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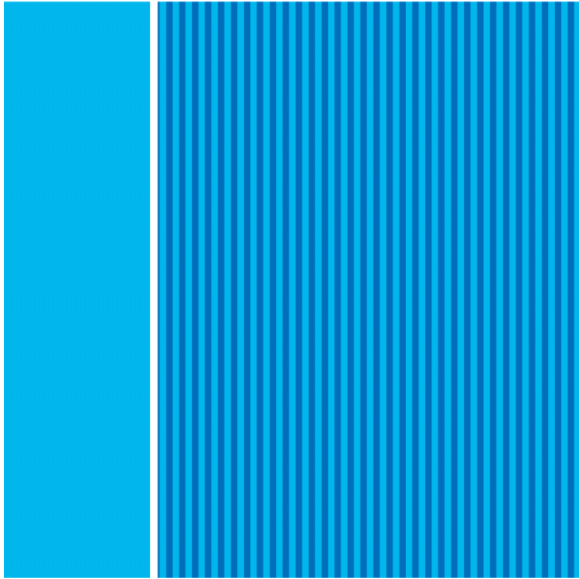


City of Milwaukee Employees' Retirement System Board Report - Quarter to September 30, 2008

Services Provided by Mercer Investment Consulting, Inc.

Table of Contents

1. Capital Markets Commentary
2. Executive Summary
3. Board Report
4. Performance
5. Appendix



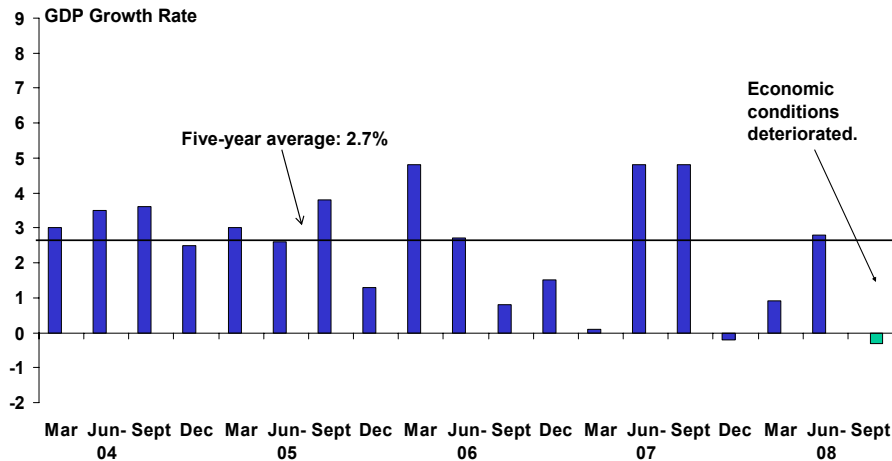
Capital Markets Commentary

Economic Environment

For Periods Ending September 2008

Economic Profile

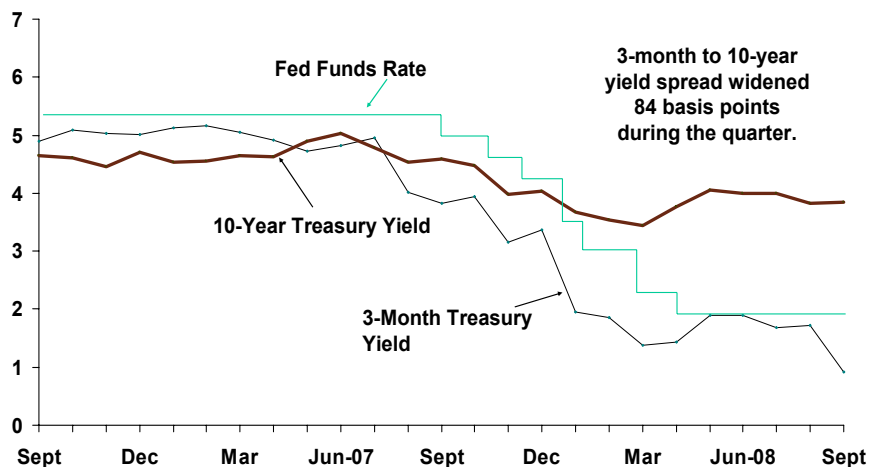
GDP Growth Rate



- The economy weakened further during the quarter amid a drop in consumer spending, rising unemployment, falling industrial production and the ongoing housing recession. The government's initial estimate of GDP showed the economy contracted 0.3% in the third quarter.
- Payrolls were slashed by 299,000 during the quarter pushing the unemployment rate to 6.1%, the highest level in nearly five years.
- Retail sales fell 1.2% in September, the largest decline in three years, as consumers grappled with job losses and tight credit.
- The housing market showed no signs of recovery as new home sales dropped to a 17-year low in August and home prices continued to fall.

Interest Rates and Inflation

Treasury Yields



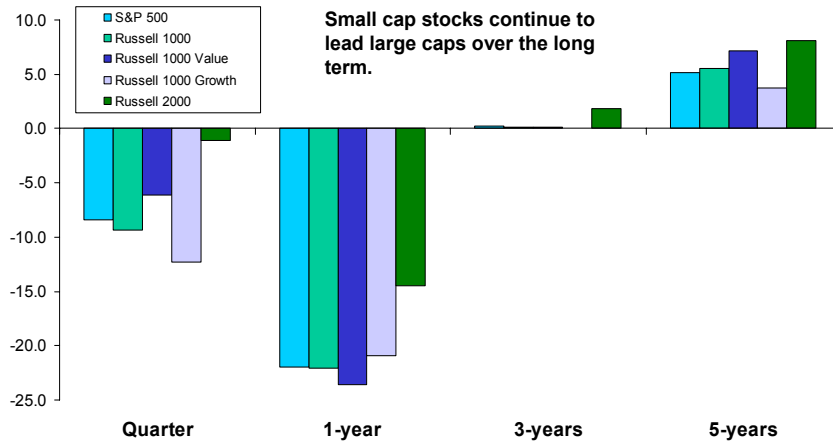
- The Fed kept short-term rates unchanged at 2.0% during the quarter. However, on October 8, the Fed enacted an emergency rate cut because of the worsening crisis in the global financial markets, lowering the federal funds rate to 1.5%.
- The yield curve steepened during the quarter as the 2-year Treasury yield fell 63 basis points to 2.00% and the 10-year Treasury yield fell 14 basis points to 3.85%. The 2- to 10-year yield slope widened by 49 basis points.
- Over the quarter, the 3-month T-bill yield decreased 98 basis points to 0.92%, while the yield on 30-year Treasuries fell 22 basis points to 4.31%.
- The pace of inflation slowed during the quarter as energy prices eased. On a year-over-year basis consumer prices increased 4.9%. Core CPI was 2.5% for the trailing year.

Equity Market Performance

For Periods Ending September 2008

Domestic Equity Market Performance

Market Index Performance



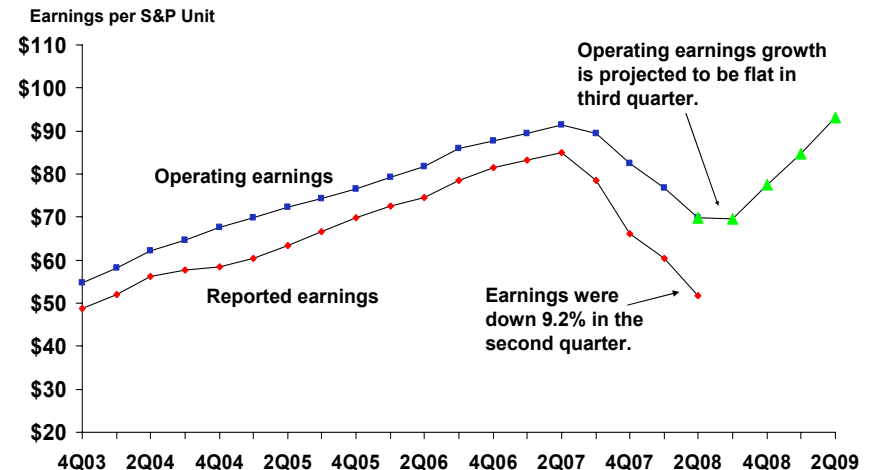
- Turmoil in the financial markets and uncertainty over the government's bailout plan roiled the stock market in the third quarter. The S&P 500 Index was down 8.4%, while the Russell 1000 Index lost 9.3%.
- Small cap stocks, down 1.1%, outperformed large and mid cap stocks by a wide margin.
- Value outperformed growth across all market capitalizations during the quarter. Large cap growth stocks were down 12.3%, while large cap value stocks lost 6.1%. Small cap value stocks, up 5.0%, were the strongest performers.
- Energy and materials were the weakest-performing sectors, losing 26.7% and 24.9% respectively. Consumer staples held up best, returning 4.1%.

Russell 1000 Sector Returns

Sector	Qtr Return	Weight
Energy	-26.7	12.9
Materials	-24.9	3.8
Consumer Discretionary	-2.4	9.1
Consumer Staples	4.1	11.3
Health Care	0.8	13.0
Financials	2.3	15.9
Information Technology	-12.4	15.8
Telecommunication Services	-15.3	3.0
Utilities	-19.1	3.9
Industrials	-10.6	11.3

Source: Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services. Russell indices are trademarks/service marks of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.

S&P 500 Trailing 4-Quarter Earnings per Unit



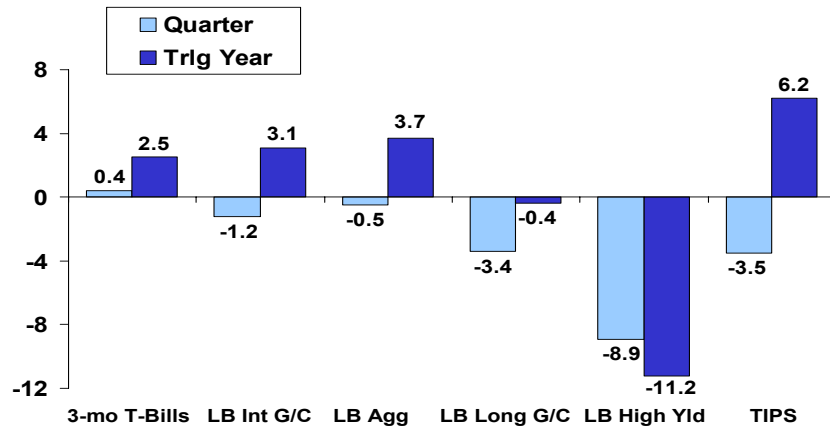
Source: Standard & Poor's

Fixed Income Market Performance

For Periods Ending September 2008

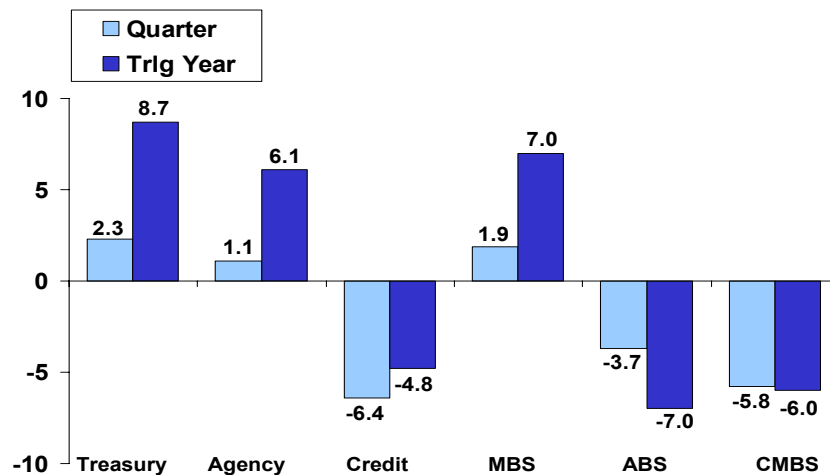
Fixed Income Market Performance

Performance by Maturity and Sector

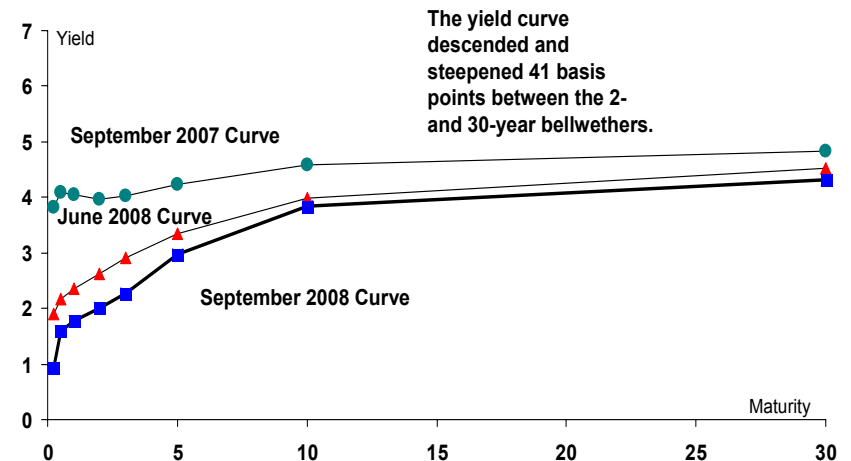


- A number of unprecedented events rattled the bond market during the quarter. The government de-privatized Fannie Mae and Freddie Mac, rescued AIG, and seized and brokered the sale of Washington Mutual. Merrill Lynch and Wachovia were acquired and Lehman Brothers went bankrupt. The Lehman Brothers Aggregate Bond Index fell 0.5%.
- Treasuries, up 2.3% for the quarter, outperformed all spread sectors as investors fled to safety.
- The Lehman Brothers Credit Index lost 6.4% during the quarter. Long-term bonds underperformed intermediate-term maturity issues. By quality, A-rated bonds were the weakest performers, losing 10.1%, followed by Aa-rated issues, which fell 5.0%. On average, credit spreads widened 155 basis points during the quarter.
- The Lehman Brothers MBS Index gained 1.9% for the quarter, while CMBS and ABS issues gave up 5.8% and 3.7% respectively.

