

May 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 \$1.57 billion at the end of May. The Total Fund advanced 0.9% during the month, outperforming the Reference Index by 10 basis points.

The large cap domestic equity market, as measured by the Russell 1000 Index, appreciated 1.8% during the month and small cap equity, as measured by the Russell 2000 Index, advanced 4.6%. Growth outpaced value in both the large and small cap spaces.

The international equity market gained 1.2% in May, as measured by the MSCI EAFE Index of developed markets. Emerging market equities, as measured by the MSCI Emerging Markets Index, rose 1.9%.

The investment-grade fixed income market, as measured by the Lehman Aggregate Index, declined 0.7% during the month. High yield issues outperformed the broad market advancing 0.4%, 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 should take place over the coming weeks.

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MANAGER REPORTED PERFORMANCE
As of May 31, 2008

	Assets (\$ millions)	Year To		1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
		May	Date							
Total Fund (1)	1,568.83	0.9	-0.9	-1.3	9.3	11.5	8.4	7.4	-	-
vs. Composite Market Index		0.8	-0.6	-0.9	8.7	10.5	7.3	6.7	-	-
CPI + 4% (1 Month in Arrears)		0.9	3.6	7.9	7.4	7.2	6.8	6.8	-	-
LARGE CAP VALUE EQUITY MANAGER										
Boston Partners	123.17	2.4	-4.9	-8.5	10.3	12.7	7.1	7.3	11.4	8/1/95
Boston Partners - Net		2.3	-5.0	-8.7	10.1	12.5	6.9	7.1	11.2	
vs. Russell 1000 Value + 1%		-0.1	-4.0	-11.3	8.4	12.4	6.9	7.1	11.7	
S&P 500 + 1%		1.4	-3.4	-5.7	8.6	10.8	4.4	5.2	10.2	
CPI + 6.5% (1 Month in Arrears)		1.1	4.4	10.4	9.9	9.7	9.3	9.3	9.2	
LARGE CAP GROWTH EQUITY MANAGER										
Mellon Capital Management - Ru 1000 Growth Index	79.41	3.7	-2.0	-0.2	8.5	9.3	N/A	N/A	1.9	5/31/01
Mellon Capital Management - Ru 1000 Growth Index - Net		3.7	-2.0	-0.2	8.4	9.2	N/A	N/A	1.8	
vs. Russell 1000 Growth		3.7	-2.0	-0.2	8.4	9.2	1.8	2.3	1.8	
LARGE CAP EQUITY INDEX MANAGER										
Mellon Capital Management - S&P 500	103.12	1.3	-3.8	-6.6	7.6	9.8	3.4	4.3	10.0	4/13/95
Mellon Capital Management - S&P 500 - Net		1.3	-3.8	-6.6	7.6	9.8	3.4	4.2	9.9	
vs. S&P 500		1.3	-3.8	-6.7	7.6	9.8	3.4	4.2	9.9	
MID CAP VALUE EQUITY MANAGER										
Shares Russell Mid Cap Value (2)	24.75	3.5	0.4	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		3.5	0.4	-11.6	9.5	15.3	10.6	9.5	N/A	
MID CAP GROWTH EQUITY MANAGER										
Artisan Partners	25.39	3.7	-3.5	1.8	13.1	14.7	7.3	N/A	6.8	6/12/00
Artisan Partners - Net		3.7	-3.8	0.9	12.1	13.8	6.4	N/A	6.0	
vs. Russell Mid Cap Growth +1%		5.4	1.0	0.2	12.7	15.4	7.2	7.7	1.6	
CPI + 5.7% (1 Month in Arrears)		1.1	4.1	9.6	9.1	8.9	8.5	8.5	8.5	

(1) Total Fund returns represent actual returns through 3/31/2008 and estimated performance thereafter.
 (2) Index performance is used to represent the investment in Russell Mid Cap Value Shares.
 Policy Measures are Highlighted

