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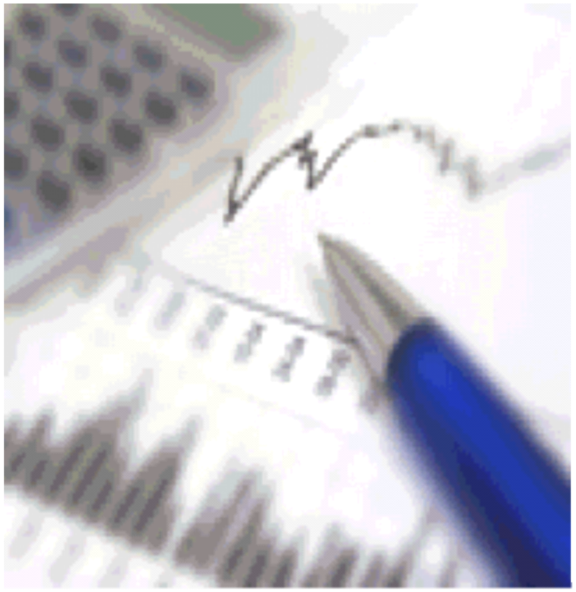

City of Milwaukee
Employes' Retirement System

Board Report

Periods Ending March 31, 2010

Services provided by Mercer Investment Consulting, Inc.

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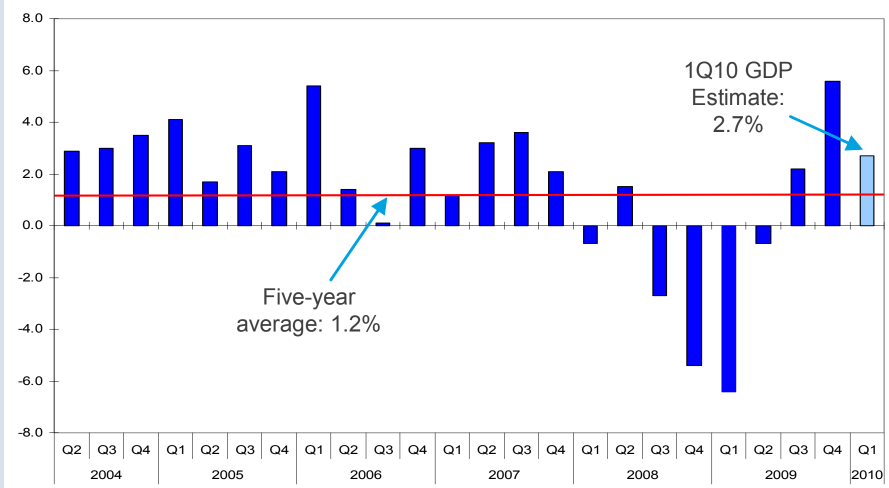
Capital Markets Commentary