Performance by Issuer



Treasury Yield Curves

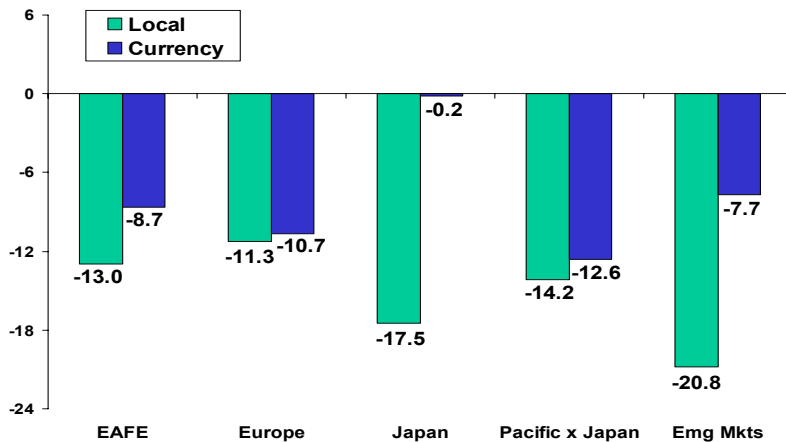


Other Markets

For Periods Ending September 2008

International Equity Market Performance

Regional Performance for the Quarter



- The financial crisis wreaked havoc on international equity markets as the MSCI EAFE Index declined 14.4% in September, its worst monthly return since January 1970. For the quarter, the Index was down 20.5% in dollar terms and 13.0% in local currency terms.
- The Pacific region was down 20.0% for the quarter. Japan posted a 17.6% loss, while the Pacific ex Japan region declined 25.0%.
- The European region fell 20.7% during the quarter, with all countries reporting double-digit losses. The U.K. was down 21.0%, while Germany and France lost 20.6% and 18.9% respectively.
- The emerging markets plunged 26.9% during the quarter. The EM Europe region posted the weakest results, losing 36.0%. The EM Latin America and EM Asia regions fell 32.6% and 23.0% respectively.

Other Asset Classes

High Yield Bonds

- High yield bonds underperformed investment-grade issues as the Lehman Brothers High Yield Bond Index lost 8.9% during the quarter. The average yield spread versus Treasuries widened 340 basis points during the quarter.
- Long-term bonds, down 12.4%, underperformed intermediate-term issues by 389 basis points. Lower-quality bonds saw the steepest losses as Ca-D-rated issues plunged 25.8%, while Ba-rated bonds fell 5.2%.

Real Estate

- Equity REITS, as measured by the FTSE NAREIT Index, gained 5.6% during the quarter.
- The latest data available for the private real estate market showed a second-quarter gain of 0.6% for the NCREIF Property Index.

Inflation Indexed Bonds

- Treasury Inflation Protected Securities (TIPS) were down 3.5% for the quarter, underperforming Treasuries by 584 basis points.

Commodities

- The S&P GSCI Index plummeted 28.6% during the quarter. All commodity sectors lost ground. Energy, down 30.4%, posted the sharpest decline.

International Bonds

- The Citigroup Non-U.S. Government Bond Index fell 4.3% in U.S. dollar terms during the quarter as all countries except Japan posted losses.
- The Lehman Brothers Emerging Markets Index lost 5.8% during the quarter. The EM Europe region, down 7.6%, saw the weakest results.

Market Returns Summary

For Periods Ending September 2008

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	-8.4	-19.3	-22.0	0.2	5.2	3.1
	Russell 1000 Value	-6.1	-18.9	-23.6	0.1	7.1	5.5
	Russell 1000 Growth	-12.3	-20.3	-20.9	0.0	3.7	0.6
	Russell MidCap	-12.9	-19.5	-22.4	0.1	8.6	8.3
	Russell MidCap Value	-7.5	-15.5	-20.5	0.5	10.0	9.2
	Russell MidCap Growth	-17.7	-23.3	-24.7	-0.8	6.5	5.5
	Russell 2000	-1.1	-10.4	-14.5	1.8	8.1	7.8
	Russell 2000 Value	5.0	-5.4	-12.3	2.0	9.4	10.1
	Russell 2000 Growth	-7.0	-15.3	-17.1	1.5	6.6	4.7
	Russell 3000	-8.7	-18.8	-21.5	0.3	5.7	3.8
	<i>Mercer Large Cap Value Equity Peer Group median</i>	-7.4	-18.0	-21.3	1.0	7.8	6.9
	<i>Mercer Large Cap Growth Equity Peer Group median</i>	-13.0	-20.8	-21.2	0.6	5.5	4.4
	<i>Mercer Small Cap Value Equity Peer Group median</i>	-1.8	-10.3	-15.2	1.6	10.0	12.4
<i>Mercer Small Cap Growth Equity Peer Group median</i>	-10.3	-20.0	-22.2	0.9	6.8	8.6	
Fixed Income	Citigroup 3-Month T-Bill	0.4	1.5	2.5	4.0	3.1	3.4
	Lehman Brothers Int. Govt/Credit	-1.2	0.2	3.1	4.0	3.2	5.0
	Lehman Brothers Govt/Credit	-1.6	-0.7	2.4	3.6	3.3	5.0
	Lehman Brothers Aggregate	-0.5	0.6	3.7	4.2	3.8	5.2
	Lehman Brothers Intermediate Government	1.8	4.0	7.5	5.6	4.0	5.1
	Lehman Brothers Long Govt/Credit	-3.4	-4.1	-0.4	2.0	3.7	5.3
	Lehman Brothers Mortgage-Backed Securities Index	1.9	3.8	7.0	5.5	4.8	5.7
	Lehman Brothers TIPS	-3.5	1.2	6.2	4.3	5.2	7.1
	Lehman Brothers Corporate High Yield	-8.9	-10.1	-11.2	1.0	4.4	4.4
	<i>Mercer Core Fixed Income Peer Group median**</i>	-2.0	-1.1	1.2	3.4	3.6	5.2
International	MSCI EAFE	-20.5	-28.9	-30.1	1.6	10.2	5.4
	MSCI Emerging Markets	-26.9	-35.4	-33.0	8.7	19.1	14.8
	Citigroup Non-US Govt Bond	-4.3	1.2	5.2	5.5	5.6	5.2
	Citigroup Non-US Govt Bond - Hedged	2.7	2.4	4.4	3.7	4.2	4.9
	<i>Mercer International Equity Universe median**</i>	-21.0	-28.7	-29.3	2.6	10.8	7.6
Miscellaneous	NCREIF Property Index***	0.6	5.4	9.2	15.0	14.7	12.2
	FTSE NAREIT	5.6	1.8	-11.1	5.6	13.5	12.5
	Merrill Lynch Inv. Grade Convertible	-9.4	-8.8	-9.5	2.5	3.2	4.6
	Goldman Sachs Commodity Index	-28.6	1.0	12.7	0.3	13.3	12.2
Inflation	CPI	0.6	3.4	4.9	3.2	2.9	3.0

Index at 6/30/08	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	11,350.01	2,292.98	1,280.00	689.66	13,073.54
Index at 9/30/08	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	10,850.66	2,091.88	1,166.36	679.58	11,875.41

* Annualized

** Preliminary

*** The NCREIF Property returns are one quarter in arrears.

Domestic Equity – Largest Positive & Negative Contributors to S&P 500

For Third Quarter 2008

Domestic Equity - Largest Positive & Negative Contributors to S&P 500 For Periods Ending September 30, 2008

S&P 500 Quarterly Return = -8.37%

25 Largest Positive Contributors

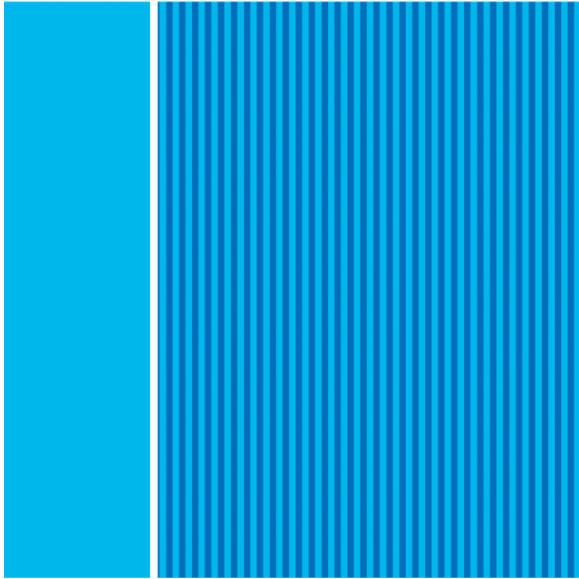
Stock	Return (%)	End of Quart Weight	Cap Rank
BANK OF AMERICA CORP	49.31%	1.57%	9
JPMORGAN CHASE & CO	37.38%	1.69%	6
WELLS FARGO & CO	59.80%	1.22%	14
PROCTER & GAMBLE CO	15.30%	2.08%	3
CITIGROUP INC	24.47%	1.10%	16
JOHNSON & JOHNSON	8.38%	1.90%	5
US BANCORP	30.67%	0.62%	32
AMGEN INC	25.68%	0.62%	33
PEPSICO INC	12.75%	1.10%	17
WAL MART STORES INC	6.99%	1.32%	11
PFIZER INC	7.32%	1.22%	13
BB&T CORP	68.79%	0.20%	124
ABBOTT LABS	9.40%	0.87%	26
KRAFT FOODS INC	16.13%	0.49%	41
PNC FINANCIAL SERVICES GROUP	32.03%	0.25%	91
PRUDENTIAL FINL INC	20.52%	0.30%	72
HEWLETT PACKARD CO	4.77%	1.11%	15
SCHWAB CHARLES CORP	26.90%	0.24%	103
CAPITAL ONE FINL CORP	35.32%	0.19%	131
HOME DEPOT INC	11.51%	0.43%	48
LOWES COS INC	14.65%	0.34%	68
LOCKHEED MARTIN CORP	11.56%	0.36%	62
SUNTRUST BKS INC	26.50%	0.16%	158
COLGATE PALMOLIVE CO	9.63%	0.37%	59
COVIDIEN LIMITED	12.62%	0.26%	86

25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
AMERICAN INTL GROUP INC	-86.58%	0.09%	242
EXXON MOBIL CORP	-11.44%	3.96%	1
APPLE INC	-32.12%	0.99%	21
SCHLUMBERGER LTD	-27.15%	0.92%	24
CHEVRON CORPORATION	-16.17%	1.66%	7
AT & T INC	-16.05%	1.62%	8
CONOCOPHILLIPS	-21.95%	1.09%	18
GOOGLE INC	-23.92%	0.94%	23
WACHOVIA CORP	-77.39%	0.07%	284
FREEPORT MCMORAN CPR & GOLD	-51.27%	0.21%	118
GOLDMAN SACHS GROUP INC	-26.68%	0.55%	39
HALLIBURTON CO	-38.84%	0.28%	80
EXELON CORP	-29.93%	0.40%	53
WEATHERFORD INTERNATIONAL LTD	-49.30%	0.17%	147
NATIONAL OILWELL VARCO INC	-43.38%	0.21%	122
CHESAPEAKE ENERGY CORP	-45.52%	0.18%	132
OCCIDENTAL PETE CORP	-21.24%	0.57%	36
MONSANTO CO	-21.56%	0.53%	40
INTEL CORP	-12.27%	1.03%	19
WYETH	-22.48%	0.48%	42
MORGAN STANLEY	-35.80%	0.25%	93
TRANSOCEAN INC	-27.92%	0.34%	66
FLUOR CORP	-40.00%	0.10%	230
DEVON ENERGY CORP	-23.97%	0.40%	56
UNITED STATES STEEL CORP	-57.90%	0.09%	241

Data Source: Compustat

Report Date: October 15, 2008



Executive Summary

Executive Summary

Total Fund

At the end of the third quarter, the Total Fund had a market value of \$4.2 billion, a decrease of approximately \$500 million compared to the previous quarter. The Domestic Equity component of the Plan comprised 43.5% of the Total Fund, the International Equity segment represented 17.7% of the Plan, the Fixed Income portfolio accounted for 29.0% of the Total Fund and the Real Estate segment represented 9.3% of the Plan's assets. Relative to the policy guidelines, the Domestic Equity and International Equity composites held underweight positions while the Fixed Income and Real Estate portions of the Plan had overweight allocations vs the target guidelines at the end of the quarter.

Over the third quarter, the Total Fund posted a -10.4% return, underperforming the Reference Index by 210 basis points and ranking in the 77th percentile of the peer universe. Manager selection was the main driver of underperformance during the quarter. Over the trailing one-year and three-year periods, the Fund has lagged its benchmark. Over the trailing five-year period, the Total Plan has outpaced the Reference Index by 30 basis points.

