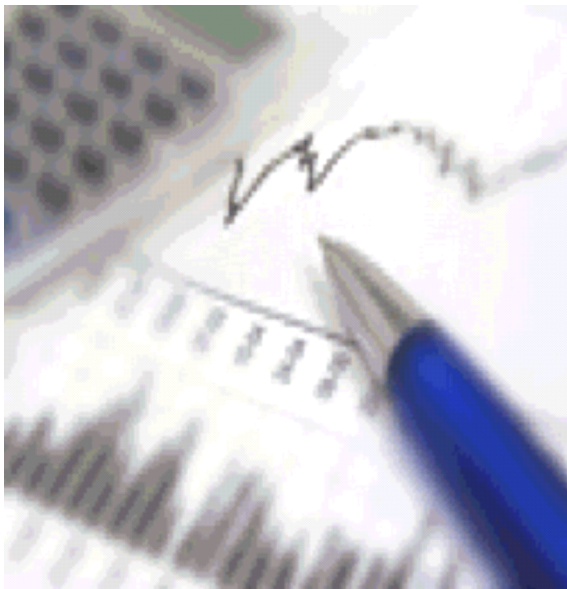


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City of Milwaukee Employees' Retirement System

Board Report

Periods Ending December 31, 2008

Services provided by Mercer Investment Consulting, Inc.

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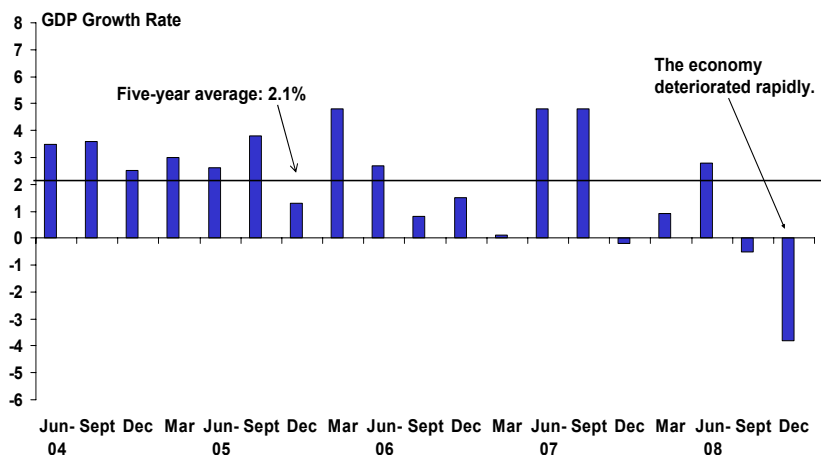
Capital Markets Commentary

Economic Environment

For Periods Ending December 2008

Economic Profile

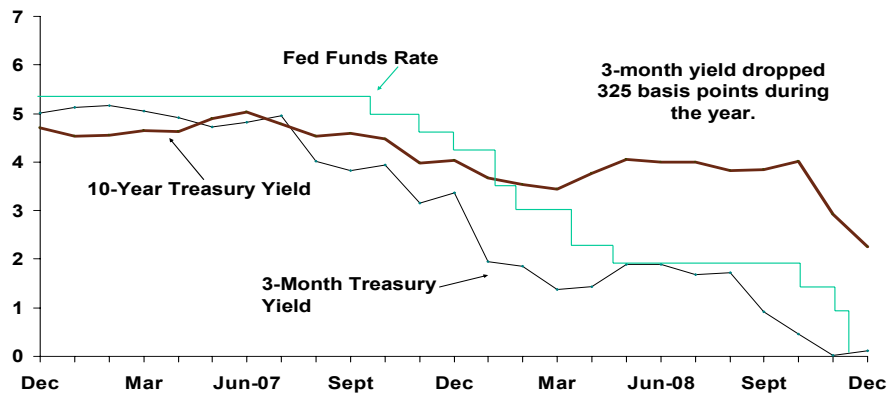
GDP Growth Rate



- The economy ended the year with a rapid decline in all measures of economic activity: declining consumer spending, declining manufacturing activity, and depressed capital markets. The government's initial estimate of GDP showed the economy contracted 3.8% in the fourth quarter.
- The unemployment rate rose to 7.2%, its highest level since January 1993. In 2008, a total of 2.6 million jobs were lost, the largest annual loss in more than six decades.
- Consumer spending remained weak as holiday shoppers kept their pocketbooks closed. Retail sales fell 2.8% in December, the sixth straight monthly decline.
- The housing market remained frozen despite record-low mortgage rates and falling home prices. Nationally, home prices have fallen 21% since their peak. The average 30-year fixed-rate mortgage hit a 37-year low of 5.10% in December.

Interest Rates and Inflation

Treasury Yields



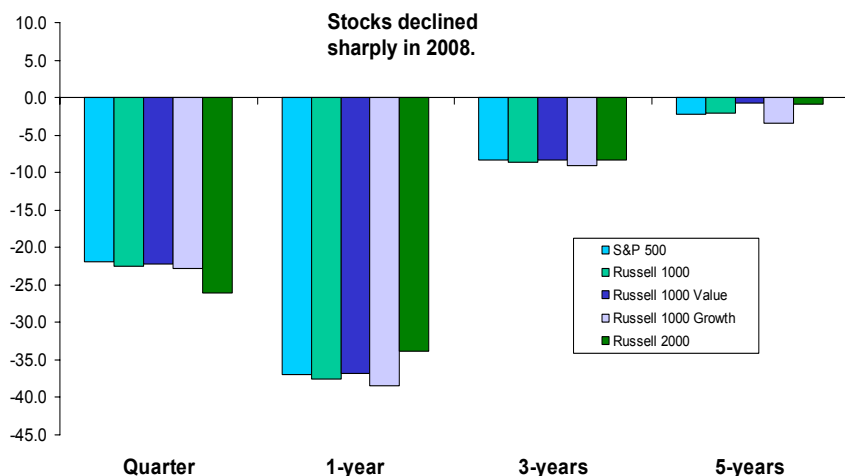
- The Fed lowered the federal funds rate three times during the quarter, bringing it from 2.0% to a range of between 0% and 0.25%, a historic low.
- Over the quarter, the 2-year Treasury yield fell 124 basis points to 0.76% and the 10-year Treasury yield fell 160 basis points to 2.25%. The 2- to 10-year yield slope narrowed by 36 basis points.
- The 3-month T-bill yield decreased 81 basis points to 0.11%, while the yield on 30-year Treasuries fell 162 basis points to 2.69%.
- Consumer prices dropped for the third straight month in December because of falling energy prices. In 2008, the CPI rose 0.1%, the smallest increase in 54 years. Core CPI was up 1.8%.

Equity Market Performance

For Periods Ending December 2008

Domestic Equity Market Performance

Market Index Performance



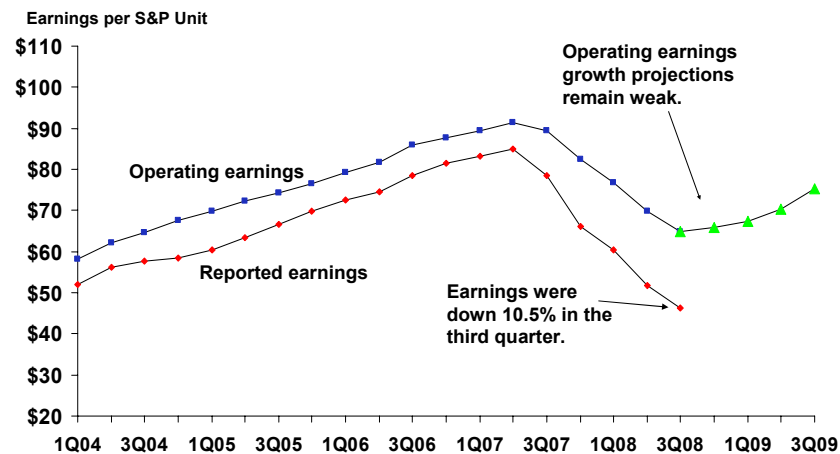
- The stock market plummeted in the fourth quarter amid ongoing problems in the credit markets and continued investor risk aversion. The S&P 500 Index fell 21.9% during the quarter and was down 37.0% in 2008, its worst year since 1937. The Russell 1000 Index lost 22.5% and 37.6% for the same periods.
- Small cap stocks, down 26.1%, underperformed large cap stocks during the quarter, but held up better over the year, losing 33.8%. Mid cap stocks posted the weakest performance, declining 27.3% for the quarter and 41.5% for the year.
- Value outperformed growth across all market capitalizations during the quarter and year, though the margin was less significant in the large cap space. For the year, losses were least severe for small cap value stocks, which fell 28.9%.
- Financials, the hardest hit sector, fell 35.1% during the quarter. For the year, financial stocks sank 52.2%. Consumer staples held up best, falling 16.5%.

Russell 1000 Sector Returns

Sector	Qtr Return	2008 Return
Energy	-22.6	-36.9
Materials	-31.7	-47.3
Consumer Discretionary	-24.6	-37.6
Consumer Staples	-13.0	-16.5
Health Care	-13.2	-22.8
Financials	-35.1	-52.2
Information Technology	-25.5	-42.8
Telecommunication Services	-4.7	-32.7
Utilities	-10.8	-29.6
Industrials	-24.1	-40.8

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



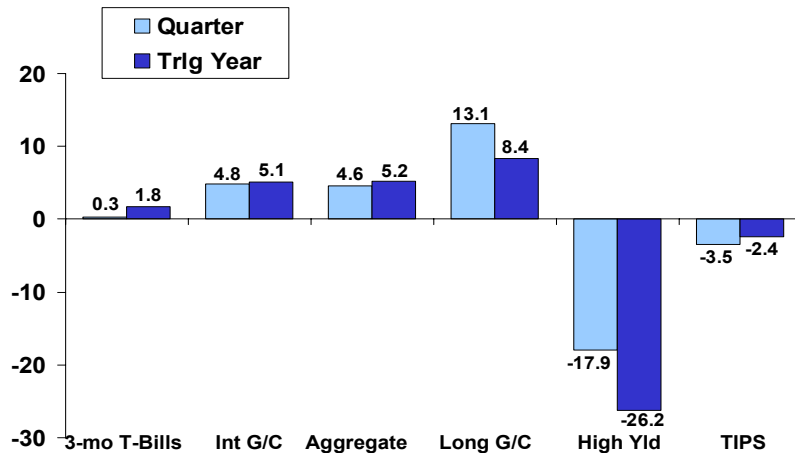
Source: Standard & Poor's

Fixed Income Market Performance

For Periods Ending December 2008

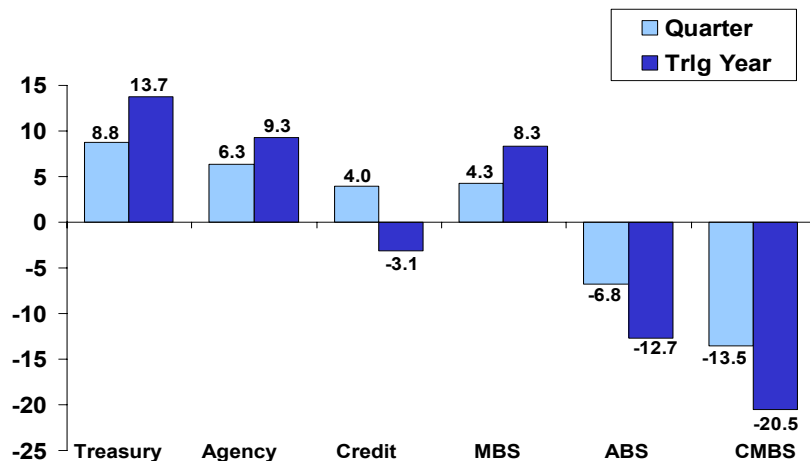
Fixed Income Market Performance

Performance by Maturity and Sector

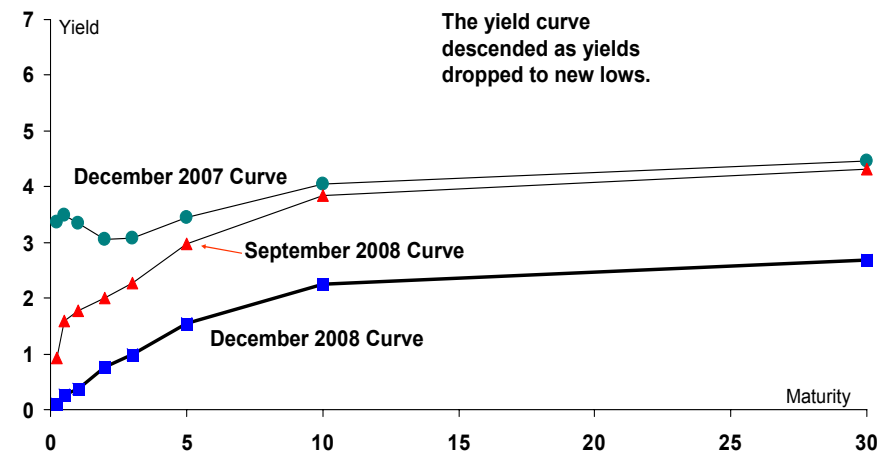


- The bond market experienced continued investor risk aversion and increased spread widening during the quarter. The Barclays Capital Aggregate Bond Index advanced 4.6%, resulting in a 5.2% gain for the year.
- Treasuries, up 8.8% for the quarter and 13.7% for the year, outperformed all spread sectors as investors' flight-to-quality drove yields down.
- The Barclays Capital Credit Index was up 4.0% for the quarter but ended the year down 3.1%. In general, long-term bonds offered the best results during the quarter but trailed intermediate-term maturity issues in 2008. By quality, BAA-rated securities were the weakest performers during the quarter and year. On average, credit spreads widened 102 basis points during the quarter.
- The Barclays Capital MBS Index gained 4.3% for the quarter and 8.3% for the year. The ABS and CMBS sectors posted losses during the quarter and declined 12.7% and 20.5% in 2008.

Performance by Issuer



Treasury Yield Curves

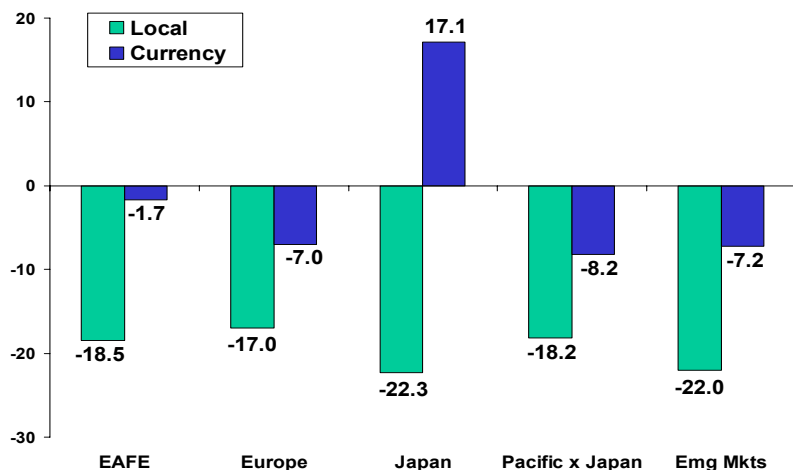


Other Markets

For Periods Ending December 2008

International Equity Market Performance

Regional Performance for the Quarter



- International equity markets continued on a downward spiral as the MSCI EAFE Index fell 19.9% during the quarter, resulting in a 43.1% loss for the year in dollar terms. The Index was down 18.5% and 39.9% in local currency terms for the same periods.
- The Pacific region lost 13.8% in the fourth quarter, ending the year down 36.2%. Performance for the Pacific ex Japan region was bleaker, declining 24.9% and 50.0% for the same periods.
- Stocks in the European region were down 22.7% for the quarter and declined 46.1% for the year, with all countries reporting double-digit losses.
- Emerging market stocks were hammered as the MSCI EM Index plummeted 27.6% during the quarter. For the year, the Index was down 53.2%.