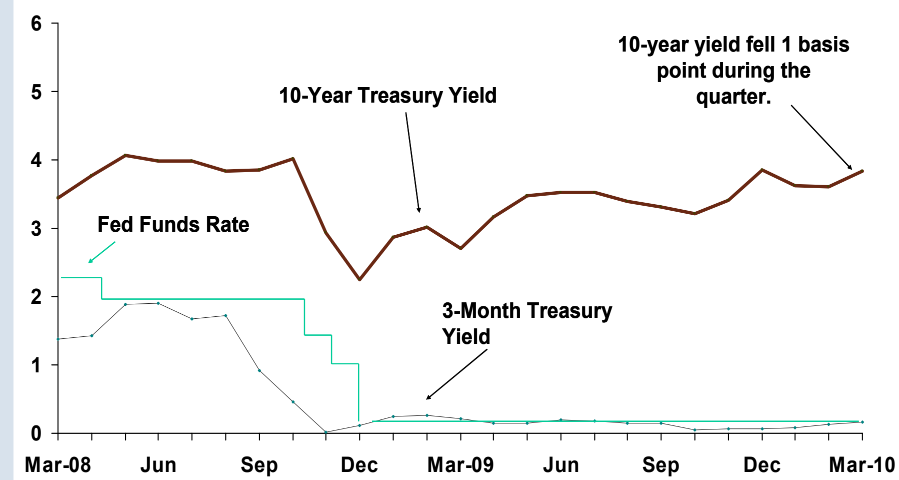
Economy

GDP: Quarter by Quarter



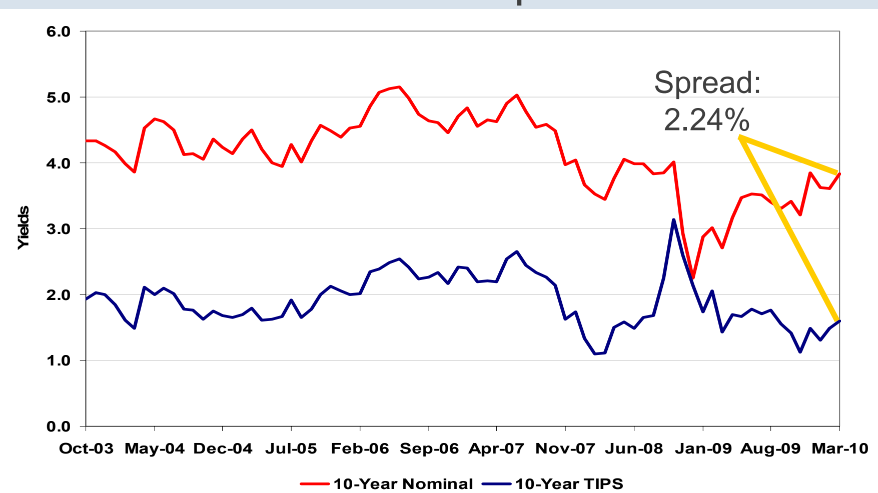
Source: Bureau of Economic Analysis and Federal Reserve Philadelphia

Interest Rates



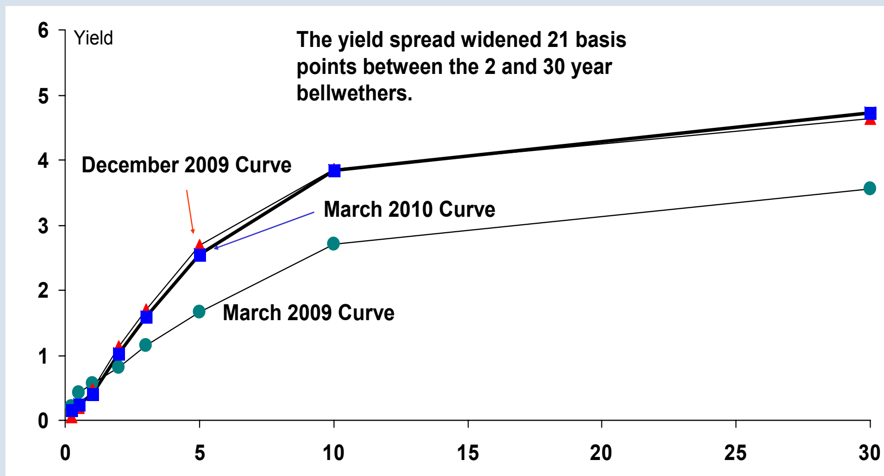
Source: Federal Reserve Bank of New York and the Treasury Department