Domestic Equity

(Northern Trust, BGI, Turner, AllianceBernstein, EARNEST, DFA, and Artisan)

The third quarter of 2008 saw considerable weakness in the U.S. economy. Rising unemployment, record-level home price declines, and the failure or rescue of many well-known financial institutions sparked the beginning of a capital markets collapse. Commodities prices peaked early in the quarter, after which fears of a global economic slowdown sent prices spiraling downward. The advance estimate of annualized third-quarter GDP growth was -0.3%, following 2.8% growth in the second quarter. The Federal Open Market Committee made no changes to the 2.00% Federal Funds Target Rate during the quarter.

Consumer prices rose at an annual rate of 2.6% during the third quarter and 4.9% over the past 12 months, as measured by the Consumer Price Index. Excluding volatile food and energy prices, the measure rose at an annual rate of 2.7% during the quarter and 2.5% over the past 12 months. The Producer Price Index for finished goods increased 8.7% over the past 12 months, a significant rise from last year (4.4% in September 2007). The Federal Reserve Board reported that preliminary production capacity utilization was 76.4% at the end of September, a decrease of 3.3% from the revised June number and 4.6% below the average for the period 1972 – 2007. The unemployment rate rose to 6.1% from 5.5% at the end of the second quarter. The Consumer Confidence Index rebounded during the third quarter; however, the survey may not have captured many of the financial market events taking place in September.

Early in the quarter, oil prices climbed to over \$147/barrel before dropping below \$100/barrel in September. The housing market, as measured by the National Association of Home Builders/Wells Fargo Housing Market Index, hit an all-time low in July and August before recovering slightly in September. Home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, declined a record-breaking 16.6% annually through August. Treasury yields shifted downward during the quarter as 3-month Treasury yields declined from 1.90% at the end of June to 0.92% at the end of September. Likewise, 10-year Treasury yields declined from 3.99% in June to 3.85% at the end of the quarter.

Executive Summary

The third quarter saw significant activity in the capital markets as many financial institutions were on the brink of collapse. In early September, the U.S. government nationalized Fannie Mae and Freddie Mac. One week later, Bank of America agreed to buy Merrill Lynch, Lehman Brothers filed for bankruptcy, and the U.S. government announced an emergency \$85 billion loan to AIG to rescue and effectively nationalize the failing insurance giant. Washington Mutual – the largest bank thrift in the nation, with over \$300 billion in assets – failed in late September, and JPMorgan bought the assets of the company. Days later, a deal was in place for Citigroup to acquire Wachovia's banking operations, saving Wachovia from failure. To combat the financial turmoil in the markets, the Federal Reserve and banks across the globe continued to pump liquidity into the markets and the SEC enacted a short-selling ban for many at-risk securities. The U.S. government announced a \$700 billion bailout, which would buy up troubled assets of financial institutions and provide liquidity to the marketplace. In late September, the bill was rejected by the House of Representatives, causing the S&P 500 Index to have its largest point drop and second-largest percentage drop in history. A week later in early October, the bill was amended and passed.

Performance during the quarter was negatively impacted by weakness in both the U.S. and international markets. The domestic markets, led by poor performance in September, continued to deteriorate in the third quarter. The large cap domestic equity market, as measured by the Russell 1000 Index, declined 9.3% in the third quarter. The consumer staples (+4.1%) sector outperformed as investors became defensive during the market turmoil. Meanwhile, a collapse in commodity prices caused the energy (-26.7%) and materials (-24.9%) sectors to underperform. Small cap stocks, as measured by the Russell 2000 Index, continued to outperform their larger counterparts, declining 1.1% during the third quarter. Value outperformed growth in both the large and small cap markets during the quarter.

The Domestic Equity component of the Plan returned -10.5% over the quarter, trailing the Russell 3000 Index by 180 basis points and ranking in the 59th percentile of the Mercer U.S. Equity Universe. Over the trailing one-, three- and five-year periods, the Domestic Equity segment of the Plan has underperformed its reference index. Since inception, the Composite led its benchmark by 10 basis points. Within Domestic Equity, Artisan Partners and Earnest Partners outperformed their reference indices while Northern Trust, Turner, BGI, AllianceBernstein and DFA lagged their respective benchmarks.

The Northern Trust Equity Index strategy posted a -9.0% return, lagging the S&P 500 Index by 60 basis points due to securities lending issues. Over the longer periods analyzed (one, three and five years) the portfolio has trailed the reference index. Since inception, Northern Trust has approximated the return of the reference index.

The BGI Alpha Tilts portfolio returned -10.4% over the last three months and underperformed the Russell 1000 Index by 110 basis points while ranking in the 64th percentile of the peer group. Over the longer-term periods measures, the strategy has lagged its reference index while outperforming the benchmark on since inception basis. Securities selection within the banks and property & casualty insurance sectors aided performance during the quarter. An overweight position in JP Morgan and an underweight allocation to AIG helped returns. Conversely, overweight positions to Mosaic and Fluor Corporation detracted from returns as did the holdings of Exxon Mobil Corp. and Williams Companies Inc. Stock selection within the chemicals and construction sectors hurt performance as well.

Turner posted -18.1% over the third quarter, lagging both the Russell 1000 Growth Index and the peer group median by 580 basis points and 510 basis points, respectively. Over the trailing one-, three- and five-year periods, the portfolio has lagged its benchmark. Holdings within the

Executive Summary

technology, consumer staples and consumer discretionary sectors detracted from performance while positions within the materials & processing sector aided returns. Individual portfolio contributors included the holding of Pepsico Inc., US Bancorp and Express Scripts Inc. while investments in Google Inc., Apple Inc. and Broadcom Corp. were among top portfolio detractors for the quarter.

AllianceBernstein returned -15.4% over the quarter, lagging the Russell 1000 Value Index by 930 basis points and trailing the peer group median by 800 basis points. Over all longer periods analyzed, the strategy has lagged its reference index. Securities selection within the financials sector detracted from performance over the third quarter as did stock selection within the consumer discretionary and consumer staples sectors. Conversely, underweight allocations to the utilities and materials sectors helped returns over the quarter. The holdings of JPMorgan Chase & Co., Bank of America and Citigroup Inc. were among top portfolio contributors while the holdings of Conocophillips, Chevron Corp. and Sprint Nextel Corp hampered returns.

EARNEST posted a -12.4% return, outperforming the Russell Midcap Index by 50 basis points and ranking in the 40th percentile of the Mercer US Equity Small Cap Value Universe. Over the one-year and three-year periods, the portfolio has outpaced its reference index. Since inception, the strategy has outperformed its benchmark by 160 basis points. Over the quarter, stock selection and an underweight exposure to the utilities sector added to returns. Securities selection within the health care sector helped results as well. Above-benchmark positions in the energy and industrials sectors detracted from performance. Top positive contributors included Express Scripts inc., Raymond James Financial Inc. and Jefferies Group Inc. The holdings of Cummins Inc., Chesapeake Energy Corp. and Newfield Exploration Co. detracted from returns.

DFA returned -0.1% over the last three months, lagging the Russell 2000 Value Index by 510 basis points while outperforming the Mercer US Equity Small Cap Value Universe median by 170 basis points. Over the trailing one- and three-year periods, the strategy has lagged the reference index. Over the five-year term and since inception, the portfolio has outpaced its benchmark. Over the third quarter, stock selection within the materials and health care sectors contributed positively to performance while an overweight allocation and stock selection within the energy sector detracted from returns. Securities selection within the information technology sector also hampered results over the quarter. The holdings of Alpharma Inc., Ikon Office Solutions Inc. and Pacwest Bancorp aided returns, while investments in Swift Energy Co., Encore Acquisition Co. and Bristow Group Inc. detracted from performance.

Artisan returned -4.4% over the third quarter, outperforming both the Russell 2000 Growth Index and the peer group median by 260 basis points and 590 basis points, respectively. Over the one year, three years and five years, the strategy has underperformed its reference index. Over the quarter, the portfolio benefited from stock selection within the consumer discretionary and industrials sectors. An underweight exposure to the energy sector aided returns as well. Conversely, stock selection within the health care and consumer staples sectors detracted from returns. Investments in Carter's Inc., AAR Corp. and PSS World Medical Inc. helped performance over the quarter. The holdings of Hercules Offshore Inc., Eagle Bulk Shipping Inc. and Bare Escentuals Inc. detracted from returns.

Executive Summary

International

(Brandes, William Blair, DFA)

The international equity markets dropped significantly during the third quarter, falling 20.5% in U.S. dollar terms, as measured by the MSCI EAFE Index. In local currency terms, the Index declined 13.0%, as the dollar recorded significant gains against other developed-country currencies. Every country in the MSCI EAFE Index declined in the third quarter. Ireland and Austria were the weakest performers among developed markets, losing 42.1% and 41.2% respectively in U.S. dollar terms. Emerging markets equities were hit harder than their developed counterparts during the quarter, declining 26.9% in U.S. dollar terms, as measured by the MSCI EM Index. Russia (-45.3%) and Argentina (-44.0%) experienced the most significant drops in U.S. dollar terms during the third quarter. The declines in Russia were so severe that markets were halted at times in late September. The Philippines (+3.6%) was the only emerging market country that recorded positive returns in U.S. dollar terms during the quarter.

The International Equity segment of the Total Fund posted -21.4% over the quarter, underperforming the MSCI EAFE Index by 80 basis points and ranking in the 54th percentile of the Mercer International Equity Universe. The composite has lagged the benchmark over the one-year period but outperformed the reference index over the three-year, five-year and since inception periods.

Brandes posted a -13.6% return over the quarter, outperforming the MSCI EAFE Value Index by 550 basis points while ranking in the 5th percentile of the peer universe. The strategy has led the index over the longer-term periods analyzed. Investments in commercial banks and diversified telecom services hampered returns over the quarter. Underweight exposure to Italy and Switzerland was positive for performance. Main portfolio contributors included the holdings of Barclays (financials), Kingfisher (consumer discretionary) and Seven & I Holdings (consumer staples) while positions in Marks & Spencer Group (consumer discretionary), Aegon (financials) and Alcate – Lucent (information technology) detracted from results.

William Blair returned -27.5%, trailing the MSCI All Country World Ex. US Index by 570 basis points and lagging the peer group median by 640 basis points over the third quarter. The portfolio has underperformed the reference index over the one-year, three-year and since inception periods. Stock selection within the information technology, financials and utilities sectors aided returns. Positions in the United Kingdom and Japan helped performance. Conversely, investments in the infrastructure, agriculture and energy services sectors detracted from returns.

DFA International Small Cap Value posted a -20.7% over the third quarter, outperforming the MSCI EAFE Small Cap Index by 320 basis points while ranking in the 17th percentile of the peer group. Over the longer term periods measured, the strategy has outpaced its respective measures. Stock selection within the consumer discretionary, financials and industrials sectors aided performance over the quarter. An underweight allocation to the health care sector and securities selection within the consumer staples sectors detracted from returns as did a below-index exposure to Japan.

Executive Summary

Fixed Income

(BGI, Loomis, Reams)

The fixed income market, as measured by the Lehman Brothers Aggregate Bond Index, outperformed the equity markets during the third quarter but still declined 0.5%. Longer-term issues lagged shorter-term issues during the quarter, as the Lehman Brothers Long-Term Government/Credit Bond Index fell 3.4%. Treasuries returned 2.3%, as measured by the Lehman Brothers Treasury Bond Index, while the Lehman Brothers U.S. Corporate Bond Index declined 7.8% during the quarter. There was a reemergence of flight to quality in the bond market, as AAA issues significantly outperformed lower-quality issues. High-yield bonds declined 8.9% during the quarter, as measured by the Lehman Brothers U.S. Corporate High Yield Bond Index. Mortgages, as measured by the Lehman Brothers Mortgage-Backed Securities Index, gained 1.9% during the third quarter.

The Domestic Fixed Income Segment of the Plan returned -4.9% over the last three months, lagging the Lehman Brothers Aggregate Bond Index by 440 basis points and ranking in the 80th percentile of the Mercer Institutional US Fixed Combined Universe. Over the trailing one- and three-year periods, the portfolio has lagged its reference index. Over the five-year term and since inception, the composite has outperformed its benchmark.

Over the third quarter, the BGI fixed income strategy returned -0.1% and approximated the return of the Lehman Bros. Intermediate Aggregate Bond Index. Over the longer term periods measured, the portfolio has been consistent with its investment strategy and has approximated the return of the reference index.

Reams posted a -4.8% return over the quarter, trailing the Lehman Brothers Aggregate Bond Index and the peer group median by 430 basis points and 190 basis points, respectively. Over the trailing one-, three- and five-year periods, the portfolio has lagged the reference index. Over the quarter, Reams' duration strategy aided performance while the portfolio's yield curve positioning detracted from returns. Overweight exposure to the CMBS and investment grade credit sectors hampered performance. Investments within the High Yield space detracted from returns, while investments in government-related securities aided performance.

Loomis returned -8.0% over the third quarter, lagging its reference index by 750 basis points and trailing the peer universe median by 510 basis points. Over the trailing one- and three-year periods, the strategy has lagged the reference index while outperforming the benchmark over the five-year and since inception periods. The portfolio benefited from its underweight exposure to the CMBS and ABS sectors. Conversely, the strategy's investment grade and high yield holdings detracted from returns.

Executive Summary

Manager Comments

Custody Update

As detailed in the recent memo shared with the Board, Mercer continues to recommend that the Board delay any action with respect to the custodial RFP. While the general global capital markets have improved slightly in the past few weeks, the continued volatility and lack of liquidity make a transitioning of custody relationship not ideal at this time.

