

March 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 \$1.51 billion at the end of March. The Total Fund declined 0.7% during the month, lagging the Reference Index by 40 basis points.

The large cap domestic equity market, as measured by the Russell 1000 Index, fell 0.7% during the month and small cap equity, as measured by the Russell 2000 Index, advanced 0.4%. Growth outpaced value in the large cap space while value outpaced growth in the small cap space.

The international equity declined 1.0% in March, as measured by the MSCI EAFE Index of developed markets. Emerging market equities, as measured by the MSCI Emerging Markets Index, fell 5.3%.

The investment-grade fixed income market, as measured by the Lehman Aggregate Index, advanced 0.3% during the month. High yield issues lagged the broad market declining 0.5%, as measured by the Merrill Lynch High Yield Index.

Recommendations and Comments

- On-site due diligence with the finalist candidates for the mid cap value mandate, Artisan Partners and WEDGE Capital Management, was conducted in early April.
- Baring Asset Management announced that Chris Lees, the portfolio manager responsible for the EAFE product would be leaving Baring. Recently, Mercer met the new manager of the EAFE portfolio, David Bertocchi. Nudgem Richyal, who is also leaving the firm, will remain for three months, and Baring hopes to have a replacement before he leaves. Baring will give a due diligence presentation and discuss Lees' departure at the April Board meeting.
- Westfield Capital Management Company, LLC ("Westfield") and Boston Private Financial Holdings, Inc. ("Boston Private") have agreed to re-equitize Westfield's ownership. As a result of the restructuring, Westfield's management team will receive an ownership stake in the firm. All employees are eligible to receive equity as an additional performance incentive and retention vehicle. Further, William Muggia (formerly President and CIO of Westfield) was named CEO effective April, 2008.

Flash Report

The Employees' Retirement System of the County of Milwaukee

MANAGER REPORTED PERFORMANCE
As of March 31, 2008

	Assets (\$ millions)	Year To		1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
		March	Date							
Total Fund (1)	1,513.46	-0.7	-4.6	-0.9	8.4	12.7	8.6	6.9	-	-
vs. Composite Market Index CPI + 4% (1 Month in Arrears)		-0.3	-4.4	-1.1	7.8	11.9	7.5	6.2	-	-
		0.6	1.4	8.0	7.3	6.9	6.7	8.7	-	-
LARGE CAP VALUE EQUITY MANAGER										
Boston Partners	114.54	-3.2	-11.9	-7.8	7.8	14.1	7.0	6.1	10.9	8/1/95
Boston Partners - Net		-3.2	-11.9	-7.9	7.6	13.9	6.8	5.9	10.7	
vs. Russell 1000 Value + 1% S&P 500 + 1% CPI + 6.5% (1 Month in Arrears)		-0.3	-9.2	-4.1	6.9	14.7	7.3	6.5	11.5	
		0.8	1.8	10.5	9.8	9.4	9.2	9.2	9.8	
LARGE CAP GROWTH EQUITY MANAGER										
Mellon Capital Management - Ru 1000 Growth Index	72.79	-0.6	-10.2	-0.8	6.4	10.0	N/A	N/A	0.6	5/31/01
Mellon Capital Management - Ru 1000 Growth Index - Net		-0.6	-10.2	-0.8	6.3	10.0	N/A	N/A	0.6	
vs. Russell 1000 Growth		-0.6	-10.2	-0.7	6.3	10.0	2.1	1.3	0.6	
LARGE CAP EQUITY INDEX MANAGER										
Mellon Capital Management - S&P 500	97.06	-0.4	-9.4	-5.0	5.9	11.4	3.8	3.6	9.6	4/13/95
Mellon Capital Management - S&P 500 - Net		-0.4	-9.4	-5.0	5.9	11.4	3.7	3.5	9.5	
vs. S&P 500		-0.4	-9.4	-5.1	5.9	11.3	3.7	3.5	9.5	
MID CAP VALUE EQUITY MANAGER										
Shares Russell Mid Cap Value (2)	22.54	-1.0	-8.6	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		-1.0	-8.6	-1.1	6.6	6.8	10.4	8.2	N/A	
MID CAP GROWTH EQUITY MANAGER										
Artisan Partners	22.99	-2.0	-12.7	3.1	10.2	15.7	7.8	N/A	5.6	6/12/00
Artisan Partners - Net		-2.1	-12.9	2.2	9.3	14.8	6.9	N/A	4.8	
vs. Russell Mid Cap Growth +1% CPI + 5.7% (1 Month in Arrears)		-1.7	-10.7	-3.6	8.8	16.2	7.7	6.2	0.0	
		0.8	1.7	9.7	9.0	8.6	8.4	8.4	8.4	

(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.

