5
Reinhart Partners	21.50	-7.7	-8.7	-12.5	8.7	N/A	N/A	N/A	N/A	N/A	N/A	8.4	2/18/05
Reinhart Partners - Net		-7.7	-9.0	-13.0	8.1	N/A	N/A	N/A	N/A	N/A	N/A	7.8	
vs. S&P 400 CPI + 5.7% (1 Month in Arrears)		-7.0	-3.9	-7.3	7.5	12.6	8.0	8.0	9.8	8.6	8.6	7.7	9.5
SMALL CAP EQUITY MANAGERS													
Westfield Capital Management	39.46	-4.3	-6.7	-1.6	8.2	12.3	6.3	6.3	N/A	N/A	5.9	2/6/01	
Westfield Capital Management - Net		-4.4	-7.1	-2.5	7.3	11.3	5.3	5.3	N/A	N/A	5.1		
vs. Russell 2000 Growth CPI + 5.9% (1 Month in Arrears)		-6.0	-8.9	-10.8	6.1	10.4	3.1	2.8	3.9	8.8	8.8	3.9	8.8
AQR	32.97	-11.0	-12.0	-24.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-15.8	10/2/2006
AQR - Net (1)		-11.1	-12.5	-25.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-16.8	
vs. Russell 2000 Value Russell 2000 + 2% CPI + 5.9% (1 Month in Arrears)		-9.6	-9.8	-21.6	1.4	10.0	7.7	7.5	-6.6	7.6	7.5	0.4	9.4
INTERNATIONAL EQUITY MANAGERS													
Baring	94.58	-6.5	-7.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-12.9	11/1/2007
Baring - Net		-6.6	-7.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-13.4	
vs. EAFE + 1% CPI + 6.7% (1 Month in Arrears)		-8.1	-10.1	-9.1	14.3	18.2	10.5	7.2	-14.8	9.6	9.6	8.3	8.3
Grantham, Mayo	129.94	-7.2	-9.4	-9.2	14.8	20.1	15.7	11.5	11.4	14.9	10.7	10.6	4/13/95
Grantham, Mayo - Net		-7.3	-9.7	-9.9	14.0	19.3	14.9	10.7	10.6	14.9	10.7	10.6	
vs. EAFE + 1% CPI + 6.7% (1 Month in Arrears)		-8.1	-10.1	-9.1	14.3	18.2	10.5	7.2	-14.8	9.6	9.6	8.0	8.0
		1.4	5.9	10.9	10.4	10.1	9.6	9.6	9.6	9.6	9.6	9.5	9.5

(1) Net performance calculated by Mercer, based off fee schedule.
Policy Measures are Highlighted

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MANAGER REPORTED PERFORMANCE
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INTERNATIONAL SMALL CAP EQUITY MANAGER	Assets (\$ millions)	Year To										Since Inception	Inception Date
		June	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception				
Capital Guardian Capital Guardian - Net	51.21	-8.0	-17.7	-18.8	14.6	22.5	14.1	9.5	9.6	10/31/97			
		-8.0	-18.0	-19.2	14.0	21.8	13.5	8.8	9.0				
vs. MSCI World Ex U.S. Small Cap + 1% CPI + 6.9% (1 Month in Arrears)		-7.9	-10.6	-18.2	9.2	18.0	12.5	8.6	8.0				
		1.4	6.0	11.1	10.6	10.3	9.8	9.8	9.7				
CORE FIXED INCOME MANAGERS													
JPMorganChase JPMorganChase - Net	111.65	0.2	1.0	6.8	N/A	N/A	N/A	N/A	5.5	11/1/05			
		0.2	0.9	6.6	N/A	N/A	N/A	N/A	5.3				
vs. LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		0.0	1.4	7.6	4.6	4.4	5.9	6.2	5.7				
		1.1	4.2	6.8	6.3	6.0	5.5	5.5	5.9				
Mellon Capital Management Mellon Capital Management - Net	349.74	0.0	1.3	7.4	4.2	3.9	5.5	5.8	6.0	1/31/96			
		0.0	1.3	7.4	4.2	3.9	5.5	5.7	6.0				
vs. LB Aggregate		-0.1	1.1	7.1	4.1	3.9	5.4	5.7	5.9				
Loomis, Sayles Loomis, Sayles - Net	95.92	-0.5	-0.2	5.2	5.0	5.7	8.4	7.4	9.5	6/30/91			
		-0.5	-0.3	5.1	4.9	5.6	8.3	7.3	9.4				
vs. Fixed Income Reference Index + 0.5% (1) LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		0.0	1.4	7.6	4.6	4.4	5.9	6.0	7.8				
		0.0	1.4	7.6	4.6	4.4	5.9	6.2	7.6				
		1.1	4.2	6.8	6.3	6.0	5.5	5.5	5.5				