AllianceBernstein

While performance has certainly been an issue for the Strategic Value strategy, Mercer continues to recommend that the Board retain AllianceBernstein as their Large Cap Value manager.

In October, Mercer's research group met with Bernstein to discuss Bernstein's third quarter performance and the research behind the financial sector stocks that were responsible for some of the underperformance. While the focus of the meeting was on the performance issues, it also gave Mercer a chance to challenge Mercer's current views on Bernstein's strategies. Mercer came away from the meeting still positive on Bernstein's research and believing this to be the firm's competitive advantage. The current research process is sound, the team is staffed with an impressive roster of analysts, and the firm has a history of constant process improvement. Mercer is, however, monitoring Bernstein's efforts to diversify its viewpoints more widely, so that the analysts do not become entrenched in one particular perspective.

In recent periods, the number of names in Bernstein's non-US Strategic Value portfolios has increased, unlike the US product, which has remained close to its historic average. While the number of stocks is within the stated range given by Bernstein, it seems that Bernstein will retreat to the higher end of the range in periods of market uncertainty. While this leads a portfolio that may not be concentrated at all times, it allows Bernstein to reduce specific stock risk in the portfolio when the market does not reward stocks based on fundamentals.

With turmoil in the financial markets, the third quarter was especially difficult for Bernstein's non-US equity strategies. The Strategic Value products experienced the highest levels of underperformance while the more diversified strategies held up a bit better as they took lower levels of risk versus the benchmark.

In the third quarter, financials accounted for -1.5% of the underperformance while energy, industrial commodities, and technology were responsible for the rest of the performance shortfall for the International Strategic Value (ISV) strategy. On a year-to-date basis, financials were responsible for about half of the underperformance.

These performance issues are serious and led Mercer to question the thoroughness of Bernstein's research efforts, particularly in the financial stocks. In Mercer's discussion of the financial stocks, it was clear to us that Bernstein did not lack diligence in analyzing each of the names, but where the team fell short was in envisioning the extent of the linkages between the companies in the sector. Mahedy described it as a lack of imagination rather than a lack of analysis. The analysts did not foresee the government's actions on Fannie Mae and Freddie Mac, the credit rating

Executive Summary

agencies' three-notch-downgrade of AIG, and the extent of the contagion in the sector. Mercer has always held Bernstein's research team in high regard, but Mercer has to wonder if focusing so much on the company level, the researchers may be missing the bigger picture.

What gives Mercer some comfort is that Bernstein has a history of constant evaluation and improvement in its research process, and Mercer expects that the firm will evolve its research to better handle extreme market environments. In the last year, Bernstein has involved fixed income credit analysts, quantitative analysts, and short researchers into its discussions and analyses of portfolio holdings. By including other firm resources in the process, Bernstein is able to imbue other viewpoints into the analysis. As part of a well-resourced firm with a myriad of investment professionals in various asset classes willing to share their knowledge, Bernstein should have what it needs to continually improve its process.

Turner

In September, Mercer's research group met with Turner. Mercer continues to be impressed with the fundamental growth team. Nothing in the process or philosophy has changed as the team continues to search for companies experiencing rapid earnings growth while using bottom-up research to assess growth stability and likelihood of higher than expected growth. The team does not attempt to uncover every nuance of a particular investment but uses exhaustive channel checks to ascertain future changes in trends and uncover positive earnings surprises. The team attempts to correctly gauge the directionality of earnings movements rather than the magnitude.

The firm continues to bring in additional talent with each sector team growing to include at least four members. Unlike previous hiring initiatives, the recent additions have less experience and are not expected to provide immediate contributions. However, Bob Turner expressed the need to find malleable individuals who will align with the philosophy and approach utilized by the team rather than finding more experienced analysts who have preconceived opinions or ways of doing things.

Each of Turner's fundamental growth strategies are similarly positioned with strong positive tilts to earnings and sales growth as well as short- and medium-term momentum. Momentum was in favor in 2007 and experienced a strong reversal in the first quarter of 2008. Therefore, it does not surprise us to see underperformance for all Turner strategies on a year-to-date basis through June 2008. The small- and mid-cap strategies have fared better relative to the large cap strategies due to fewer stock-specific missteps. Each portfolio continues to have significantly higher 1-year forecasted EPS growth rates relative to its respective benchmark with P/E ratio's that are in-line with the index.

Brandes

In September, Mercer's research group met with Brandes Investment Partners' CEO, Glenn Carlson, in Mercer's London offices during his recent client trip to Europe. The meeting came on the back of a period of poor performance in their A- rated global and EAFE equity strategies

Despite the recent poor performance Carlson was clear that there will be no change to the process or philosophy at Brandes. They remain wedded to the Graham and Dodd school of value investing; they retain the committee approach to decision making and portfolio constructing; there will be no change to the analyst team or their method of research and company valuation.

Executive Summary

At a business level the firm has seen very little in terms of asset outflows. While firm wide assets had fallen from approximately \$120bn to \$85bn, this was largely due to markets, with some minimal outflows from their regional strategies. The change in assets has had no impact on their ability to operate – there has been no need to take a hit to staff number or remuneration. Moral remained high at the firm. Analysts see the current environment as an exciting time for a value investor with significant opportunities available. Carlson stressed the level of the research remains very high and there are no issues with the quality or depth of the analysts work. He also again stressed their commitment to private ownership which they believe allows them to concentrate on investment and does not give rise to shareholder pressure to grow.

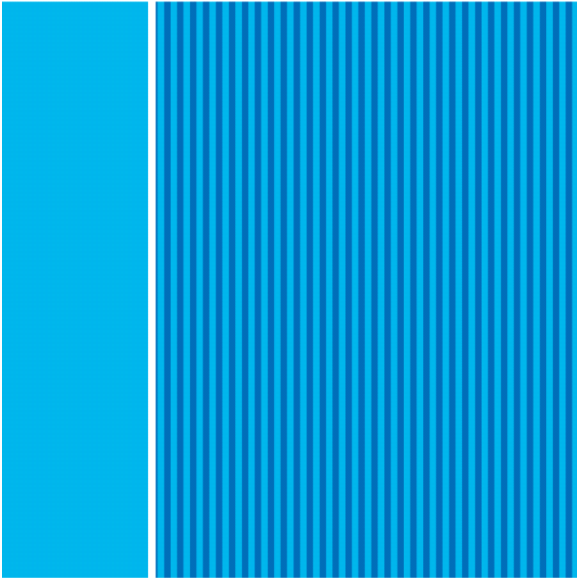
Carlson felt that they had called the financial ‘landscape’ correct over the last 2-3 years, having been underweight financials for some time due to concerns over the sustainability of their earnings growth. He admitted they were too early in getting back into financial stocks, having started to build up positions in Q4 2007, and averaging down through 2008 as prices fell. The error, he believes, was in the optimistic nature of their assumptions on the scale of the credit problems in certain institutions rather than the level or quality of research undertaken. He remains convinced that it is not ‘different this time’, and that in the long term their approach will provide superior returns, citing several academic studies as back up. Providing investors agree that there has been no structural change, he stressed they should stick with the Brandes approach.

Of equal importance to their relative performance are the stocks and sectors that they did not hold. Stocks that benefited from the rally in commodity and energy prices have driven index performance for a sustained period. Brandes’ approach is always likely to lead to an early exit from the later stages of momentum markets, however Carlson expressed surprise at the length and strength of this trend which he felt was unprecedented. He did comment that they participated in the early stages of the energy boom and emerging markets cycle before valuations became unrealistic, being big investors in stocks such as PertoChina and PetroBras.

Carlson made several comparisons between the current ‘credit crunch’ and the savings and loan crisis in the US in the late 1980’s early 1990’s that saw a significant number of US bank closures. Brands had a very tough time during this period, which Carlson saw first hand, holding several positions that halved in value, some going to zero. However they maintained an overweight in the banking sector throughout which eventually paid off for investors that stuck with them.

When asked what they had learned that would help them avoid similar problems in the future, they struggled to give a substantive answer. While they were too optimistic in their view on the scale of the write-downs over the last nine months, which was a mistake, there was no structural element in their approach that they would have done differently.

The message from Carlson was unequivocally that there would be no change in their approach or process despite the performance problems. Given that Mercer’s positive view on their global strategy (Global Equity and International Equity are both rated A-(T)) is based on the strength of their research and disciplined adherence to the Graham and Dodd approach, this is no surprise. However while Mercer might expect some prolonged periods of under performance, returns over the last 12 months have been substantially below expectations. They admit they got their view on the scale of the credit problems wrong, although claim there nothing wrong with their process or research. There is a slight concern that there is a lack of challenge or fresh thinking that might give them a broader view across the market and help them avoid some of the recent problems and ‘value traps’ – however Mercer acknowledges that Mercer would not want them to abandon their tried and tested approach.

