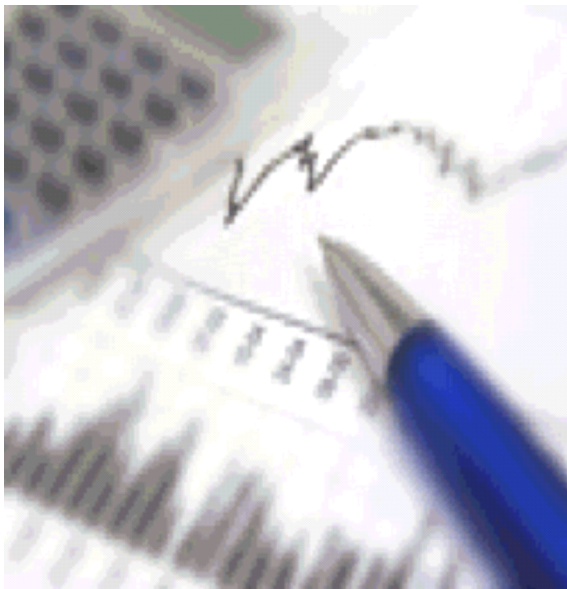


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City of Milwaukee Employees' Retirement System Board Report Periods Ending December 31, 2009

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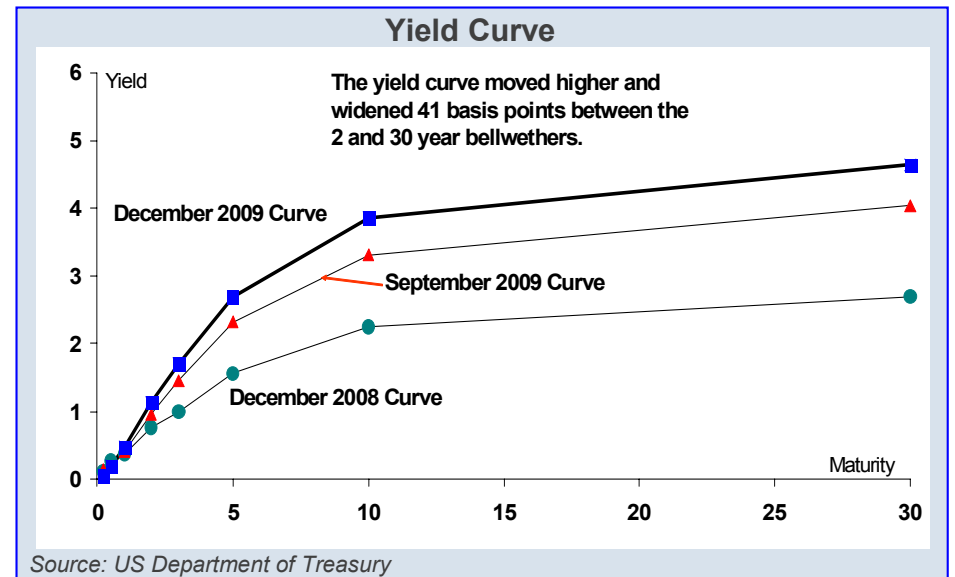
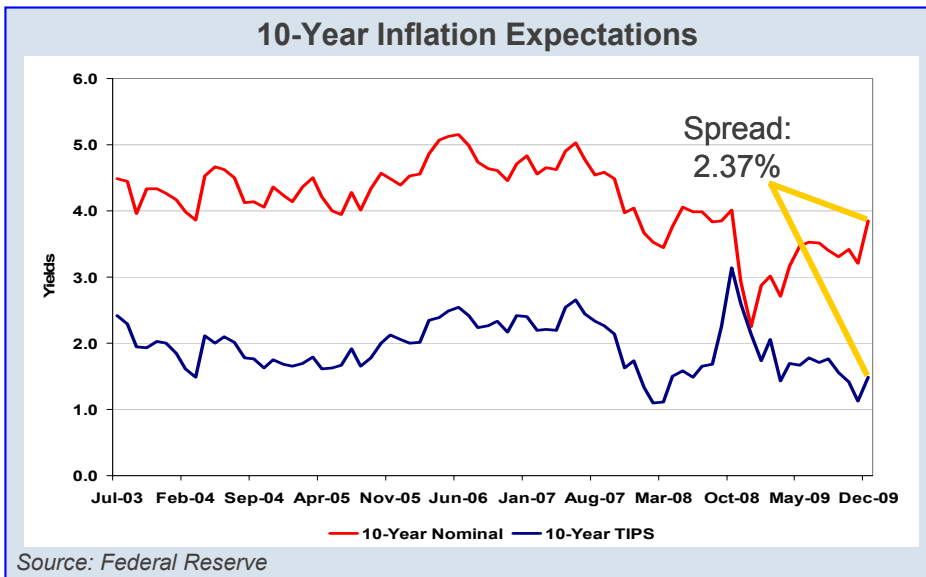
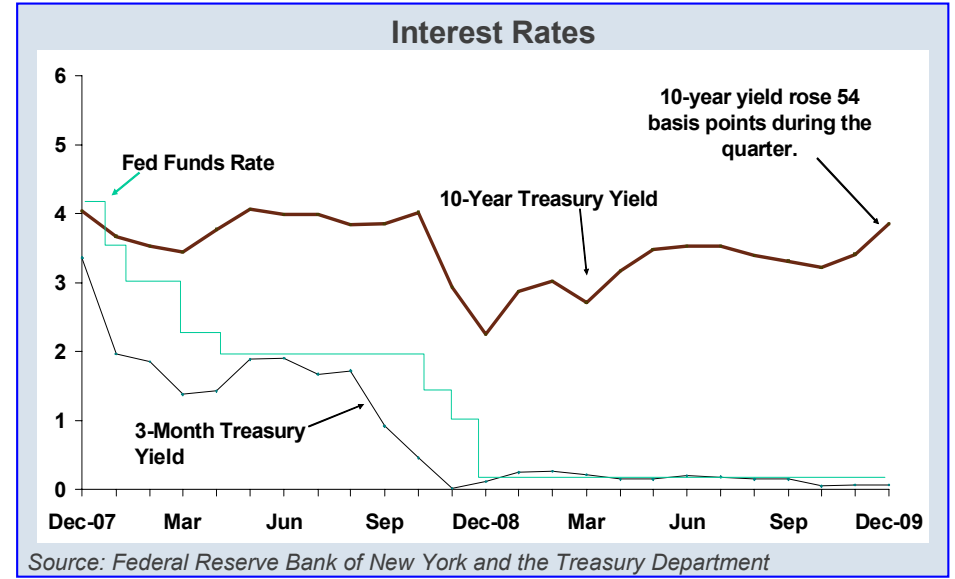
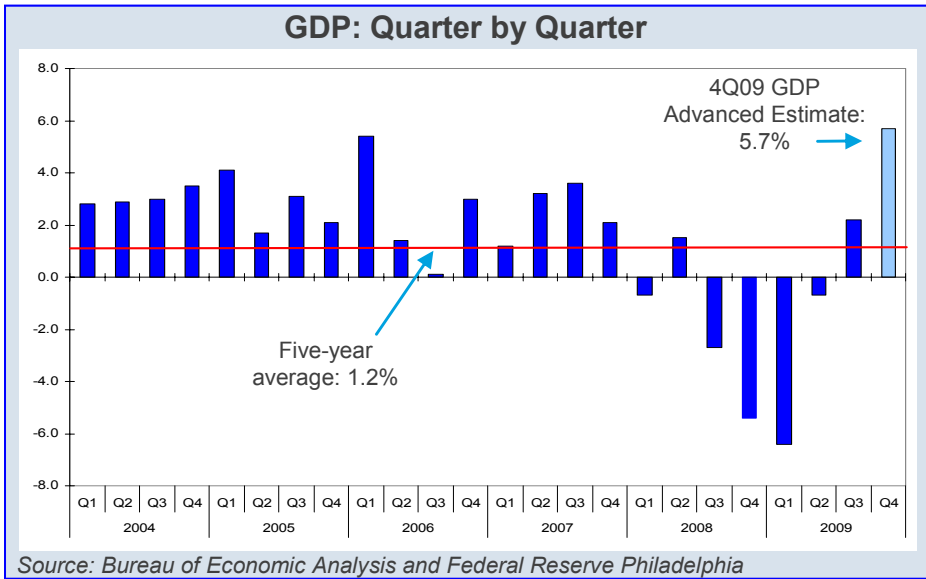
Table of Contents

	Page
Capital Markets Commentary	1
Executive Summary	10
Board Report	27
Performance	39
Appendix	46

Capital Markets Commentary

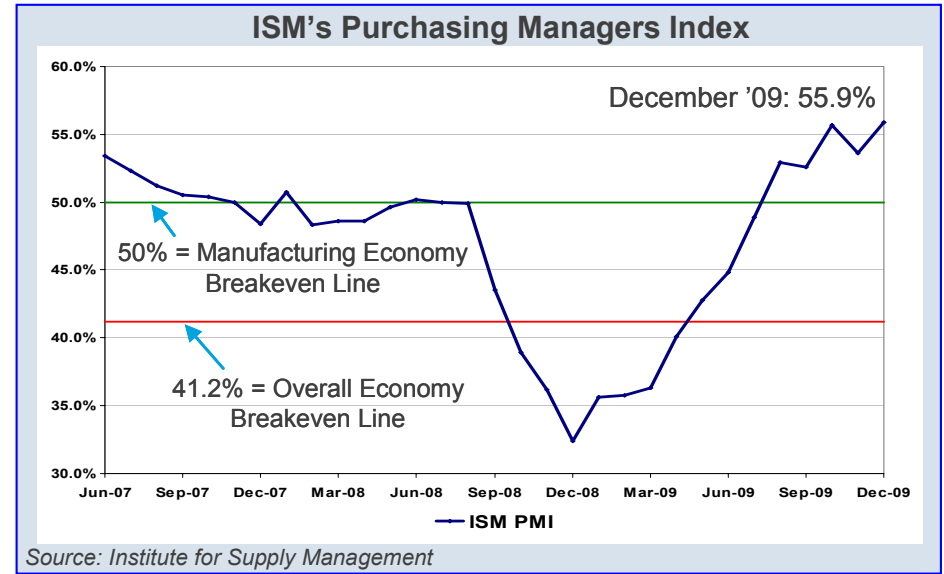
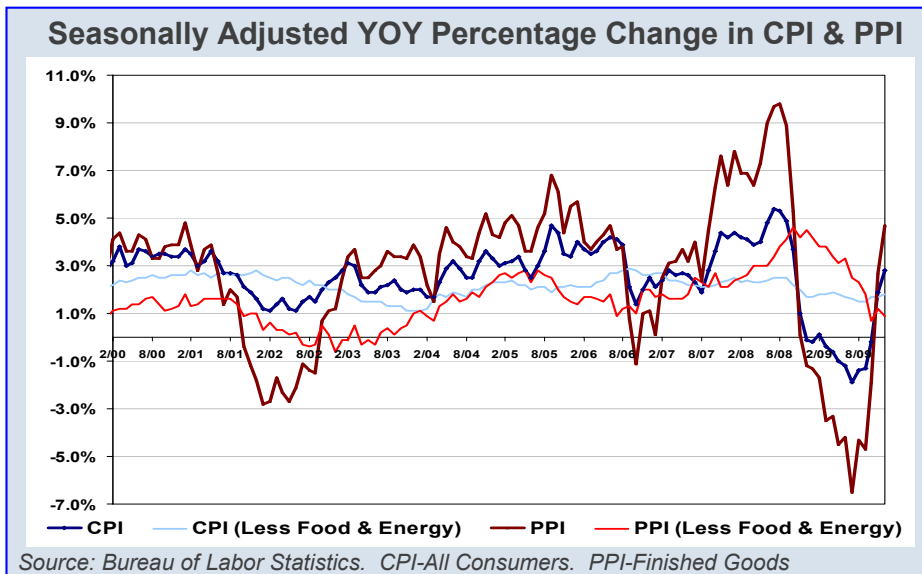
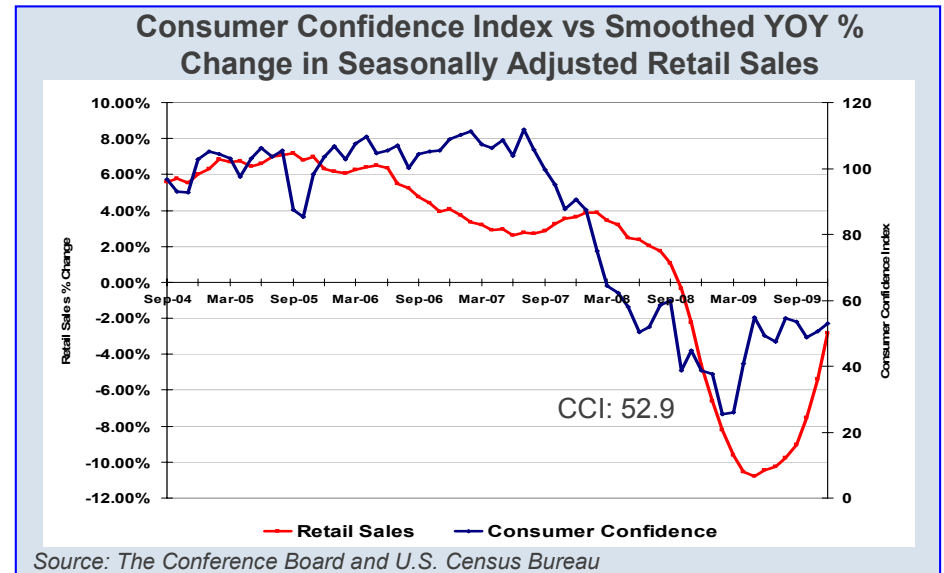
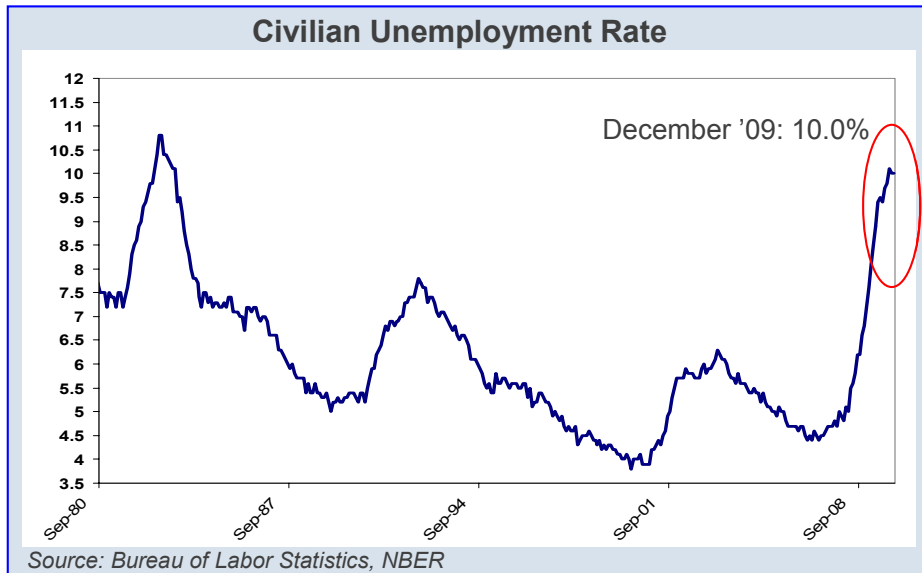
U.S. Capital Markets and Macroeconomic Conditions