Other Asset Classes

High Yield Bonds

- The Barclays Capital High Yield Bond Index posted a solid gain in December, but remained in negative territory for the quarter and year, declining 17.9% and 26.2% respectively. During the quarter, the average yield spread versus Treasuries widened 700 basis points.
- In 2008, long-term bonds underperformed intermediate-term issues and lower-quality bonds suffered greater losses than higher-rated bonds.

Real Estate

- Equity REITS, as measured by the FTSE NAREIT Index, declined 38.8% during the quarter, resulting in a 37.7% loss for the year.
- The latest data available for the private real estate market showed a third-quarter loss of 0.2% for the NCREIF Property Index.

Inflation Indexed Bonds

- Treasury Inflation-Protected Securities (TIPS) were down 3.5% for the quarter and lost 2.4% for the year, underperforming Treasuries by 1,609 basis points.

Commodities

- The S&P GSCI Index plunged 47.0% during the quarter, ending the year with a loss of 46.5%. Energy, down 52.4%, posted the sharpest decline in 2008. The Precious Metals Index, up 0.5%, was the only sector to post a positive return for the year.

International Bonds

- The Citigroup Non-U.S. Government Bond Index returned 8.8% in U.S. dollar terms during the quarter, resulting in a 10.1% gain in 2008.
- The Barclays Capital Emerging Markets Index was down 9.3% in the fourth quarter and down 14.8% for the year. The Emerging Middle East was the best-performing region in 2008.

Market Returns Summary

For Periods Ending December 2008

		<u>QTR</u>	<u>YTD</u>	<u>1 YR</u>	<u>3 YRS*</u>	<u>5 YRS*</u>	<u>10 YRS*</u>
Equity	S&P 500	-21.9	-37.0	-37.0	-8.4	-2.2	-1.4
	Russell 1000 Value	-22.2	-36.9	-36.9	-8.3	-0.8	1.4
	Russell 1000 Growth	-22.8	-38.4	-38.4	-9.1	-3.4	-4.3
	Russell MidCap	-27.3	-41.5	-41.5	-10.7	-0.7	3.2
	Russell MidCap Value	-27.2	-38.4	-38.4	-10.0	0.3	4.4
	Russell MidCap Growth	-27.4	-44.3	-44.3	-11.8	-2.3	-0.2
	Russell 2000	-26.1	-33.8	-33.8	-8.3	-0.9	3.0
	Russell 2000 Value	-24.9	-28.9	-28.9	-7.5	0.3	6.1
	Russell 2000 Growth	-27.4	-38.5	-38.5	-9.3	-2.4	-0.8
	Russell 3000	-22.8	-37.3	-37.3	-8.6	-2.0	-0.8
	<i>Mercer Large Cap Value Equity Peer Group median**</i>	-21.6	-35.7	-35.7	-7.3	-0.1	2.9
	<i>Mercer Large Cap Growth Equity Peer Group median**</i>	-22.6	-38.8	-38.8	-8.4	-1.8	-0.5
	<i>Mercer Small Cap Value Equity Peer Group median**</i>	-24.6	-31.5	-31.5	-7.7	0.7	7.9
<i>Mercer Small Cap Growth Equity Peer Group median**</i>	-26.7	-41.7	-41.7	-9.8	-2.2	2.7	
Fixed Income	Citigroup 3-Month T-Bill	0.3	1.8	1.8	3.8	3.1	3.3
	Barclays Capital Int. Gov't/Credit	4.8	5.1	5.1	5.5	4.2	5.4
	Barclays Capital Gov't/Credit	6.4	5.7	5.7	5.6	4.6	5.6
	Barclays Capital Aggregate	4.6	5.2	5.2	5.5	4.7	5.6
	Barclays Capital Intermediate Government	6.2	10.4	10.4	7.5	5.3	5.7
	Barclays Capital Long Gov't/Credit	13.1	8.4	8.4	5.9	6.3	6.6
	Barclays Capital Mortgages	4.3	8.3	8.3	6.8	5.5	6.0
	Barclays Capital TIPS	-3.5	-2.4	-2.4	3.1	4.1	6.8
	Barclays Capital Corp High Yield	-17.9	-26.2	-26.2	-5.6	-0.8	2.2
	<i>Mercer Core Fixed Income Peer Group median**</i>	2.4	1.7	1.7	4.1	3.9	5.4
International	MSCI EAFE	-19.9	-43.1	-43.1	-6.9	2.1	1.2
	MSCI Emerging Markets	-27.6	-53.2	-53.2	-4.6	8.0	9.3
	Citigroup Non-US Gov't Bond	8.8	10.1	10.1	9.5	6.0	5.6
	Citigroup Non-US Gov't Bond - Hedged	5.5	8.0	8.0	5.3	5.4	5.4
	<i>Mercer International Equity Universe median**</i>	-20.6	-43.2	-43.2	-6.3	2.8	3.7
Miscellaneous	NCREIF Property Index***	-0.2	5.3	5.3	13.3	14.2	11.8
	FTSE NAREIT (Equity REITS)	-38.8	-37.7	-37.7	-10.8	0.9	7.4
	Merrill Lynch Inv. Grade Convertible	-6.9	-15.1	-15.1	-0.6	0.7	2.5
	Goldman Sachs Commodity Index	-47.0	-46.5	-46.5	-15.5	-2.4	7.4
Inflation	CPI	-3.9	0.1	0.1	2.2	2.7	2.6

Index at 9/30/08	Dow Jones 10,850.66	NASDAQ 2,091.88	S&P 500 1,164.74	Russell 2000 679.58	Wilshire 5000 11,875.41
Index at 12/31/08	Dow Jones 8,776.39	NASDAQ 1,577.03	S&P 500 903.25	Russell 2000 499.45	Wilshire 5000 9,087.17

* Annualized

** Preliminary

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

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

For Fourth Quarter 2008

Domestic Equity - Largest Positive & Negative Contributors to S&P 500 For Periods Ending December 31, 2008

S&P 500 Quarterly Return = -21.94%

25 Largest Positive Contributors

Stock	Return (%)	End of Quart Weight	Cap Rank
EXXON MOBIL CORP	3.31%	5.17%	1
VERIZON COMMUNICATIONS COM	7.28%	1.23%	13
BRISTOL MYERS SQUIBB CO COM	14.70%	0.59%	37
AT & T INC COM	3.60%	2.14%	4
GILEAD SCIENCES INC COM	12.08%	0.60%	36
ARCHER DANIELS MIDLAND CO COM	32.21%	0.24%	95
WACHOVIA CORP NEW COM	59.69%	0.15%	149
NUCOR CORP	17.85%	0.18%	126
APOLLO GROUP INC CL A	29.21%	0.10%	212
UNITEDHEALTH GROUP INC COM	4.77%	0.41%	54
WYETH COM	2.39%	0.64%	33
WASTE MGMT INC DEL COM	6.21%	0.21%	114
SUNOCO INC COM	23.07%	0.06%	297
NEWMONT MINING CORP HOLDING CO	5.26%	0.24%	96
QWEST COMMUNICATIONS INTL INC	15.51%	0.07%	282
C H ROBINSON WORLDWIDE INC	8.46%	0.12%	190
AUTOZONE INC COM	13.08%	0.07%	281
PG&E CORP COM	4.41%	0.18%	129
UST INC COM	5.21%	0.13%	173
MOLSON COORS BREWING CO CL B	5.11%	0.09%	228
FAMILY DLR STORES INC	10.53%	0.05%	361
SHERWIN WILLIAMS CO COM	5.15%	0.07%	258
FIRST HORIZON NATIONAL CORP	15.00%	0.03%	432
KING PHARMACEUTICALS INC COM	10.86%	0.03%	415
AON CORP COM	1.96%	0.16%	147

25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
BANK OF AMERICA CORP	-58.86%	0.90%	24
GENERAL ELEC CO COM	-35.25%	2.17%	3
CITIGROUP INC COM	-66.90%	0.47%	48
JPMORGAN CHASE & CO COM	-31.86%	1.50%	10
MICROSOFT CORP COM	-26.70%	1.89%	7
IBM CORP COM	-27.60%	1.44%	11
SCHLUMBERGER LTD COM	-45.52%	0.64%	32
CISCO SYS INC COM	-27.75%	1.22%	14
CONOCOPHILLIPS	-28.64%	0.98%	21
WELLS FARGO & CO NEW COM	-20.53%	1.42%	12
APPLE INC	-24.91%	0.97%	22
PEPSICO INC COM	-22.56%	1.08%	18
JOHNSON & JOHNSON COM	-12.96%	2.11%	5
HEWLETT PACKARD CO COM	-21.35%	1.13%	16
PROCTER & GAMBLE CO COM	-10.74%	2.35%	2
GOOGLE INC CL A	-23.19%	0.94%	23
INTEL CORP	-20.94%	1.04%	20
MERRILL LYNCH & CO INC	-52.77%	0.24%	94
MEDTRONIC INC COM	-36.62%	0.45%	50
AMERICAN EXPRESS CO COM	-47.30%	0.27%	76
GOLDMAN SACHS GROUP INC COM	-33.82%	0.48%	46
US BANCORP DEL COM NEW	-29.39%	0.56%	38
PRUDENTIAL FINL INC	-56.85%	0.16%	139
METLIFE INC COM	-36.15%	0.35%	63
CHEVRON CORPORATION COM	-9.58%	1.91%	6

Data Source: Compustat

Report Date: January 16, 2009

Executive Summary

Executive Summary

Total Fund

At the end of December, 2008, the Total Plan had a market value of approximately \$3.4 billion, representing a decrease of \$720 million as compared to the end of the previous quarter. The Domestic Equity segment of the Plan represented 39.7% of the Total Fund and the International Equity portion of the Fund represented 17.9% of the Total Plan. The Fixed Income and Real Estate components accounted for 31.3% and 10.6% of the Total Plan, respectively. Relative to the policy guidelines, the Domestic Equity and International Equity composites held underweight allocations while the Fixed Income and Real Estate segments of the Plan ended the fourth quarter at above-policy weights.

Over the quarter, the Total Plan returned -16.2%, underperforming the Reference Index by 290 basis points. Manager selection drove underperformance during the quarter. Over the one-year period, the Fund lagged its reference index by 510 basis points. Over the trailing three-year and five-year periods, the Fund underperformed its benchmark.

Domestic Equity

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

The fourth quarter of 2008 saw a continued deterioration of overall market conditions, and the National Bureau of Economic Research announced that the U.S. was in the midst of a recession. Furthermore, rising unemployment, corporate write-downs, and government intervention were also commonly seen features across the global economy in the aftermath of the ongoing credit crisis. Commodities suffered their worst quarter on record as demand slumped because of the global recession. The advance estimate of annualized fourth-quarter GDP growth was -3.8%, which is the largest quarterly decline since 1982. Full-year GDP growth was 1.3%. The Federal Open Market Committee reduced the Federal Funds Target Rate three times during the fourth quarter. Over the quarter, the Fed funds target rate dropped from 2.00% to the astoundingly low current range of 0.00% to 0.25%.

Consumer prices, as measured by the Consumer Price Index (CPI), fell at an annual rate of 12.7% during the fourth quarter and rose 0.1% over the past 12 months. Excluding volatile food and energy prices, the CPI decreased at an annual rate of 0.3% during the quarter and rose 1.8% over the past 12 months. The Producer Price Index for finished goods fell 0.9% over the past 12 months, which represented a significant drop from last year (6.2% in December 2007). The Federal Reserve Board reported that preliminary production capacity utilization was 73.6% at the end of December, a decrease of 1.4% from the revised September number and 7.4% below the average for the period 1972 – 2007. The unemployment rate rose to 7.2% from 6.1% at the end of the third quarter, the highest it has been since 1993. The Consumer Confidence Index hit a new all-time low in December, standing at 38.0. In 1985, the Index was at 100, and in November 2008 it was at 44.7.

During the fourth quarter, oil prices continued to tumble from their recent record highs, closing below \$40/barrel in December. The housing market, as measured by the National Association of Home Builders/Wells Fargo Housing Market Index, deteriorated further in the fourth quarter as a new record low was reached in November and December. Home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, posted record declines of 18.0% annually through October. The ongoing flight to quality persisted during the fourth quarter as 3-month Treasury yields declined from 0.92% at the end of September to 0.11% at the end of December. Likewise, 10-year Treasury yields declined from 3.85% in September to 2.25% at the end of the quarter.

Executive Summary

With seismic disruption of the capital markets during the fourth quarter, the Volatility (or “fear”) Index (VIX) reached record levels in October and November, while much of the world no longer remained immune to what has become a global recession. Congress passed the Troubled Assets Relief Program (TARP) in October; paving the way for a much-needed and well-publicized injection of capital into many struggling banks. During the fourth quarter, Wells Fargo outbid Citigroup and acquired Wachovia, thus preventing the Charlotte bank from failing. Citigroup also sought assistance from the U.S. government, which injected Citigroup with an additional \$20 billion and guaranteed hundreds of billions of risky assets. A \$17.4 billion bailout of the U.S. automakers was approved in December in order to prevent the automakers from filing for bankruptcy. During the same month, investors also learned that Bernard Madoff’s Investment Securities LLC was in fact a ponzi scheme that had defrauded investors by approximately \$50 billion dollars across the globe. These market events led to bleak performance in the fourth quarter.

Despite a slight rebound in December, overall investment performance during the fourth quarter was remarkably dismal as equity and other markets suffered significant losses. The large cap domestic equity market, as measured by the Russell 1000 Index, declined 22.5% in the fourth quarter. All sectors posted losses during the quarter, while the financials (-35.1%) and materials (-31.7%) sectors experienced the greatest declines as many financial firms struggled for viability and commodity prices plummeted. The telecommunications (-4.7%) and utilities (-10.8%) sectors fared best during the quarter. Small cap stocks, as measured by the Russell 2000 Index, lagged their larger counterparts and declined 26.1% during the fourth quarter. Value modestly outpaced growth in both the large and small cap markets during the quarter. Over the year, the Russell 1000 Index returned -37.6% while the Russell 2000 Index posted a -33.8% return.