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	Assets (\$ millions)	Year To		1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
		May	Date							
MID CAP CORE EQUITY MANAGERS										
EARNEST Partners	26.21	4.1	5.5	2.1	N/A	N/A	N/A	N/A	12.0	2/18/05
EARNEST Partners - Net		4.1	5.3	1.2	N/A	N/A	N/A	N/A	11.2	
vs. Russell Mid Cap Index + 1%		4.6	0.9	-4.6	11.8	16.2	10.2	10.2	11.2	
CPI + 5.7% (1 Month in Arrears)		1.1	4.1	9.6	9.1	8.9	8.5	8.5	9.3	
Reinhardt Partners	23.13	2.8	-1.1	-6.8	12.4	N/A	N/A	N/A	11.3	2/18/05
Reinhardt Partners - Net		2.8	-1.4	-7.4	11.8	N/A	N/A	N/A	10.6	
vs. S&P 400		5.3	3.4	-2.5	10.9	14.6	9.1	10.7	10.3	
CPI + 5.7% (1 Month in Arrears)		1.1	4.1	9.6	9.1	8.9	8.5	8.5	9.3	
SMALL CAP EQUITY MANAGERS										
Westfield Capital Management	41.26	3.5	-2.5	1.6	10.7	13.4	7.0	N/A	6.6	2/6/01
Westfield Capital Management - Net		3.4	-2.8	0.7	9.7	12.4	6.0	N/A	5.9	
vs. Russell 2000 Growth		5.7	-3.2	-5.7	9.4	12.2	4.4	3.5	4.9	
CPI + 5.9% (1 Month in Arrears)		1.1	4.2	9.8	9.3	9.1	8.7	8.7	8.7	
AQR	37.06	2.9	-1.1	-17.0	N/A	N/A	N/A	N/A	-5.4	10/22/2006
AQR - Net (1)		2.8	-1.5	-18.0	N/A	N/A	N/A	N/A	-6.4	
vs. Russell 2000 Value		3.4	-0.3	-15.3	6.4	12.6	9.9	8.5	-1.1	
Russell 2000 + 2%		4.8	-1.0	-8.5	10.0	14.5	9.4	8.4	5.1	
CPI + 5.9% (1 Month in Arrears)		1.1	4.2	9.8	9.3	9.1	8.7	8.7	9.1	
INTERNATIONAL EQUITY MANAGERS										
Baring	101.19	3.0	-0.7	N/A	N/A	N/A	N/A	N/A	-6.9	11/1/2007
Baring - Net		2.9	-1.0	N/A	N/A	N/A	N/A	N/A	-7.3	
vs. EAFE + 1%		1.2	-2.2	-1.0	18.1	20.8	11.1	8.2	-7.3	
CPI + 6.7% (1 Month in Arrears)		1.1	4.5	10.6	10.1	9.9	9.5	9.5	6.9	
Granttham, Mayo	140.13	1.6	-2.4	-1.2	18.5	22.7	16.8	12.2	12.1	4/13/95
Granttham, Mayo - Net		1.5	-2.7	-1.8	17.7	21.9	16.0	11.4	11.3	
vs. EAFE + 1%		1.2	-2.2	-1.0	18.1	20.8	11.1	8.2	8.7	
CPI + 6.7% (1 Month in Arrears)		1.1	4.5	10.6	10.1	9.9	9.5	9.5	9.4	