Economy



U.S. Capital Markets and Macroeconomic Conditions

Economy

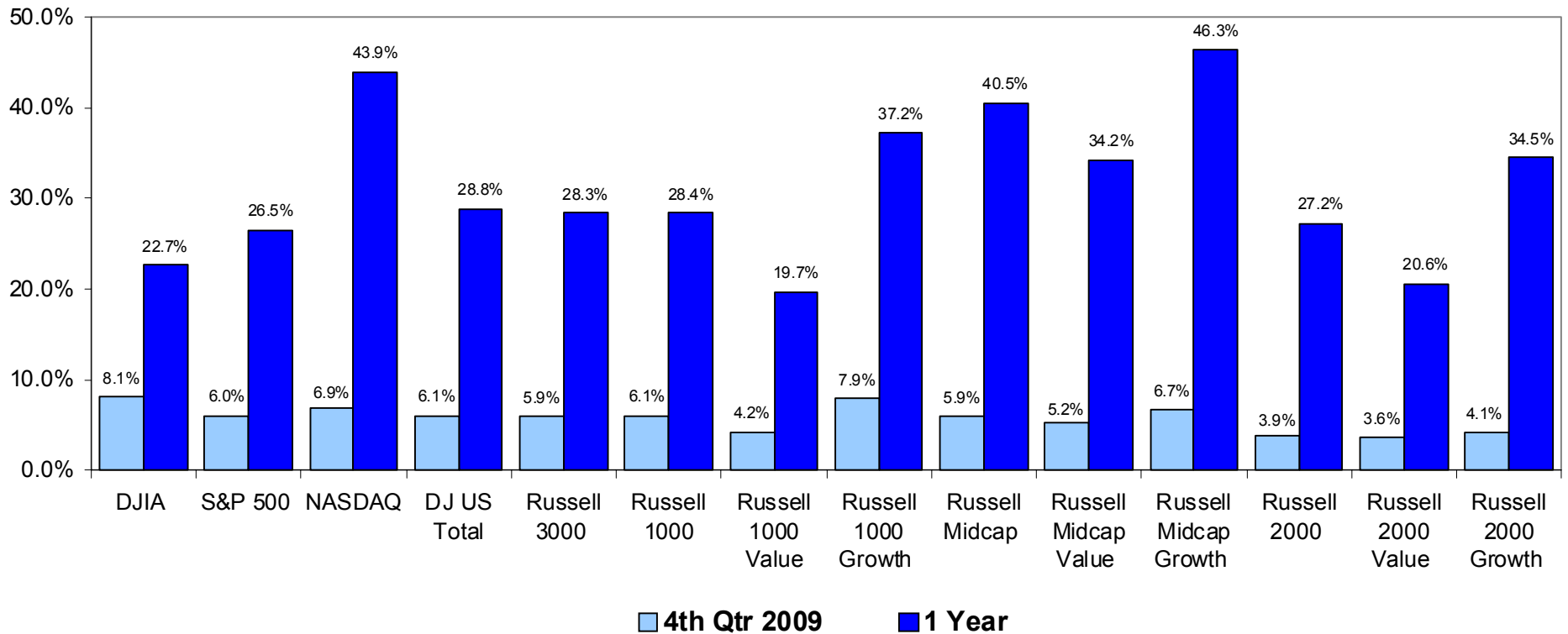


Domestic Equity

Positive Returns Across All Market Caps

- The US continues to recover from the worst recession in the post-war era driven by cyclical sectors, most notably autos and houses. US stocks continued to perform positively across all market caps (large, mid, small) and investment styles (value, core, growth)
- Growth-oriented stocks outperformed their value counterparts across all market caps
- Large-cap equities outperformed small-cap equities

Performance of U.S. Equity Indices

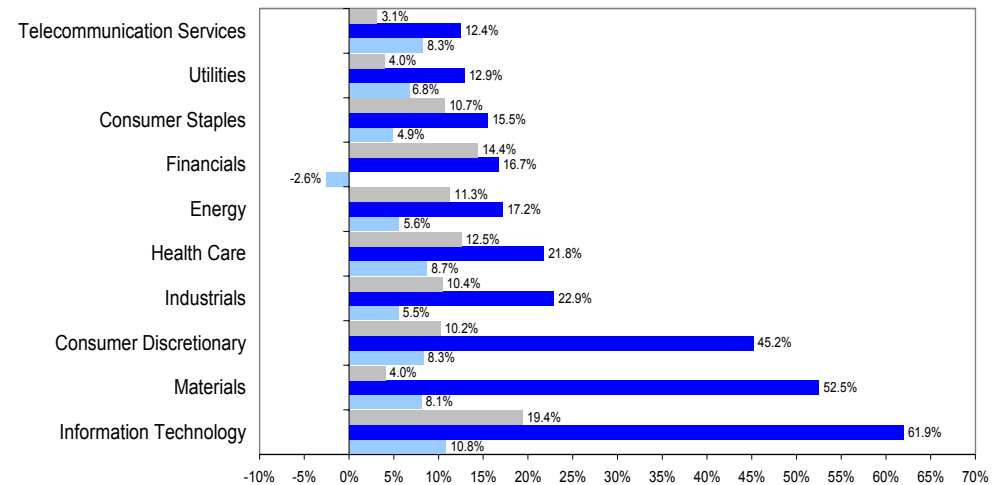


Domestic Equity

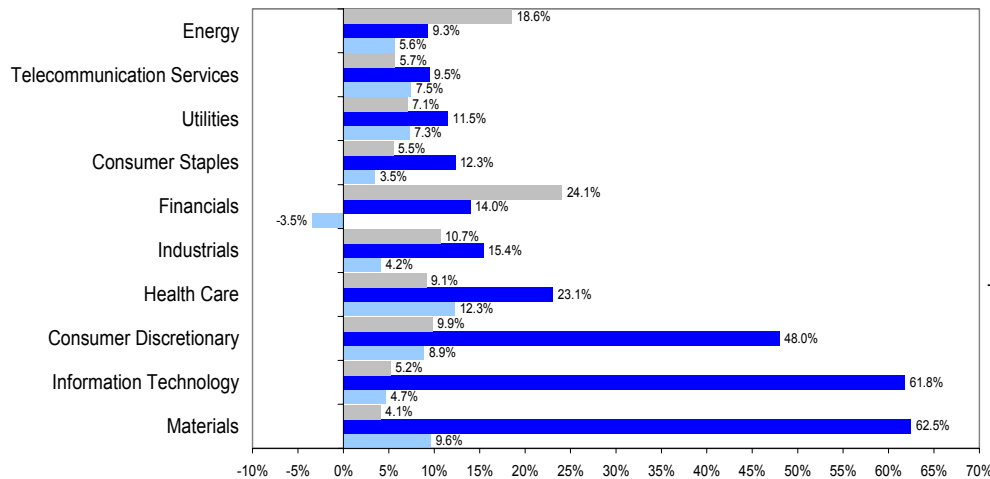
Large Cap Stocks Outperformed Small Cap Stocks

- Nine of the ten sectors of the Russell 1000 and Russell 1000 Value indices reported positive returns while all ten sectors of the Russell 1000 Growth index performed positively
- Financials were the worst performing sector in the large cap space for the quarter

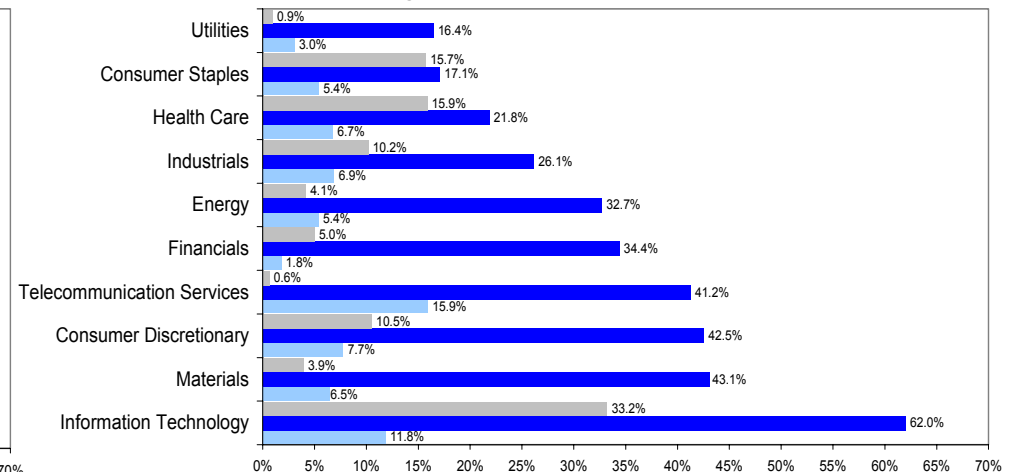
Large Cap Core Performance - Russell 1000 Index



Large Cap Value Performance - Russell 1000 Value Index



Large Cap Growth - Russell 1000 Growth Index



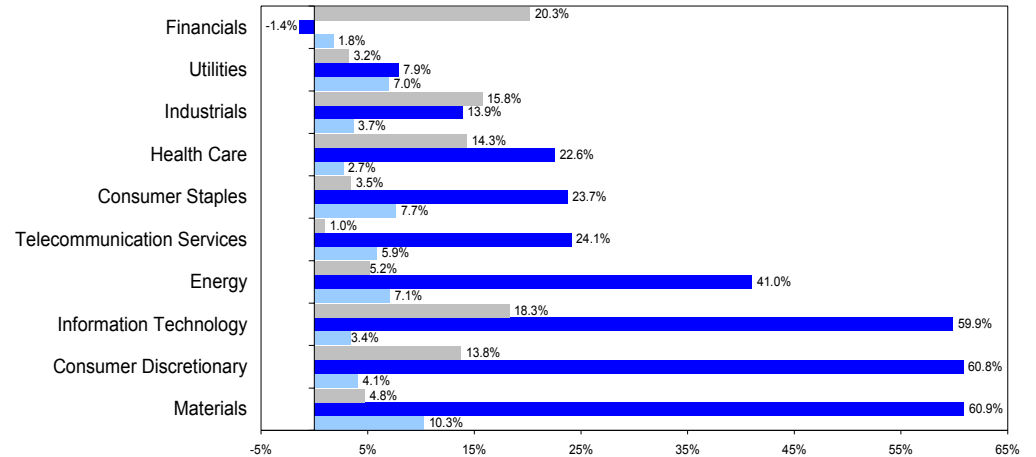
■ GICs Sector YTD Performance ■ GICs Sector QTR Performance ■ GICs Sector QTR Weighting

Domestic Equity

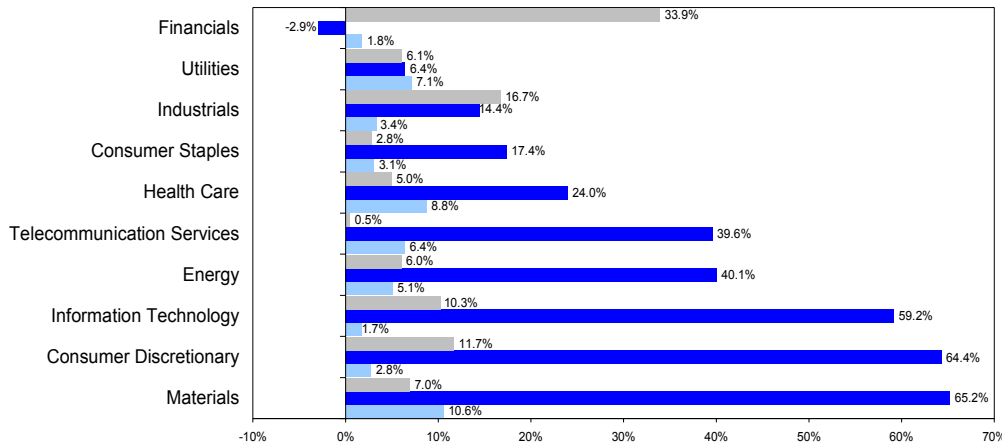
Small Cap Stocks Cool Down, Financials and Health Care Lag the Most

- Top performing sectors for the quarter included consumer staples, materials, utilities and energy
- Growth stocks outperformed Value stocks (4.1% vs. 3.6%, respectively)
- Reversal from the prior quarter, companies with higher market cap, ROE, and price fared the best

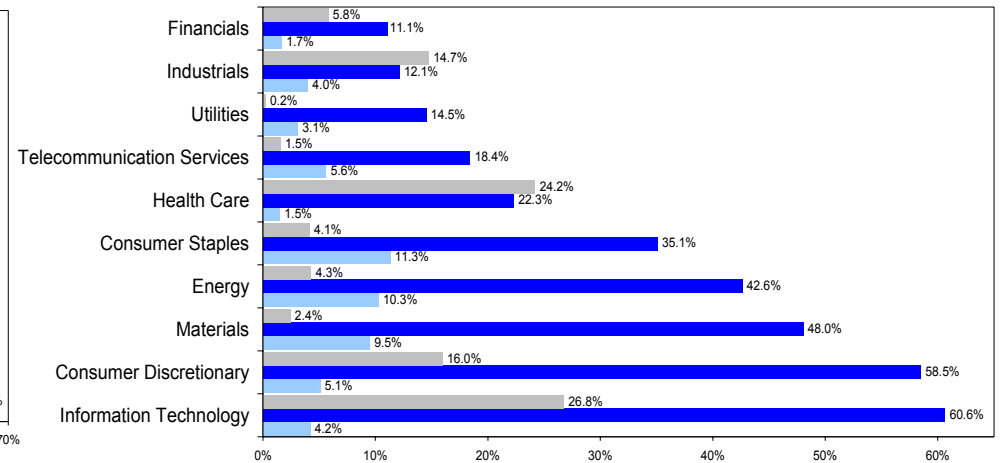
Small Cap Core Performance - Russell 2000 Index



Small Cap Value Performance - Russell 2000 Value Index



Small Cap Growth Performance - Russell 2000 Growth Index



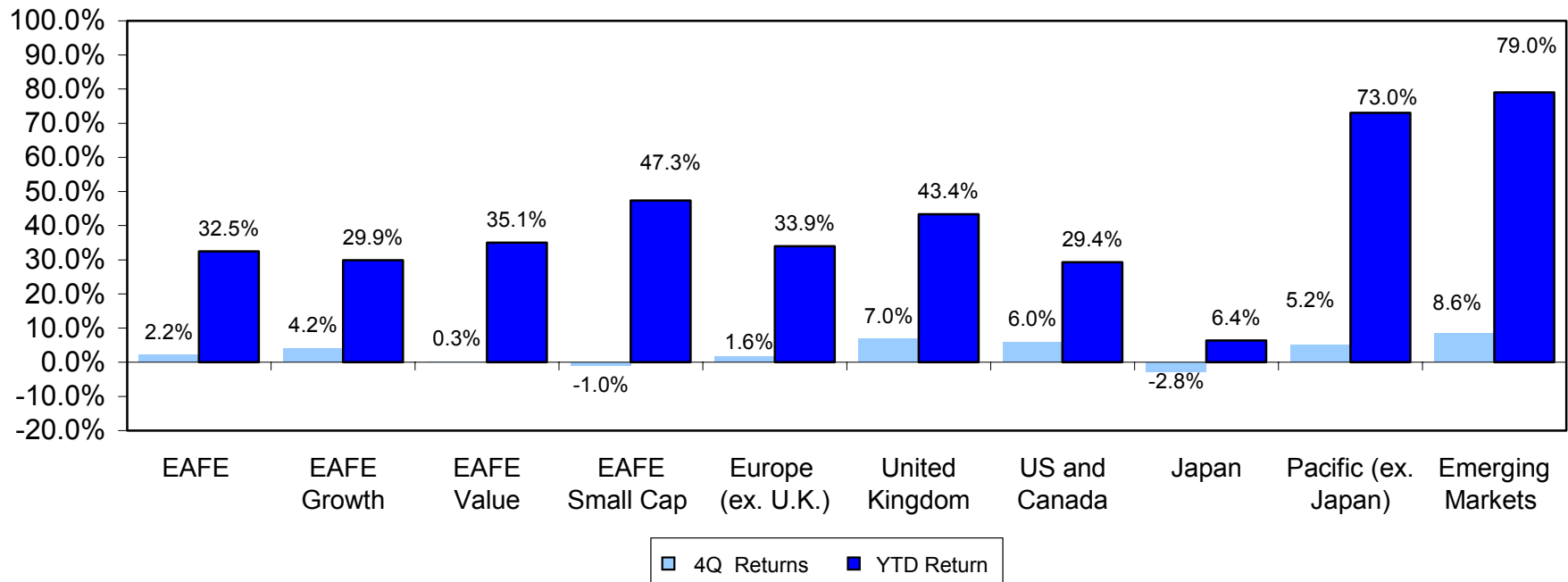
■ GICs Sector YTD Performance ■ GICs Sector QTR Performance ■ GICs Sector QTR Weighting

International Equities

Developed Markets Underperform the Domestic Markets

- MSCI EAFE gained 2.2% (gross) in the fourth quarter
 - In local currency terms, MSCI EAFE gained 3.4% for the quarter
- Japan, which represents 17.9% of the index, posted a -2.8% loss. In local currency terms, Japan posted a 1.1% return
- The UK, which represents 11.3% of the index, posted a 7.0% return. In local currency terms, UK posted a 6.0% gain