The Domestic Equity segment of the Total Plan posted a -24.6% return, trailing the Russell 3000 Index by 180 basis points and ranking in the 63rd percentile of the Mercer Institutional US Equity Combined universe. Over the one-year period, the composite underperformed its reference index by 340 basis points and ranked in the 75th percentile of the peer universe. The Domestic Equity segment of the Plan has trailed its benchmark over the three-year, five-year and since inception periods. Within the Domestic Equity space, BGI and Artisan outpaced their reference indices over the fourth quarter, while Northern Trust, Earnest Partners, AllianceBernstein, DFA and Turner all underperformed their respective benchmarks.

The Northern Trust Equity Index portfolio returned -22.1% over the quarter, lagging the S&P 500 Index by 20 basis points. Over the one-year and three-year terms, the portfolio has underperformed the reference index. Over the five-year period and since inception, the strategy has tracked the S&P 500 Index within 10 basis points.

The BGI Alpha Tilts strategy posted a -22.3% return over the last three months, leading the Russell 1000 Index by 20 basis points and trailing the peer group median by 60 basis points. Over the one-year period, the portfolio outperformed its reference index while lagging the benchmark over the trailing three and five years. Since inception, BGI outpaced the Russell 1000 Index by 20 basis points. Over the quarter the strategy benefited from stock selection within the oil services and industrial parts sectors. Conversely, securities selection within medical products and consumer software detracted from returns. The holdings of Wachovia, Delta Air Lines and W. R. Berkley helped returns over the fourth quarter, while investments in Alcon and Adobe Systems hampered returns.

Executive Summary

Turner returned -25.2%, lagging the Russell 1000 Growth Index by 240 basis points and ranking in the 81st percentile of the peer group over the fourth quarter. The manager has lagged its reference index over the longer periods analyzed. Since inception, the strategy underperformed its benchmark by 190 basis points. Over the quarter, stock selection within the technology sector was positive for performance while positions within the health care and producer durables sectors hurt performance. Individual portfolio contributors included the holdings of Gilead Sciences Inc. (health care), Occidental Petroleum Corp. (energy) and Apollo Group Inc. (consumer discretionary). Investments in Google Inc. (consumer discretionary), Adobe Systems Inc. (technology) and Schlumberger Ltd. (energy) detracted from performance.

AllianceBernstein posted a -23.6% return, lagging the Russell 1000 Value Index by 140 basis points and ranking in the 75th percentile of its peer group universe. The strategy has underperformed its benchmark over the one-, three- and five-year periods and since inception. Underweight exposures to the industrials and utilities sectors had positive effect on performance while stock selection within the technology and financials sector detracted from returns. Top portfolio contributors included Verizon Communications, AT&T and Exxon Mobil. Positions in Sprint Nextel Corp., Citigroup Inc. and Genworth Financial hampered performance over the quarter.

EARNEST returned -30.0% over the fourth quarter, lagging the Russell Mid Cap Index by 270 basis points and trailing the peer group median by 470 basis points. Over the one-year and three-year periods, the manager has outpaced its benchmark. Since inception, EARNEST outperformed its reference index by 40 basis points. Holdings within the consumer sectors aided returns over the quarter. Overweight allocations to the energy and health care sectors detracted from returns. Positions in Scotts Miracle-Gro Co. (materials), Yum! Brands Inc. (consumer discretionary) and Cephalon Inc. (health care) helped returns over the quarter. The holdings of Pioneer Natural Resources Co. (energy), Covance Inc. (health care) and Chesapeake Energy Corp. (energy) were among the top portfolio detractors over the fourth quarter.

DFA returned -28.4% over the quarter, lagging the Russell 2000 Value index by 350 basis points and ranking in the 81st percentile of the peer group. Over the one-year, three-year and five-year periods, the manager underperformed its benchmark while outpacing the reference index on since inception basis. An underweight allocation to the telecommunication services sector helped performance over the quarter as did an underweight exposure to the financials sector. Conversely, an overweight exposure to the consumer discretionary and stock selection within the health care sectors detracted from returns.

Artisan posted -26.8%, leading the Russell 2000 Growth Index by 60 basis points and lagging the peer group median by 10 basis points over the quarter. Over the longer term periods analyzed, the portfolio has trailed its reference index. Stock selection drove performance over the quarter. Holdings within the materials and consumer discretionary sectors aided returns while investments in the consumer staples and energy sectors hampered performance. The holdings of AAR Corp. (industrials) and Comm Vault Systems (technology) helped results while investments in Hercules Offshore (oil services) and Icon Plc. (health care) hampered returns.

Executive Summary

International

(Brandes, William Blair, DFA)

The international equity markets continued their sharp decline during the fourth quarter, dropping 19.9% in U.S. dollar terms as measured by the MSCI EAFE Index. In local currency terms, the index declined 18.5%, as the U.S. dollar continued to appreciate against other developed-country currencies. Every country in the MSCI EAFE Index saw declining returns during the fourth quarter. Austria and Greece were the worst performers among developed markets, losing 43.2% and 41.0% respectively in U.S. dollar terms. Japan, with a strong currency during the quarter, fell only 9.0% in U.S. dollar terms despite dropping 22.3% in local currency terms. Emerging markets equities fared even worse than their developed counterparts during the quarter, declining 27.6% in U.S. dollar terms as measured by the MSCI EM Index. Currency translation had a significant impact as the index returned -22.0% in local currency terms. Russia and Pakistan performed the worst, losing 51.3% and 50.4% of their value respectively in U.S. dollar terms during the quarter. China, on a relative basis, performed the best out of the emerging-market countries, losing 10.8% in U.S. dollar terms. Over the year, international equity markets lagged the domestic market as the MSCI EAFE returned -43.1% and the MSCI EM Index returned -53.2% in U.S. dollar terms.

The International Equity component of the Total Plan returned -20.8% over the last three months, lagging the MSCI EAFE Index by 80 basis points and underperforming the peer universe median by 20 basis points. Over the one-year period, the segment trailed its benchmark and outperformed the reference index over the three-year and five-year periods. Since inception, the International Equity segment advanced 5.2%, leading its benchmark by 300 basis points.

Brandes returned -17.3% over the quarter and outperformed the MSCI EAFE Index by 270 basis points while ranking in the 20th percentile of the Mercer Institutional International Equity universe. Over the trailing one-, three- and five-year periods, the manager has outperformed its reference index. Since inception, Brandes led its benchmark by 670 basis points. Positive for performance over the quarter was stock selection within the telecommunication services sector. In particular, the holdings of NTT Corp., Swisscom, France Telecom and Telecom Italia helped performance. Conversely, positions in Japan, France and within the commercial banks sector detracted from performance. Individual portfolio detractors included Tyco Electronics (information technology), XL Capital (financials) and Infineon Technologies (information technology).

William Blair posted a -24.2% return, lagging the MSCI AC World ex USA Index by 190 basis points and ranking in the 85th percentile of the peer universe. Over the longer term periods measured, the manager has underperformed its reference index. Stock selection within the consumer discretionary, underweight allocations to the financial and energy sectors, and overweight exposures to the telecommunication services, health care and staples sectors aided returns over the quarter. Stock selection within the energy sector and an underweight allocation to Japan detracted from returns as did holdings in the United Kingdom and Canada.

DFA International Small Cap Value returned -19.2% over the quarter, leading the MSCI EAFE Small Cap Index by 290 basis points and outperforming the peer group median by 280 basis points. Over the one-year and since inception periods, the manager has outperformed its benchmark. Over the fourth quarter, stock selection and an underweight exposure to the United Kingdom and Ireland helped performance as did securities selection within the industrials sector, financials sector and Japan. Conversely positions in Canada, stock selection within the consumer discretionary sector and an underweight exposure to the health care sector detracted from returns.

Executive Summary

Fixed Income

(BGI, Loomis, Reams)

As a result of the sale of the Lehman Brothers fixed income platform to Barclays Capital, the Lehman's fixed income indices have now been renamed under the Barclays Capital brand. The fixed income market, as measured by the Barclays Capital U.S. Aggregate Bond Index, posted a strong 4.6% return during the fourth quarter. Longer-term issues outpaced shorter-term issues during the quarter, as the Barclays Capital Long-Term U.S. Government/Credit Index gained 13.1%. An intensifying flight to quality resulted in Treasuries outperforming the rest of the market as they returned 8.8% as measured by the Barclays Capital U.S. Treasury Index. Investment-grade corporate bonds also added value as the Lehman Brothers U.S. Corporate Bond Index returned 4.0%. Consistent with the flight-to-quality theme, AAA issues significantly outperformed lower-quality issues. High-yield bonds declined 17.9% during the fourth quarter, as measured by the Barclays Capital U.S. Corporate High Yield Index. Mortgages, as measured by the Barclays Capital Mortgage-Backed Securities Index, gained 4.3% during the fourth quarter.

The Domestic Fixed Income component of the Total Plan declined -3.1% over the fourth quarter, lagging the Barclays Capital Aggregate Index by 770 basis points while ranking in the 79th percentile of the peer universe. The Composite has lagged its benchmark over the trailing one-year, three-year and five-year periods. Since inception, the Domestic Fixed Income segment of the Plan advanced 8.0% and outpaced its reference index by 50 basis points.

The BGI fixed income portfolio advanced 3.6%, approximating the Barclays Capital Intermediate Aggregate Index and ranking in the 60th percentile of the Mercer Institutional US Fixed Intermediate universe. Over the longer term periods analyzed (one year, three years and five years), the portfolio has outperformed its reference index. BGI led the benchmark by 10 basis points since inception.

Reams returned -4.3% over the fourth quarter, trailing the Barclays Capital Aggregate Index by 890 basis points and ranking in the 81st percentile of the peer universe. Over the one-, three-, five-year and since inception periods, Reams has lagged its reference index and the peer universe median. During the fourth quarter positions in MBS and government related holdings aided performance while the manager's investments in CMBS, investment grade credit securities, high yield and ABS holdings subtracted from returns. The portfolio's duration strategy aided performance over the quarter while the strategy's yield curve positioning detracted from returns.

Loomis posted -7.2% and underperformed the Barclays Capital Aggregate Index return of 4.6% over the quarter. Over the one-year, three-year and five-year periods, the strategy has lagged its reference index. Since inception, Loomis outperformed its benchmark by 140 basis points. An underweight exposure to the CMBS, long duration MBS and ABS helped returns over the fourth quarter, while high yield industrial holdings and non-US dollar holdings detracted from performance.

Executive Summary

Manager Comments

Custody Update

Even though there is some improvement in the custody space and capital markets, Mercer continues to recommend that the Board delay any action with respect to the custodial RFP until a more stable environment is present.

AllianceBernstein

In December, AllianceBernstein announced staff reductions firmwide in light of recent market challenges and turmoil. Most of the staff reductions are outside of investment management. Mercer is not recommending a change to any of AllianceBernstein's ratings at this time and will continue to monitor the firm for investment turnover or instability. Mercer is still confident in the firm's deep analyst teams and its dedication to research.

Also in December, AllianceBernstein announced that Lew Sanders was to retire with immediate effect. He has been replaced as Chairman and CEO of the firm by Peter Kraus. Kraus was co-Head of the investment management arm of Goldman Sachs from 2000 to 2008 and subsequently moved to a role as Head of Global Strategy at Merrill Lynch – now being taken over by Bank of America. Mercer held Sanders in high regard and saw him as one of the guardians of the firm's culture, particularly on the Bernstein side. Mercer's initial reaction is that this is a negative for the firm. That said an injection of fresh blood may bring something new to the party.

In January Mercer met with Peter Kraus. Sanders departure came as a surprise to Mercer and to his colleagues. Mercer suspect it came as a surprise to him. Kraus is very different from Sanders who was immersed in the AllianceBernstein culture and approach – indeed he embodied it. On the Bernstein side it would appear Sharon Fay is taking on his mantle (see below). The Alliance side had been successfully integrated into the firm by Sanders and its own distinct philosophy/culture appeared to have flourished.

Peter Kraus is a very different character. It is difficult to gauge much from one brief meeting where he has only been in the job for a little over a month. Mercer saw nothing to cause us concern or to believe anything other than the firm is in safe hands. Mercer does think that the succession might have been handled better. Mercer does not intend to change any ratings but will watch for any fall out from this change.

AllianceBernstein has announced that Marilyn Fedak has been named as the firm's Vice Chair of Investment Services, a newly created role. In this new position, she will be taking on more client responsibilities and also serving as a liaison for new CEO Peter Kraus to the investment teams and other firm leaders. The investment teams will continue to report directly to Kraus.

In conjunction with Fedak's promotion, some other changes will also be occurring within the Bernstein side of the firm. Previously, Fedak and Sharon Fay jointly managed the value equity business. Now, Fay will be the sole head of the business. She will also continue to be CIO of Global Value Equities and Chair of the Global Value Investment Policy Group (IPG).

Executive Summary

John Mahedy, previously Co-CIO of US Large Cap Value will become the sole CIO of those strategies. He had been named Co-CIO in 2003. Fedak will continue to be a member of the US Large Cap Value IPG.

Fedak has been with Bernstein for over 25 years and has been instrumental in the investment process and firm operations. While she will be taking on greater responsibilities within AllianceBernstein, her impact on the value equity business will be reduced. This will be somewhat of a loss to the Bernstein side because of her investment acumen, but not significant enough to warrant an immediate re-evaluation of the ratings on these strategies. Mercer does not expect material changes to either the investment process or the operations of the value equity business as both Mahedy and Fay are also long-time veterans of Bernstein. Mercer will be following up with both Kraus and Fedak regarding this change later in the first quarter of 2009.

BGI

In January, BGI has announced a 9% global staff reduction, which is about 300 to 350 positions. The cuts were made across all areas of the firm, but mostly at the junior levels or in positions that were tied to projects that BGI is no longer pursuing. According to our contact at BGI, the firm is back to 2007 staffing levels. The group that was hardest hit was IT with Active Equities in second. Certain areas of the firm still have open headcounts and BGI will continue to hire to fill those spots.

Although the Active Equities team is smaller overall, the research team has increased in headcount with the addition of researchers from other areas of the firm. In conjunction with the staff reduction, the Active Equities group was also reorganized into a more global structure. Morry Waked, currently CEO and Head of Equities in Australia, will take on the position of Head of Active Equities and CIO, and Naozer Dadachanji will take on the position of Head of Active Equities and COO. They will report directly to Minder Cheng, CIO of Equity and Capital Markets. Waked and Dadachanji will be jointly accountable for the Active Equities business but will have different responsibilities within the team.

These organizational changes will also lead to new roles for Nico Marais, previously Head of Active Equity in Europe, and Jonathan Howe, previously Co-head of Active Equity in San Francisco. Marais will take on the role of Global Head of Investment Strategy in BGI's Client Solutions business. Howe will remain in Active Equities and lead regional research efforts under Kahn and Kothari. Ernie Chow, previously Co-Head of Active Equity in San Francisco with Howe, will be leaving the firm.