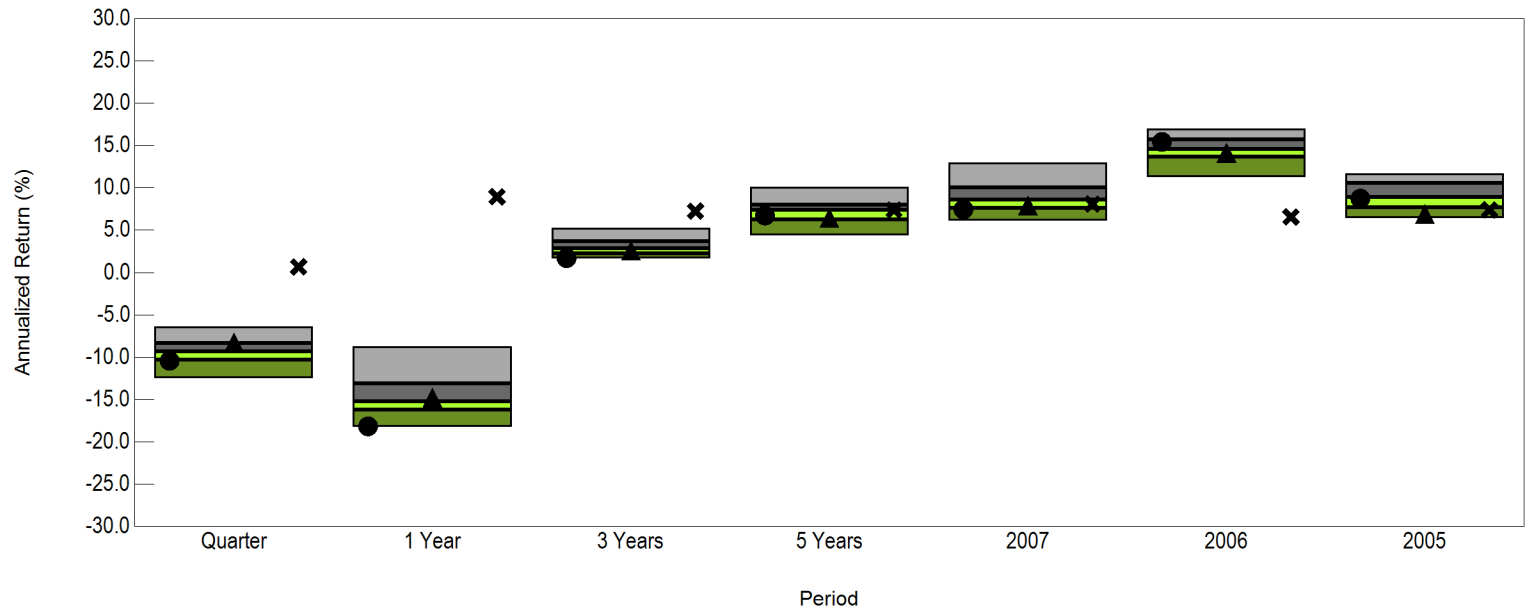


Board Report

Total Plan Performance

Total Plan Performance vs. Public Funds >\$1B

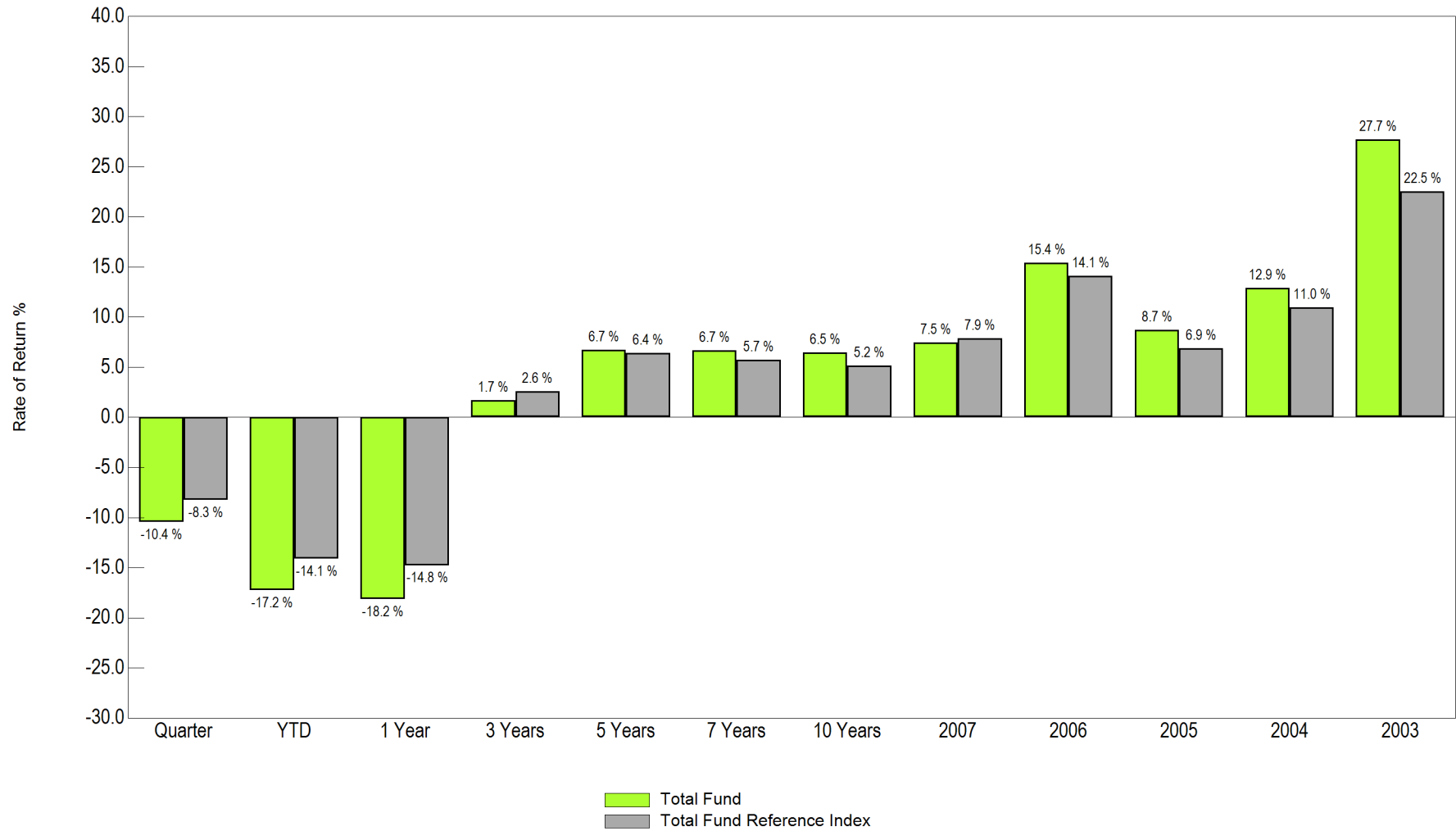
Period Ending September 30, 2008
Performance Before Fees



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
5th Percentile	-6.4		-8.8		5.3		10.1		13.0		16.9		11.7	
25th Percentile	-8.4		-13.1		3.7		8.0		10.0		15.7		10.5	
Median	-9.3		-15.2		2.9		7.3		8.6		14.5		8.9	
75th Percentile	-10.3		-16.2		2.3		6.3		7.6		13.6		7.7	
95th Percentile	-12.5		-18.3		1.6		4.4		6.1		11.2		6.4	
# of Portfolios	52		50		50		43		51		41		41	
● Total Fund	-10.4	77	-18.2	95	1.7	91	6.7	61	7.5	76	15.4	35	8.7	56
▲ Total Fund Reference Index	-8.3	24	-14.8	42	2.6	67	6.4	73	7.9	68	14.1	64	6.9	85
✕ CPI + 4%	0.7	1	8.9	1	7.3	1	7.4	45	8.1	60	6.6	98	7.4	82

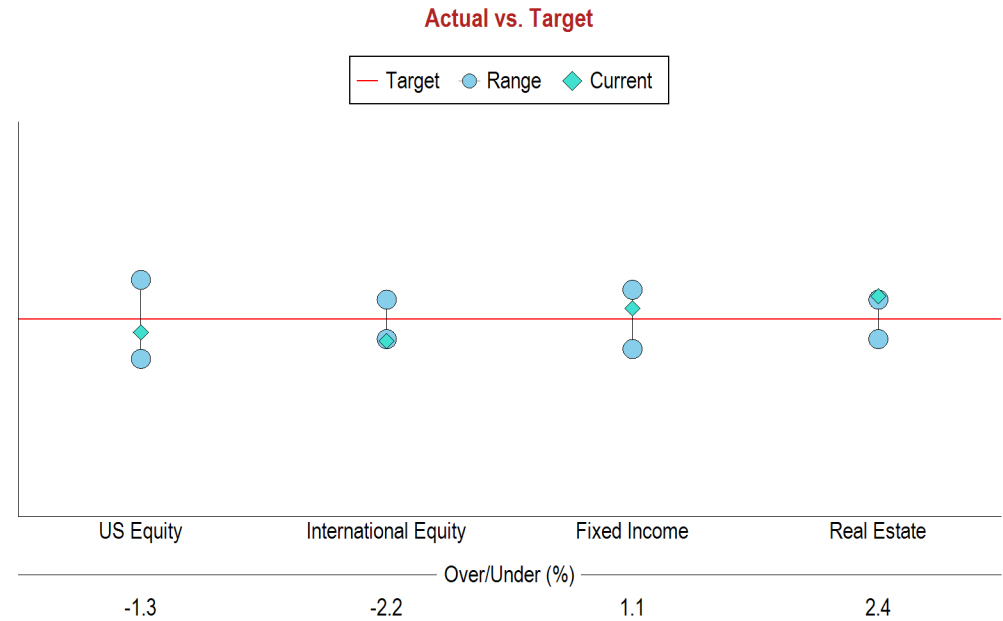
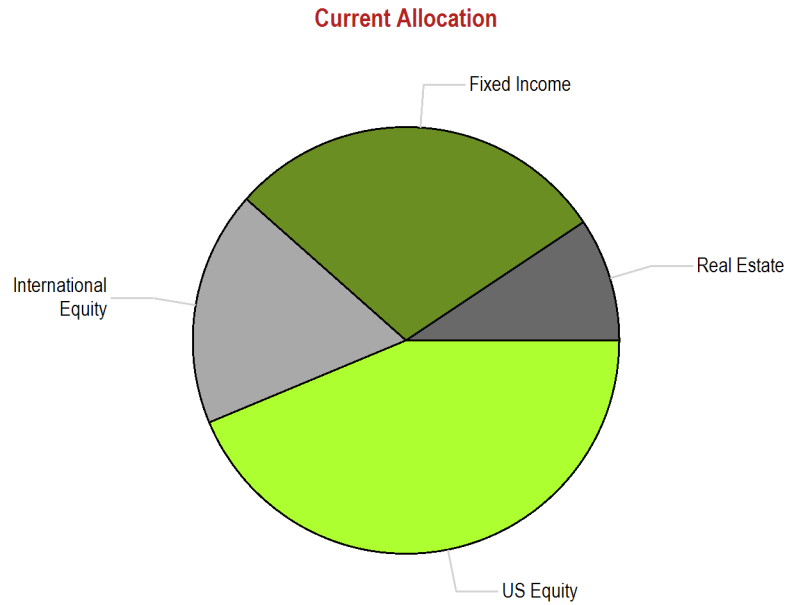
**Total Plan
Performance**

Fund Return vs. Benchmark Portfolio Return



Total Plan

Asset Allocation vs. Target



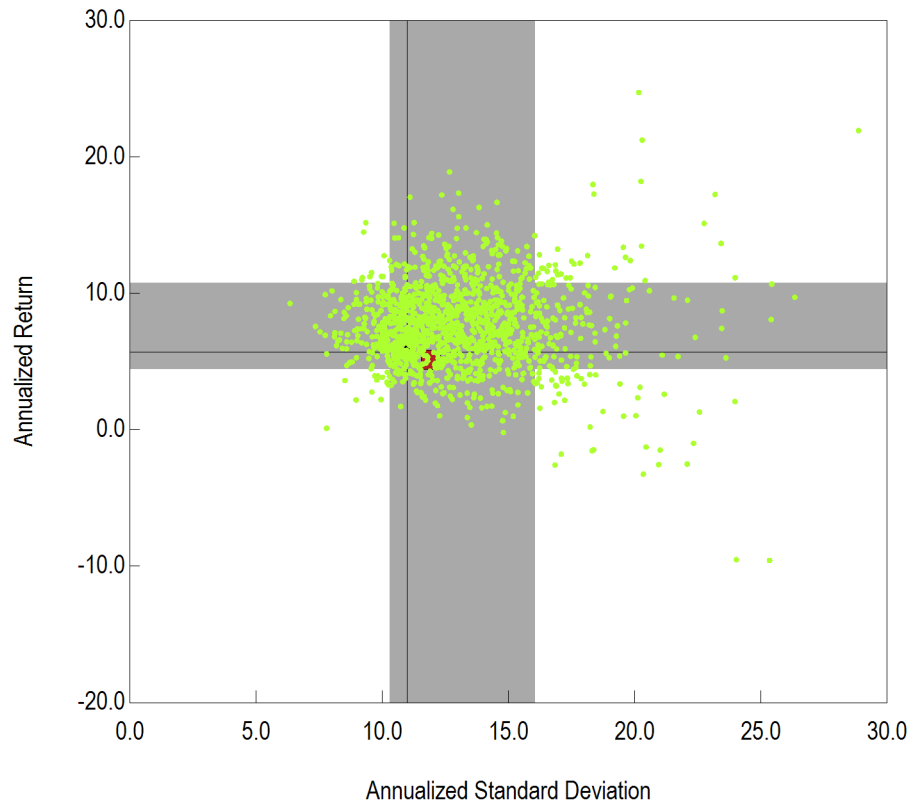
Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Target Allocation	Difference	Target Ranges	Within IPS Range?
US Equity	\$1,812,559,868	43.7%	45.0%	-\$53,200,112	41.0% - 49.0%	Yes
International Equity	\$738,755,756	17.8%	20.0%	-\$90,470,902	18.0% - 22.0%	No
Fixed Income	\$1,206,482,645	29.1%	28.0%	\$45,565,324	25.0% - 31.0%	Yes
Real Estate	\$388,335,019	9.4%	7.0%	\$98,105,689	5.0% - 9.0%	No
Total	\$4,146,133,288	100.0%	100.0%			

Total Domestic Equity Composite

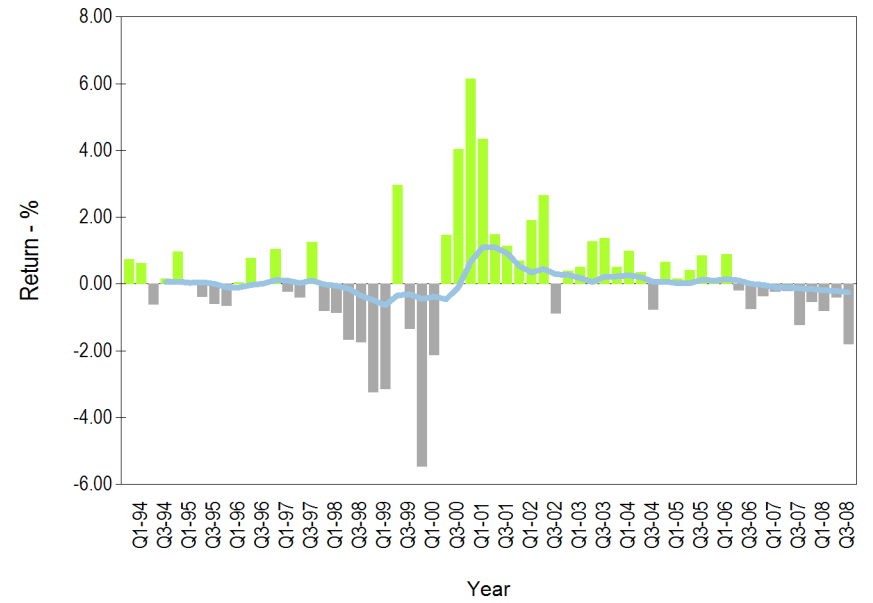
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2008



- Total Domestic Equity Composite
- ◆ Russell 3000
- 68% Confidence Interval
- Mercer Instl US Equity Combined

Excess Performance

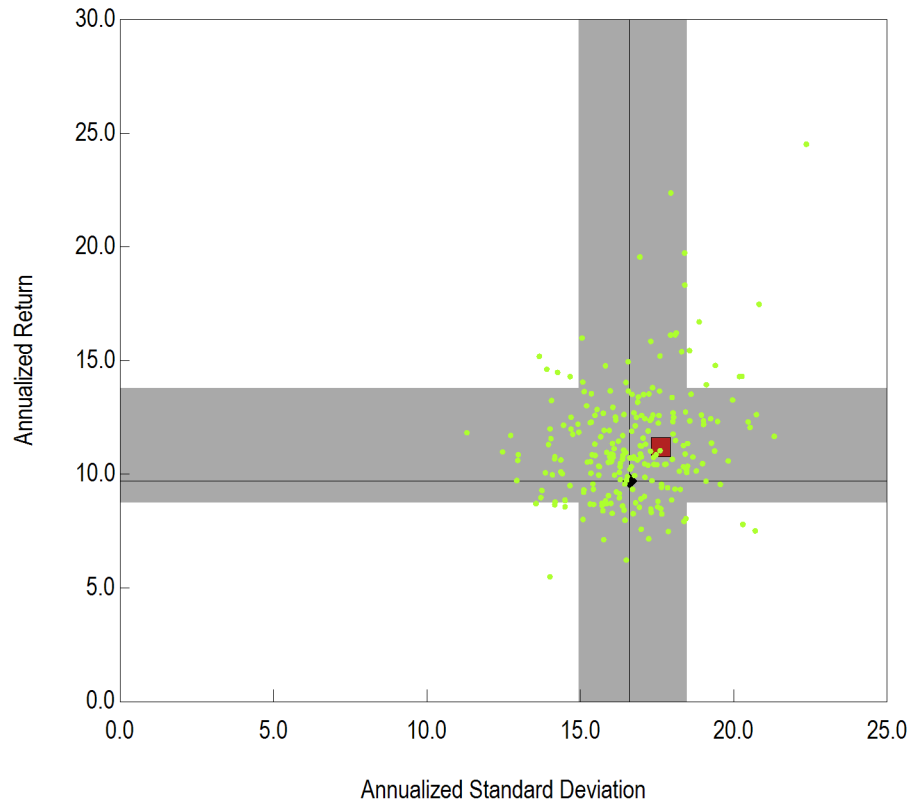


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Excess Performance vs. Index