Non-US Equity Performance



Domestic Fixed Income

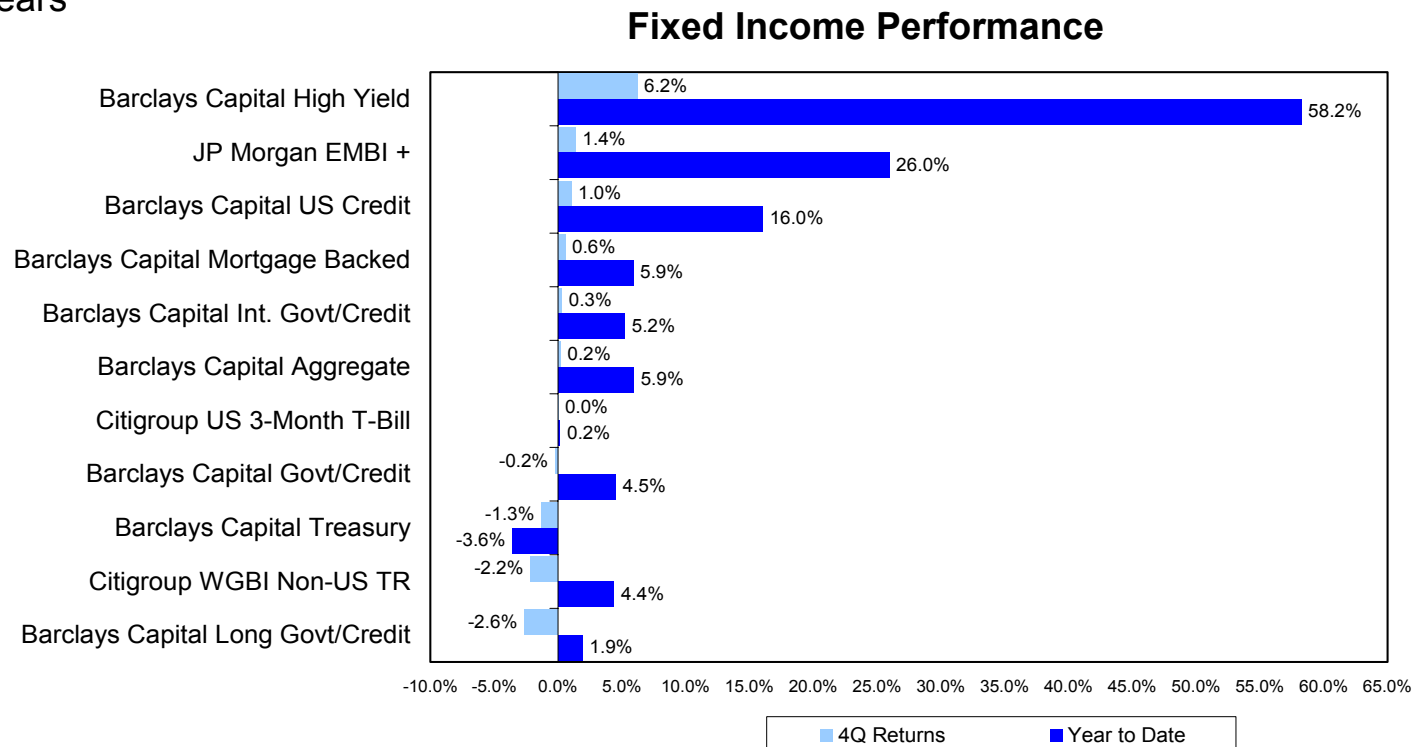
Barclays Capital Aggregate Close to Flat Performance

- For the quarter, the Barclays Capital Aggregate Index returned a nearly flat 0.2%
 - A search for yield continued in Corporates and ABS, both returning 1.3%, and CMBS returning 3.3% for the quarter
 - Financial companies continue to lead the rally in Corporates, but have lost steam following 10+% total return in 2Q and 8+% in 3Q
 - CMBS continues to gain on anticipated demand from PPIP and, to a more modest extent, TALF
 - Treasury yields rise due to improving economic news and fears of more government bond issuances
 - The Treasury announced that it will provide Fannie Mae and Freddie Mac unlimited financial support for the next three years

- Markets embraced riskier assets as BBB outperformed investment grade bonds

- AAA bonds show negative returns for the quarter and year

- Barclays US High Yield Index returned 58.2% through 2009, 6.2% for the quarter



Market Summary Returns

For Periods Ending December 31, 2009

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	6.0	26.5	26.5	-5.6	0.4	-0.9
	Russell 1000 Value	4.2	19.7	19.7	-9.0	-0.3	2.5
	Russell 1000 Growth	7.9	37.2	37.2	-1.9	1.6	-4.0
	Russell MidCap	5.9	40.5	40.5	-4.6	2.4	5.0
	Russell MidCap Value	5.2	34.2	34.2	-6.6	2.0	7.6
	Russell MidCap Growth	6.7	46.3	46.3	-3.2	2.4	-0.5
	Russell 2000	3.9	27.2	27.2	-6.1	0.5	3.5
	Russell 2000 Value	3.6	20.6	20.6	-8.2	0.0	8.3
	Russell 2000 Growth	4.1	34.5	34.5	-4.0	0.9	-1.4
	Russell 3000	5.9	28.3	28.3	-5.4	0.8	-0.2
	<i>Mercer Large Cap Value Equity Peer Group median**</i>	5.2	25.4	25.4	-5.9	1.3	4.3
	<i>Mercer Large Cap Growth Equity Peer Group median**</i>	7.1	35.2	35.2	-1.7	2.2	-0.6
	<i>Mercer Small Cap Value Equity Peer Group median**</i>	4.5	32.0	32.0	-4.0	2.7	10.6
	<i>Mercer Small Cap Growth Equity Peer Group median**</i>	5.3	36.9	36.9	-3.4	1.7	1.5
Fixed Income	Citigroup 3-Month T-Bill	0.0	0.2	0.2	2.2	2.9	2.8
	Barclays Capital Int. Gov't/Credit	0.3	5.2	5.2	5.9	4.7	5.9
	Barclays Capital Gov't/Credit	-0.2	4.5	4.5	5.8	4.7	6.3
	Barclays Capital Aggregate	0.2	5.9	5.9	6.0	5.0	6.3
	Barclays Capital Intermediate Government	-0.4	-0.3	-0.3	6.1	4.7	5.7
	Barclays Capital Long Gov't/Credit	-2.6	1.9	1.9	5.6	5.0	7.7
	Barclays Capital MBS	0.6	5.9	5.9	7.0	5.8	6.5
	Barclays Capital TIPS	1.8	11.4	11.4	6.7	4.6	7.7
	Barclays Capital High Yield	6.2	58.2	58.2	6.0	6.5	6.7
	<i>Mercer Core Fixed Income Peer Group median**</i>	0.9	11.6	11.6	6.6	5.4	6.7
	International	MSCI EAFE	2.2	32.5	32.5	-5.6	4.0
MSCI Emerging Markets		8.6	79.0	79.0	5.4	15.9	10.1
Citigroup Non-US Gov't Bond		-2.1	4.4	4.4	8.6	4.5	6.6
Citigroup Non-US Gov't Bond - Hedged		0.1	2.4	2.4	5.1	4.8	5.3
<i>Mercer International Equity Universe median**</i>		3.4	34.5	34.5	-4.2	5.4	3.4
Miscellaneous	NCREIF Property Index***	-3.3	-22.1	-22.1	-1.3	6.2	7.8
	FTSE NAREIT (Equity REITS)	9.4	28.0	28.0	-12.4	0.4	10.6
	Merrill Lynch Inv. Grade Convertible	3.4	28.6	28.6	5.6	4.9	3.9
	Goldman Sachs Commodity Index	8.4	13.5	13.5	-6.9	-3.0	5.1
Inflation	CPI	0.8	2.7	2.7	2.3	1.9	2.6
Index at 9/30/09		Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000	
		9,712.28	2,122.42	1,057.08	604.28	10,945.17	
Index at 12/31/09		Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000	
		10,428.50	2,269.15	1,115.10	625.39	11,561.72	

* Annualized

** Preliminary

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

Mercer Investment Consulting, Inc.

Executive Summary

Total Fund

Asset Allocation

- The Total Plan held approximately \$4.0 billion in assets at the end of the quarter, representing an increase of \$58 million over the previous quarter end.
- The Domestic Equity Composite accounted for 44.1% of the Total Fund and the International Equity segment represented 22.0% of the Plan at the end of the quarter.
- At the end of December, the Fixed Income portfolio comprised 27.7% of the Total Fund while the Real Estate Composite represented 5.8% of the Total Plan.
- The Domestic Equity, Fixed Income and Real Estate components of the Plan held underweight allocations relative to target weights at the end of the quarter, while the International Equity portfolio held an overweight allocation relative to policy guidelines.

Performance

- Over the quarter, the Total Plan advanced 3.2%, leading the Reference Index by 30 basis points and ranking in the 67th percentile of the peer group universe.
- The International Equity and Fixed Income components of the Plan outperformed their reference indices over the quarter while the Domestic Equity and Real Estate portfolios underperformed their respective benchmarks over the same period.
- Over the one-year period, the Total Plan gained 23.7%, leading the custom benchmark by 480 basis points and ranking in the 11th percentile of the peer universe. With the exception of the Real Estate segment, all Plan Composites have outperformed their respective benchmarks over the one-year period.
- Over the three- and five-year periods, the Total Fund has underperformed both its reference index and the peer universe median.

Domestic Equity

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

The fourth quarter of 2009 was characterized by better-than-expected performance in the equity markets. Oil prices remained largely unchanged from the previous quarter, while housing prices declined. The unemployment rate topped 10.0% over the quarter, while the Federal Open Market Committee left the Federal Funds Target Rate unchanged, with a target range of 0.00% to 0.25%. The advance estimate of fourth quarter annualized GDP growth was 5.7%.

Consumer prices, as measured by the Consumer Price Index (CPI), rose at an annualized rate of 3.3% during the fourth quarter and grew by 2.7% during 2009. The CPI, excluding volatile food and energy prices, gained an annualized 1.3% during the quarter and increased 1.8% over the past 12 months. The Producer Price Index for finished goods rose 4.4% in 2009. Preliminary production capacity utilization was 72.0% at the end of December, representing a 1.5% increase from the September level, and was 8.9% below the average for the period 1972 – 2008. The national unemployment rate rose from 9.8% at the end of the third quarter to 10.0% in December. The Consumer Confidence Index stood at 52.9 in December, essentially unchanged from the third quarter level of 53.4. In 1985, the Consumer Confidence Index stood at 100.

Oil prices were approximately \$81/barrel at the end of December. Home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, declined over the trailing one-year period by 7.3% in October. The National Association of Home Builders/Wells Fargo Housing Market Index declined from a seasonally adjusted high of 19 in September to 16 in December; readings below 50 are considered negative. The yields on three-month Treasuries declined further, from 0.14% at the end of September to 0.06% at the end of December. Ten-year Treasury yields rose, from 3.31% at the end of September to 3.85% at the end of December.

The broad market rally that was sparked during the earlier months of the year continued in the fourth quarter as all US equity indices finished in positive territory. Several major indices continued to see substantial gains, with positive returns across all sectors except financials. The information technology sector was the strongest performer during the quarter, while the financials sector was the biggest detractor.

Corporate earnings continued to aid the rebound in the equity markets during the fourth quarter, with more than 82% of the companies within the S&P 500 Index reporting earnings that exceeded analysts' estimates. Strong earnings growth was led by financial firms JPMorgan Chase & Co and Goldman Sachs Group as corporate cost-cutting measures, as well as the lifeline given to these companies through the Troubled Asset Relief Program (TARP), had a positive impact on the bottom line.

During the fourth quarter, growth stocks outpaced value stocks by wide margins in all market segments. Higher beta, lower market capitalization, lower return on equity, and non-earning companies generally continued to do well in the large cap universe. Mid and small cap companies with higher-quality characteristics fared better than their lower-quality counterparts during the fourth quarter.

Executive Summary

Within the large cap growth universe, managers with exposure to lower-quality stocks fared better than managers with higher-quality stocks, though the magnitude of the spread was less significant than that of prior quarters.

Small cap growth and small cap value managers with a larger market capitalization, higher return on equity, and higher-yielding companies fared well during the fourth quarter.

On November 6, President Barack Obama signed an extension of the first-time homebuyers' tax credit. The \$8,000 tax credit will be in effect through April 30, 2010. The newly signed bill also raised income limits for homebuyers and increased the number of homeowners eligible to claim the tax credit.

The Dubai government announced on November 25 that Dubai World, a government-owned investment company, asked all creditors for a six-month standstill on debt repayments of around \$60 billion. On December 14, Abu Dhabi extended a \$10 billion bailout to the Dubai government for debt-laden Dubai World.

On December 15, Citibank and Wells Fargo repaid the US government \$45 billion from the Troubled Asset Relief Program. Bank of America also repaid its loaned TARP funds, which contributed to the bank's net loss in the fourth quarter.

Domestic Equity Composite

- The Domestic Equity Composite returned 5.4% over the fourth quarter, trailing the Russell 3000 Index by 50 basis points and ranking in the 57th percentile of the peer universe.
- Among the Domestic Equity managers, BlackRock, Turner and DFA underperformed their reference indices while Northern Trust, AllianceBernstein, Earnest and Artisan led their respective benchmarks over the quarter.
- Over the one-year period, the Domestic Equity portfolio has outperformed the reference index by 330 basis points and ranked in the 53rd percentile of the peer universe.
- Over the three- and five- year periods, the Domestic Equity segment of the Plan trailed its benchmark and peer universe median.
- On a since-inception basis, the Composite has approximated the 9.7% return of the Russell 3000 Index.

Northern Trust

- The Northern Trust Equity Index Fund advanced 6.1%, leading the S&P 500 Index by 10 basis points over the quarter.
- Over the one-year period, the strategy has outperformed its reference index due to positive returns from the fund's securities lending program during the second quarter of 2009.
- The fund has tracked the S&P 500 Index within 20 basis points over the three-, five-year and since inception periods.

Executive Summary

BlackRock

- In December, the manager name changed from BGI to BlackRock as BlackRock completed the acquisition of BGI.
- Performance:
 - The BlackRock Alpha tilts strategy gained 5.7% over the last three months, trailing the Russell 1000 Index by 40 basis points and ranking in the 66th percentile of the peer universe.
 - Over the one-, three- and five-year periods, the portfolio has trailed its reference index.
 - On a since-inception basis, BlackRock has trailed the Russell 1000 Index by 10 basis points annually.
- Positive impact on performance over the quarter:
 - Security selection within the materials and information technology sectors.
 - The holdings of Google Inc. (consumer discretionary) and Wellpoint (health care).
- Negative impact on performance over the quarter:
 - Security selection with the consumer discretionary and financials sectors.
 - The holdings of Citigroup (financials) and Aeropostale (consumer discretionary).

Turner

- Performance:
 - Turner posted a 5.8% return over the fourth quarter, trailing the Russell 1000 Growth Index by 210 basis points and lagging the peer universe median by 130 basis points.
 - Over the one-year period, the strategy has underperformed the reference index by 170 basis points.
 - Over the trailing three-, five-year and since inception periods, Turner has lagged its benchmark.
- Positive impact on performance over the quarter:
 - Stock selection within the consumer discretionary sector.
 - The holdings of Amazon.com Inc. (consumer discretionary), Google Inc. (consumer discretionary) and Apple Inc. (technology).
- Negative impact on performance over the quarter:
 - Stock selection within the consumer staples, health care and information technology sectors.
 - The holdings of Alcatel-Lucent (technology), CVS Caremark Corp. (consumer staples) and St. Jude Medical Inc. (health care).

Executive Summary

AllianceBernstein

- Performance:
 - Over the fourth quarter, AllianceBernstein gained 4.3%, outperforming the Russell 1000 Value Index by 10 basis points and ranking in the 69th percentile of the peer universe.
 - Over the one-year period, the manager has outperformed its reference index by 800 basis points.
 - Over the three- and five-year periods, AllianceBernstein has trailed both its benchmark and the peer universe median.
 - The strategy lagged the Russell 1000 Value Index by 90 basis points annually on a since-inception basis.
- Positive impact on performance over the quarter:
 - Stock selection within the capital equipment sector.
 - An underweight allocation to the financials sector.
 - The holdings of Bank of America Corp. (financials), Corning Inc. (technology) and GE Co. (energy).
- Negative impact on performance over the quarter:
 - Stock selection within the utilities and financials sectors.
 - The holdings of Valero Energy Corp. (energy), Nokia Corp. (technology) and Deutsche Bank (financials).

Earnest

- Performance:
 - Earnest posted a 6.1% return over the quarter, leading the Russell Mid Cap Index by 20 basis points and ranking in the 42nd percentile of the peer universe.
 - Over the one- and three-year periods, the strategy has outperformed its reference index and peer universe median.
 - On a since-inception basis, Earnest has led its benchmark by 70 basis points annually.
- Positive impact on performance over the quarter:
 - An underweight allocation and stock selection within the financials sector.
 - An overweight exposure and security selection within the telecommunications sector.
 - Stock selection within the utilities and industrials sectors.
 - The holdings of Corning Inc. (technology), Pioneer Natural Resources (energy), American Tower Corp. (telecommunication services).
- Negative impact on performance over the quarter:
 - Stock selection within the consumer discretionary, health care and energy sectors.
 - The holdings of Helix Energy Solutions (energy), International Game Technology (consumer discretionary) and Jefferies Group Inc. (financials).