As a result of the appointments above there have been a series of other promotions at the individual product level. The staff reduction is not a surprise given the current market environment and Mercer does not expect this to drastically affect BGI's operations. As for the Active Equities reorganization, on the surface, it makes sense for BGI to be more global although Mercer will be discussing the changes in greater depth at its next meeting. From Mercer's initial discussions with BGI, Mercer does not expect significant changes to how active equity portfolios are managed given the firm's quantitative process.

Executive Summary

Brandes

In January, Mercer met with Brandes to discuss their Global and international Equity strategies (currently A-(T) rated). Mercer believes these strategies are rated appropriately and does not anticipate making any changes at this time.

Meeting Highlights:

This meeting was an opportunity to sit down with Charles Brandes and to review 2008 performance in the Global and International Equity strategies. Mercer confirms its confidence in Brandes' ability to add value in Global and International Equities. Be aware, though, that these are high tracking error, volatile strategies.

From a business management perspective, Mercer has some concerns about Brandes. Assets under management have fallen to \$52.9 billion from a peak of \$125 billion in June 2007. The firm has not laid off anyone, but Charles Brandes raised it as a possibility if the market does not improve in 2009. Understanding that Brandes fosters a collegial and tight-knit culture, Mercer believes that wholesale dismissals would be more serious at Brandes than many other firms.

Despite finishing 2008 with a significant loss of capital, Brandes International Equity outperformed its benchmark. Performance of the International Equity strategy benefitted from both allocation and selection decisions. Underweighting the energy, materials, and industrials sectors were three astute moves. Sunder felt that the second half of 2008 validated Brandes' conviction (the strategy had suffered in 2007 and early 2008 from its lack of exposure in these areas). Other profitable investments included health care, telecom, and select Japanese stocks.

Nothing in Brandes' philosophy or approach has changed in years. Sunder and Charles Brandes walked through several current and former stock holdings to illustrate the depth and consistency of its process. Mercer was particularly interested in Brandes' view on UK Banks. Both portfolios have exposure to RBS and Barclays, and Mercer questioned how well Brandes can value these businesses, especially in light of off-balance sheet activities, frozen credit markets, and the effective nationalization of RBS. Sunder's reply was adequate to assuage immediate concerns, but Mercer expects to watch these positions closely.

Looking ahead, Charles Brandes is decidedly optimistic. He has invested through other difficult economic periods and believes that the global economy will regain its footing sooner than many others expect. He cited the recession of 1973-4 as a very similar period to today. Additionally, he was very enthusiastic about the valuations his team is finding across markets. Companies such as Toyota are typically not cheap enough to enter Brandes' portfolios, but the valuation has become very compelling.

That said, Brandes has increased the number of positions in its portfolios (e.g., up to 88 stocks, which is at the higher end of the historical range). The team acknowledged that, from time to time, it will own companies that go into bankruptcy because its process leads it to these types of distressed companies. If the company did not have some problems, Brandes argues, the stock would not be cheap enough. That said, with macroeconomic risk increased, Brandes is being careful to size its portfolio positions appropriately.

Issues to Watch:

Assets under management. Clearly, firms need to be able to attract and retain talented investors. Brandes' ability to do so is strongly influenced by the size of its asset base and the growth rate of that base. As mentioned above, wholesale reductions in staffing could be difficult on Brandes' corporate culture.

Mercer will be visiting the manager on-site later this year for a more thorough re-assessment of the team and process.

Executive Summary

DFA

In January, DFA recently announced that Bob Deere will transition responsibilities for leading the seven-person team that manages the firm's domestic equity strategies to Steve Clark by the end of the second quarter. Deere will head up a new group within DFA that will focus on all aspects of client servicing for the firm. He will, however, continue to serve on DFA's Investment Committee. Clark, who currently chairs the Investment Committee and has oversight responsibility for all portfolio management and trading, will maintain these roles in addition to taking on team leadership for the domestic strategies.

Although Mercer has a high regard for Deere, at this time Mercer does not believe that the change in team leadership will have a negative impact on the domestic strategies. By virtue of his responsibilities at DFA, Clark is clearly experienced in all aspects of the firm's quantitatively-driven investment process. Mercer will, however, meet with both Deere and Clark at the end of January as part of its regularly scheduled due diligence.

Turner

In December Mercer met with Turner as part of its due-diligence. Despite poor performance for most of Turner's growth strategies in 2008, due in part to significant style headwinds, the team continues to impress by staying true to its philosophical beliefs and investment process. Nothing in the approach utilized regarding research or implementation has changed and the firm's buy and sell disciplines remain consistent. While recent performance is lackluster and disappointing, Mercer remains confident in the team.

The approach remains consistent. Turner continues to sell stocks that have declining growth and or fundamental deterioration of the business model but will continue to hold stocks that have experienced price declines that belie improving fundamentals.

Turner continues to grow the team by adding six new analysts in the last year. Contrary to previous hiring initiatives in which the firm preferred seasoned analysts, of the six recent additions, five have one or fewer years of investment experience. The new hires bring all sector teams to a minimum of four members. Mercer believes the poor performance for all growth strategies and its symmetry with the timing of the new analyst hires is coincidental but acknowledges the potential impact of the acclimation and integration period. Turner downplays the time requirement necessary to mentor the new hires, but Mercer believes the training process is a slight distraction to the senior members. With the rapid expansion of the investment team and the decision to hire less experienced personnel, Mercer questions if there will be a temporary impact on the team's idea generation or decision-making capability during the integration period. Finally, Mercer heard numerous accounts of how the new analysts were fitting in nicely with the team, often arriving early and staying late. As highlighted in our previous note, turnover has been a slight concern in the past. While Turner has experienced no recent departures, the team's workload and perceived cultural predisposition to long hours is something Mercer intends to follow up on in future visits.

Other distractions exist. On September 18, 2007, Turner announced plans to sell up to one-third of the company in a planned IPO. To date, that transaction has been postponed indefinitely due to poor market conditions. The firm has also had to reduce staff by 15% in areas such as marketing, operations, and legal. The investment team has been immune to these cuts. Neither of these raises significant concern but remain issues to watch. In addition to co-managing some of the firm's highest profile strategies, both Bob and Mark Turner maintain a very hands-on approach to running the business. With declining assets under management and potential client losses a primary concern, Mercer questions how great a distraction these non-investment issues may be to Turner's senior leadership and how significantly these issues take them away from portfolio management responsibilities.

Executive Summary

William Blair

Blair announced November 19, 2008, that the International Growth (All Cap) strategy along with two other International Growth strategies have been re-opened to new separate account and mutual fund investors. Blair believes the additional capacity can be made available to new investors due to the recent market declines, increased liquidity in the markets over the past 5 years, growth in the investment team, and Blair's small percentage of the overall market capitalization.

The International Growth (All Cap) product has seen the largest decline, with current assets at \$7.6 billion as of October 31, 2008. Blair believes the capacity in this strategy is \$15 billion.

The decline in assets under management is driven primarily by the recent market declines, although the firm has seen some net outflows (less than 1% of assets in the strategies). As a result, the decision to re-open the strategies is not unexpected. Historically, Blair has taken a prudent approach in managing asset growth and adhering to state capacity targets, and we do not expect this to change.

Mercer does not believe this development will impact the ability of the team to execute the strategy, and confirm our ratings. Mercer will monitor the situation to ensure that if assets continue to decline, it will not adversely affect the investment team, morale, or resources.

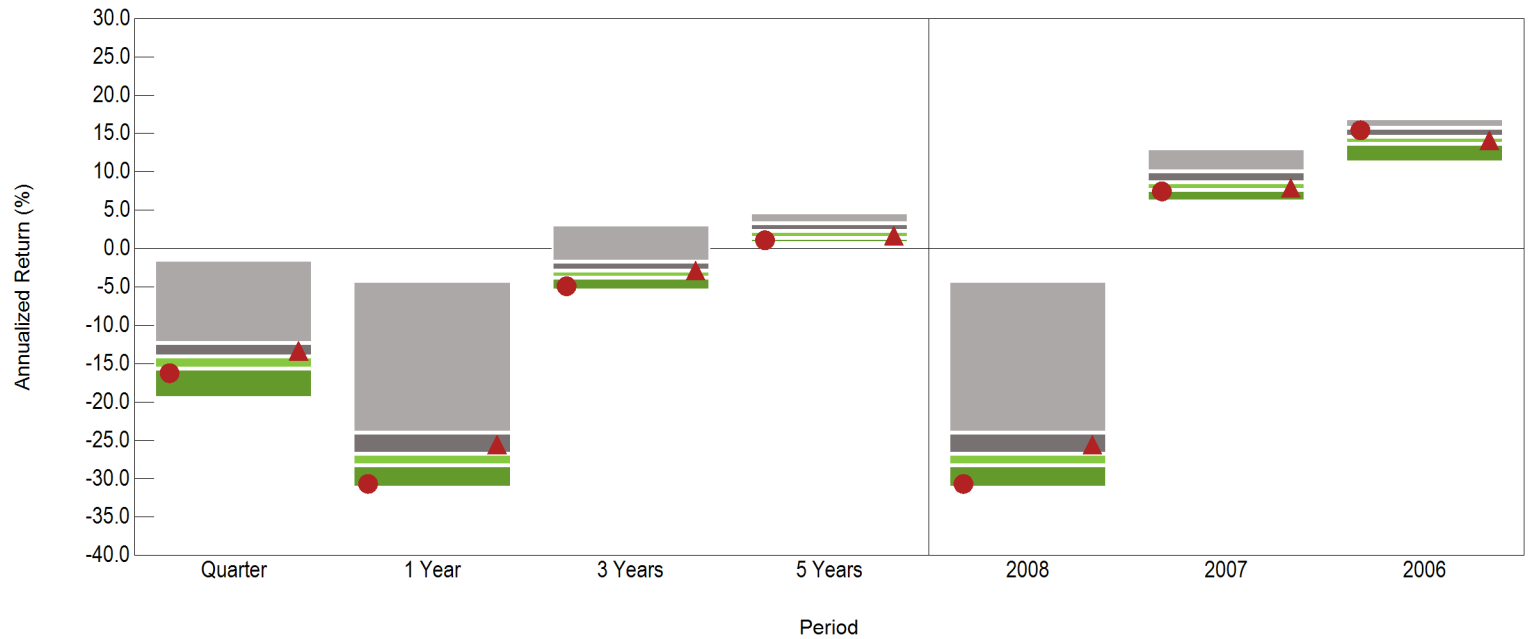
In December, Blair announced staffing reductions within the firm's Global Research Group (GRG), effective immediately. Four analysts from amongst the team's junior ranks have been let go. Three of the analysts covered US stocks and the fourth concentrated on the non-US space. In addition, one portfolio manager from the fixed income group has also been laid off. Due to the sensitivity of the timing, the firm has decided to delay disclosing the names of the departing analysts until sometime in early 2009.

As the difficult economic environment unfolds, Mercer would expect more firms to announce staff reductions if assets or revenues have declined. While the reduction in investment personnel is disappointing, at more than 30 members, the GRG remains robustly staffed and exceptionally well resourced. The GRG can also draw support from three quantitative research analysts and six fundamental research associates. Mercer has confidence that despite these reductions, the firm maintains thorough coverage of all economic sectors and that this decision should not affect the team's research capabilities. As a result, Mercer's recommended ratings for Blair's domestic or international offerings are not impacted by this development.

Board Report

Total Plan Performance

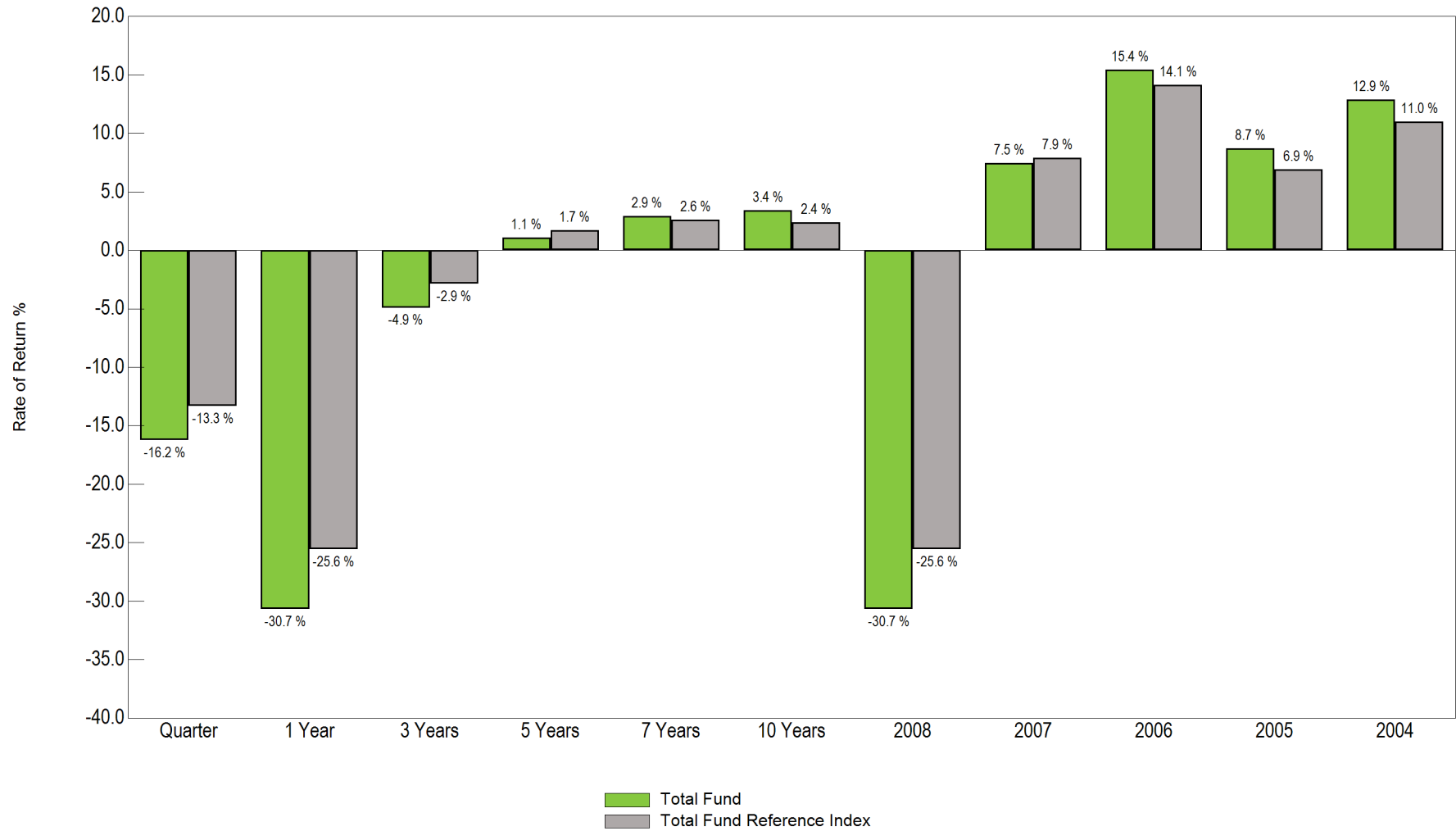
Total Plan Performance vs. Public Funds >\$1B
Ending December 31, 2008