Total Intl Equity Composite

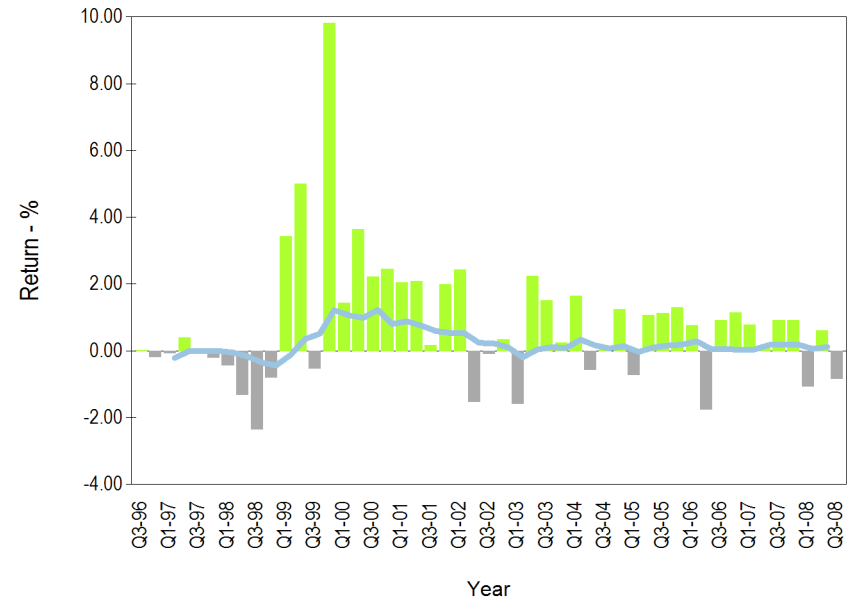
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2008



- Total Intl Equity Composite
- ◆ MSCI EAFE
- 68% Confidence Interval
- Mercer Intl Intl Equity

Excess Performance

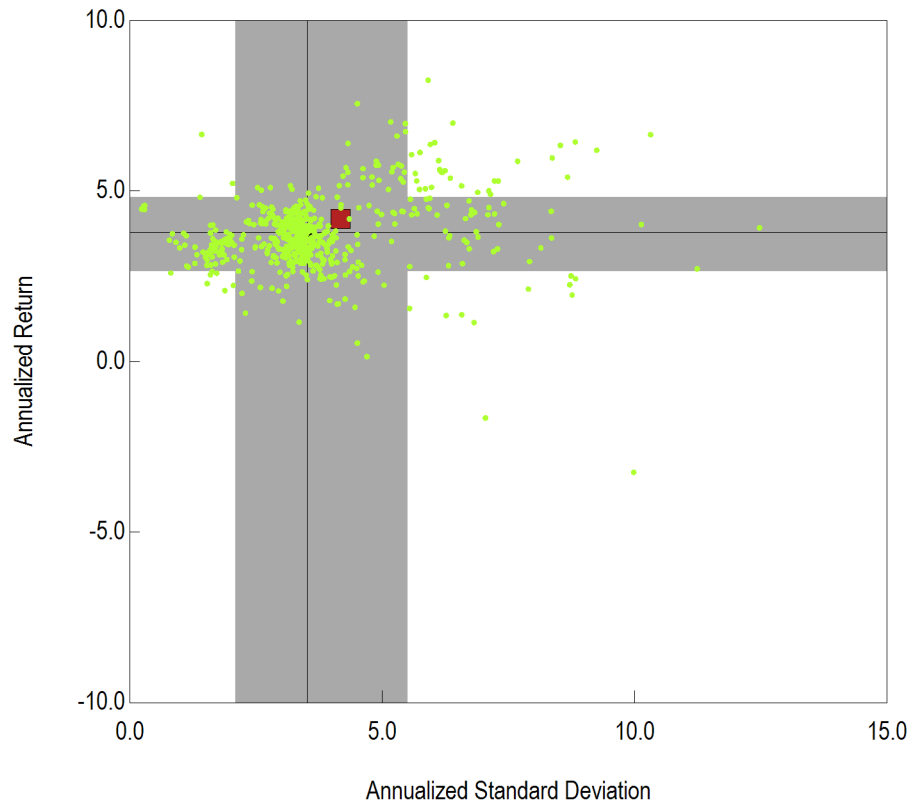


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Excess Performance vs. Index

Total Fixed Income Composite

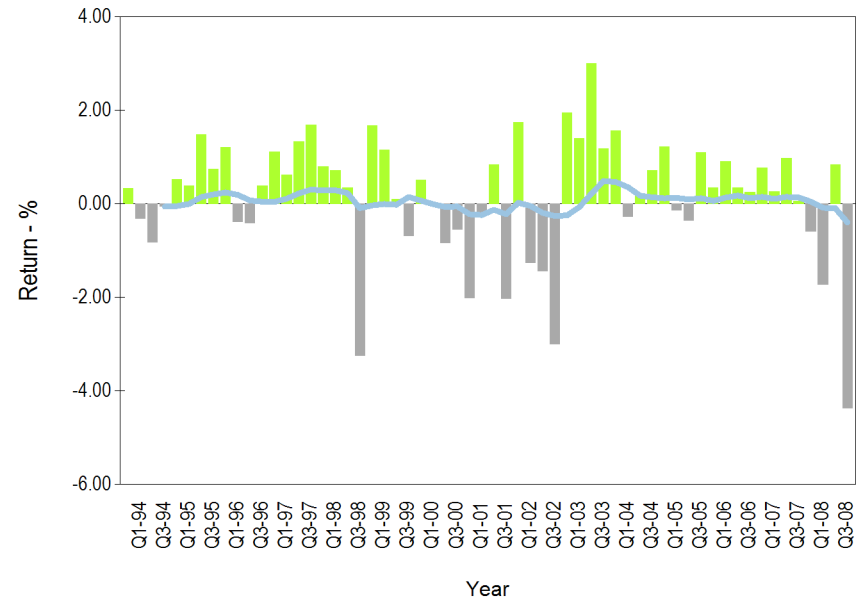
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2008



- Total Fixed Income Composite
- ◆ Lehman Aggregate
- 68% Confidence Interval
- Mercer Instl US Fixed Combined

Excess Performance

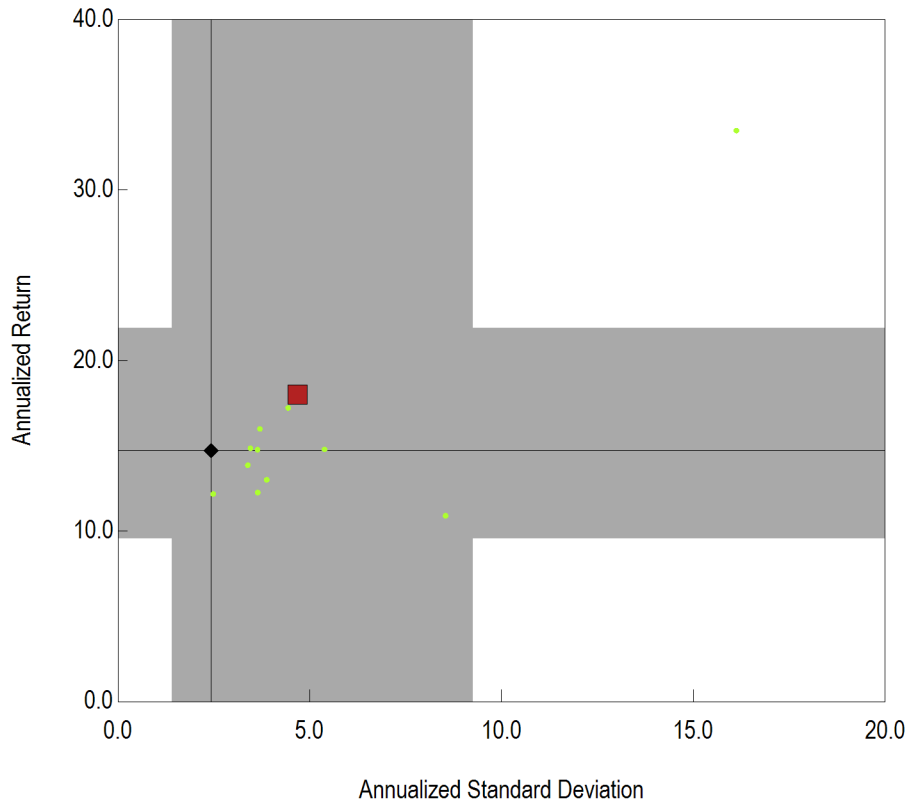


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Excess Performance vs. Index

Total Real Estate Composite

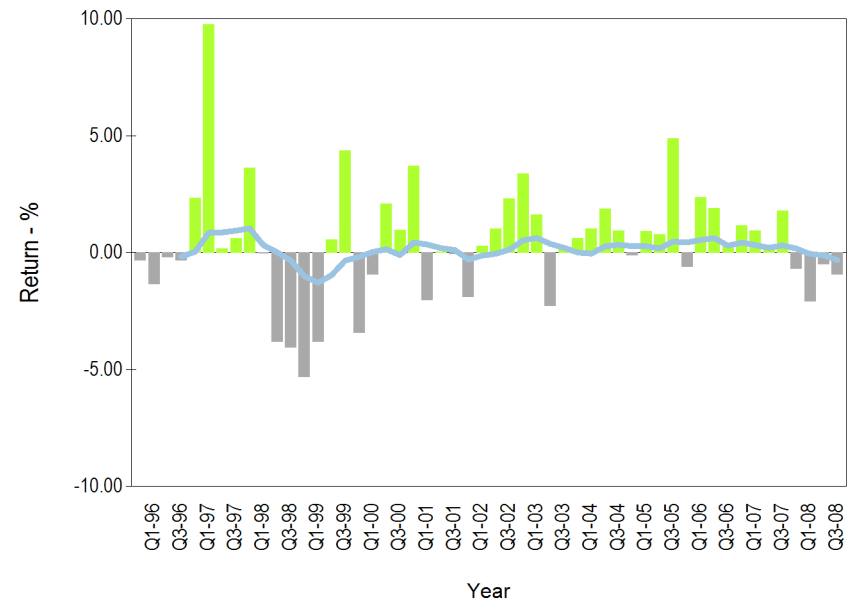
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2008

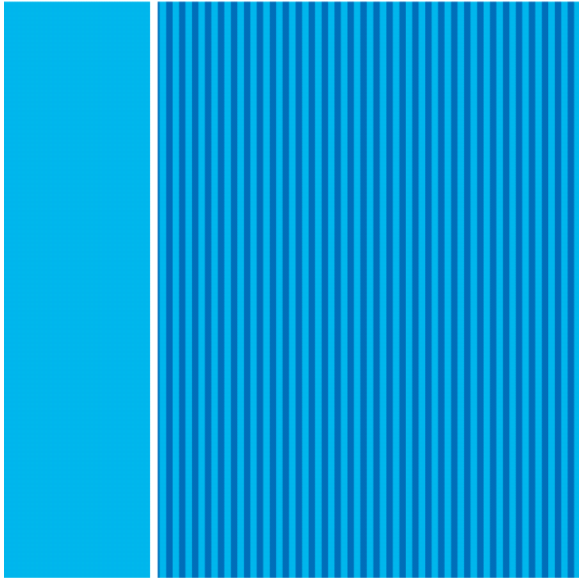


- Total Real Estate Composite
- ◆ NCREIF Property (1 Qtr in Arrears)
- 68% Confidence Interval
- Mercer Instl US Real Estate Open End

Excess Performance



- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Excess Performance vs. Index