Executive Summary

DFA

- Performance:
 - DFA advanced 3.3% over the last three months, trailing the Russell 2000 Value Index by 30 basis points and lagging the peer universe median by 130 basis points.
 - Over the one-, three- and five-year periods, DFA has outperformed its reference index.
 - Since inception, the strategy has outpaced the Russell 2000 Value Index by 270 basis points per annum.
- Positive impact on performance over the quarter:
 - Stock selection within the industrials and consumer discretionary sectors.
 - The holdings of M&F Worldwide Corp. (industrials), MPS Group Inc. (industrials) and East West Bancorp Inc. (financials).
- Negative impact on performance over the quarter:
 - An underweight exposure and stock selection within the utilities sector.
 - The holdings of MBIA Inc. (financials), Penske Auto Group (consumer discretionary), and CVR Energy Inc. (energy).

Artisan

- Performance:
 - Artisan returned 6.4% over the fourth quarter, leading the Russell 2000 Growth Index by 230 basis and ranking in the 25th percentile of the peer universe.
 - Over the one-year period, Artisan has outpaced both its reference index and the peer universe median.
 - Over the three- and five-year periods, the portfolio trailed its comparative measures.
 - On a since-inception basis, Artisan has outperformed the Russell 2000 Growth Index by 100 basis points annually.
- Positive impact on performance over the quarter:
 - Security selection within the information technology and industrials sectors.
 - The holdings of Chattem (consumer discretionary), Avocent (consumer discretionary), Atheros Communications (technology) and GSI Commerce (technology).
- Negative impact on performance over the quarter:
 - Positions within the consumer staples sector.
 - The holdings of Clariant (health care) and STEC (technology).

International

(Brandes, William Blair, DFA)

Growth stocks outpaced value stocks in the MSCI EAFE Index during the fourth quarter, similar to US markets. The MSCI Emerging Markets Index outperformed both the S&P 500 Index and MSCI EAFE Index over the quarter. US dollar returns were negative during the year as the dollar lost ground to most major currencies with the exception of the Japanese yen.

International Equity Composite

- The international Equity segment of the Plan advanced 2.6% over the fourth quarter, leading the MSCI EAFE Index by 40 basis points and trailing the peer universe median by 70 basis points.
- Within the International Equity space, William Blair outperformed its reference index and peer universe median over the quarter, while Brandes and DFA lagged their respective benchmarks.
- The International Equity portfolio has outperformed the reference index over the longer periods measured.

Brandes

- Performance:
 - Brandes gained 1.2% over the quarter, lagging the MSCI EAFE Index by 100 basis points and trailing the peer universe median by 210 basis points.
 - With the exception of the one-year period, the strategy has outperformed its reference index over the longer periods measured.
- Positive impact on performance over the quarter:
 - Investments in Brazil and within the consumer staples sector.
 - The holdings of Sanofi-Aventis (health care), ITV (consumer discretionary) and Deutsche Telekom (telecommunication services).
- Negative impact on performance over the quarter:
 - Positions in Japan and within the financials sector.
 - The holdings of Mitsui Sumitomo Insurance (financials), Mitsubishi UFJ Financial Group (financials) and Ericsson (information technology).

Executive Summary

William Blair

- Performance:
 - William Blair gained 4.6% over the last three months, leading the MSCI AC World Ex USA Index by 90 basis points and ranking in the 26th percentile of the peer group.
 - The strategy has led its reference index over the one-year period.
 - Over the three-, five-year and since inception periods, the portfolio lagged its benchmark.
- Positive impact on performance over the quarter:
 - Security selection within the health care and industrials sectors.
 - Investments in Developed Asia and Emerging Markets.
 - The holdings of Fast Retailing (consumer discretionary), Noble Group (materials) and Antofagasta (materials).
- Negative impact on performance over the quarter:
 - Stock selection in Europe.
 - The holdings of National Bank of Greece (financials), Barclays (financials) and Credit Suisse Group (financials).

DFA

- Performance:
 - DFA posted a -1.8% return over the quarter, lagging the MSCI EAFE Small Cap Price Index by 50 basis points and ranking in the 94th percentile of the peer group.
 - Over the one-year period, the strategy has lagged its reference index.
 - Over the three-year period and on a since-inception basis, the strategy has outperformed its reference index.
- Positive impact on performance over the quarter:
 - Stock selection within the financials sector.
 - An overweight allocation to the materials sector.
 - Investments in Canada.
- Negative impact on performance over the quarter:
 - Stock selection within the industrials and information technology sectors.
 - Positions in the Scandinavian region.

Fixed Income

(BlackRock, Loomis, Reams)

The low-quality fixed income rally continued during the fourth quarter as high yield issues significantly outperformed investment grade issues. Investors embraced riskier fixed income assets during the final three quarters of 2009 as the economic outlook and lending environment had largely improved in their view.

Fixed Income Composite

- The Fixed Income segment of the Total Plan posted a 2.2% return over the quarter, leading the Barclays Capital Aggregate Index by 200 basis points and ranking in the first quartile of the peer universe.
- The three fixed income managers, BlackRock, Reams and Loomis, outperformed their respective indices over the quarter.
- The Fixed Income Composite has led its benchmark and universe median over the one-, three- and five-year periods.

BlackRock

- In December, the manager name changed from BGI to BlackRock as BlackRock completed the acquisition of BGI.
- The BlackRock fixed income portfolio gained 0.6% over the quarter, outpacing the Barclays Capital Intermediate Aggregate Index by 10 basis points.
- The strategy has tracked its reference index within 20 basis points over the longer periods measured.

Reams

- Performance:
 - Reams returned 0.9% over the quarter, leading the Barclays Capital Aggregate Index by 70 basis points and ranking in the fourth quartile of the peer universe.
 - Over the one-year period, the strategy returned 30.6% and outperformed the 5.9% return of the reference index.
 - The portfolio has outpaced its benchmark over the longer periods measured.
- The three-year tracking error remained high compared to Reams' peers.
- Reams continued reducing the risk of the portfolio over the fourth quarter. The portfolio's exposure to the corporate sector was further reduced while the allocation to Treasuries increased over the quarter.

Executive Summary

- Positive impact on performance over the quarter:
 - Selection of mortgage-backed securities (MBS) and asset-backed securities (ABS).
 - An overweight allocation to the high yield sector.
 - Security selection within the investment grade sector.
- Negative impact on performance over the quarter:
 - Positions in government related securities.

Loomis

- Performance:
 - Loomis advanced 3.9% over the quarter and ranked in the 6th percentile of the peer group universe over the quarter.
 - The portfolio has outpaced its benchmark and peer group median over the one-, three- and five-year periods.
- The three-year tracking error of the portfolio remained high compared to Loomis' peers.
- Positive impact on performance over the quarter:
 - Investments in non-US dollar denominated securities.
 - Selection within the high yield and investment grade sectors.
- Negative impact on performance over the quarter:
 - Longer-than-benchmark duration.

Manager Comments

AllianceBernstein

Subsequent to John Mahedy's departure Mercer met with newly appointed Co-CIO's of US Large Cap Value Equities David Yuen and Gerry Paul. Mercer had downgraded Bernstein's ratings to reflect concerns with the organizational changes and team stability.

With Mahedy leaving Bernstein to join Lew Sanders at his new firm, Mercer was concerned other long-time Bernstein analysts may also follow. According to Paul and Yuen, Sanders' new firm is expected to be a boutique of about 20 employees with Sanders and Mahedy as the senior investors and a number of junior analysts supporting them. Job postings for SCM are already out in the market and the search is for recent MBA school graduates. Sanders' seed client is also a client of Bernstein and that client is not planning on terminating the Bernstein account. Yuen did not seem concerned that other analysts would leave the firm to join SCM. At this time, it does not appear there will be further departures to SCM; however it is an issue Mercer will be monitoring.

While Mahedy's departure is disappointing, Yuen has been the main source of interaction with the analysts over the past eighteen months in his role as Director of Research. Mahedy interacted with the analysts, but to a diminishing extent as he assumed the CIO of US Large Cap Equities role in January and became more involved with client meetings. Yuen appears to have a good relationship with the analysts and should provide considerable continuity with the analysts. He has a strong research background and is very capable of the CIO role.

Yuen believes the analysts' morale has improved since the beginning of the year when the team was coming off poor performance in 2008. After seeing outperformance based on Bernstein's investment philosophies, he believes morale has improved and Bernstein's process validated. Yuen does not believe the analysts' morale will suffer as a result of Mahedy's departure and they are continuing on with no disruption.

Bernstein's investment team is deep and the investment process remains unchanged. Yuen reinforced Bernstein's use of a team approach to managing investment portfolios. While he admitted Mahedy will be missed, the remaining members of the investment team are entrenched in Bernstein's investment philosophy and continue to do what they do best, research. When meeting with senior research analyst Jerry Maris, he expressed no concerns over Mahedy's departure and has not experienced any changes to his day-to-day job since that time. He continues to focus on research and stock selection in his sector. Given the team approach and deep resources, Mercer does not anticipate any significant changes due to Mahedy's departure.

Yuen will maintain his Director of Research responsibilities in addition to the Co-CIO of US Large Cap Value Equities role. He plans on spending the majority of his time in the research role, with approximately twenty-five percent spent meeting with clients. He welcomes the added client responsibility and looks forward to interacting with clients to get feedback and gain a greater sense of clients' needs. Paul will focus on product design and portfolio construction. He will also focus on leveraging research synergies across other Bernstein investment products. Both are responsible for research reviews and working with analysts on final investment recommendations. The working relationship between Paul and Yuen will develop over time, however given their shared philosophies and complimentary backgrounds Mercer views this as a strong pairing.

Mercer will continue to monitor client departures as the strategies have begun to show improved performance. Bernstein indicated it does not plan on any further investment professional staff reductions and is opportunistically adding to its analyst team globally.

Executive Summary

BlackRock/BGI

On December 1, 2009, BlackRock completed the transaction to acquire BGI and combine the two firms.

The deal closed on time and on the schedule BlackRock articulated all along. The combined firm has already achieved a number of meaningful milestones, including regulatory approval in all pertinent jurisdictions, iShares fundholder approval of the combined firm as advisor, the takeover of BGI Bank in California, and the establishment of senior leadership roles and reporting lines across all departments.

The combined firm employs a total of approximately 8,000 staff, and BlackRock describes total lay offs related to the integration as minimal. Approximately 200 employees were let go, mostly in client service (particularly within the combined institutional business) and in the operations of iShares. BlackRock acknowledges that there were some retirements among BGI employees, but contends that very few investors departed throughout the integration planning process.

While BlackRock employees do not sign employment contracts, the firm has provided incentives to BGI investment personnel and other key employees to maintain stability following the close of the deal. All of the compensation and long-term incentive arrangements were finalized in November, with former BGI employees receiving a combination of salary, bonus, and an equity grant that vests after four years. Certain employees also received a minimum compensation guarantee for 2010. There has been no change to the compensation structure for legacy BlackRock personnel.

BlackRock will roll out a new logo and branding campaign in early 2010, which will feature the capabilities of the combined firm, and highlight the BlackRock Solutions business. The new logo already appears on business cards, building signage, and all internal technology.

Throughout the integration planning stage, Mercer was impressed with BlackRock's ability to manage the timeline and make steady progress toward the completion date. The firm's experience with past acquisitions appeared to provide a useful blueprint for identifying key business leaders from both organizations and quickly making decisions about who should fill specific roles in the combined firm. BlackRock appeared to make decisions swiftly, but without meaningful bias, as a large number of BGI staffers were placed in leadership and managerial roles. According to Fairbairn, BlackRock and BGI continued to attract new business in the second half of 2009, particularly related to insurance and fiduciary outsourcing, mortgage- and credit-only assignments, asset allocation portfolios for the defined contribution market, and in the fund of hedge funds space. Those wins provide some indication of BlackRock's ability to provide a cohesive message on its integration planning in various markets.

That said, Mercer continues to be struck by the complexity of the newly created matrix management structure (which has business leaders or managers at the regional, country, product, function, and investment team levels). The combined organization represents an unparalleled challenge for management to run effectively, as there exists no other asset management peer of this size and scope. There are certain to be additional departures as roles become more clearly defined, but Mercer hopes that these will be kept to a minimum.

Since the announcement of the deal, Mercer could not detect meaningful disruption for the vast majority of investment teams from both organizations. The most obvious exception relates to the future of the Australian-based BlackRock and BGI quant teams. From here on out, Mercer's regional and asset class specialist researchers will conduct due diligence on combined and legacy investment teams and Mercer's ratings will reflect the specific circumstances of teams and investment strategies.

Executive Summary

Also in December, BGI announced that Richard Grinold, Global Head of Research, has retired from the firm. Grinold will remain in a consulting capacity for an indefinite period of time and there are no plans to replace him in this role. Ron Kahn will continue in his role as Global Head of Equity Research in Global Active Equity, the division that oversees the Alpha Tilts strategies.

The Alpha Tilts products are currently rated A (P) and this news does not impact Mercer's view of the strategies. Grinold is in his 70's, therefore, his retirement does not come as a surprise. The timing of his retirement was likely expedited by the BGI/BlackRock merger. However, Mercer does not believe his retirement is indicative of issues related to the merger or portends a wave of departures to come. BGI has a deep team of investment professionals dedicated to its quantitative research efforts and Mercer believes that the quality of its research will continue to be market leading even with the departure of Grinold. While Grinold was seen as a leader and keeper of the research culture, Kahn also serves in this role and has a long tenure with the firm.

BlackRock – Alpha Tilts

In January, Mercer met with BlackRock. We anticipate removing the P designation from the Alpha Tilts Strategies.

Meeting highlights

- This meeting served as Mercer's first on-site meeting post the closure of BGI's acquisition by BlackRock. Mercer believes the retention of key BGI staff, the autonomy provided to the team, and the continued resources devoted to the strategies are reasons why the Alpha Tilts strategies should remain among our best ideas in their respective asset classes. Mercer is sufficiently comfortable that integration plans are on a positive track and therefore, Mercer is recommending the removal of the provisional designation that was put in place when the acquisition was announced.
- Craig Horvath (consultant relations) and Mike Bishopp (managing director) provided an update on the firm and the integration. The Alpha Tilts strategies are now incorporated under Scientific Driven Active Equity that continues to report up through Morry Waked and Naozer Dadachanji. Previously, the pair reported to Minder Chang, however, Blake Grossman, formerly BGI CEO, now will take a more active role in overseeing Alpha Tilts. Therefore, Waked and Dadachanji report directly to Grossman. Mercer views this leadership structure positively as BGI was able to retain key leadership personnel of its Alpha Tilts strategies. In order to drive more accountability, regional heads have been named with Raffaele Savi as Head of US Equities and Daniel Morillo as Head of Global Equities.
- There is no forced interaction with BlackRock, but Bishopp stated that it does offer a potentially interesting dataset in working with BlackRock's fundamental analysts. There has been no limitation on resources imposed by BlackRock and Mercer believes the unit will continue to be allowed to operate autonomously.
- BGI, now BlackRock, continues to be among the best resourced quantitative managers. While any integration represents challenges, particularly given that this is the largest asset management integration with combined assets in excess of \$3 trillion, Mercer is now reasonably comfortable that the integration has worked well to this point.

Executive Summary

- One lesson BlackRock learned over the last two years is that it is becoming increasingly important to implement proprietary insights at a full weight more quickly, and the firm has been focusing on quicker implementation. The research agenda continues to be robust and focuses on proprietary signals with theoretical backing. One example is making more use of textual analysis focusing on risk disclosure. BlackRock has found that one half of large cap companies used plain English in their risk disclosure and one half used evasive language. It has found that there is a relationship between the type of language used in risk disclosure and future performance. Mercer found this leading edge and reinforced our positive views of BlackRock's research efforts.

Issues to watch

- As integration processes continue, will there be unexpected challenges that may impact the Alpha Tilts strategies?
- Blake Grossman is implementing changes to address the underperformance experienced by Alpha Tilts. Will the team be willing to adapt to those changes?
- Will the regional heads provide the additional accountability necessary to implement new signals in a more timely and meaningful manner?

DFA

We have received a communication from David Booth, Chairman and CEO of DFA, informing us of their intention to purchase SmartNest. SmartNest provides software tools to aid capital allocation decision for plan sponsors and plan participants. Robert Merton sits on the DFA board, and provides the link between the two businesses, although Mercer was told he is likely to stand down from the DFA board to focus on the SmartNest business. Mercer understands from DFA that SmartNest was not purchased with the intention of rolling it into the core DFA asset management business or because of synergies that exist between the businesses. Mercer believes it is likely to remain independently run and separate from the asset management business.

While this seems an unlikely move for DFA, Mercer believes the business is in an embryonic state and unlikely to have very limited impact on the asset management function. Despite this, Mercer is generally uncomfortable with asset management companies buying auxiliary businesses that are likely to benefit shareholders over clients. Mercer will follow up with DFA on the impact and rationale behind the acquisition during our research meetings with them over the course of 2010 when more information should be available. Mercer is not intending on changing any of DFA's ratings as a result of this news as we believe the impact will be limited.