	Return (Rank)													
5th Percentile	-1.5	-4.3	3.1	4.7	-4.3	13.0	16.9							
25th Percentile	-12.4	-24.0	-1.7	3.3	-24.0	10.0	15.7							
Median	-14.1	-26.8	-2.9	2.3	-26.8	8.6	14.5							
75th Percentile	-15.7	-28.3	-3.8	1.3	-28.3	7.6	13.6							
95th Percentile	-19.6	-31.2	-5.5	0.7	-31.2	6.1	11.2							
# of Portfolios	63	59	59	51	59	51	41							
● Total Fund	-16.2	(83)	-30.7	(95)	-4.9	(94)	1.1	(82)	-30.7	(95)	7.5	(76)	15.4	(35)
▲ Total Fund Reference Index	-13.3	(34)	-25.6	(34)	-2.9	(48)	1.7	(67)	-25.6	(34)	7.9	(68)	14.1	(64)

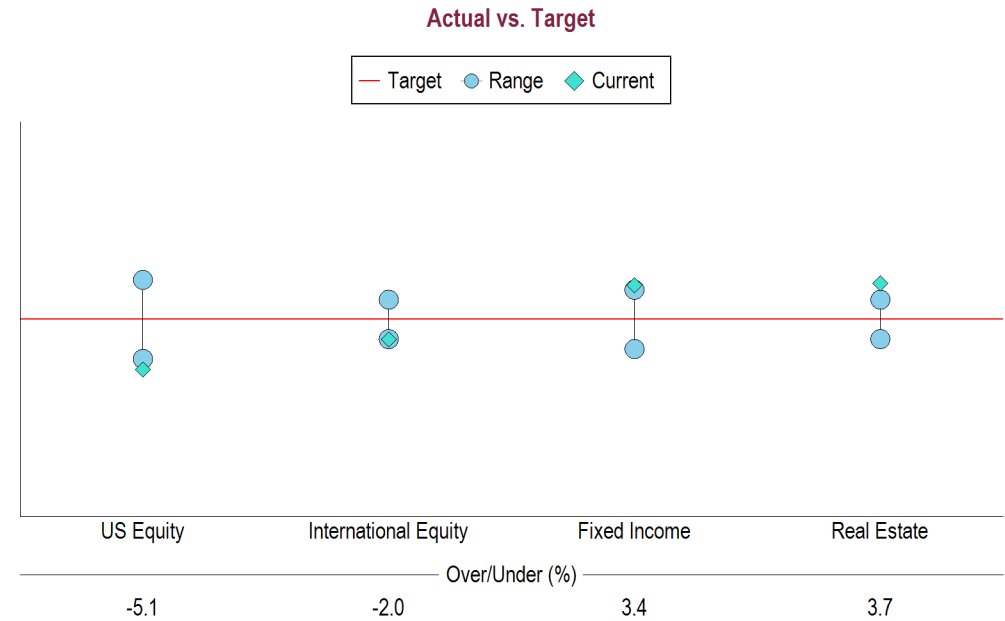
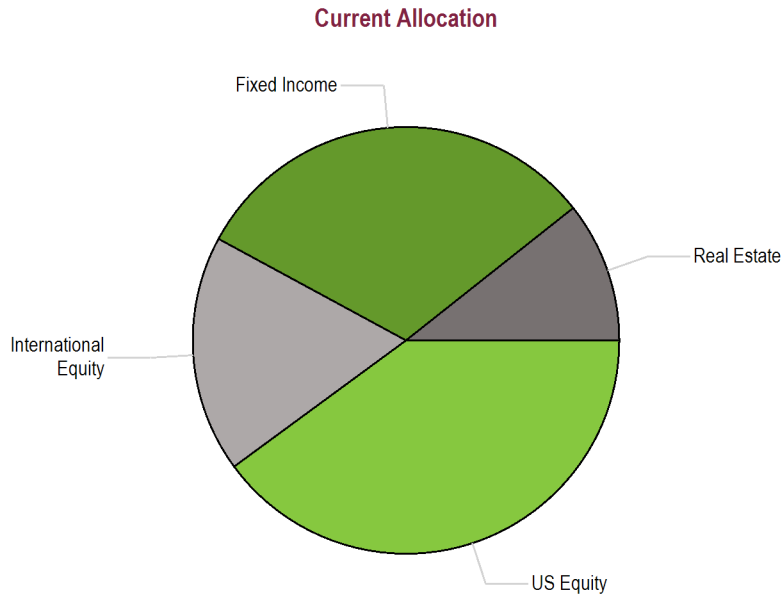
**Total Plan
Performance**

Fund Return vs. Benchmark Portfolio Return



Total Plan

Asset Allocation vs. Target



Allocation vs. Targets and Policy

As of December 31, 2008

	Current Balance	Current Allocation	Target Allocation	Difference	Target Ranges	Within IPS Range? ¹
US Equity	\$1,367,128,538	39.9%	45.0%	-\$173,862,744	41.0% - 49.0%	No
International Equity	\$615,517,759	18.0%	20.0%	-\$69,367,255	18.0% - 22.0%	No
Fixed Income	\$1,076,810,272	31.4%	28.0%	\$117,971,252	25.0% - 31.0%	No
Real Estate	\$364,968,502	10.7%	7.0%	\$125,258,747	5.0% - 9.0%	No
Total²	\$3,424,425,071	100.0%	100.0%			

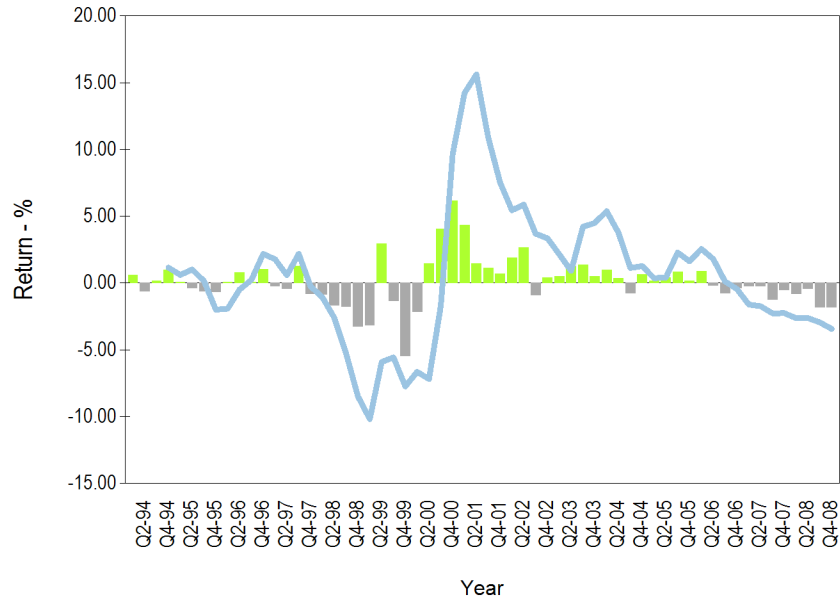
¹ Per the November 18, 2008 memo, the target allocation ranges have been temporarily expanded given the current market environment.

² Excludes cash.

Total Domestic Equity Composite

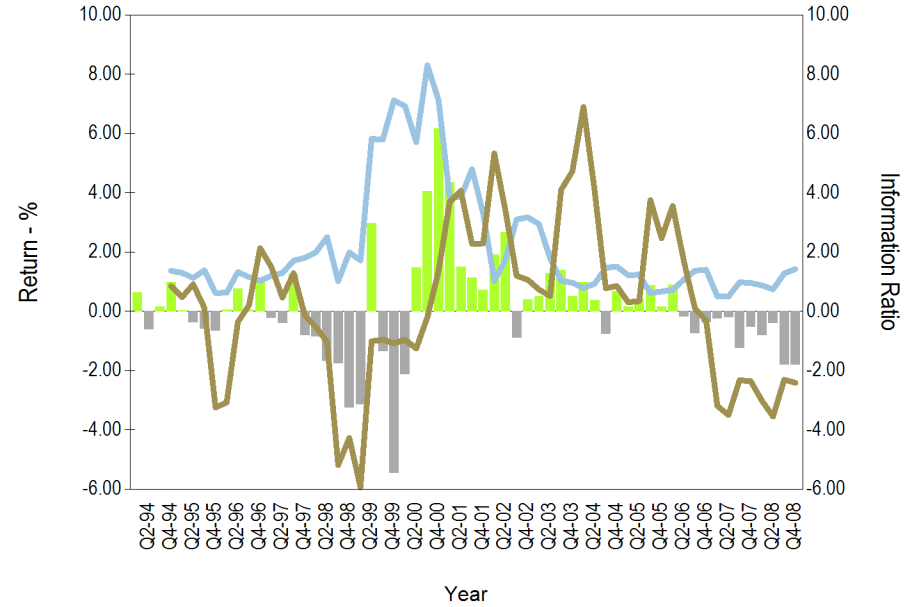
Performance and Risk

Excess Performance



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

Tracking Error and Information Ratio

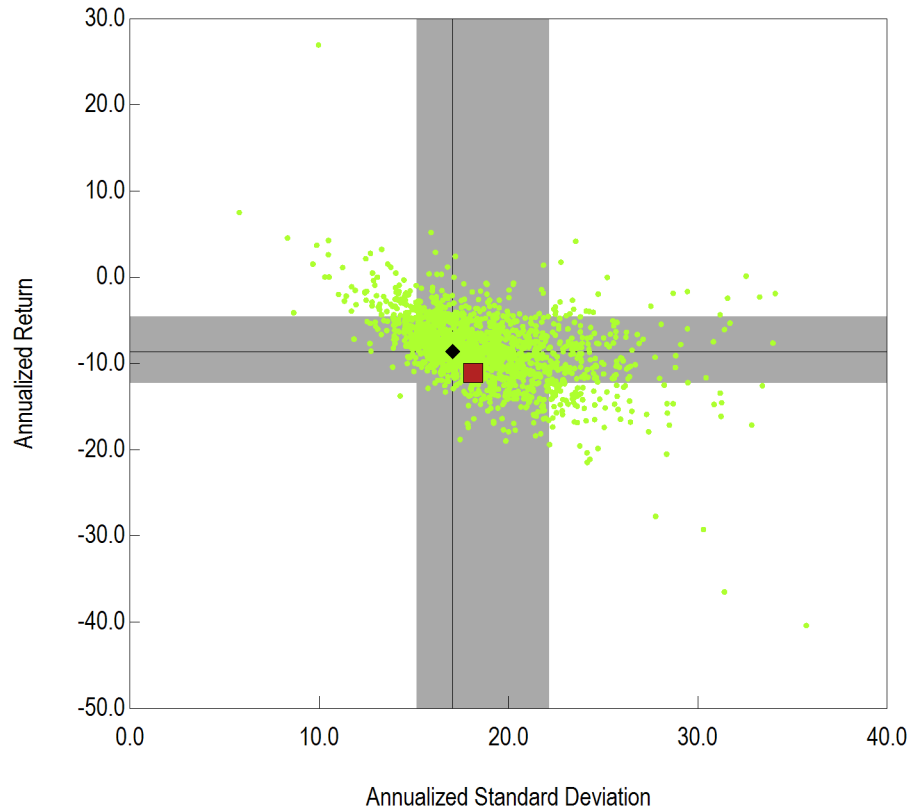


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Tracking Error vs. Index
- Quarterly Rolling Information Ratio vs. Index

Total Domestic Equity Composite

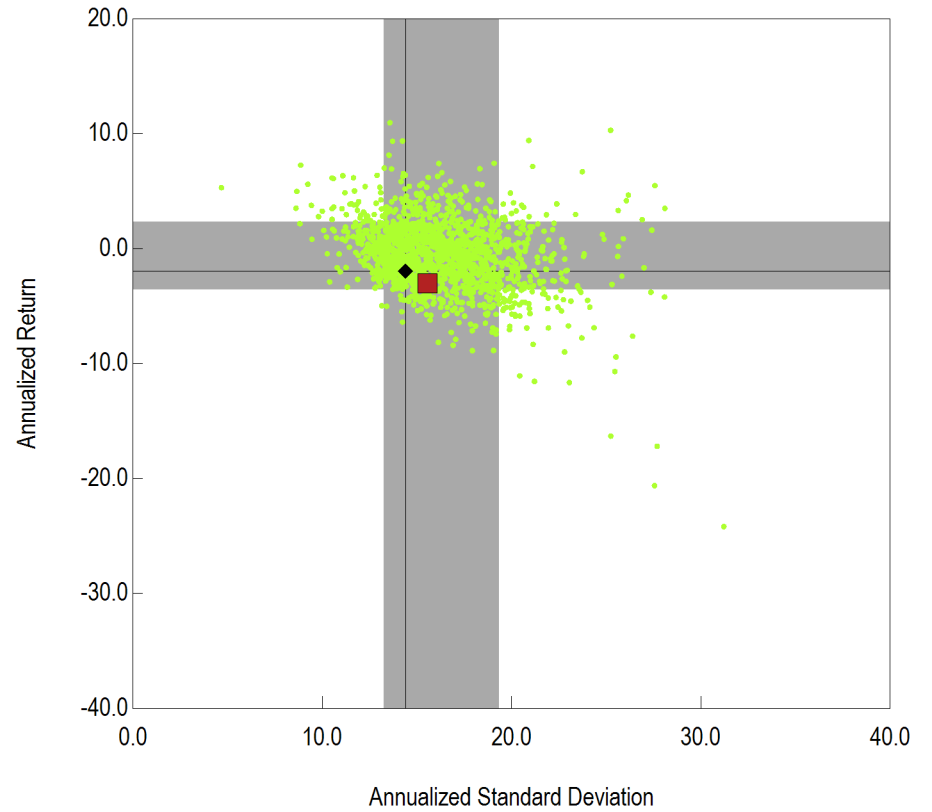
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2008



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2008

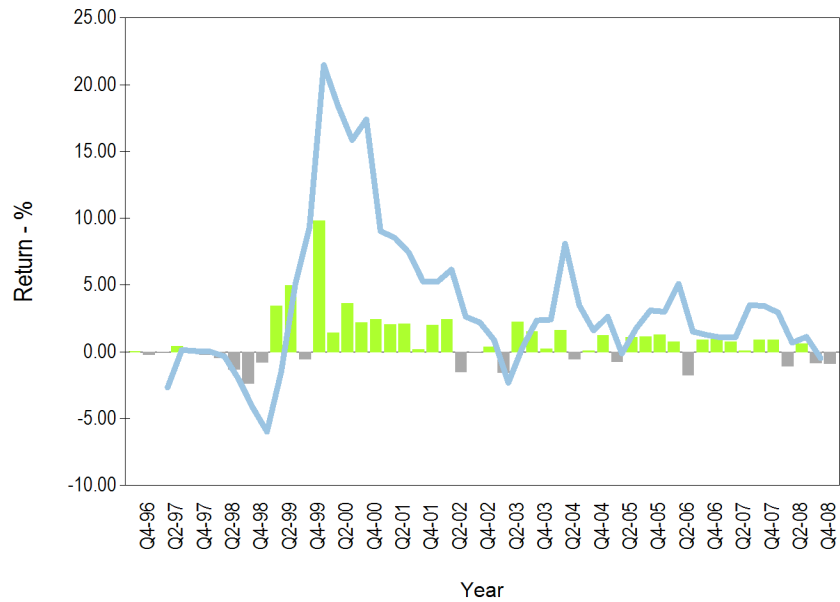


- Total Domestic Equity Composite
- ◆ Russell 3000
- 68% Confidence Interval
- Mercer Instl US Equity Combined