MANAGER REPORTED PERFORMANCE
As of March 31, 2008

	Assets (\$ millions)	Year To										Since Inception	Inception Date
		March	Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception				
MID CAP CORE EQUITY MANAGERS													
EARNEST Partners	23.22	0.3	-6.7	-0.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.3	2/18/05
EARNEST Partners - Net		0.1	-6.9	-1.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.4	
vs. Russell Mid Cap Index + 1%		1.4	9.7	7.9	5.4	17.8	10.1	8.7	7.9				
CPI + 5.7% (1 Month in Arrears)		0.8	1.7	9.7	9.0	8.6	8.4	8.4	9.0				
SMALL CAP EQUITY MANAGERS													
Westfield Capital Management	37.29	-0.4	-11.9	-2.9	8.1	15.5	N/A	N/A	N/A	N/A	5.2	2/6/01	
Westfield Capital Management - Net (1)		-0.5	-12.1	-3.8	7.2	14.6	N/A	N/A	N/A	N/A	4.3		
vs. Russell 2000 Growth		0.5	6.9	8.9	5.7	14.2	4.9	1.7	3.4				
CPI + 5.9% (1 Month in Arrears)		0.8	1.7	9.9	9.2	8.8	8.6	8.6	8.6				
AQR	35.42	-1.0	-5.4	-15.2	N/A	N/A	N/A	N/A	N/A	N/A	-9.6	10/2/2006	
AQR - Net (1)		-1.0	-5.7	-16.2	N/A	N/A	N/A	N/A	N/A	N/A	-10.6		
vs. Russell 2000 Value		1.5	6.5	16.9	4.8	15.4	10.0	7.5	-5.4				
Russell 2000 + 2%		0.6	-9.4	-11.0	7.1	15.9	9.6	7.0	-0.3				
CPI + 5.9% (1 Month in Arrears)		0.8	1.7	9.9	9.2	8.8	8.6	8.6	8.4				
INTERNATIONAL EQUITY MANAGERS													
Baring	92.17	-3.5	-9.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-15.2	11/1/2007	
Baring - Net		-3.6	-9.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-15.4		
vs. EAFE + 1%		-0.9	-8.6	-1.3	14.8	22.9	10.6	7.6	-13.4				
CPI + 6.7% (1 Month in Arrears)		0.8	1.9	10.7	10.0	9.6	9.4	9.4	9.5				
Granttham, Mayo	132.02	-0.4	-8.1	-0.5	15.5	25.5	16.6	11.6	11.7				
Granttham, Mayo - Net		-0.4	-8.3	-1.2	14.7	24.6	15.7	10.8	11.0				
vs. EAFE + 1%		-0.9	-8.6	-1.3	14.8	22.9	10.6	7.6	8.3				
CPI + 6.7% (1 Month in Arrears)		0.8	1.9	10.7	10.0	9.6	9.4	9.4	9.8				

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

01/07/2008 10:16:15 AM

MANAGER REPORTED PERFORMANCE
As of March 31, 2008

INTERNATIONAL SMALL CAP EQUITY MANAGER	Assets (\$ millions)	March	Year To Date	Year To						Since Inception	Inception Date
				1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs			
Capital Guardian Capital Guardian - Net	52.40	-5.8	-15.8	-10.6	16.1	28.1	14.4	9.6	10.1	10/31/97	
vs. MSCI World Ex U.S. Small Cap + 1% CPI + 6.9% (1 Month in Arrears)		-5.8	-16.0	-11.1	15.5	27.5	13.8	9.0	9.5		
		-1.4	-6.7	-10.6	10.6	22.2	14.0	8.7	8.7		
		0.8	1.9	10.9	10.2	9.8	9.6	9.6	9.5		
CORE FIXED INCOME MANAGERS											
JPMorganChase JPMorganChase - Net	113.72	-0.6	1.7	7.2	N/A	N/A	N/A	N/A	6.4	11/1/05	
vs. LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		-0.6	1.7	7.0	N/A	N/A	N/A	N/A	6.2		
		0.4	2.3	8.2	6.0	5.1	6.2	6.5	6.7		
		0.5	1.2	6.6	5.9	5.5	5.9	5.9	5.2		
Mellon Capital Management Mellon Capital Management - Net	353.23	0.4	2.3	7.9	5.6	4.6	5.8	6.1	6.2	1/31/96	
vs. LB Aggregate		0.4	2.3	7.9	5.6	4.6	5.7	6.1	6.2		
		0.3	2.2	7.7	5.5	4.6	5.7	6.0	6.1		
Loomis, Sayles Loomis, Sayles - Net	97.54	-0.8	-0.3	6.0	5.9	7.1	8.6	7.8	9.6	6/30/91	
vs. Fixed Income Reference Index + 0.5% (1) LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		-0.8	-0.3	5.9	5.8	7.0	8.5	7.7	9.5		
		0.4	2.3	8.2	6.0	5.1	6.2	6.5	8.0		
		0.4	2.3	8.2	6.0	5.1	6.2	6.5	7.8		
		0.5	1.2	6.6	5.9	5.5	5.9	6.3	6.2		