Dimensional also announced the appointment of Eduardo Repetto as Co-Chief Executive Officer (CEO) effective January 1, 2010. He joined the firm's Chairman and current CEO David Booth in this role. Booth has no immediate retirement plans and will continue to act as the firm's Chairman, and while Repetto may hand off some of his Director of Research responsibilities, he will continue to act as the firm's Chief Investment Officer (CIO).

Mercer View:

While the news is significant for the firm, Mercer does not believe that it has an immediate impact on any of the ratings for Dimensional's equity strategies. Having founded and been with the firm for over 28 years, Booth's retirement is approaching sooner rather than later, and Repetto's

Executive Summary

promotion helps initiate the succession plan for Booth's eventual departure. Repetto has contributed significantly and been with the firm for over nine years, and he appears to be the most natural fit for Booth's eventual replacement. Mercer is comfortable that Booth appears to have had significant influence on this decision and that the firm is taking a prudent, long-term approach to his succession. The normal questions arise regarding any succession plan:

- Is Repetto groomed to handle the duties of CEO?
- Will Repetto remain as engaged with research as he takes on these additional duties, and will this negatively affect the overall process as he shifts into his new role?
- Are those that are stepping in for Repetto capable of handling the duties?
- How long will Booth act remain with the firm to guide Repetto into his new role?

However, Mercer is encouraged that the firm appears to be thoughtful in its approach, and we believe that the transition has the potential to be smooth.

Brandes

Brandes has announced that Bill Pickering is formally retiring as a partner effective this month. As part of his retirement, Bill will no longer be a member of the firm's Investment Oversight Committee. He will continue to have an office at Brandes, and team members will still have the opportunity to interact with him on a regular basis.

It has also announced that Vicky Yablonsky is now starting her two year transition for retirement from the firm by the end of 2011. She is going to rotate off the Mid-Cap Committee in order to focus her research more on the Utilities sector.

Charles Brandes is rotating off the Mid-Cap Investment Committee in order to devote more time to his active role as Chairman of the firm. While he may rotate back onto one of the committees next year, or at some point in the future, his plan for 2010 is to focus on maintaining and strengthening client relationships, engaging the investment teams/committees on key investment principles and topics (still acting as Chairman of the firm's Investment Oversight Committee), and leading on key business issues as they come up throughout the year.

Jeff Germain, Brian Matthews, Jon Menor, and Shingo Omura have been promoted to Senior Analyst.

Research/Investment Committee Changes:

- *Small Cap Investment Committee (SCIC):* Mark Costa, who has served on the SCIC over the past year as a non-voting member, will become a voting member.
- *Mid Cap Investment Committee (MCIC):* As noted above, Charles Brandes and Victoria Yablonsky will rotate off the MCIC. Chris Duncan, who has been on MCIC for the past year as a non-voting member, will become a voting member. Brad Chapman, who has been on the Large Cap Investment Committee as a non-voting member, will rotate over to the MCIC in a non-voting capacity.

Executive Summary

- *Large Cap Investment Committee (LCIC)*: In addition to Brad's rotation to MCIC, Keith Colestock will rotate off of the LCIC. He remains a member of the Mid Cap Investment Committee and the team leader of the utilities team. Shingo Omura is rejoining the LCIC as a non-voting member.
- *Emerging Markets Investment Committee*: There are no changes for the Emerging Markets Investment Committee this year.
- *Fixed Income Investment Committee*: There are no changes for the Fixed Income Investment Committee this year.

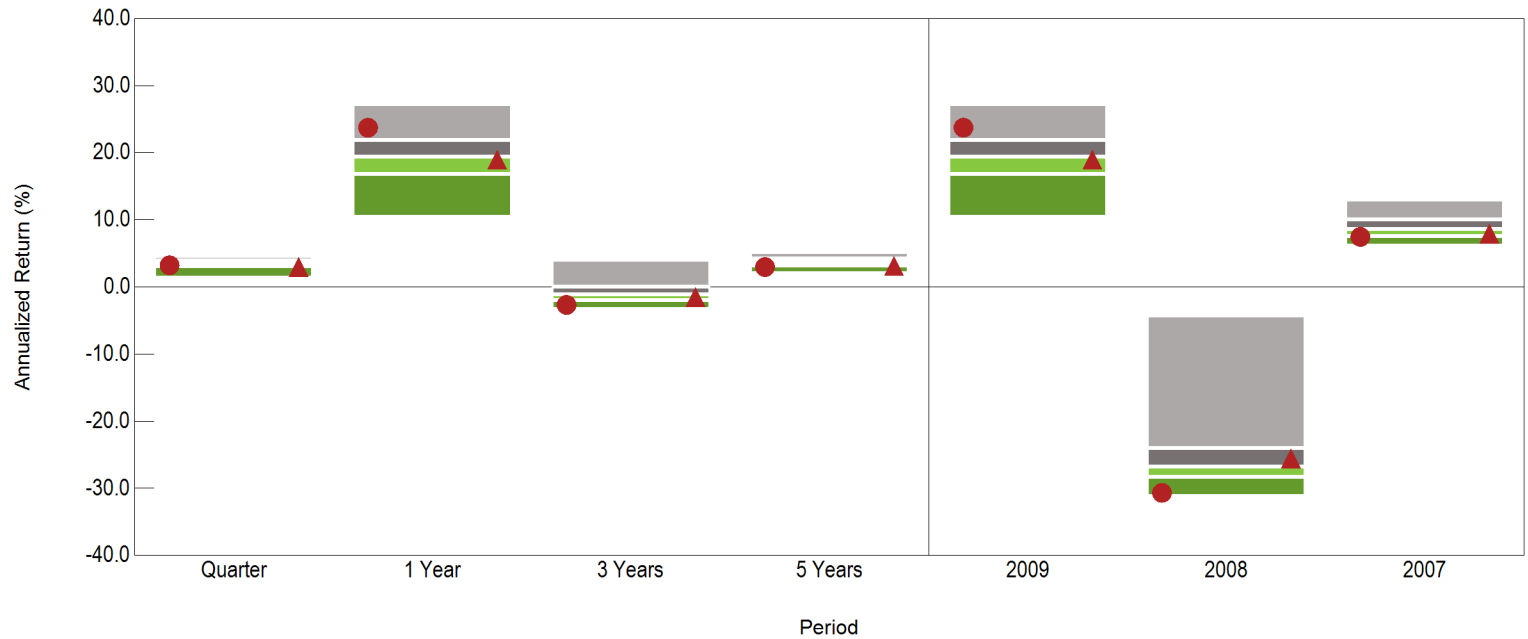
Mercer View:

These announcements come as no surprise to Mercer and do not affect our ratings on any of Brandes' recommended U.S. and non-U.S. equity strategies. Pickering's retirement has been in the works, and Brandes does a good job of succession planning for its key, senior investment staff. Additionally, Brandes manages its equity strategies by committee; no one individual controls any decision-making process. Committee membership rotates each year, though typically in modest amounts. The strength of this organization is its ability to refresh and reinvigorate the talent pool continually, and this does not appear to be compromised. The firm's culture encourages active participation from a wide range of individuals, and the changes that have been made reinforce that principle.

Board Report

Total Plan Performance

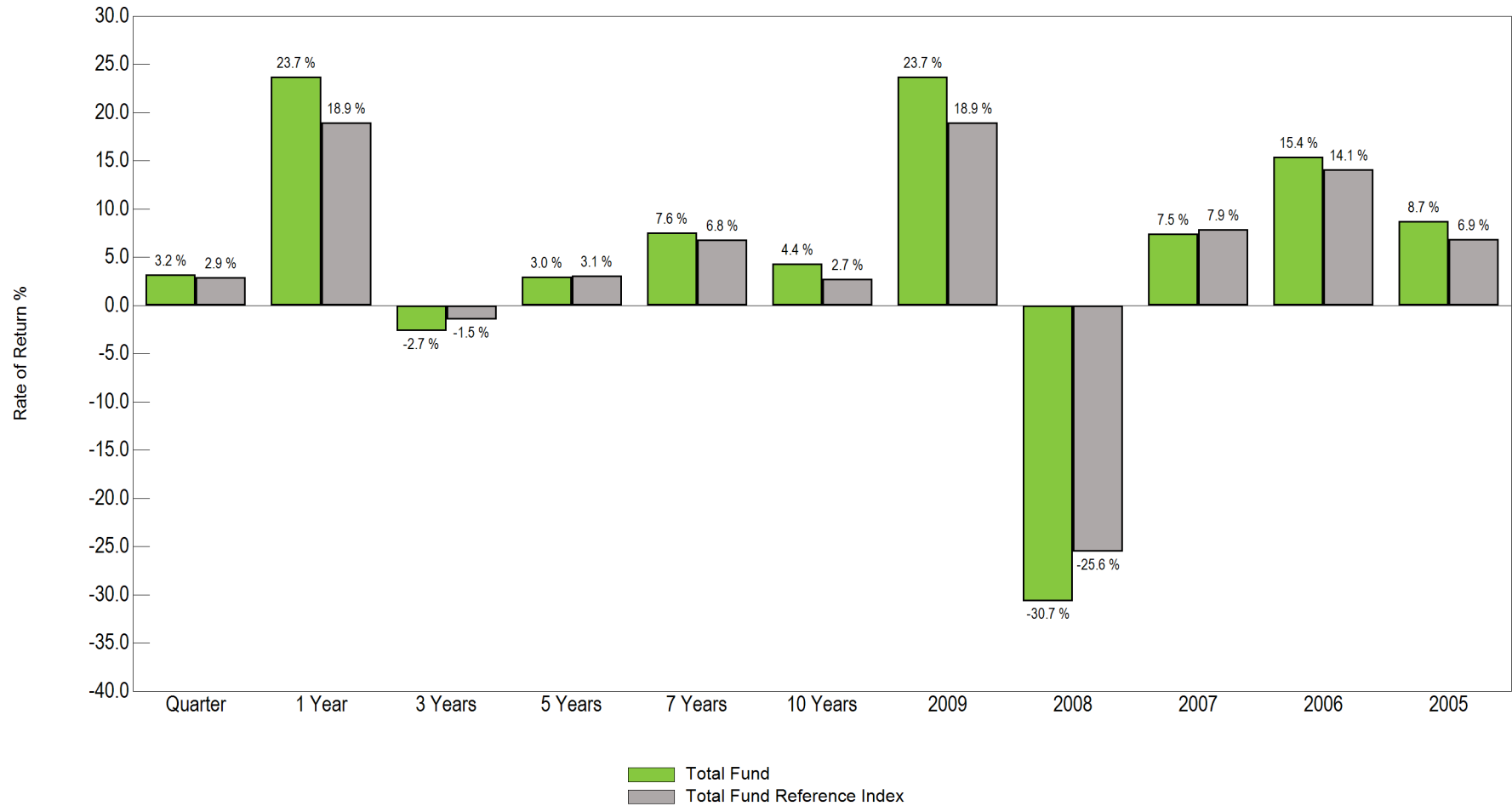
Total Plan Performance vs. Public Funds >\$1B
Ending December 31, 2009



	Return (Rank)													
5th Percentile	4.6	27.2	4.0	5.2	27.2	-4.3	13.0							
25th Percentile	3.9	21.9	0.0	4.2	21.9	-24.0	10.0							
Median	3.6	19.4	-1.1	3.7	19.4	-26.8	8.6							
75th Percentile	3.1	16.8	-2.0	3.1	16.8	-28.3	7.6							
95th Percentile	1.4	10.4	-3.3	2.0	10.4	-31.2	6.1							
# of Portfolios	76	66	65	62	66	59	51							
● Total Fund	3.2	(67)	23.7	(11)	-2.7	(82)	3.0	(79)	23.7	(11)	-30.7	(95)	7.5	(76)
▲ Total Fund Reference Index	2.9	(78)	18.9	(54)	-1.5	(59)	3.1	(78)	18.9	(54)	-25.6	(34)	7.9	(68)

Total Plan Performance

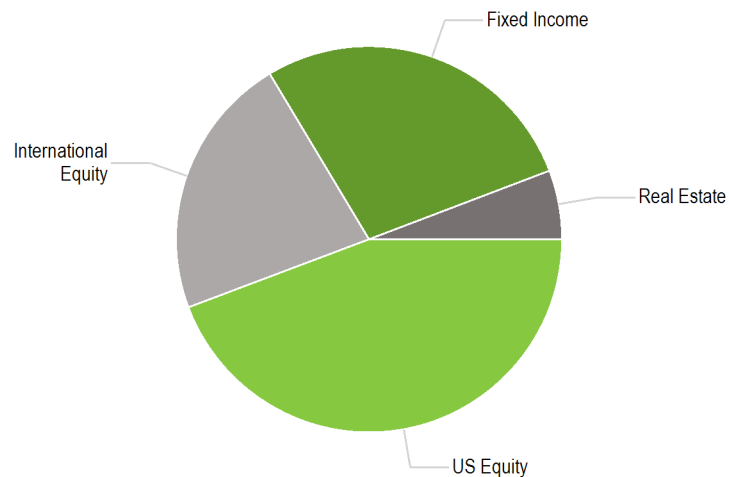
Fund Return vs. Benchmark Portfolio Return
Ending December 31, 2009



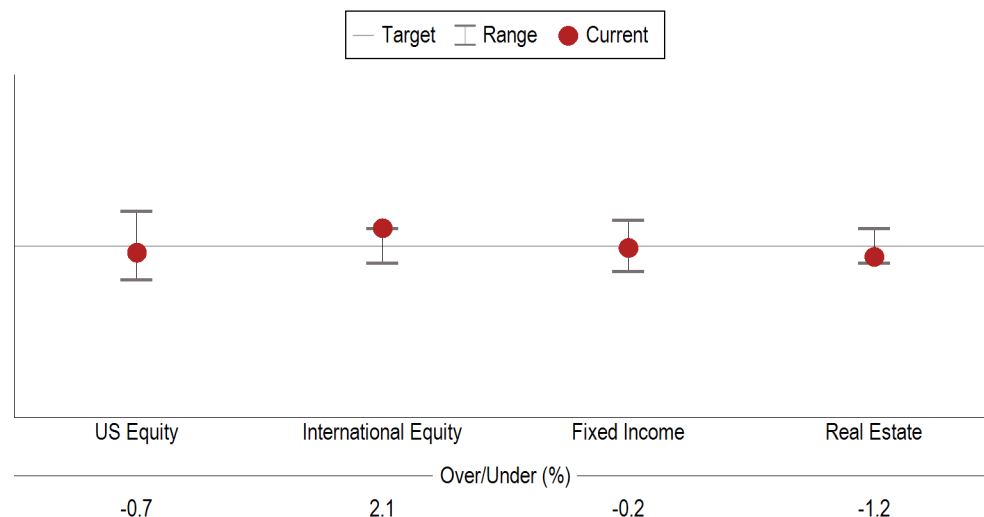
Total Plan

Asset Allocation vs. Target

**Current Allocation
as of December 31, 2009**



**Actual vs. Target
as of December 31, 2009**



**Allocation vs. Targets and Policy
as of December 31, 2009**

	Current Balance	Current Allocation	Target Allocation	Difference	Target Ranges	Within IPS ¹ Range?
US Equity	\$1,749,600,158	44.3%	45.0%	-\$28,885,849	41.0% - 49.0%	Yes
International Equity	\$874,538,786	22.1%	20.0%	\$84,100,561	18.0% - 22.0%	No
Fixed Income	\$1,099,661,205	27.8%	28.0%	-\$6,952,310	25.0% - 31.0%	Yes
Real Estate	\$228,390,977	5.8%	7.0%	-\$48,262,402	5.0% - 9.0%	Yes
Total	\$3,952,191,126²	100.0%	100.0%			

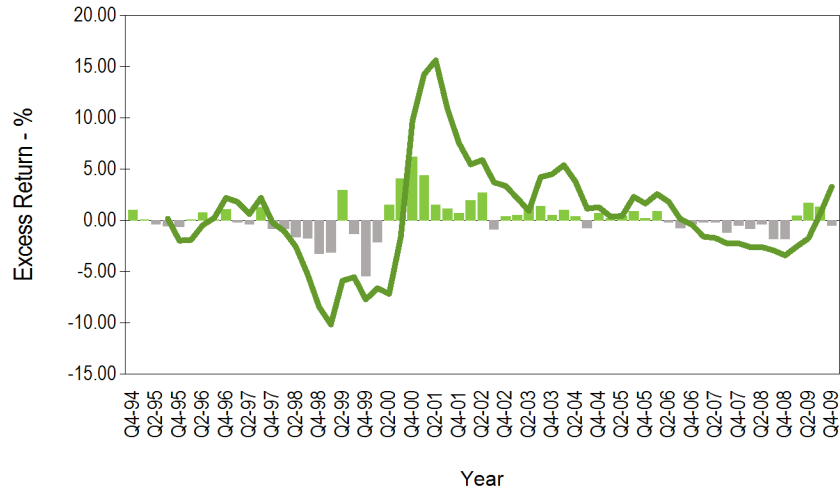
¹ In December 2009, the interim asset allocation that included a 22% allocation to International Equity was implemented.