Total Intl Equity Composite

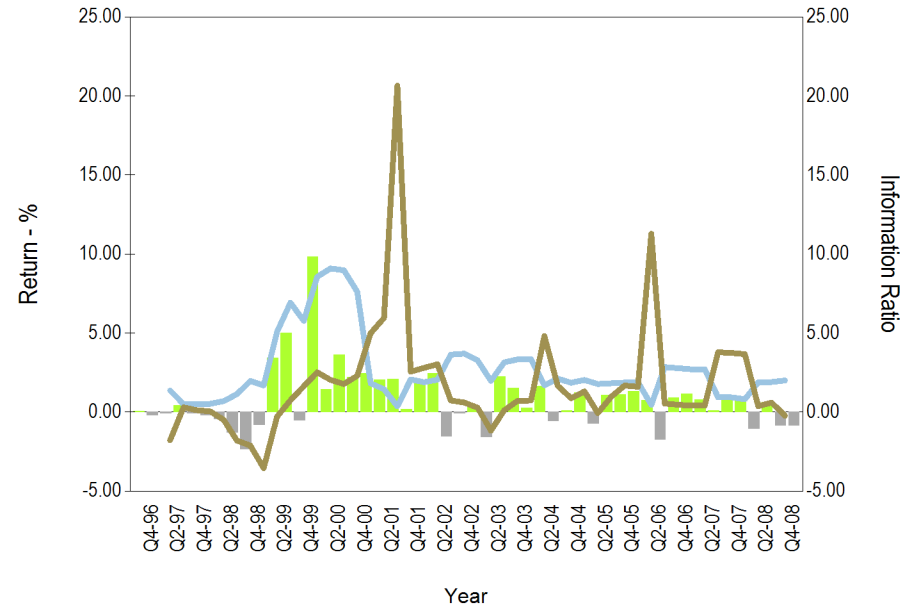
Performance and Risk

Excess Performance



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

Tracking Error and Information Ratio

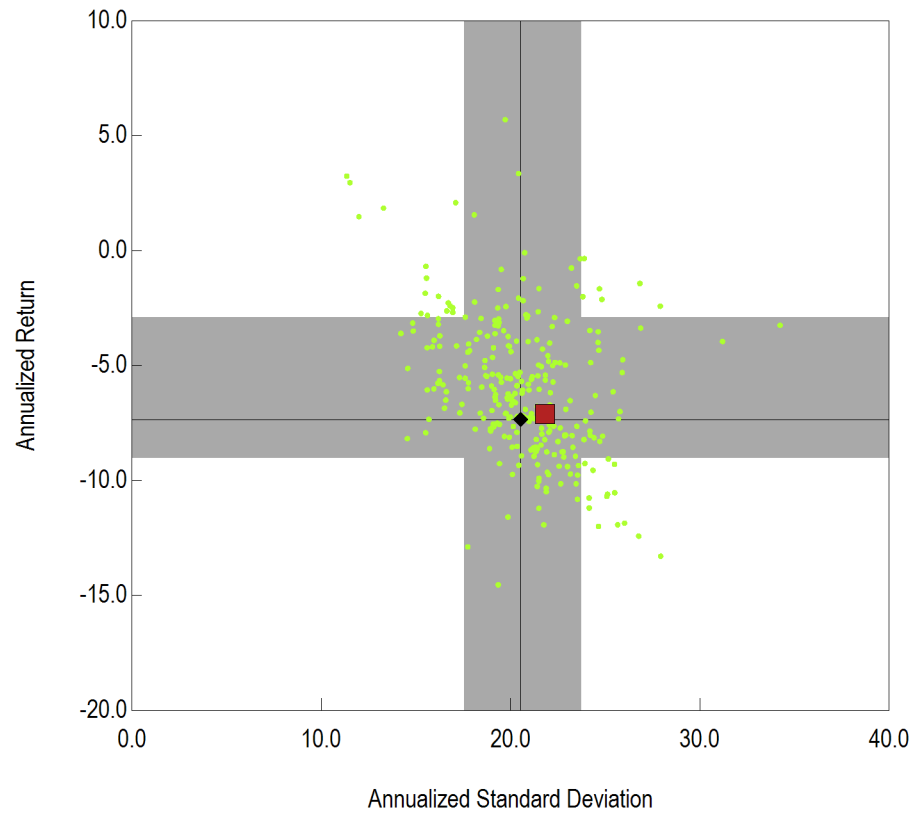


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Tracking Error vs. Index
- Quarterly Rolling Information Ratio vs. Index

Total Intl Equity Composite

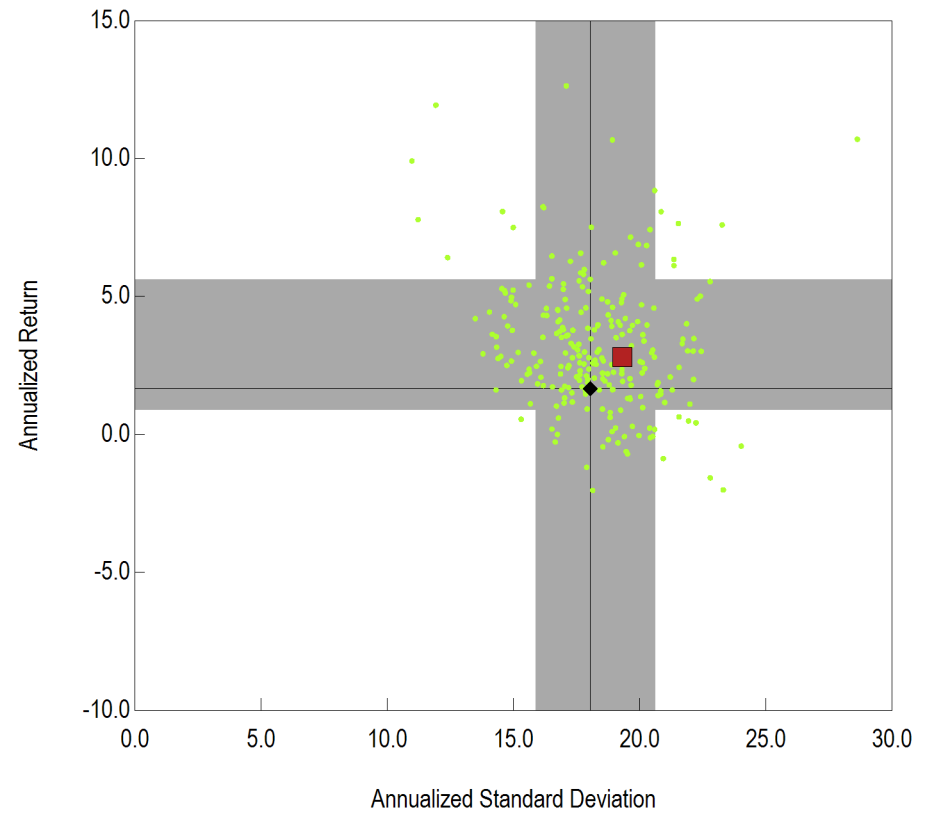
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2008



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2008

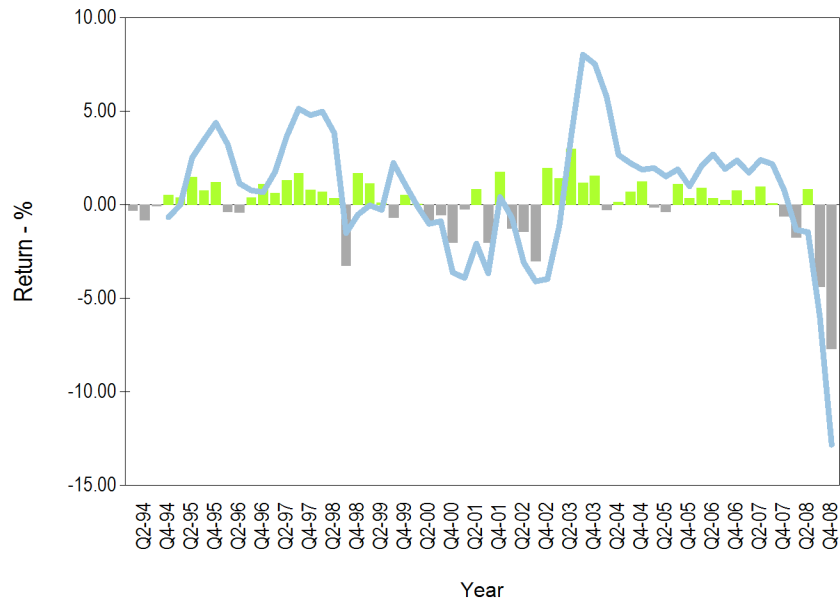


- Total Intl Equity Composite
- ◆ MSCI EAFE
- 68% Confidence Interval
- Mercer Instl Intl Equity

Total Fixed Income Composite

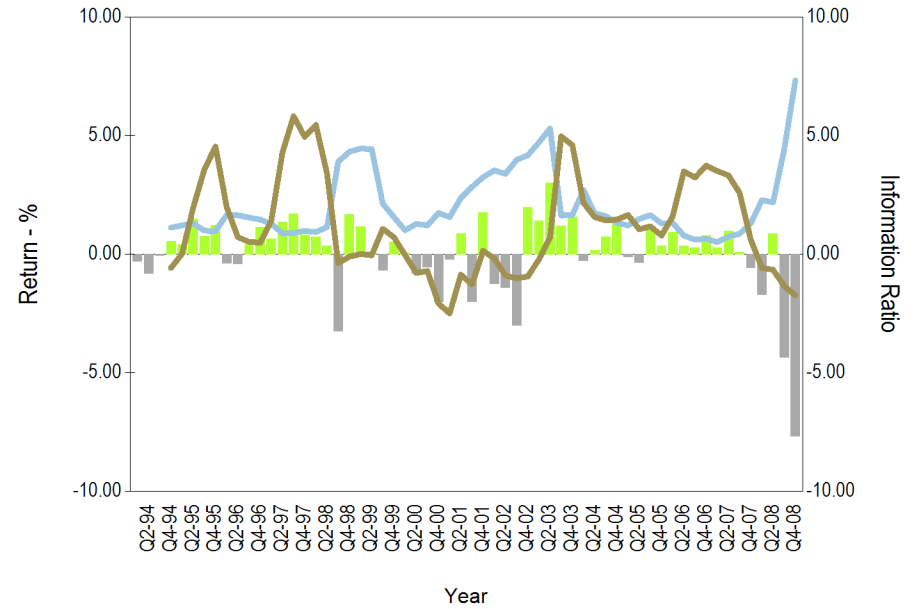
Performance and Risk

Excess Performance



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

Tracking Error and Information Ratio

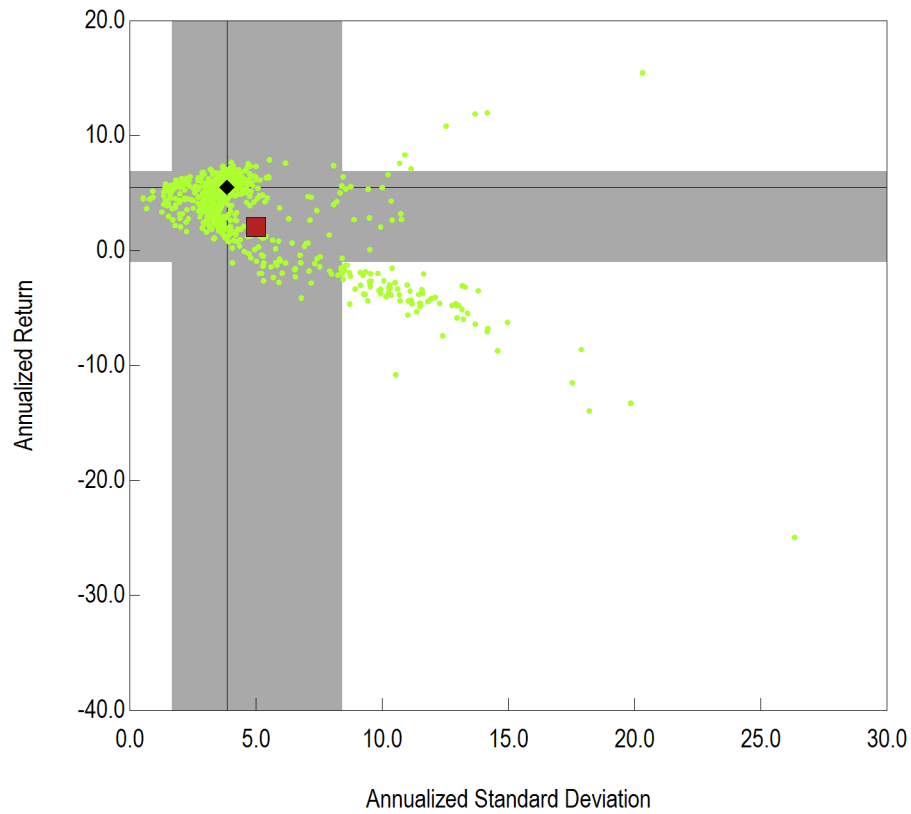


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Tracking Error vs. Index
- Quarterly Rolling Information Ratio vs. Index

Total Fixed Income Composite

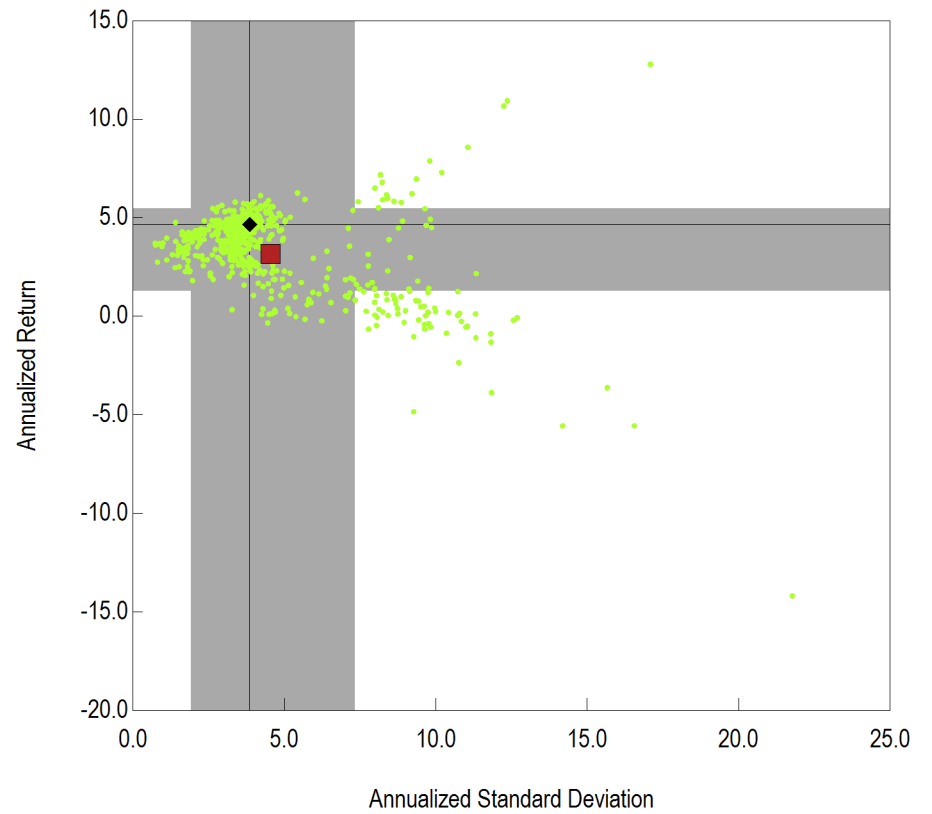
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2008