Performance

Total Plan

Performance Summary

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$4,164,180,448	100.0%	-10.4%	77	-17.2%	96	-18.2%	95	1.7%	91	6.7%	61	10.0%	Nov-78
<i>Total Fund Reference Index</i>			-8.3%	24	-14.1%	41	-14.8%	42	2.6%	67	6.4%	73	--	Nov-78
<i>CPI + 4%</i>			0.7%	1	7.1%	1	8.9%	1	7.3%	1	7.4%	45	8.0%	Nov-78
<i>Public Funds >\$1B Median</i>			-9.3%		-14.6%		-15.2%		2.9%		7.3%		--	Nov-78
Total Equity Composite	\$2,551,315,623	61.3%	-13.9%	--	-24.2%	--	-26.4%	--	-0.6%	--	6.7%	--	3.3%	Dec-00
<i>Russell 3000</i>			-8.7%	--	-18.8%	--	-21.5%	--	0.3%	--	5.7%	--	0.9%	Dec-00
Total Domestic Equity Composite	\$1,812,559,867	43.5%	-10.5%	59	-21.4%	74	-24.5%	79	-1.6%	83	5.1%	82	10.4%	Dec-87
<i>Russell 3000</i>			-8.7%	46	-18.8%	54	-21.5%	57	0.3%	60	5.7%	75	10.3%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			-9.3%		-18.3%		-20.7%		1.0%		7.4%		11.8%	Dec-87
Northern Trust Global	\$337,490,156	8.1%	-9.0%	48	-19.9%	64	-22.6%	66	0.0%	65	5.0%	83	1.9%	Jun-98
<i>S&P 500 Index (Total Return)</i>			-8.4%	44	-19.3%	58	-22.0%	61	0.2%	61	5.2%	81	1.9%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			-9.3%		-18.3%		-20.7%		1.0%		7.4%		5.7%	Jun-98
Barclay's Global Inv N.A. R1000 Alpha Tilts	\$535,247,285	12.9%	-10.4%	64	-18.9%	50	-22.5%	71	-1.0%	85	5.2%	79	3.7%	Apr-02
<i>Russell 1000</i>			-9.3%	51	-19.5%	60	-22.1%	63	0.1%	65	5.5%	71	3.5%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			-9.3%		-18.9%		-21.2%		0.9%		6.2%		--	Apr-02
Turner Investment Partners	\$220,471,058	5.3%	-18.1%	84	-33.0%	98	-32.7%	99	-5.1%	99	0.4%	99	3.6%	Jul-02
<i>Russell 1000 Growth</i>			-12.3%	42	-20.3%	44	-20.9%	47	0.0%	61	3.7%	83	5.1%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			-13.0%		-20.9%		-21.2%		0.6%		5.5%		--	Jul-02

Total Plan

Performance Summary

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
AllianceBernstein L.P.	\$212,161,968	5.1%	-15.4%	97	-29.9%	98	-34.3%	96	-5.1%	96	3.4%	94	7.1%	Jul-96
<i>Russell 1000 Value</i>			-6.1%	33	-18.9%	59	-23.6%	69	0.1%	65	7.1%	61	8.5%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			-7.4%		-18.0%		-21.3%		1.0%		7.8%		--	Jul-96
Earnest Partners LLC	\$184,963,271	4.4%	-12.4%	40	-14.4%	14	-14.8%	11	1.7%	40	--	--	5.6%	Apr-05
<i>Russell Mid Cap</i>			-12.9%	48	-19.5%	56	-22.4%	61	0.1%	54	8.6%	54	4.0%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			-13.2%		-17.9%		-20.3%		0.5%		8.7%		--	Apr-05
Dimensional Fund Advisors Inc.	\$240,450,348	5.8%	-0.1%	34	-12.3%	66	-18.8%	71	-0.2%	69	10.6%	43	12.7%	Sep-96
<i>Russell 2000 Value</i>			5.0%	6	-5.4%	21	-12.3%	31	2.0%	46	9.4%	59	10.4%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			-1.8%		-10.4%		-15.2%		1.6%		10.0%		11.9%	Sep-96
Artisan Partners Limited Ptrn	\$81,775,783	2.0%	-4.4%	11	-21.5%	65	-25.5%	73	-3.9%	89	6.3%	58	8.9%	Nov-02
<i>Russell 2000 Growth</i>			-7.0%	26	-15.3%	19	-17.1%	17	1.5%	46	6.6%	52	9.4%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			-10.3%		-20.0%		-22.2%		1.0%		6.8%		--	Nov-02
Total Intl Equity Composite	\$738,755,756	17.7%	-21.4%	54	-30.4%	70	-31.0%	65	2.2%	55	11.2%	44	7.3%	Apr-96
<i>MSCI EAFE</i>			-20.6%	46	-29.3%	57	-30.5%	62	1.1%	74	9.7%	76	4.1%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Apr-96
Brandes Investment Partners	\$314,683,912	7.6%	-13.6%	5	-25.2%	16	-25.7%	17	3.5%	35	12.8%	19	10.9%	Jan-98
<i>MSCI EAFE</i>			-20.6%	46	-29.3%	57	-30.5%	62	1.1%	74	9.7%	76	4.2%	Jan-98
<i>MSCI EAFE Value</i>			-19.1%	32	-30.3%	69	-32.6%	79	0.0%	88	10.1%	71	5.9%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Jan-98
William Blair & Company	\$349,817,720	8.4%	-27.5%	97	-35.1%	98	-35.0%	91	1.3%	71	--	--	7.4%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			-21.8%	59	-29.5%	60	-30.0%	56	3.1%	43	11.8%	36	10.3%	Nov-03
<i>MSCI EAFE Growth</i>			-21.9%	59	-28.3%	46	-28.5%	41	2.2%	55	9.2%	81	7.8%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Nov-03
Dimensional Fund Advisors Inc.	\$74,254,124	1.8%	-20.7%	17	-27.3%	9	-32.6%	17	--	--	--	--	-7.5%	Mar-06
<i>MSCI EAFE Small Cap NET WHT</i>			-24.0%	36	-31.9%	48	-35.2%	52	-3.9%	89	9.2%	79	-11.1%	Mar-06
<i>MSCI EAFE Small Cap</i>			-23.9%	36	-31.7%	46	-35.0%	49	-3.5%	88	9.6%	78	-10.8%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			-25.3%		-32.1%		-35.0%		1.3%		13.3%		-6.3%	Mar-06

Total Plan

Performance Summary

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fixed Income Composite*	\$1,206,482,645	29.0%	-4.9%	80	-4.6%	75	-2.3%	73	3.4%	52	4.2%	27	8.3%	Dec-87
<i>Lehman Aggregate</i>			-0.5%	28	0.6%	31	3.7%	28	4.2%	35	3.8%	44	7.3%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			-1.8%		-1.2%		1.3%		3.5%		3.7%		7.3%	Dec-87
Barclays Global Inv N.A. Intermediate Agg	\$368,876,278	8.9%	-0.1%	22	1.4%	32	4.3%	35	4.5%	35	3.9%	26	5.7%	Jun-99
<i>Lehman Int Aggregate</i>			-0.1%	23	1.2%	33	4.2%	36	4.4%	39	3.8%	31	5.6%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			-1.3%		0.2%		3.0%		4.1%		3.4%		5.5%	Jun-99
Reams Asset Management	\$311,359,052	7.5%	-4.8%	82	-4.4%	70	-1.5%	56	3.1%	43	3.6%	50	4.4%	Dec-01
<i>Lehman Aggregate</i>			-0.5%	14	0.6%	16	3.7%	14	4.2%	18	3.8%	40	4.9%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-2.9%		-2.8%		-0.7%		3.0%		3.6%		4.9%	Dec-01
Loomis, Sayles & Company, L.P.	\$526,247,315	12.6%	-8.0%	93	-8.6%	90	-7.0%	89	2.9%	54	4.7%	8	9.4%	Nov-87
<i>Lehman Aggregate</i>			-0.5%	14	0.6%	16	3.7%	14	4.2%	18	3.8%	40	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-2.9%		-2.8%		-0.7%		3.0%		3.6%		--	Nov-87

*Excludes cash.

Total Plan

Performance Summary

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Real Estate Composite	\$388,335,019	9.3%	-0.4%	52	1.9%	35	4.8%	25	16.4%	8	18.0%	10	8.1%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			0.6%	15	5.4%	1	9.2%	1	15.0%	14	14.7%	51	8.6%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-0.3%		1.3%		3.6%		13.0%		14.8%		--	May-86
Real Estate	\$388,335,019	9.3%	-0.4%	52	1.9%	35	4.8%	25	16.4%	8	18.0%	10	8.1%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			0.6%	15	5.4%	1	9.2%	1	15.0%	14	14.7%	51	8.6%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-0.3%		1.3%		3.6%		13.0%		14.8%		--	May-86

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$4,164,180,448	100.0%	-10.5%	78	-17.3%	97	-18.3%	96	1.5%	97	6.5%	72	9.4%	Nov-78
<i>Total Fund Reference Index</i>			-8.3%	24	-14.1%	41	-14.8%	42	2.6%	67	6.4%	73	--	Nov-78
<i>CPI + 4%</i>			0.7%	1	7.1%	1	8.9%	1	7.3%	1	7.4%	45	8.0%	Nov-78
<i>Public Funds >\$1B Median</i>			-9.3%		-14.6%		-15.2%		2.9%		7.3%		--	Nov-78
Total Equity Composite	\$2,551,315,623	61.3%	-14.0%	--	-24.4%	--	-26.6%	--	-0.9%	--	6.4%	--	2.9%	Dec-00
<i>Russell 3000</i>			-8.7%	--	-18.8%	--	-21.5%	--	0.3%	--	5.7%	--	0.9%	Dec-00
Total Domestic Equity Composite	\$1,812,559,867	43.5%	-10.6%	60	-21.6%	75	-24.6%	80	-1.9%	85	4.8%	85	10.2%	Dec-87
<i>Russell 3000</i>			-8.7%	46	-18.8%	54	-21.5%	57	0.3%	60	5.7%	75	10.3%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			-9.3%		-18.3%		-20.7%		1.0%		7.4%		11.8%	Dec-87
Northern Trust Global	\$337,490,156	8.1%	-9.0%	48	-19.9%	64	-22.6%	66	0.0%	65	5.0%	83	1.9%	Jun-98
<i>S&P 500 Index (Total Return)</i>			-8.4%	44	-19.3%	58	-22.0%	61	0.2%	61	5.2%	81	1.9%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			-9.3%		-18.3%		-20.7%		1.0%		7.4%		5.7%	Jun-98
Barclay's Global Inv N.A. R1000 Alpha Tilts	\$535,247,285	12.9%	-10.5%	65	-18.9%	51	-22.5%	72	-1.1%	86	5.0%	82	3.4%	Apr-02
<i>Russell 1000</i>			-9.3%	51	-19.5%	60	-22.1%	63	0.1%	65	5.5%	71	3.5%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			-9.3%		-18.9%		-21.2%		0.9%		6.2%		--	Apr-02
Turner Investment Partners	\$220,471,058	5.3%	-18.2%	85	-33.2%	98	-32.9%	99	-5.4%	99	0.1%	99	3.3%	Jul-02
<i>Russell 1000 Growth</i>			-12.3%	42	-20.3%	44	-20.9%	47	0.0%	61	3.7%	83	5.1%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			-13.0%		-20.9%		-21.2%		0.6%		5.5%		--	Jul-02
AllianceBernstein L.P.	\$212,161,968	5.1%	-15.5%	97	-30.1%	98	-34.6%	97	-5.6%	96	2.9%	96	6.5%	Jul-96
<i>Russell 1000 Value</i>			-6.1%	33	-18.9%	59	-23.6%	69	0.1%	65	7.1%	61	8.5%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			-7.4%		-18.0%		-21.3%		1.0%		7.8%		--	Jul-96

Total Plan

Performance Summary - Net of Fees

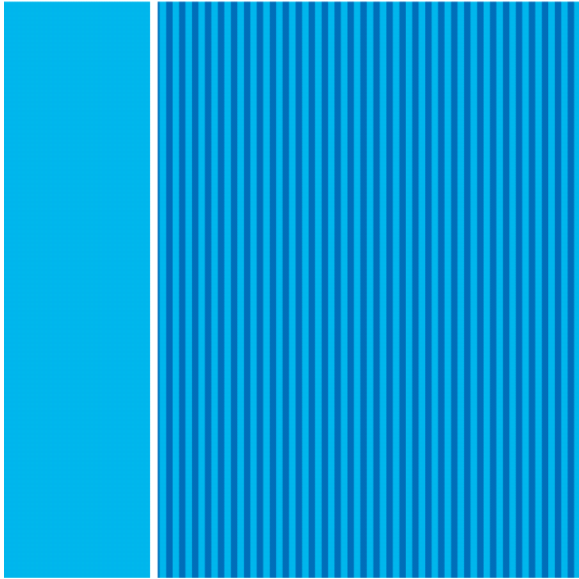
Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Earnest Partners LLC	\$184,963,271	4.4%	-12.5%	42	-14.7%	17	-15.2%	14	1.1%	46	--	--	5.1%	Apr-05
<i>Russell Mid Cap</i>			-12.9%	48	-19.5%	56	-22.4%	61	0.1%	54	8.6%	54	4.0%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			-13.2%		-17.9%		-20.3%		0.5%		8.7%		--	Apr-05
Dimensional Fund Advisors Inc.	\$240,450,348	5.8%	-0.1%	34	-12.3%	67	-18.9%	72	-0.6%	71	10.1%	48	12.3%	Sep-96
<i>Russell 2000 Value</i>			5.0%	6	-5.4%	21	-12.3%	31	2.0%	46	9.4%	59	10.4%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			-1.8%		-10.4%		-15.2%		1.6%		10.0%		11.9%	Sep-96
Artisan Partners Limited Ptrn	\$81,775,783	2.0%	-4.7%	13	-22.1%	68	-26.2%	75	-4.7%	96	5.3%	74	7.9%	Nov-02
<i>Russell 2000 Growth</i>			-7.0%	26	-15.3%	19	-17.1%	17	1.5%	46	6.6%	52	9.4%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			-10.3%		-20.0%		-22.2%		1.0%		6.8%		--	Nov-02
Total Intl Equity Composite	\$738,755,756	17.7%	-21.5%	55	-30.6%	72	-31.3%	71	1.7%	64	10.7%	55	6.9%	Apr-96
<i>MSCI EAFE</i>			-20.6%	46	-29.3%	57	-30.5%	62	1.1%	74	9.7%	76	4.1%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Apr-96
Brandes Investment Partners	\$314,683,912	7.6%	-13.7%	6	-25.4%	18	-26.0%	20	3.1%	42	12.4%	27	10.4%	Jan-98
<i>MSCI EAFE</i>			-20.6%	46	-29.3%	57	-30.5%	62	1.1%	74	9.7%	76	4.2%	Jan-98
<i>MSCI EAFE Value</i>			-19.1%	32	-30.3%	69	-32.6%	79	0.0%	89	10.1%	71	5.9%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Jan-98
William Blair & Company	\$349,817,720	8.4%	-27.6%	97	-35.3%	98	-35.2%	94	0.9%	76	--	--	6.9%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			-21.8%	59	-29.5%	60	-30.0%	56	3.1%	43	11.8%	36	10.3%	Nov-03
<i>MSCI EAFE Growth</i>			-21.9%	59	-28.3%	46	-28.5%	41	2.2%	55	9.2%	82	7.8%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			-21.1%		-28.6%		-29.3%		2.6%		10.8%		--	Nov-03