(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

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MANAGER REPORTED PERFORMANCE
As of June 30, 2008

HIGH YIELD FIXED INCOME MANAGER	Assets (\$ millions)	Year To										Since Inception	Inception Date
		June	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception				
Loomis, Sayles	115.60	-1.9	1.4	-1.2	4.5	7.9	9.0	7.3	11.9	11.9	11/30/82		
Loomis, Sayles - Net		-2.0	1.3	-1.3	4.3	7.7	8.8	7.2	11.8	11.8			
vs. Merrill Lynch High Yield + 1.5% CPI + 5.0% (1 Month in Arrears)		-2.5	-0.5	-0.5	6.1	8.3	8.8	6.7	N/A	N/A			
		1.2	5.2	9.2	8.7	8.4	7.9	7.9					

REAL ESTATE MANAGER

ING Clarion Real Estate Securities	50.74	-11.0	-6.0	-14.8	5.7	15.1	13.4	11.4	11.0	11.0	1/13/97
ING Clarion Real Estate Securities - Net		-11.0	-6.3	-15.2	5.3	14.6	12.9	10.9	10.5	10.5	
vs. Reference Index 1 + 1% (1) Reference Index 2 + 1% (2) CPI + 5.9% (1 Month in Arrears)		-11.7	-6.1	-17.1	4.7	14.7	13.6	11.9	11.6	11.6	
		-11.7	-6.1	-16.0	4.6	14.3	13.3	11.2	10.9	10.9	
		1.3	5.6	10.1	9.6	9.3	8.8	8.8	8.7	8.7	

VENTURE CAPITAL MANAGERS

Adams Street Partners (3)	30.27	N/A	N/A	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	N/A	N/A	1/2005
Progress (3)	2.73	N/A	N/A	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.

ASSET ALLOCATION
As of June 30, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Total Large Cap Equity	19.4 %	20.0 %	17.0 %	25.0 %
Boston Partners	8.2			
Mellon Capital Russell 1000 Growth	4.9			
Mellon Capital S&P 500	6.3			
Total Medium Cap Equity	6.1 %	6.0 %	4.0 %	7.5 %
Artisan Partners	1.6			
iShares	1.5			
EARNEST Partners	1.6			
Reinhart Partners	1.4			
Total Small Cap Equity	4.8 %	5.0 %	3.0 %	6.5 %
Westfield	2.6			
AQR	2.2			
Total International Equity	14.9 %	16.0 %	11.0 %	21.0 %
Baring	6.3			
Grantham, Mayo	8.6			
Int'l Small Cap Equity	3.4 %	4.0 %	0.0 %	7.0 %
Capital Guardian	3.4			
Venture Capital	2.2 %	3.0 %	0.0 %	5.0 %
TOTAL EQUITY	50.8 %	54.0 %	37.0 %	74.0 %

ASSET ALLOCATION
As of June 30, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Total Core Fixed Income	37.1 %	35.0 %	31.0 %	41.0 %
JP Morgan	7.4			
Mellon Capital	23.3			
Loomis, Sayles	6.4			
High-Yield Fixed Income	7.7 %	7.0 %	5.0 %	9.0 %
Loomis, Sayles	7.7 %			
Cash	1.0 %	1.0 %	0.0 %	5.0 %
TOTAL FIXED INCOME	45.8 %	43.0 %	34.0 %	55.0 %
REAL ESTATE	3.4 %	3.0 %	0.0 %	7.5 %
ALTERNATIVE INVESTMENTS	0.0 %	0.0 %	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %		

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

JP Morgan	AA+
Mellon Capital Management	AA1/AA2
Loomis Investment Grade	A2
Loomis High Yield	Ba3

**Mercer Ratings for
Current Managers**

	Mercer Rating
Large Cap Eq	
Boston Partners	A-
Mellon Russell 1000 Growth	N ¹
Mellon S&P 500	N ¹

Mid & Small Cap Eq	
Artisan MCG	B+
Artisan MCV	A
EARNEST Partners	B+
Reinhart & Mahoney	N
Westfield	A-(T)
AQR	A

Int'l Eq	
Baring	B+
Grantham, Mayo Intl Intrinsic Value	A-
Grantham, Mayo Emerging Markets	A

	Mercer Rating
Int'l Small Cap Eq	
Cap. Guardian	N

Core Fixed	
JP Morgan	B
Mellon	N ¹
Loomis, Sayles	B+(T)

High Yield Fixed	
Loomis, Sayles	B+(T)

Real Estate	
ING Clarion	B+

¹ 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



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Mercer Investment Consulting, Inc.
10 South Wacker Drive, Suite 1700
Chicago, IL 60606
312 902 7500

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