² Excludes \$17.6mm cash.

Total Domestic Equity Composite

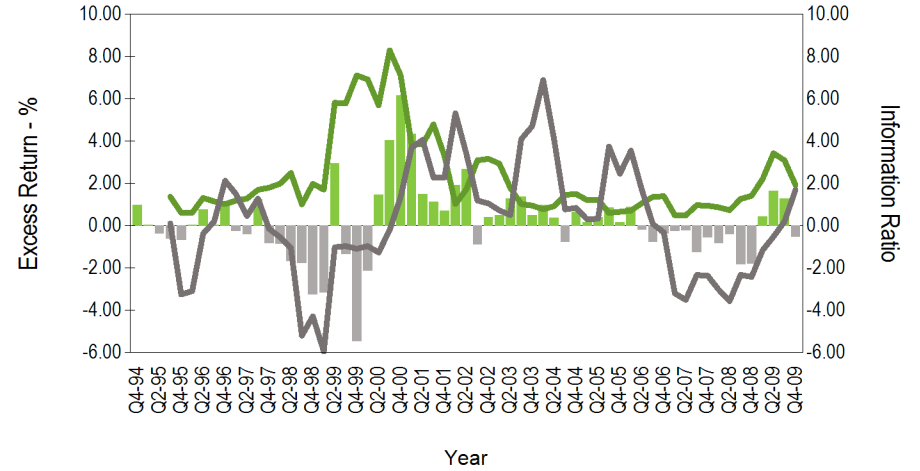
Performance and Risk

Excess Performance
15 Years 3 Months Ending December 31, 2009



- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Excess Performance vs. Russell 3000

Tracking Error and Information Ratio
15 Years 3 Months Ending December 31, 2009

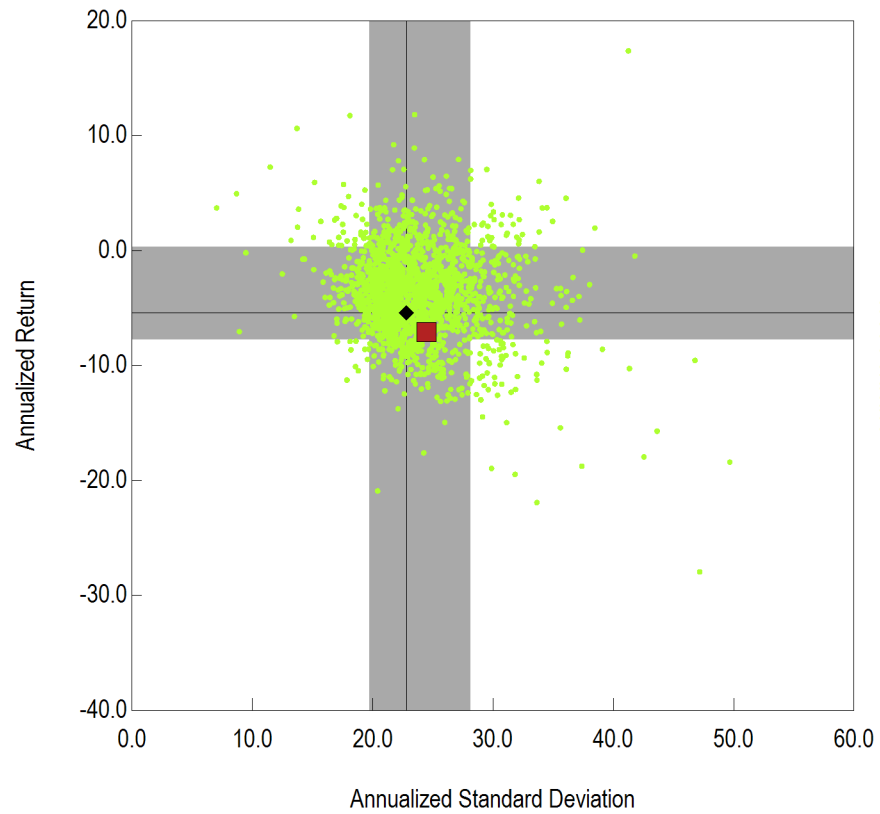


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. Russell 3000
- Rolling 1 Year Information Ratio vs. Russell 3000

Total Domestic Equity Composite

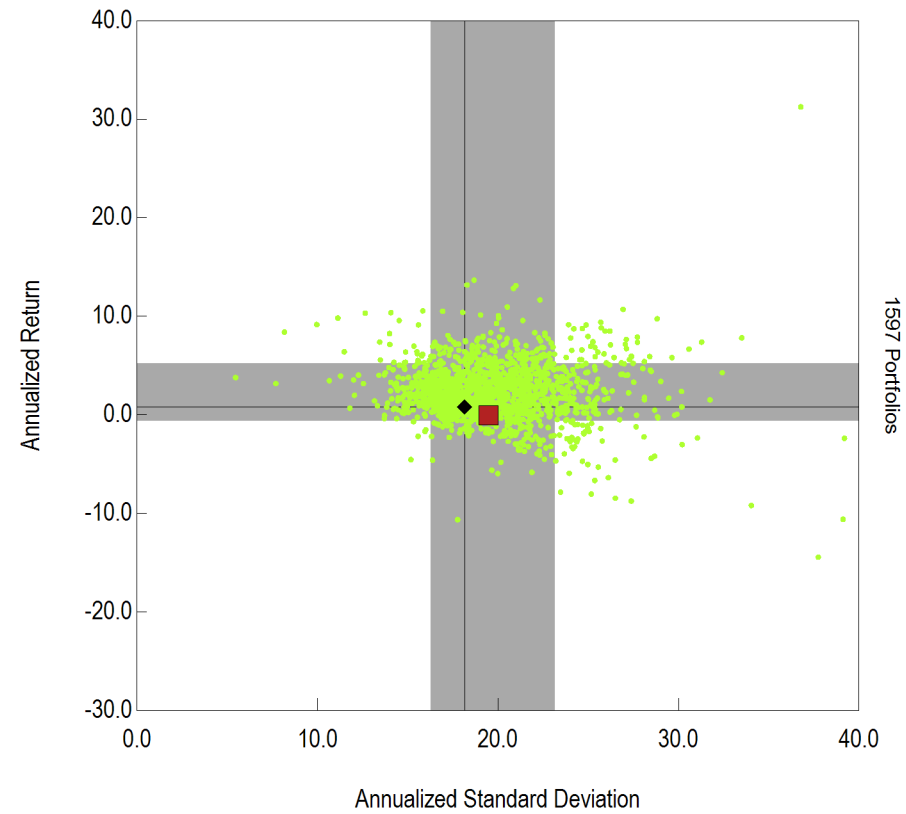
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2009



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2009

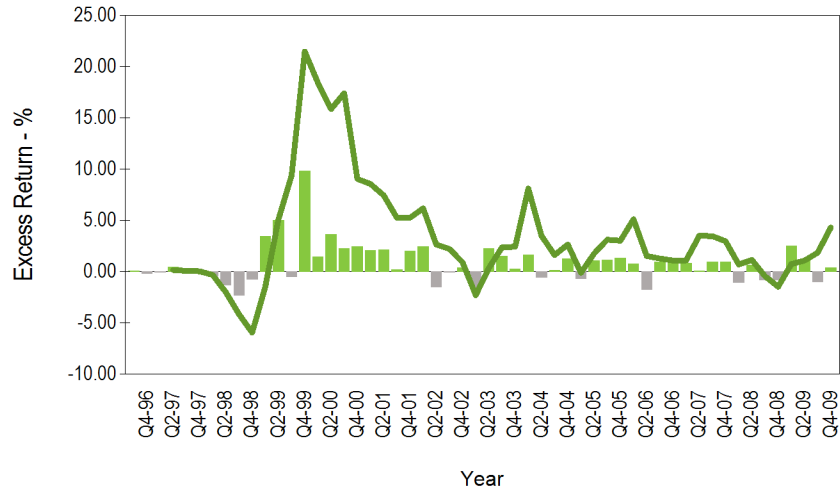


- Total Domestic Equity Composite
- ◆ Russell 3000
- 68% Confidence Interval
- Mercer Instl US Equity Combined (manager)

Total Intl Equity Composite

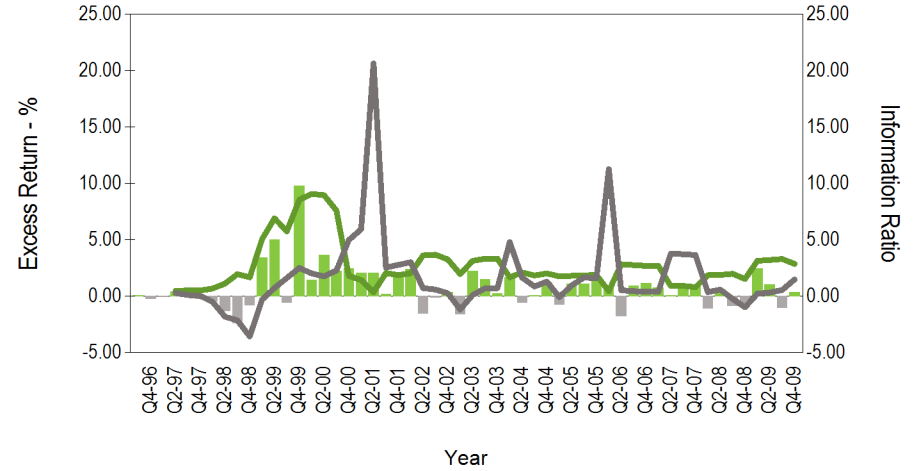
Performance and Risk

Excess Performance
13 Years 8 Months Ending December 31, 2009



- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Excess Performance vs. MSCI EAFE

Tracking Error and Information Ratio
13 Years 8 Months Ending December 31, 2009

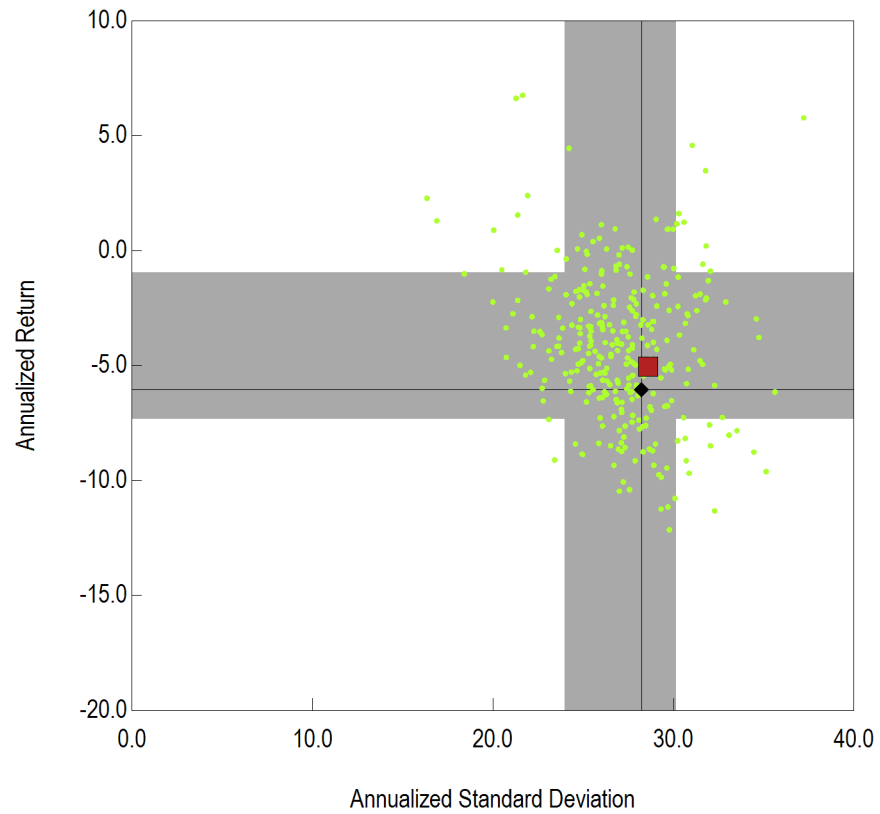


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. MSCI EAFE
- Rolling 1 Year Information Ratio vs. MSCI EAFE

Total Intl Equity Composite

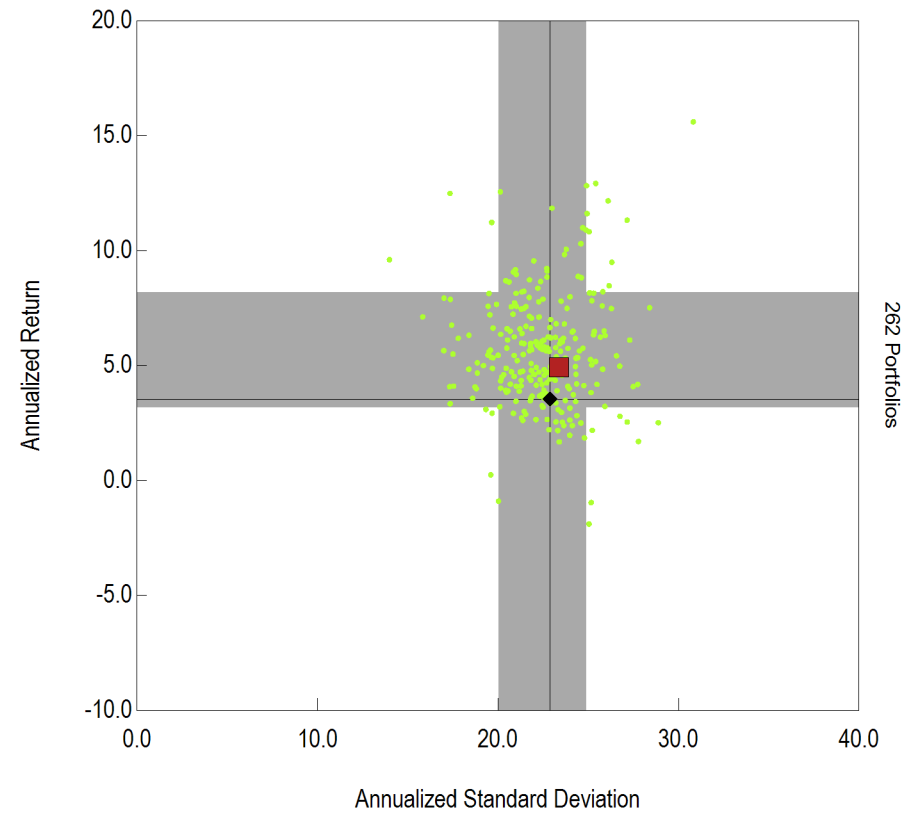
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2009



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2009

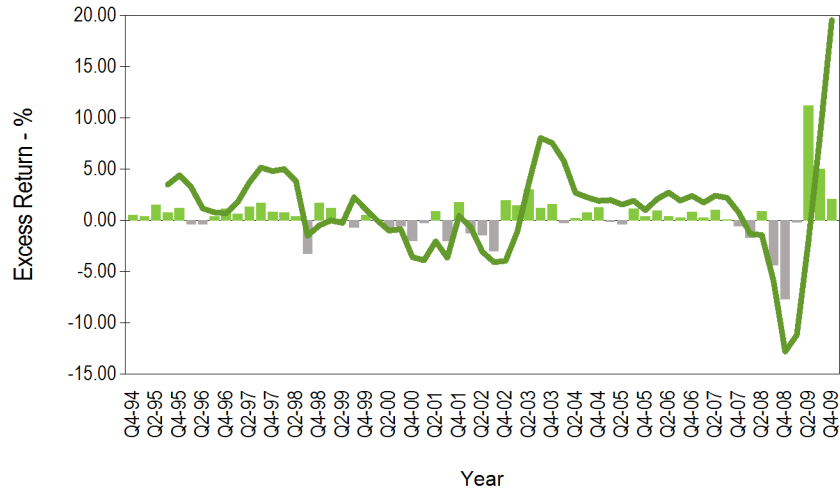


- Total Intl Equity Composite
- ◆ MSCI EAFE
- 68% Confidence Interval
- Mercer Intl Intl Equity (manager)