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2008

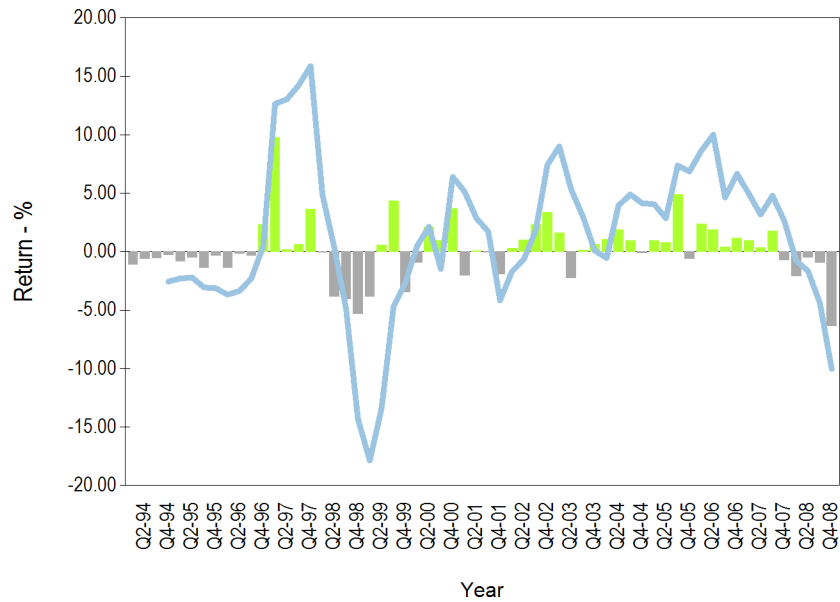


- Total Fixed Income Composite
- ◆ Barclays Capital Aggregate
- 68% Confidence Interval
- Mercer Instl US Fixed Combined

Total Real Estate Composite

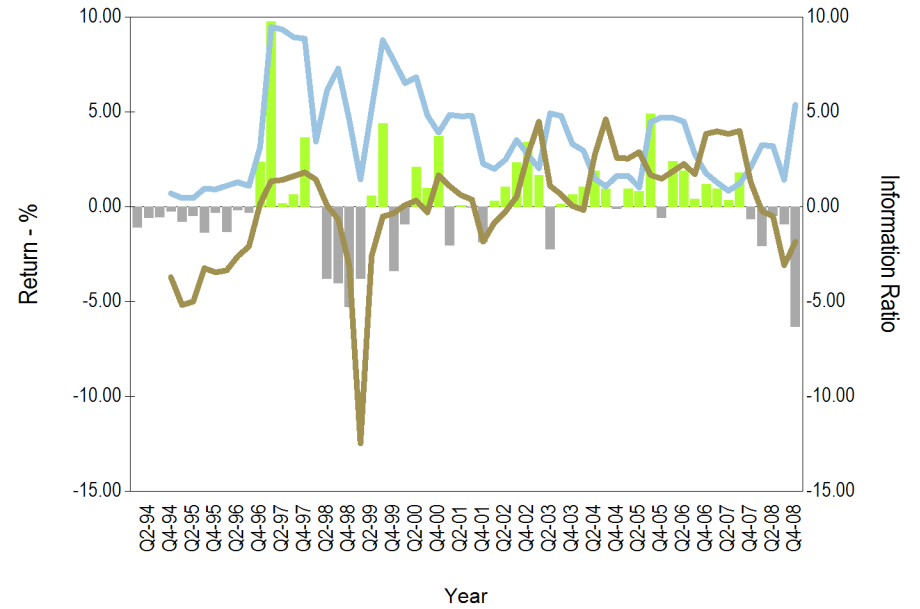
Performance and Risk

Excess Performance



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

Tracking Error and Information Ratio

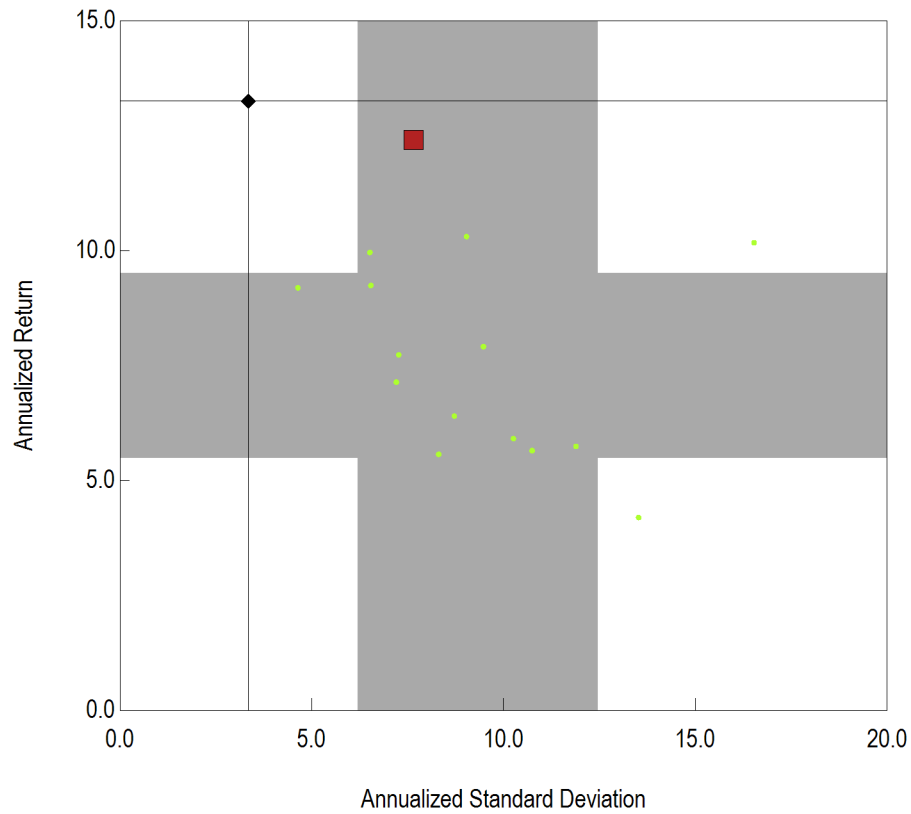


- Quarterly Out Performance
- Quarterly Under Performance
- Quarterly Rolling Tracking Error vs. Index
- Quarterly Rolling Information Ratio vs. Index

Total Real Estate Composite

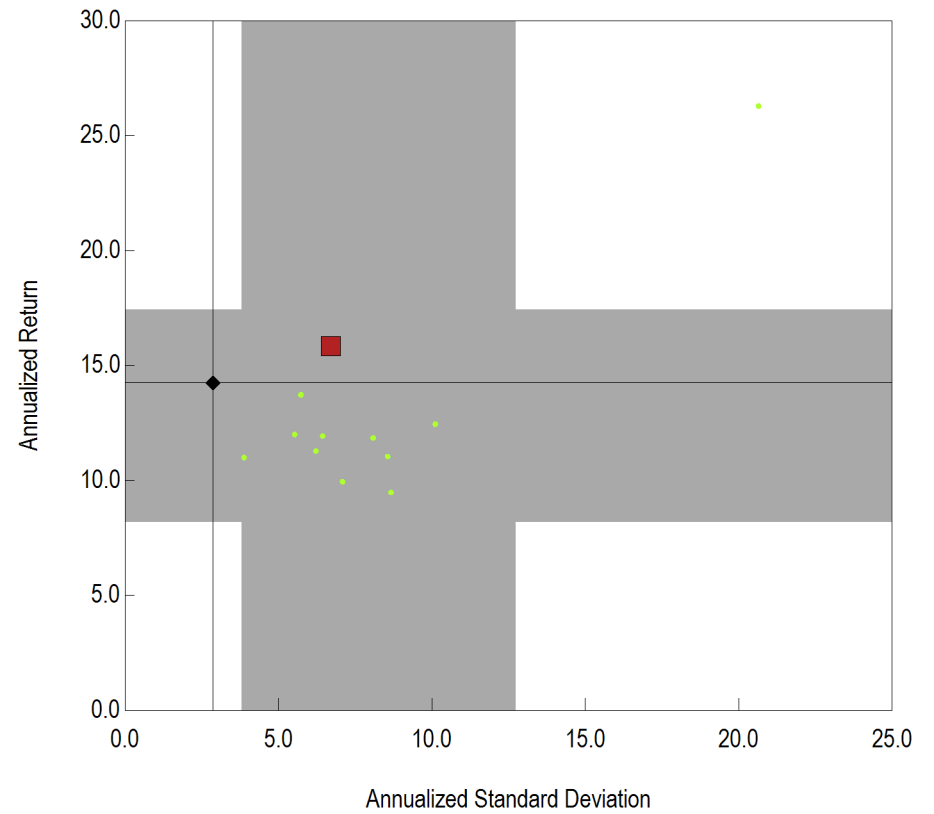
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2008



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2008



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

Performance

Total Plan

Performance Summary - Gross of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$3,443,461,272	100.0%	-16.2%	83	-30.7%	95	-4.9%	94	1.1%	82	9.3%	Nov-78
<i>Total Fund Reference Index</i>			-13.3%	34	-25.6%	34	-2.9%	48	1.7%	67	--	Nov-78
<i>CPI + 4%</i>			-2.8%	7	4.1%	1	6.2%	1	6.7%	1	7.9%	Nov-78
<i>Public Funds >\$1B Median</i>			-14.1%		-26.8%		-2.9%		2.3%		--	Nov-78
Total Equity Composite	\$1,982,646,296	57.6%	-23.4%	--	-42.0%	--	-9.9%	--	-1.5%	--	-0.2%	Dec-00
<i>Total Equity Policy Benchmark</i>			-21.9%	--	-39.0%	--	-8.2%	--	-1.0%	--	--	Dec-00
Total Domestic Equity Composite	\$1,367,128,539	39.7%	-24.6%	62	-40.7%	74	-11.1%	81	-3.0%	83	8.8%	Dec-87
<i>Russell 3000</i>			-22.8%	43	-37.3%	51	-8.6%	55	-1.9%	70	8.8%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			-23.5%		-37.3%		-8.3%		-0.6%		10.3%	Dec-87
Northern Trust Global	\$262,815,132	7.6%	-22.1%	36	-37.6%	54	-8.6%	56	-2.3%	76	-0.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			-21.9%	34	-37.0%	49	-8.4%	52	-2.2%	74	-0.5%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			-23.5%		-37.3%		-8.3%		-0.6%		2.8%	Jun-98
Barclay's Global Inv N.A. R1000 Alpha Tilts	\$415,813,516	12.1%	-22.3%	60	-37.0%	54	-9.9%	83	-2.2%	78	-0.3%	Apr-02
<i>Russell 1000</i>			-22.5%	63	-37.6%	62	-8.7%	66	-2.0%	76	-0.5%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			-21.8%		-36.8%		-7.9%		-1.1%		--	Apr-02
Turner Investment Partners	\$164,892,867	4.8%	-25.2%	81	-49.9%	97	-14.6%	98	-6.9%	99	-1.1%	Jul-02
<i>Russell 1000 Growth</i>			-22.8%	52	-38.4%	45	-9.1%	60	-3.4%	79	0.8%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			-22.6%		-38.9%		-8.5%		-1.8%		--	Jul-02
AllianceBernstein L.P.	\$162,079,602	4.7%	-23.6%	75	-46.4%	96	-13.8%	94	-4.4%	93	4.6%	Jul-96
<i>Russell 1000 Value</i>			-22.2%	59	-36.8%	60	-8.3%	63	-0.8%	63	6.2%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			-21.4%		-35.7%		-7.4%		-0.1%		--	Jul-96
Earnest Partners LLC	\$129,452,895	3.8%	-30.0%	96	-40.1%	56	-10.0%	53	--	--	-4.5%	Apr-05
<i>Russell Mid Cap</i>			-27.3%	81	-41.5%	65	-10.7%	73	-0.7%	60	-4.9%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			-25.2%		-38.7%		-9.9%		-0.2%		--	Apr-05
Dimensional Fund Advisors Inc.	\$172,243,199	5.0%	-28.4%	80	-37.1%	78	-11.1%	80	-0.3%	66	9.4%	Sep-96
<i>Russell 2000 Value</i>			-24.9%	52	-28.9%	31	-7.5%	48	0.3%	59	7.6%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			-24.7%		-32.0%		-7.7%		0.6%		9.2%	Sep-96

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Artisan Partners Limited Ptr	\$59,831,327	1.7%	-26.8%	54	-42.6%	60	-13.4%	81	-2.7%	62	3.1%	Nov-02
<i>Russell 2000 Growth</i>			-27.4%	64	-38.5%	27	-9.3%	48	-2.4%	54	3.4%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			-26.6%		-41.6%		-9.5%		-2.1%		--	Nov-02
Total Intl Equity Composite	\$615,517,758	17.9%	-20.8%	56	-44.9%	66	-7.1%	63	2.8%	53	5.2%	Apr-96
<i>MSCI EAFE</i>			-20.0%	43	-43.4%	53	-7.4%	67	1.7%	77	2.2%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			-20.3%		-43.2%		-6.2%		2.9%		--	Apr-96
Brandes Investment Partners	\$260,292,853	7.6%	-17.3%	21	-38.2%	18	-3.9%	25	4.8%	22	8.7%	Jan-98
<i>MSCI EAFE</i>			-20.0%	43	-43.4%	53	-7.4%	67	1.7%	77	2.0%	Jan-98
<i>MSCI EAFE Value</i>			-19.8%	40	-44.1%	60	-8.2%	80	1.8%	74	3.6%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			-20.3%		-43.2%		-6.2%		2.9%		--	Jan-98
William Blair & Company	\$295,363,930	8.6%	-24.2%	87	-50.8%	98	-9.7%	92	1.0%	87	1.3%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			-22.3%	73	-45.2%	69	-6.6%	56	3.0%	48	4.5%	Nov-03
<i>MSCI EAFE Growth</i>			-20.1%	44	-42.7%	47	-6.5%	56	1.4%	82	2.8%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			-20.3%		-43.2%		-6.2%		2.9%		--	Nov-03
Dimensional Fund Advisors Inc.	\$59,860,976	1.7%	-19.2%	19	-41.3%	11	--	--	--	--	-13.8%	Mar-06
<i>MSCI EAFE Small Cap NET WHT</i>			-22.1%	46	-47.0%	41	-13.8%	90	1.1%	82	-18.0%	Mar-06
<i>MSCI EAFE Small Cap</i>			-22.1%	46	-46.8%	40	-13.5%	88	1.5%	82	-17.7%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			-23.0%		-48.4%		-9.7%		4.5%		-14.3%	Mar-06
Total Fixed Income Composite*	\$1,076,810,271	31.3%	-3.1%	79	-7.6%	79	2.0%	72	3.1%	66	8.0%	Dec-87
<i>Barclays Capital Aggregate</i>			4.6%	26	5.2%	28	5.5%	29	4.7%	25	7.5%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			2.2%		1.8%		4.2%		3.8%		7.3%	Dec-87
Barclays Global Inv N.A. Intermediate Agg	\$320,055,957	9.3%	3.6%	62	5.0%	44	5.6%	46	4.5%	44	5.9%	Jun-99
<i>Barclays Capital Int Aggregate</i>			3.6%	62	4.9%	46	5.5%	51	4.4%	49	5.8%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			4.2%		4.3%		5.5%		4.4%		5.8%	Jun-99
Reams Asset Management	\$278,844,043	8.1%	-4.3%	81	-8.6%	74	1.1%	70	2.5%	70	3.6%	Dec-01
<i>Barclays Capital Aggregate</i>			4.6%	9	5.2%	12	5.5%	13	4.7%	14	5.4%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			0.0%		-3.4%		2.4%		3.3%		4.7%	Dec-01

*Excludes cash.