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending September 30, 2008										Inception	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	\$74,254,124	1.8%	-20.8%	18	-27.7%	16	-33.1%	29	--	--	--	--	-8.1%	Mar-06
<i>MSCI EAFE Small Cap NET WHT</i>			-24.0%	36	-31.9%	48	-35.2%	52	-3.9%	89	9.2%	79	-11.1%	Mar-06
<i>MSCI EAFE Small Cap</i>			-23.9%	36	-31.7%	46	-35.0%	49	-3.5%	88	9.6%	78	-10.8%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			-25.3%		-32.1%		-35.0%		1.3%		13.3%		-6.3%	Mar-06
Total Fixed Income Composite*	\$1,206,482,645	29.0%	-4.9%	80	-4.7%	75	-2.4%	73	3.4%	55	4.1%	30	8.2%	Dec-87
<i>Lehman Aggregate</i>			-0.5%	28	0.6%	31	3.7%	28	4.2%	35	3.8%	44	7.3%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			-1.8%		-1.2%		1.3%		3.5%		3.7%		7.3%	Dec-87
Barclays Global Inv N.A. Intermediate Agg	\$368,876,278	8.9%	-0.1%	22	1.3%	32	4.3%	35	4.5%	36	3.8%	29	5.7%	Jun-99
<i>Lehman Int Aggregate</i>			-0.1%	23	1.2%	33	4.2%	36	4.4%	39	3.8%	31	5.6%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			-1.3%		0.2%		3.0%		4.1%		3.4%		5.5%	Jun-99
Reams Asset Management	\$311,359,052	7.5%	-4.9%	82	-4.5%	71	-1.6%	60	3.0%	51	3.5%	58	4.3%	Dec-01
<i>Lehman Aggregate</i>			-0.5%	14	0.6%	16	3.7%	14	4.2%	18	3.8%	40	4.9%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-2.9%		-2.8%		-0.7%		3.0%		3.6%		4.9%	Dec-01
Loomis, Sayles & Company, L.P.	\$526,247,315	12.6%	-8.0%	93	-8.7%	90	-7.1%	89	2.8%	57	4.6%	10	9.4%	Nov-87
<i>Lehman Aggregate</i>			-0.5%	14	0.6%	16	3.7%	14	4.2%	18	3.8%	40	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-2.9%		-2.8%		-0.7%		3.0%		3.6%		--	Nov-87
Total Real Estate Composite	\$388,335,019	9.3%	-0.8%	57	0.9%	55	3.4%	58	14.2%	25	15.8%	22	6.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			0.6%	15	5.4%	1	9.2%	1	15.0%	14	14.7%	51	8.6%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-0.3%		1.3%		3.6%		13.0%		14.8%		--	May-86
Real Estate	\$388,335,019	9.3%	-0.8%	57	0.9%	55	3.4%	58	14.2%	25	15.8%	22	6.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			0.6%	15	5.4%	1	9.2%	1	15.0%	14	14.7%	51	8.6%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-0.3%		1.3%		3.6%		13.0%		14.8%		--	May-86

*Excludes cash.



Appendix

Fee Schedule

Manager Roster and Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Total Domestic Equity Composite	No Fee		--	--
Northern Trust Global	0.05% of First \$50.0 Mil, 0.03% of Next \$25.0 Mil, 0.02% of Next \$25.0 Mil, 0.01% Thereafter	\$0	\$61,249	0.01%
Barclay's Global Inv N.A. R1000 Alpha Tilts	0.55% of First \$5.0 Mil, 0.40% of Next \$20.0 Mil, 0.30% of Next \$75.0 Mil, 0.25% Thereafter	\$0	\$1,420,618	0.26%
Turner Investment Partners	0.33% of First \$300.0 Mil, 0.30% Thereafter		\$727,555	0.33%
AllianceBernstein L.P.	0.90% of First \$15.0 Mil, 0.50% of Next \$35.0 Mil, 0.40% Thereafter		\$958,648	0.45%
Earnest Partners LLC	0.54% of First \$175.0 Mil, 0.50% Thereafter		\$986,066	0.53%
Dimensional Fund Advisors Inc.	0.50% of First \$100.0 Mil, 0.25% of Next \$50.0 Mil, 0.20% Thereafter	\$0	\$805,901	0.33%
Artisan Partners Limited Ptr	1.00% of First \$50.0 Mil, 0.80% Thereafter		\$754,206	0.92%
Total Intl Equity Composite	No Fee		--	--
Brandes Investment Partners	0.55% of First \$50.0 Mil, 0.50% of Next \$50.0 Mil, 0.45% of Next \$50.0 Mil, 0.40% of Next \$50.0 Mil, 0.35% Thereafter	\$0	\$1,351,394	0.42%

Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
William Blair & Company	0.90% of First \$20.0 Mil, 0.70% of Next \$30.0 Mil, 0.60% of Next \$50.0 Mil, 0.50% of Next \$50.0 Mil, 0.40% of Next \$50.0 Mil, 0.30% Thereafter	\$0	\$1,589,453	0.45%
Dimensional Fund Advisors Inc.	0.69% of Assets		\$2,049,414	2.76%
Total Fixed Income Composite	No Fee		--	--
Barclays Global Inv N.A. Intermediate Agg	0.15% of First \$25.0 Mil, 0.08% of Next \$25.0 Mil, 0.05% of Next \$50.0 Mil, 0.04% of Next \$25.0 Mil, 0.03% of Next \$25.0 Mil, 0.02% Thereafter		\$143,775	0.03%
Reams Asset Management	0.15% of First \$300.0 Mil, 0.10% Thereafter		\$461,359	0.14%
Loomis, Sayles & Company, L.P.	0.20% of First \$100.0 Mil, 0.14% Thereafter		\$796,746	0.15%
Total Real Estate Composite	No Fee		--	--
Real Estate	No Fee		--	--
Investment Management Fee			\$12,106,384	0.29%

Notes Specific to City of Milwaukee Employees' Retirement System

Prior to May 31, 1999, the Total Fund Reference Index was composed of the following indices: 47% Russell 3000, 24% Lehman Brothers Aggregate, 12% MSCI EAFE (net), 6% Salomon Brothers World Government Bond Index (hedged), 1.5% NAREIT All REIT, 3% MSCI Emerging Markets Free, and 5% SWIB.

From May 31, 1999 through December 31, 1999, the Total Fund Reference Index was comprised of the following indices: 53% Russell 3000, 32% Lehman Brothers Aggregate, 12% MSCI EAFE (net), 1.5% NCREIF Property, and 1.5% NAREIT All REIT.

From January 1, 2000 through April 30, 2006, the Total Fund Reference Index was comprised of the following indices: 50% Russell 3000, 30% Lehman Brothers Aggregate, 15% MSCI EAFE (net), 5% NCREIF Property. This change was made to reflect allocation adjustments decided at the November 1999 meeting.

Subsequent to April 30, 2006, the Total Fund Reference Index was comprised of the following indices: 45% Russell 3000, 28% Lehman Brothers Aggregate, 20% MSCI EAFE (net), 7% NCREIF Property. This change was made to reflect allocation adjustments decided at the November 1999 meeting.

Prior to 2001, the Real Estate Benchmark was CPI plus 600 basis points per year. Since January 1, 2001, the Real Estate Benchmark is the NCREIF Property Index.

Monthly returns were provided by Asset Strategies, through second quarter 2000. Beginning third quarter 2000, monthly returns and asset holdings were provided by Northern Trust and real estate asset values and returns were provided by Townsend.

Beginning July 1st, 2008, the Total Fund Reference Index is comprised of the following indices: 45% Russell 3000, 28% Lehman Brothers Aggregate, 20% MSCI EAFE (net), 7% NCREIF Property (1Qtr in Arrears).

Appendix

For purposes of performance calculation, the inception dates for the managers refer to the first full quarter of performance. Following is a list of the inception dates for all of the managers:

<i>Manager</i>	<i>Inception Date</i>
Total Fund Composite	1Q1979
Total Domestic Equity Composite	1Q1988
Total International Equity Composite	3Q1996
Total Fixed Income Composite	1Q1988
Total Real Estate Composite	1Q1986
Northern Trust	3Q 1988
Barclays Global RUI Value Alpha Tilts	3Q 1996 — terminated during 2Q 2002
Barclays Global RUI Alpha Tilts	3Q 2002
Alliance (Bernstein)	4Q 1996
Brown Capital	3Q 1992 — terminated during 2Q 2005
Dimensional Fund Advisors SCV	4Q 1996
Turner Investment Partners	4Q 2002
Pilgrim Baxter	4Q 1992 — terminated during 4Q 2002
Artisan Partners	1Q 2003
Brandes	1Q 1998
Putnam	1Q 1998 — terminated during 4Q 2003
William Blair	1Q 2004
BGI LB Intermediate Aggregate	3Q 1999
Reams	1Q 2001
Loomis	1Q 1988
SWIB	4Q 1988 — removed during 2Q 2002
EARNEST Partners	2Q 2005
Dimension Fund Advisors Intl SC	3Q 2006

**Benchmark Performance
For the 10-Year Period Ended September 30, 2008
(Percent Return)**

Benchmark	10-Year Annualized Return
Total Fund Composite	6.5
Total Domestic Equity Composite	5.2
Total International Equity Composite	9.4
Total Fixed Income Composite	5.6
Total Real Estate Composite	11.9
Russell 3000 Index	3.8
S&P 500 Index	3.1
Russell 1000 Index	3.5
Russell 1000 Growth Index	0.6
Russell 1000 Value Index	5.5
Russell Midcap Index	8.3
Russell 2000 Value Index	10.1
Russell 2000 Growth Index	4.7
MSCI EAFE Index	5.4
MSCI AC World Ex US Index	6.8
MSCI EAFE Small Cap Price Index	6.3
Lehman Brothers Intermediate Aggregate Bond	5.2
Lehman Brothers Aggregate Bonds	5.2

Mercer Manager Ratings as of September 30, 2008

Manager	Mercer Rating
Northern Trust	N
Barclays Global RUI Alpha Tilts	A
Alliance (Bernstein)	A(T)
Turner Investment Partners	B
EARNEST Partners	B+
Dimensional Fund Advisors SCV	A-
Artisan Partners	A-
Brandes	A-(T)
William Blair	A(T)
Dimensional Fund Advisors Intl SCV	A-
BGI LB Intermediate Aggregate	A
Reams	B+ (T)
Loomis	B+ (T)

Appendix

Information Ratios for the 5 Year Period Ended September 30, 2008

Manager	Information Ratio	Ranking
Total Fund Composite	0.2	----
Total Domestic Equity Composite	-0.4	(91)
Total International Equity Composite	0.5	(27)
Total Fixed Income Composite	0.2	(29)
Total Real Estate Composite	----	----
Northern Trust	-0.2	(90)
Barclays Global RUI Alpha Tilts	-0.1	(80)
Alliance (Bernstein)	-0.8	(94)
Turner Investment Partners	-0.6	(98)
EARNEST Partners	1.0	(2)
Dimensional Fund Advisors SCV	0.2	(41)
Artisan Partners	-0.1	(54)
Brandes	0.6	(27)
William Blair	0.0	(66)
Dimensional Fund Advisors Intl SCV	1.7	(9)
BGI LB Intermediate Aggregate	0.9	(2)
Reams	-0.1	(45)
Loomis	0.2	(28)

**Performance Reconciliation
For the Quarter Ended September 30, 2008
(Percent Return)**

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	-9.0	-9.0
BGI (Equity)	-10.4	-10.2
Turner	-18.1	-18.1
Bernstein	-15.4	-15.4
EARNEST Partners	-12.4	-12.4
DFA	-0.1	-0.1
Artisan Partners	-4.4	-4.5
Brandes	-13.6	-13.7
William Blair	-27.5	-27.5
DFA Intl SC	-20.7	-20.8
BGI (Fixed Income) ⁽¹⁾	-0.1	-0.1
Reams	-4.8	-5.3
Loomis	-8.0	-8.3

⁽¹⁾ BGI does not calculate a return for its Intermediate Aggregate Index product, as it is an aggregation of four index products.

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Returns for periods greater than one year are annualized. Returns are calculated gross of investment management fees, unless noted.

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Percentile rankings for managers, funds or indices in performance floating bar exhibits may not match Universe percentiles due to rounding. Only performance composites submitted by investment managers by Mercer's deadline for a particular quarter are included in that quarter's Manager Universe calculation. Composites submitted after the deadlines are included in the Manager Universe at Mercer's discretion. Because Mercer Manager Universes are based upon information

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