Total Fixed Income Composite

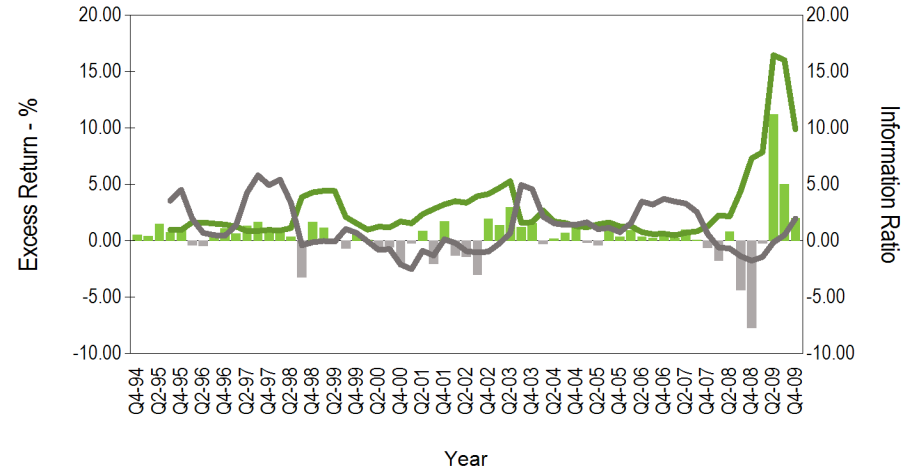
Performance and Risk

Excess Performance
15 Years 3 Months Ending December 31, 2009



- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Excess Performance vs. Barclays Capital Aggregate

Tracking Error and Information Ratio
15 Years 3 Months Ending December 31, 2009

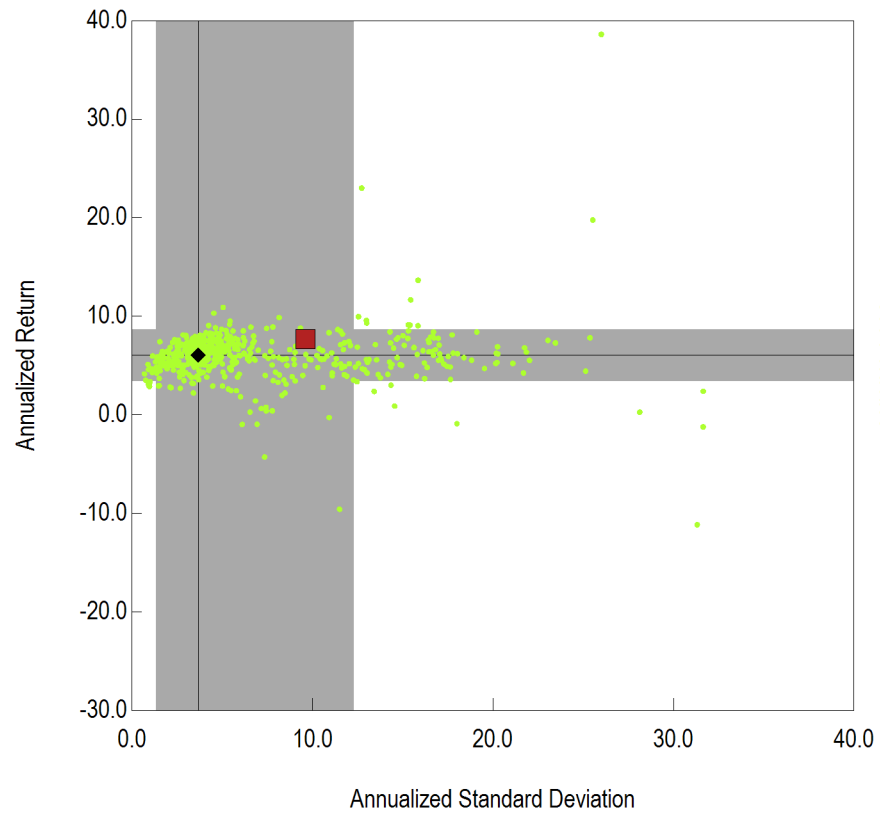


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. Barclays Capital Aggregate
- Rolling 1 Year Information Ratio vs. Barclays Capital Aggregate

Total Fixed Income Composite

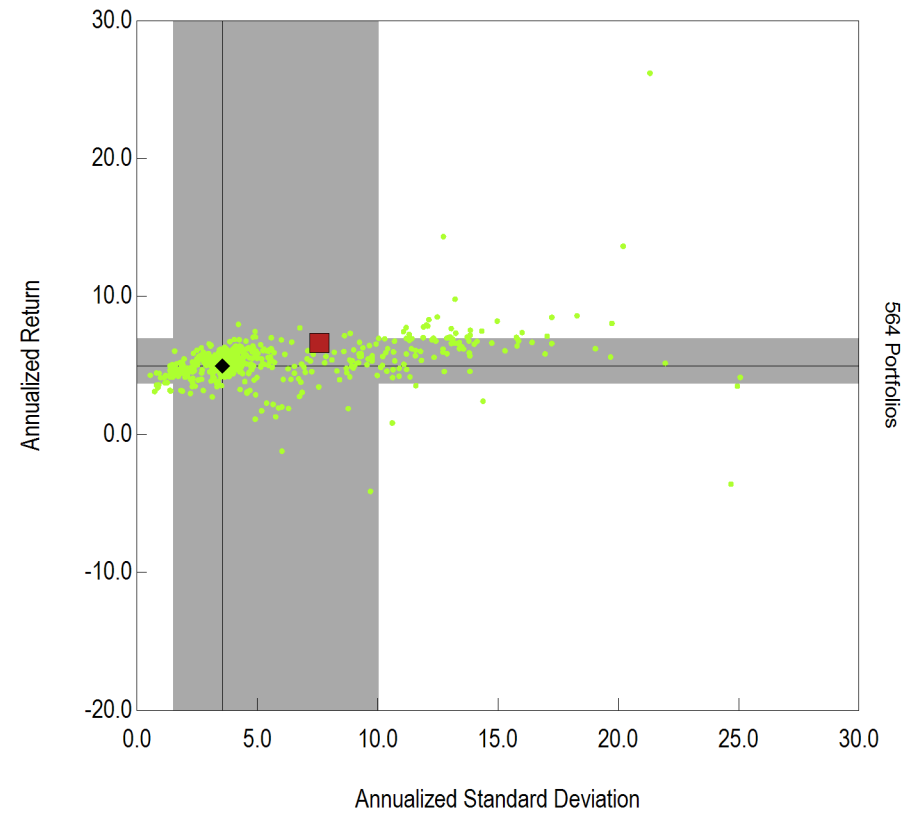
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2009



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2009

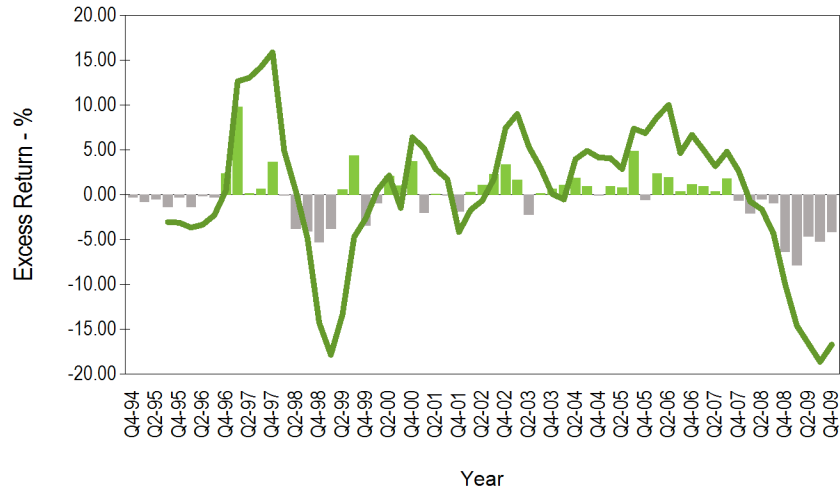


- Total Fixed Income Composite
- ◆ Barclays Capital Aggregate
- 68% Confidence Interval
- Mercer Instl US Fixed Combined (manager)

Total Real Estate Composite

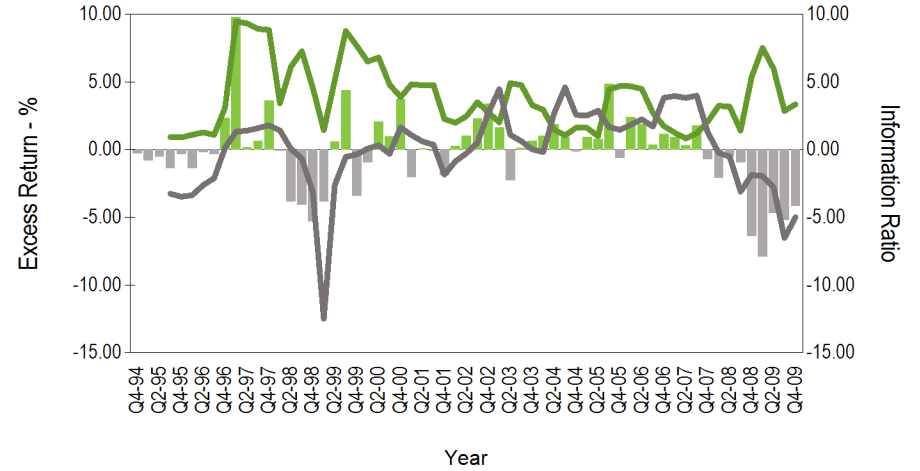
Performance and Risk

Excess Performance
15 Years 3 Months Ending December 31, 2009



- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Excess Performance vs. NCREIF Property (1 Qtr in Arrears)

Tracking Error and Information Ratio
15 Years 3 Months Ending December 31, 2009

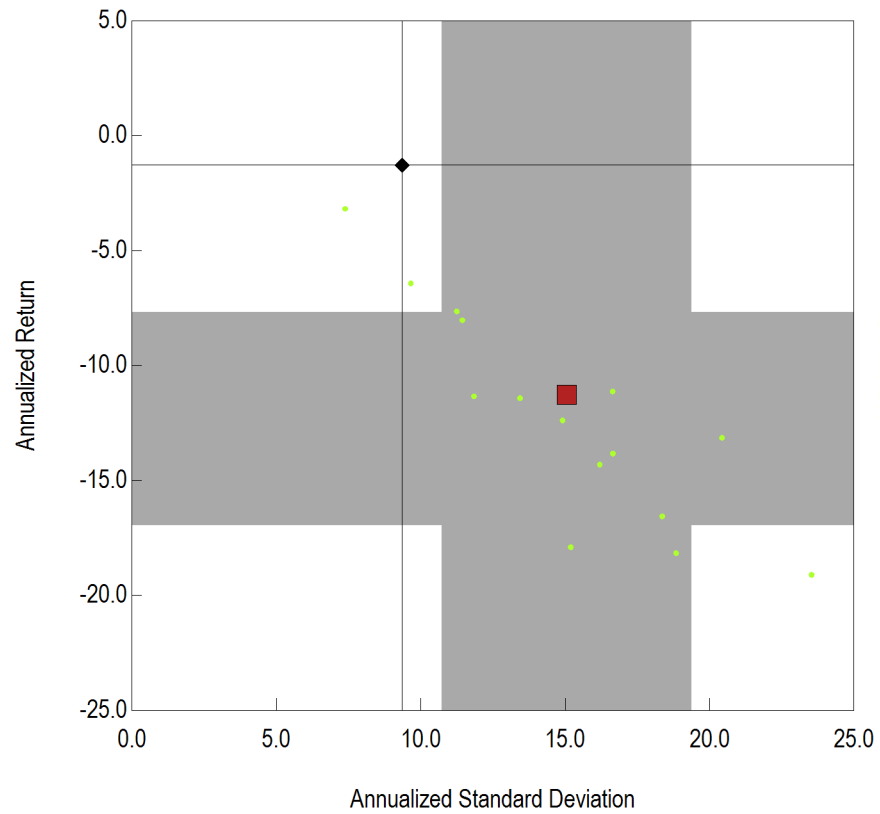


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. NCREIF Property (1 Qtr in Arrears)
- Rolling 1 Year Information Ratio vs. NCREIF Property (1 Qtr in Arrears)

Total Real Estate Composite

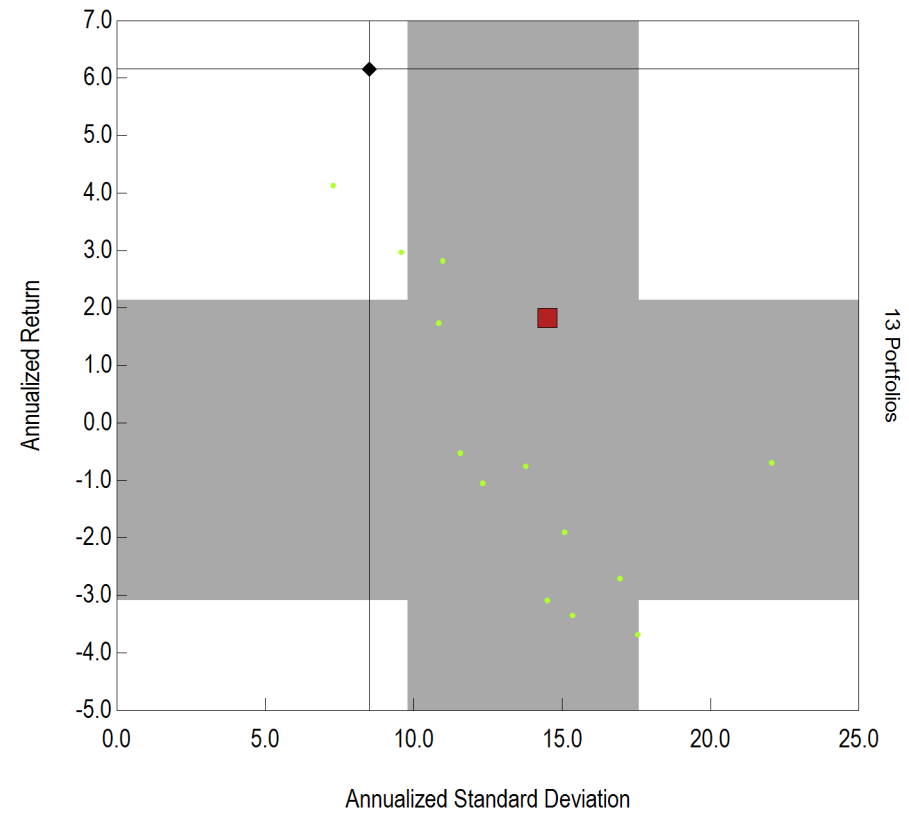
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2009



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2009



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

Performance

Total Plan

Performance Summary - Gross of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$3,969,749,268¹	100.0%	3.2%	67	23.7%	11	-2.7%	82	3.0%	79	9.7%	Nov-78
<i>Total Fund Reference Index</i>			2.9%	78	18.9%	54	-1.5%	59	3.1%	78	--	Nov-78
<i>CPI + 4%</i>			1.0%	99	6.7%	98	6.3%	1	6.6%	1	7.8%	Nov-78
<i>Public Funds >\$1B Median</i>			3.6%		19.4%		-1.1%		3.7%		--	Nov-78
Total Domestic Equity Composite	\$1,749,600,157	44.1%	5.4%	57	31.6%	53	-7.1%	83	-0.1%	86	9.7%	Dec-87
<i>Russell 3000</i>			5.9%	45	28.3%	64	-5.4%	69	0.8%	73	9.7%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			5.7%		32.1%		-3.7%		2.2%		11.3%	Dec-87
Northern Trust Global	\$334,093,403	8.4%	6.1%	41	27.1%	68	-5.8%	72	0.4%	80	1.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			6.0%	43	26.5%	71	-5.6%	71	0.4%	79	1.6%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			5.7%		32.1%		-3.7%		2.2%		5.2%	Jun-98
BlackRock R1000 Alpha Tilts	\$477,045,059	12.0%	5.7%	66	26.6%	50	-7.3%	93	0.3%	87	2.8%	Apr-02
<i>Russell 1000</i>			6.1%	50	28.4%	40	-5.4%	64	0.8%	73	2.9%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			6.0%		26.5%		-4.6%		1.6%		--	Apr-02
Turner Investment Partners	\$223,475,081	5.6%	5.8%	82	35.5%	47	-7.1%	97	-2.3%	99	3.2%	Jul-02
<i>Russell 1000 Growth</i>			7.9%	28	37.2%	36	-1.9%	51	1.6%	63	5.0%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			7.1%		35.0%		-1.9%		2.1%		--	Jul-02
AllianceBernstein L.P.	\$207,041,741	5.2%	4.3%	69	27.7%	37	-12.2%	98	-2.3%	97	6.2%	Jul-96
<i>Russell 1000 Value</i>			4.2%	71	19.7%	76	-9.0%	86	-0.3%	81	7.1%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			5.0%		25.4%		-5.9%		1.4%		--	Jul-96
Earnest Partners LLC	\$184,854,958	4.7%	6.1%	42	42.8%	25	-2.2%	37	--	--	4.1%	Apr-05
<i>Russell Mid Cap</i>			5.9%	46	40.5%	29	-4.6%	62	2.4%	54	3.4%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			5.5%		37.2%		-3.2%		2.8%		--	Apr-05

¹ Includes cash.