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

Flash Report

The Employees' Retirement System of the County of Milwaukee

MANAGER REPORTED PERFORMANCE
As of March 31, 2008

HIGH YIELD FIXED INCOME MANAGER	Assets (\$ millions)	March	Year To Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
Loomis, Sayles	115.54	-1.1	-1.9	-2.5	4.9	9.9	8.9	7.2	11.8	11/30/82
Loomis, Sayles - Net		-1.1	-1.9	-2.6	4.8	9.7	8.8	7.0	11.7	
vs. Merrill Lynch High Yield + 1.5% CPI + 5.0% (1 Month in Arrears)		-0.4	-2.6	-2.0	6.4	9.9	8.3	6.7	N/A	N/A
		0.7	1.6	9.0	8.3	7.9	7.7	7.7	N/A	

REAL ESTATE MANAGER

ING Clarton Real Estate Securities	55.31	6.8	1.6	-16.6	13.3	19.5	16.3	11.7	12.0	1/13/97
ING Clarton Real Estate Securities - Net		6.8	1.4	-16.9	12.9	19.0	15.9	11.2	11.5	
vs. Wilshire REIT Index + 1% MSCI US REIT Index + 1% CPI + 5.9% (1 Month in Arrears)		6.7	2.4	-17.8	13.0	19.5	16.7	12.4	12.7	
		6.7	2.4	-16.9	12.8	19.2	16.5	11.7	12.0	
		0.8	1.7	9.9	9.2	8.8	8.6	8.6	8.6	

VENTURE CAPITAL MANAGERS

Adams Street Partners (1)	29.49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	10/1/92
Adams Street Partners (2)	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	1/2005
Progress (1)	2.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	7/1/95

(1) Consists of the most recently available custody Market Value to account for the cash the manager does not include in their values.

(2) The assets invested with Adams Street Partners is aggregated to account for the custody cash.

ASSET ALLOCATION
As of March 31, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Total Large Cap Equity	19.1 %	20.0 %	17.0 %	25.0 %
Boston Partners	7.7			
Mellon Capital Russell 1000 Growth	4.9			
Mellon Capital S&P 500	6.5			
Total Medium Cap Equity	4.5 %	6.0 %	4.0 %	7.5 %
Artisan Partners	1.5			
iShares	0.0			
EARNEST Partners	1.6			
Reinhart Partners	1.4			
Total Small Cap Equity	4.9 %	5.0 %	3.0 %	6.5 %
Westfield	2.5			
AQR	2.4			
Total International Equity	15.0 %	16.0 %	11.0 %	21.0 %
Baring	6.2			
Grantham, Mayo	8.9			
Int'l Small Cap Equity	3.5 %	4.0 %	0.0 %	7.0 %
Capital Guardian	3.5			
Venture Capital	2.2 %	3.0 %	0.0 %	5.0 %
TOTAL EQUITY	49.2 %	54.0 %	37.0 %	74.0 %

ASSET ALLOCATION
As of March 31, 2008

<u>Role</u>	<u>Current Allocation</u>	<u>Current Policy</u>	<u>Minimum Allocation</u>	<u>Maximum Allocation</u>
Total Core Fixed Income	37.9 %	35.0 %	31.0 %	41.0 %
JP Morgan	7.6			
Mellon Capital	23.7			
Loomis, Sayles	6.5			
High-Yield Fixed Income	7.7 %	7.0 %	5.0 %	9.0 %
Loomis, Sayles	7.7 %			
Cash	1.5 %	1.0 %	0.0 %	5.0 %
TOTAL FIXED INCOME	47.1 %	43.0 %	34.0 %	55.0 %
REAL ESTATE	3.7 %	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	AAA
Mellon Capital Management	AAA
Loomis Investment Grade	A1
Loomis High Yield	Ba3

Flash Report

The Employees' Retirement System of the County of Milwaukee

**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	B+
iShares	N
EARNEST Partners	B+
Reinhart & Mahoney	N
Westfield	A-(T)
AQR	A

Int'l Eq	
Baring	A- ²
Grantham, Mayo Intl Intrinsic Value	A-
Grantham, Mayo Intl Small Company	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.

² Rating currently under review.

Flash Report

The Employees' Retirement System of the County of Milwaukee

**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).