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

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INTERNATIONAL SMALL CAP EQUITY MANAGER	Assets (\$ millions)	Year To										Since Inception	Inception Date
		May	Date	1 Yr.	3 Yrs	5 Yrs	7 Yrs	10 Yrs					
Capital Guardian	55.63	3.7	-10.6	-10.9	19.2	25.5	14.3	9.9	10.5	10/31/97			
Capital Guardian - Net		3.6	-10.9	-11.4	18.5	24.9	13.7	9.3	9.9				
vs. MSCI World Ex U.S. Small Cap + 1% CPI + 6.9% (1 Month in Arrears)		1.7	-3.0	-11.6	13.1	21.1	13.3	9.1	8.9				
		1.2	4.5	10.8	10.3	10.1	9.7	9.7	9.6				
CORE FIXED INCOME MANAGERS													
JPMorganChase	111.85	-0.4	0.9	6.4	N/A	N/A	N/A	N/A	5.6	11/1/05			
JPMorganChase - Net		-0.4	0.8	6.2	N/A	N/A	N/A	N/A	5.4				
vs. LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		-0.7	1.4	7.4	4.8	4.3	6.0	6.3	5.9				
		0.8	3.1	6.5	6.0	5.8	5.4	5.4	5.7				
Mellon Capital Management	349.82	-0.7	1.3	7.1	4.4	3.9	5.6	5.9	6.0	1/31/96			
Mellon Capital Management - Net		-0.7	1.3	7.1	4.4	3.9	5.6	5.8	6.0				
vs. LB Aggregate		-0.7	1.2	6.9	4.3	3.8	5.5	5.8	6.0				
Loomis, Sayles	97.05	-1.0	-0.2	5.2	5.4	5.7	8.5	7.7	9.5	6/30/91			
Loomis, Sayles - Net		-1.0	-0.3	5.1	5.3	5.6	8.4	7.5	9.4				
vs. Fixed Income Reference Index + 0.5% (1) LB Aggregate + 0.5% CPI + 2.6% (1 Month in Arrears)		-0.7	1.4	7.4	4.8	4.3	6.0	6.2	7.8				
		-0.7	1.4	7.4	4.8	4.3	6.0	6.3	7.7				
		0.8	3.1	6.5	6.0	5.8	5.4	5.4	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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HIGH YIELD FIXED INCOME MANAGER	Assets (\$ millions)	May	Year To Date	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since Inception	Inception Date
Loomis, Sayles	118.49	0.2	1.4	-1.3	5.8	8.7	9.2	7.4	11.9	1/13/82
Loomis, Sayles - Net		0.2	1.3	-1.4	5.6	8.6	9.0	7.3	11.8	
vs. Merrill Lynch High Yield + 1.5% CPI + 5.0% (1 Month in Arrears)		0.5	2.1	0.5	7.7	9.5	8.9	7.0	N/A	
		1.0	3.9	8.9	8.4	8.2	7.8	7.8	N/A	

REAL ESTATE MANAGER

ING Clarton Real Estate Securities	57.10	-2.3	5.6	-13.4	11.8	18.4	16.4	12.6	12.2	1/13/97
ING Clarton Real Estate Securities - Net		-2.4	5.3	-13.7	11.3	17.9	15.9	12.2	11.7	
vs. Reference Index 1 + 1% (1) Reference Index 2 + 1% (2) CPI + 5.9% (1 Month in Arrears)		-2.4	6.3	-15.0	11.0	18.1	16.6	13.3	12.9	
		1.1	4.2	9.8	9.3	9.1	8.7	8.7	8.6	

VENTURE CAPITAL MANAGERS

Adams Street Partners (3)	30.62	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)	2.73	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 May 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	19.5 %	20.0 %	17.0 %	25.0 %
Boston Partners	7.9			
Mellon Capital Russell 1000 Growth	5.1			
Mellon Capital S&P 500	6.6			
Total Medium Cap Equity	6.3 %	6.0 %	4.0 %	7.5 %
Artisan Partners	1.6			
iShares	1.6			
EARNEST Partners	1.7			
Reinhart Partners	1.5			
Total Small Cap Equity	5.0 %	5.0 %	3.0 %	6.5 %
Westfield	2.6			
AQR	2.4			
Total International Equity	15.4 %	16.0 %	11.0 %	21.0 %
Baring	6.5			
Grantham, Mayo	8.9			
Int'l Small Cap Equity	3.5 %	4.0 %	0.0 %	7.0 %
Capital Guardian	3.5			
Venture Capital	2.1 %	3.0 %	0.0 %	5.0 %
TOTAL EQUITY	51.9 %	54.0 %	37.0 %	74.0 %

ASSET ALLOCATION
As of May 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	35.6 %	35.0 %	31.0 %	41.0 %
JP Morgan	7.1			
Mellon Capital	22.3			
Loomis, Sayles	6.2			
High-Yield Fixed Income	7.6 %	7.0 %	5.0 %	9.0 %
Loomis, Sayles	7.6 %			
Cash	1.3 %	1.0 %	0.0 %	5.0 %
TOTAL FIXED INCOME	44.5 %	43.0 %	34.0 %	55.0 %
REAL ESTATE	3.6 %	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	AA+
Loomis Investment Grade	A1
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	B+
iShares	N
EARNEST Partners	B+
Reinhart & Mahoney	N
Westfield	A-(T)
AQR	A

Int'l Eq	
Baring	B+
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.

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**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).