Note: Total Fund Reference Index consists of 45% Russell 3000 Index, 28% Barclays Capital Aggregate Index, 20% MSCI EAFE (net) Index, and 7% NCREIF Property (1 qtr in arrears).

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	\$235,535,102	5.9%	3.3%	74	36.8%	38	-8.1%	85	1.1%	70	11.2%	Sep-96
<i>Russell 2000 Value</i>			3.6%	69	20.6%	85	-8.2%	86	0.0%	84	8.5%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			4.6%		32.6%		-3.9%		2.7%		11.0%	Sep-96
Artisan Partners Limited Ptrn	\$87,554,814	2.2%	6.4%	25	46.3%	21	-4.2%	58	0.6%	67	8.3%	Nov-02
<i>Russell 2000 Growth</i>			4.1%	72	34.5%	59	-4.0%	54	0.9%	65	7.3%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			5.2%		36.2%		-3.6%		1.6%		--	Nov-02
Total Intl Equity Composite	\$874,538,785	22.0%	2.6%	67	36.1%	41	-5.1%	62	4.9%	58	7.2%	Apr-96
<i>MSCI EAFE</i>			2.2%	76	31.8%	60	-6.0%	74	3.5%	83	4.2%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Apr-96
Brandes Investment Partners	\$338,203,981	8.5%	1.2%	88	25.8%	86	-5.0%	62	4.5%	67	10.1%	Jan-98
<i>MSCI EAFE</i>			2.2%	76	31.8%	60	-6.0%	74	3.5%	83	4.2%	Jan-98
<i>MSCI EAFE Value</i>			0.3%	95	34.2%	51	-7.4%	85	3.4%	86	5.9%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Jan-98
William Blair & Company	\$447,011,724	11.3%	4.6%	26	44.0%	16	-5.3%	66	5.2%	55	7.3%	Nov-03
<i>MSCI AC World ex USA (Net)</i>			3.7%	40	41.4%	23	-3.5%	42	5.8%	42	9.4%	Nov-03
<i>MSCI EAFE Growth</i>			4.2%	32	29.4%	74	-4.8%	58	3.7%	82	6.7%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Nov-03
Dimensional Fund Advisors Inc.	\$89,323,081	2.3%	-1.8%	94	40.5%	72	-5.1%	56	--	--	-1.8%	Mar-06
<i>MSCI EAFE Small Cap Price Index</i>			-1.3%	89	43.2%	60	-9.7%	85	1.4%	96	-6.2%	Mar-06
<i>MSCI EAFE Small Cap</i>			-1.0%	87	47.3%	55	-7.2%	69	3.9%	84	-3.9%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			1.7%		48.1%		-4.4%		6.7%		-0.6%	Mar-06

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fixed Income Composite	\$1,099,661,204¹	27.7%	2.2%	24	25.5%	19	7.7%	12	6.6%	12	8.7%	Dec-87
<i>Barclays Capital Aggregate</i>			0.2%	82	5.9%	81	6.0%	56	5.0%	66	7.4%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			0.9%		10.4%		6.2%		5.3%		7.6%	Dec-87
BlackRock Intermediate Agg	\$290,349,548	7.3%	0.6%	57	6.7%	70	6.2%	64	5.1%	64	6.0%	Jun-99
<i>Barclays Capital Int Aggregate</i>			0.5%	59	6.5%	71	6.1%	68	5.0%	70	5.9%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			0.6%		8.2%		6.6%		5.3%		6.1%	Jun-99
Reams Asset Management	\$284,818,389	7.2%	0.9%	80	30.6%	7	8.7%	7	7.0%	8	6.6%	Dec-01
<i>Barclays Capital Aggregate</i>			0.2%	96	5.9%	98	6.0%	59	5.0%	66	5.4%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			1.6%		16.6%		6.4%		5.4%		6.2%	Dec-01
Loomis, Sayles & Company, L.P.	\$524,493,268	13.2%	3.9%	6	34.2%	3	7.2%	31	6.9%	11	10.0%	Nov-87
<i>Barclays Capital Aggregate</i>			0.2%	96	5.9%	98	6.0%	59	5.0%	66	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			1.6%		16.6%		6.4%		5.4%		--	Nov-87
Total Real Estate Composite	\$228,390,977²	5.8%	-7.5%	94	-38.8%	51	-11.3%	34	1.8%	25	5.2%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-3.3%	32	-22.1%	7	-1.3%	1	6.2%	1	7.0%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-4.0%		-38.7%		-12.4%		-0.8%		--	May-86
Real Estate	\$228,390,977	5.8%	-7.5%	94	-38.8%	51	-11.3%	34	1.8%	25	5.2%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-3.3%	32	-22.1%	7	-1.3%	1	6.2%	1	7.0%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-4.0%		-38.7%		-12.4%		-0.8%		--	May-86

¹ Excludes cash.

² As of September 30, 2009.

Total Plan

Performance Summary - Net of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$3,969,749,268¹	100.0%	3.2%	73	23.5%	14	-2.9%	90	2.7%	82	9.1%	Nov-78
<i>Total Fund Reference Index</i>			2.9%	78	18.9%	54	-1.5%	59	3.1%	78	--	Nov-78
<i>CPI + 4%</i>			1.0%	99	6.7%	98	6.3%	1	6.6%	1	7.8%	Nov-78
<i>Public Funds >\$1B Median</i>			3.6%		19.4%		-1.1%		3.7%		--	Nov-78
Total Domestic Equity Composite	\$1,749,600,157	44.1%	5.3%	59	31.4%	53	-7.3%	84	-0.3%	88	9.5%	Dec-87
<i>Russell 3000</i>			5.9%	45	28.3%	64	-5.4%	69	0.8%	73	9.7%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			5.7%		32.1%		-3.7%		2.2%		11.3%	Dec-87
Northern Trust Global	\$334,093,403	8.4%	6.1%	41	27.1%	68	-5.8%	72	0.3%	80	1.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			6.0%	43	26.5%	71	-5.6%	71	0.4%	79	1.6%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			5.7%		32.1%		-3.7%		2.2%		5.2%	Jun-98
BlackRock R1000 Alpha Tilts	\$477,045,059	12.0%	5.7%	67	26.5%	50	-7.3%	93	0.1%	90	2.6%	Apr-02
<i>Russell 1000</i>			6.1%	50	28.4%	40	-5.4%	64	0.8%	73	2.9%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			6.0%		26.5%		-4.6%		1.6%		--	Apr-02
Turner Investment Partners	\$223,475,081	5.6%	5.7%	84	35.1%	50	-7.4%	97	-2.6%	99	2.8%	Jul-02
<i>Russell 1000 Growth</i>			7.9%	28	37.2%	36	-1.9%	51	1.6%	63	5.0%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			7.1%		35.0%		-1.9%		2.1%		--	Jul-02
AllianceBernstein L.P.	\$207,041,741	5.2%	4.2%	72	27.1%	38	-12.6%	99	-2.7%	98	5.7%	Jul-96
<i>Russell 1000 Value</i>			4.2%	71	19.7%	76	-9.0%	86	-0.3%	81	7.1%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			5.0%		25.4%		-5.9%		1.4%		--	Jul-96
Earnest Partners LLC	\$184,854,958	4.7%	5.9%	46	42.0%	26	-2.7%	45	--	--	3.5%	Apr-05
<i>Russell Mid Cap</i>			5.9%	46	40.5%	29	-4.6%	62	2.4%	54	3.4%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			5.5%		37.2%		-3.2%		2.8%		--	Apr-05

¹ Includes cash.

Note: Total Fund Reference Index consists of 45% Russell 3000 Index, 28% Barclays Capital Aggregate Index, 20% MSCI EAFE (net) Index, and 7% NCREIF Property (1 qtr in arrears).

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	\$235,535,102	5.9%	3.3%	75	36.6%	38	-8.3%	86	0.7%	75	10.9%	Sep-96
<i>Russell 2000 Value</i>			3.6%	69	20.6%	85	-8.2%	86	0.0%	84	8.5%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			4.6%		32.6%		-3.9%		2.7%		11.0%	Sep-96
Artisan Partners Limited Ptrn	\$87,554,814	2.2%	6.2%	31	45.3%	25	-5.0%	67	-0.3%	79	7.4%	Nov-02
<i>Russell 2000 Growth</i>			4.1%	72	34.5%	59	-4.0%	54	0.9%	65	7.3%	Nov-02
<i>Mercer Instl US Equity Small Cap Growth Median</i>			5.2%		36.2%		-3.6%		1.6%		--	Nov-02
Total Intl Equity Composite	\$874,538,785	22.0%	2.4%	70	35.4%	45	-5.5%	68	4.5%	68	6.8%	Apr-96
<i>MSCI EAFE</i>			2.2%	76	31.8%	60	-6.0%	74	3.5%	83	4.2%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Apr-96
Brandes Investment Partners	\$338,203,981	8.5%	1.1%	88	25.3%	89	-5.4%	68	4.1%	76	9.6%	Jan-98
<i>MSCI EAFE</i>			2.2%	76	31.8%	60	-6.0%	74	3.5%	83	4.2%	Jan-98
<i>MSCI EAFE Value</i>			0.3%	95	34.2%	51	-7.4%	85	3.4%	86	5.9%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Jan-98
William Blair & Company	\$447,011,724	11.3%	4.5%	28	43.4%	18	-5.7%	71	4.7%	62	6.9%	Nov-03
<i>MSCI AC World ex USA (Net)</i>			3.7%	40	41.4%	23	-3.5%	42	5.8%	42	9.4%	Nov-03
<i>MSCI EAFE Growth</i>			4.2%	32	29.4%	74	-4.8%	58	3.7%	82	6.7%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			3.3%		34.3%		-4.2%		5.4%		--	Nov-03
Dimensional Fund Advisors Inc.	\$89,323,081	2.3%	-2.0%	94	39.5%	73	-5.7%	63	--	--	-2.5%	Mar-06
<i>MSCI EAFE Small Cap Price Index</i>			-1.3%	89	43.2%	60	-9.7%	85	1.4%	96	-6.2%	Mar-06
<i>MSCI EAFE Small Cap</i>			-1.0%	87	47.3%	55	-7.2%	69	3.9%	84	-3.9%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			1.7%		48.1%		-4.4%		6.7%		-0.6%	Mar-06

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2009								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fixed Income Composite	\$1,099,661,204¹	27.7%	2.2%	25	25.4%	19	7.6%	13	6.5%	13	8.7%	Dec-87
<i>Barclays Capital Aggregate</i>			0.2%	82	5.9%	81	6.0%	56	5.0%	66	7.4%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			0.9%		10.4%		6.2%		5.3%		7.6%	Dec-87
BlackRock Intermediate Agg	\$290,349,548	7.3%	0.6%	57	6.6%	70	6.2%	64	5.0%	66	6.0%	Jun-99
<i>Barclays Capital Int Aggregate</i>			0.5%	59	6.5%	71	6.1%	68	5.0%	70	5.9%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			0.6%		8.2%		6.6%		5.3%		6.1%	Jun-99
Reams Asset Management	\$284,818,389	7.2%	0.9%	82	30.4%	7	8.5%	8	6.9%	12	6.5%	Dec-01
<i>Barclays Capital Aggregate</i>			0.2%	96	5.9%	98	6.0%	59	5.0%	66	5.4%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			1.6%		16.6%		6.4%		5.4%		6.2%	Dec-01
Loomis, Sayles & Company, L.P.	\$524,493,268	13.2%	3.8%	7	34.0%	3	7.1%	33	6.8%	13	9.9%	Nov-87
<i>Barclays Capital Aggregate</i>			0.2%	96	5.9%	98	6.0%	59	5.0%	66	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			1.6%		16.6%		6.4%		5.4%		--	Nov-87
Total Real Estate Composite	\$228,390,977²	5.8%	-7.2%	93	-39.2%	53	-12.3%	50	0.2%	31	3.8%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-3.3%	32	-22.1%	7	-1.3%	1	6.2%	1	7.0%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-4.0%		-38.7%		-12.4%		-0.8%		--	May-86
Real Estate	\$228,390,977	5.8%	-7.2%	93	-39.2%	53	-12.3%	50	0.2%	31	3.8%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			-3.3%	32	-22.1%	7	-1.3%	1	6.2%	1	7.0%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			-4.0%		-38.7%		-12.4%		-0.8%		--	May-86

¹ Excludes cash.

² As of September 30, 2009.

Appendix

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% Barclays Capital 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
BGI Value Alpha Tilts	3Q 1996 — terminated during 2Q 2002
BlackRock (BGI) Alpha Tilts	3Q 2002
AllianceBernstein	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
BlackRock (BGI) 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, 2009
(Percent Return)**

Benchmark	10-Year Annualized Return
Total Fund Composite	4.4
Total Domestic Equity Composite	2.1
Total International Equity Composite	4.1
Total Fixed Income Composite	7.4
Total Real Estate Composite	6.9
Russell 3000 Index	-0.2
S&P 500 Index	-1.0
Russell 1000 Index	-0.5
Russell 1000 Growth Index	-4.0
Russell 1000 Value Index	2.5
Russell Midcap Index	5.0
Russell 2000 Value Index	8.3
Russell 2000 Growth Index	-1.4
MSCI EAFE Index	1.2
MSCI AC World Ex USA Index	-
MSCI EAFE Small Cap Price Index	4.3
BlackRock Intermediate Aggregate Bond	6.1
BlackRock Aggregate Bond	6.3

Mercer Manager Ratings as of December 31, 2009

Manager	Mercer Rating
Northern Trust	N*
BlackRock Alpha Tilts	A (P)
Alliance (Bernstein)	B+(T)
Turner Investment Partners	B
EARNEST Partners	B+
Dimensional Fund Advisors SCV	A-
Artisan Partners	C
Brandes	A-(T)
William Blair	A-(T)
Dimensional Fund Advisors Intl SCV	A-(T)
BlackRock BC 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, 2009

Manager	Information Ratio	Ranking
Total Fund Composite	0.0	----
Total Domestic Equity Composite	-0.4	(96)
Total International Equity Composite	0.4	(40)
Total Fixed Income Composite	0.2	(32)
Total Real Estate Composite	----	----
Northern Trust	0.0	(76)
BlackRock Alpha Tilts	-0.3	(91)
Alliance Bernstein	-0.4	(95)
Turner Investment Partners	-0.7	(99)
EARNEST Partners	0.4	(20)
Dimensional Fund Advisors SCV	0.2	(69)
Artisan Partners	0.0	(66)
Brandes	0.4	(41)
William Blair	-0.3	(58)
Dimensional Fund Advisors Intl SCV	1.2	(25)
BlackRock Intermediate Aggregate	1.2	(2)
Reams	0.2	(40)
Loomis	0.2	(37)

**Performance Reconciliation
For the Quarter Ended December 31, 2009
(Percent Return)**

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	6.1	6.1
BlackRock (Equity)	5.7	5.7
Turner	5.8	5.8
AllianceBernstein	4.3	4.3
EARNEST Partners	6.1	6.1
DFA	3.3	3.3
Artisan Partners	6.4	6.4
Brandes	1.2	1.2
William Blair	4.6	4.5
DFA Intl SC	-1.8	-2.0
BlackRock (Fixed Income) ⁽¹⁾	0.6	0.6
Reams	0.9	1.0
Loomis	3.9	4.0

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

Manager Roster and Fee Schedule

as of December 31, 2009

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	\$60,909	0.02%
BlackRock 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	\$1,275,113	0.27%
Turner Investment Partners	0.33% of First \$300.0 Mil, 0.30% Thereafter		\$737,468	0.33%
AllianceBernstein L.P.	0.90% of First \$15.0 Mil, 0.50% of Next \$35.0 Mil, 0.40% Thereafter		\$938,167	0.45%
Earnest Partners LLC	0.54% of First \$175.0 Mil, 0.50% Thereafter		\$985,525	0.53%
Dimensional Fund Advisors Inc.	0.50% of First \$100.0 Mil, 0.25% of Next \$50.0 Mil, 0.20% Thereafter	\$0	\$796,070	0.34%
Artisan Partners Limited Ptr	1.00% of First \$50.0 Mil, 0.80% Thereafter		\$800,439	0.91%
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	\$1,433,714	0.42%

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	\$1,881,035	0.42%
Dimensional Fund Advisors Inc.	0.69% of Assets	\$0	\$616,329	0.69%
Total Fixed Income Composite	No Fee		--	--
BlackRock Intermediate Agg	0.02% of Assets	\$0	\$58,070	0.02%
Reams Asset Management	0.15% of First \$300.0 Mil, 0.10% Thereafter		\$427,228	0.15%
Loomis, Sayles & Company, L.P.	0.20% of First \$100.0 Mil, 0.14% Thereafter		\$794,291	0.15%
Total Real Estate Composite	No Fee		--	--
Real Estate	No Fee		--	--
Investment Management Fee			\$10,804,357	0.27%

Appendix

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Appendix

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Appendix

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Appendix

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Appendix

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