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Loomis, Sayles & Company, L.P.	\$477,910,272	13.9%	-7.2%	92	-15.2%	95	0.0%	80	2.5%	72	8.9%	Nov-87
<i>Barclays Capital Aggregate</i>			4.6%	9	5.2%	12	5.5%	13	4.7%	14	7.5%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			0.0%		-3.4%		2.4%		3.3%		--	Nov-87
Total Real Estate Composite	\$364,968,502	10.6%	-6.5%	16	-4.7%	24	12.4%	1	15.8%	9	7.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-0.2%	1	5.3%	1	13.3%	1	14.2%	10	8.5%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-10.5%		-11.0%		7.4%		11.9%		--	May-86
Real Estate	\$364,968,502	10.6%	-6.5%	16	-4.7%	24	12.4%	1	15.8%	9	7.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-0.2%	1	5.3%	1	13.3%	1	14.2%	10	8.5%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-10.5%		-11.0%		7.4%		11.9%		--	May-86

Total Plan

Performance Summary - Net of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$3,443,461,272	100.0%	-16.3%	86	-30.8%	95	-5.1%	94	0.8%	95	8.7%	Nov-78
<i>Total Fund Reference Index</i>			-13.3%	34	-25.6%	34	-2.9%	48	1.7%	67	--	Nov-78
<i>CPI + 4%</i>			-2.8%	7	4.1%	1	6.2%	1	6.7%	1	7.9%	Nov-78
<i>Public Funds >\$1B Median</i>			-14.1%		-26.8%		-2.9%		2.3%		--	Nov-78
Total Equity Composite	\$1,982,646,296	57.6%	-23.5%	--	-42.2%	--	-10.2%	--	-1.8%	--	-0.6%	Dec-00
<i>Total Equity Policy Benchmark</i>			-21.9%	--	-39.0%	--	-8.2%	--	-1.0%	--	--	Dec-00
Total Domestic Equity Composite	\$1,367,128,539	39.7%	-24.6%	63	-40.9%	75	-11.3%	83	-3.3%	86	8.6%	Dec-87
<i>Russell 3000</i>			-22.8%	43	-37.3%	51	-8.6%	55	-1.9%	70	8.8%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			-23.5%		-37.3%		-8.3%		-0.6%		10.3%	Dec-87
Northern Trust Global	\$262,815,132	7.6%	-22.1%	36	-37.6%	54	-8.7%	56	-2.4%	76	-0.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			-21.9%	34	-37.0%	49	-8.4%	52	-2.2%	74	-0.5%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			-23.5%		-37.3%		-8.3%		-0.6%		2.8%	Jun-98
Barclay's Global Inv N.A. R1000 Alpha Tilts	\$415,813,516	12.1%	-22.3%	61	-37.0%	55	-10.1%	84	-2.3%	82	-0.5%	Apr-02
<i>Russell 1000</i>			-22.5%	63	-37.6%	62	-8.7%	66	-2.0%	76	-0.5%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			-21.8%		-36.8%		-7.9%		-1.1%		--	Apr-02
Turner Investment Partners	\$164,892,867	4.8%	-25.3%	81	-50.1%	97	-14.9%	99	-7.2%	99	-1.4%	Jul-02
<i>Russell 1000 Growth</i>			-22.8%	52	-38.4%	45	-9.1%	60	-3.4%	79	0.8%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			-22.6%		-38.9%		-8.5%		-1.8%		--	Jul-02
AllianceBernstein L.P.	\$162,079,602	4.7%	-23.7%	77	-46.7%	97	-14.2%	95	-4.9%	96	4.1%	Jul-96
<i>Russell 1000 Value</i>			-22.2%	59	-36.8%	60	-8.3%	63	-0.8%	63	6.2%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			-21.4%		-35.7%		-7.4%		-0.1%		--	Jul-96
Earnest Partners LLC	\$129,452,895	3.8%	-30.1%	97	-40.4%	59	-10.5%	69	--	--	-5.0%	Apr-05
<i>Russell Mid Cap</i>			-27.3%	81	-41.5%	65	-10.7%	73	-0.7%	60	-4.9%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			-25.2%		-38.7%		-9.9%		-0.2%		--	Apr-05
Dimensional Fund Advisors Inc.	\$172,243,199	5.0%	-28.4%	80	-37.2%	78	-11.4%	83	-0.7%	74	9.0%	Sep-96
<i>Russell 2000 Value</i>			-24.9%	52	-28.9%	31	-7.5%	48	0.3%	59	7.6%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			-24.7%		-32.0%		-7.7%		0.6%		9.2%	Sep-96

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Artisan Partners Limited Ptr	\$59,831,327	1.7%	-27.0%	57	-43.1%	65	-14.2%	88	-3.5%	72	2.2%	Nov-02
<i>Russell 2000 Growth</i>			-27.4%	62	-38.5%	27	-9.3%	47	-2.4%	53	3.4%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			-26.7%		-41.7%		-9.8%		-2.2%		--	Nov-02
Total Intl Equity Composite	\$615,517,758	17.9%	-20.9%	54	-45.1%	66	-7.5%	66	2.4%	61	4.8%	Apr-96
<i>MSCI EAFE</i>			-20.0%	42	-43.4%	53	-7.4%	65	1.7%	75	2.2%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			-20.6%		-43.2%		-6.4%		2.8%		--	Apr-96
Brandes Investment Partners	\$260,292,853	7.6%	-17.4%	22	-38.4%	19	-4.3%	28	4.4%	23	8.3%	Jan-98
<i>MSCI EAFE</i>			-20.0%	42	-43.4%	53	-7.4%	65	1.7%	75	2.0%	Jan-98
<i>MSCI EAFE Value</i>			-19.8%	39	-44.1%	58	-8.2%	79	1.8%	73	3.6%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			-20.6%		-43.2%		-6.4%		2.8%		--	Jan-98
William Blair & Company	\$295,363,930	8.6%	-24.3%	87	-51.0%	98	-10.1%	93	0.6%	90	0.9%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			-22.3%	71	-45.2%	67	-6.6%	54	3.0%	45	4.5%	Nov-03
<i>MSCI EAFE Growth</i>			-20.1%	42	-42.7%	45	-6.5%	53	1.4%	80	2.8%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			-20.6%		-43.2%		-6.4%		2.8%		--	Nov-03
Dimensional Fund Advisors Inc.	\$59,860,976	1.7%	-19.4%	24	-41.7%	13	--	--	--	--	-14.4%	Mar-06
<i>MSCI EAFE Small Cap NET WHT</i>			-22.1%	51	-47.0%	39	-13.8%	88	1.1%	79	-18.0%	Mar-06
<i>MSCI EAFE Small Cap</i>			-22.1%	51	-46.8%	38	-13.5%	87	1.5%	78	-17.7%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			-22.0%		-48.4%		-9.8%		4.5%		-14.3%	Mar-06
Total Fixed Income Composite*	\$1,076,810,271	31.3%	-3.1%	79	-7.7%	79	2.0%	73	3.1%	66	7.9%	Dec-87
<i>Barclays Capital Aggregate</i>			4.6%	26	5.2%	27	5.5%	27	4.7%	25	7.5%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			2.0%		1.5%		4.0%		3.8%		7.3%	Dec-87
Barclays Global Inv N.A. Intermediate Agg	\$320,055,957	9.3%	3.6%	60	5.0%	43	5.5%	46	4.5%	48	5.9%	Jun-99
<i>Barclays Capital Int Aggregate</i>			3.6%	60	4.9%	44	5.5%	50	4.4%	49	5.8%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			4.2%		4.1%		5.5%		4.4%		5.8%	Jun-99
Reams Asset Management	\$278,844,043	8.1%	-4.4%	82	-8.7%	74	1.0%	72	2.4%	75	3.5%	Dec-01
<i>Barclays Capital Aggregate</i>			4.6%	9	5.2%	14	5.5%	13	4.7%	15	5.4%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.1%		-3.3%		2.5%		3.3%		4.7%	Dec-01

*Excludes cash.

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2008								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Loomis, Sayles & Company, L.P.	\$477,910,272	13.9%	-7.3%	94	-15.3%	97	-0.1%	81	2.4%	76	8.9%	Nov-87
<i>Barclays Capital Aggregate</i>			4.6%	9	5.2%	14	5.5%	13	4.7%	15	7.5%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.1%		-3.3%		2.5%		3.3%		--	Nov-87
Total Real Estate Composite	\$364,968,502	10.6%	-6.8%	19	-6.0%	34	10.5%	1	13.8%	10	6.3%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-0.2%	1	5.3%	1	13.3%	1	14.2%	10	8.5%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-10.4%		-9.5%		7.7%		11.9%		--	May-86
Real Estate	\$364,968,502	10.6%	-6.8%	19	-6.0%	34	10.5%	1	13.8%	10	6.3%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-0.2%	1	5.3%	1	13.3%	1	14.2%	10	8.5%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-10.4%		-9.5%		7.7%		11.9%		--	May-86

Appendix

Appendix

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	\$53,782	0.02%
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	\$1,122,034	0.26%
Turner Investment Partners	0.33% of First \$300.0 Mil, 0.30% Thereafter		\$544,147	0.33%
AllianceBernstein L.P.	0.90% of First \$15.0 Mil, 0.50% of Next \$35.0 Mil, 0.40% Thereafter		\$758,318	0.46%
Earnest Partners LLC	0.54% of First \$175.0 Mil, 0.50% Thereafter		\$692,573	0.53%
Dimensional Fund Advisors Inc.	0.50% of First \$100.0 Mil, 0.25% of Next \$50.0 Mil, 0.20% Thereafter	\$0	\$669,486	0.38%
Artisan Partners Limited Ptr	1.00% of First \$50.0 Mil, 0.80% Thereafter		\$578,651	0.96%
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	\$1,161,025	0.44%

Appendix

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	\$1,426,092	0.48%
Dimensional Fund Advisors Inc.	0.69% of Assets	\$0	\$413,041	0.69%
Total Fixed Income Composite	No Fee		--	--
Barclays Global Inv N.A. Intermediate Agg	0.02% of Assets	\$0	\$64,011	0.02%
Reams Asset Management	0.15% of First \$300.0 Mil, 0.10% Thereafter		\$418,266	0.14%
Loomis, Sayles & Company, L.P.	0.20% of First \$100.0 Mil, 0.14% Thereafter		\$729,074	0.15%
Total Real Estate Composite	No Fee		--	--
Real Estate	No Fee		--	--
Investment Management Fee			\$8,630,499	0.25%

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).

Beginning October 1st, 2008, the Total Equity Reference Index is comprised of 70% Russell 3000 and 30% MSCI EAFE (net). Prior to that, Total Equity Reference Index was Russell 3000.

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 December 31, 2008
(Percent Return)**

Benchmark	10-Year Annualized Return
Total Fund Composite	3.4
Total Domestic Equity Composite	0.6
Total International Equity Composite	5.0
Total Fixed Income Composite	5.0
Total Real Estate Composite	13.3
Russell 3000 Index	-0.8
S&P 500 Index	-1.4
Russell 1000 Index	-1.1
Russell 1000 Growth Index	-4.3
Russell 1000 Value Index	1.4
Russell Midcap Index	3.2
Russell 2000 Value Index	6.1
Russell 2000 Growth Index	-0.8
MSCI EAFE Index	1.2
MSCI AC World Ex US Index	2.3
MSCI EAFE Small Cap Price Index	2.3
Barclays Capital Intermediate Aggregate Bond	5.5
Barclays Capital Aggregate Bonds	5.6

Mercer Manager Ratings as of December 31, 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	N*
Reams	B+ (T)
Loomis	B+ (T)

* Mercer does not currently rate passive strategies.

Information Ratios for the 5 Year Period Ended December 31, 2008

Manager	Information Ratio	Ranking
Total Fund Composite	-0.3	----
Total Domestic Equity Composite	-0.7	(98)
Total International Equity Composite	0.3	(40)
Total Fixed Income Composite	-0.4	(37)
Total Real Estate Composite	----	----
Northern Trust	-0.3	(92)
Barclays Global RUI Alpha Tilts	-0.1	(79)
Alliance (Bernstein)	-0.8	(94)
Turner Investment Partners	-0.7	(99)
EARNEST Partners	0.5	(22)
Dimensional Fund Advisors SCV	-0.2	(74)
Artisan Partners	-0.1	(60)
Brandes	0.6	(27)
William Blair	-0.1	(76)
Dimensional Fund Advisors Intl SCV	1.2	(5)
BGI LB Intermediate Aggregate	0.9	(2)
Reams	-0.5	(49)
Loomis	-0.3	(34)

**Performance Reconciliation
For the Quarter Ended December 31, 2008
(Percent Return)**

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	-22.1	-22.1
BGI (Equity)	-22.3	-22.3
Turner	-25.2	-25.2
Bernstein	-23.6	-23.6
EARNEST Partners	-30.0	-30.0
DFA	-28.4	-28.4
Artisan Partners	-26.8	-26.8
Brandes	-17.3	-16.5
William Blair	-24.2	-24.3
DFA Intl SC	-19.2	-19.4
BGI (Fixed Income) ⁽¹⁾	3.6	3.6
Reams	-4.3	-4.0
Loomis	-7.2	-7.4

⁽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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