10-Year Inflation Expectations



Source: Federal Reserve

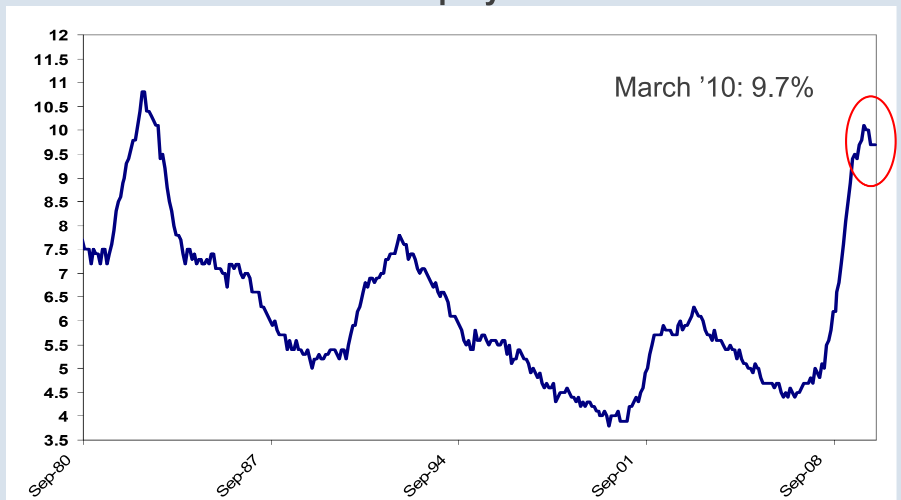
Yield Curve



Source: US Department of Treasury

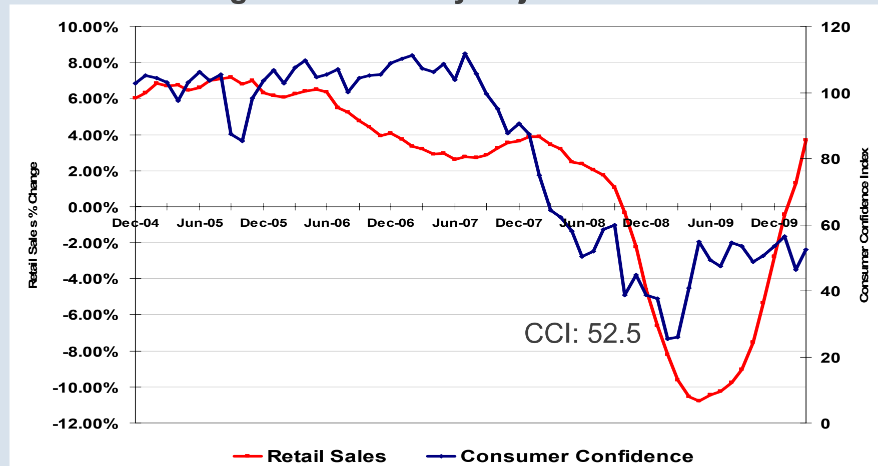
Economy

Civilian Unemployment Rate



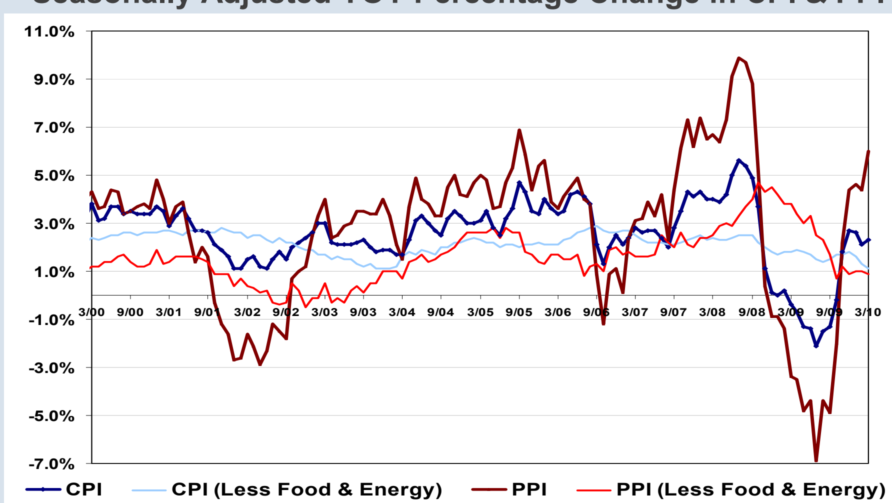
Source: Bureau of Labor Statistics, NBER

Consumer Confidence Index vs Smoothed YOY % Change in Seasonally Adjusted Retail Sales



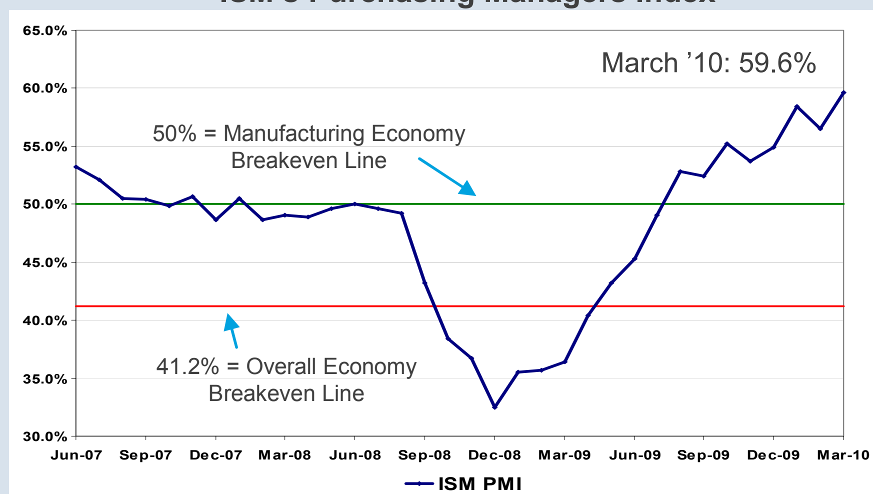
Source: The Conference Board and U.S. Census Bureau

Seasonally Adjusted YOY Percentage Change in CPI & PPI



Source: Bureau of Labor Statistics. CPI-All Consumers. PPI-Finished Goods

ISM's Purchasing Managers Index



Source: Institute for Supply Management

Domestic Equity – Large Cap

Style and Market Capitalization Comparison

1Q2010

	Growth	Core	Value
Large	4.6%	5.7%	6.8%
Mid	7.7%	8.7%	9.6%
Small	7.6%	8.9%	10.0%

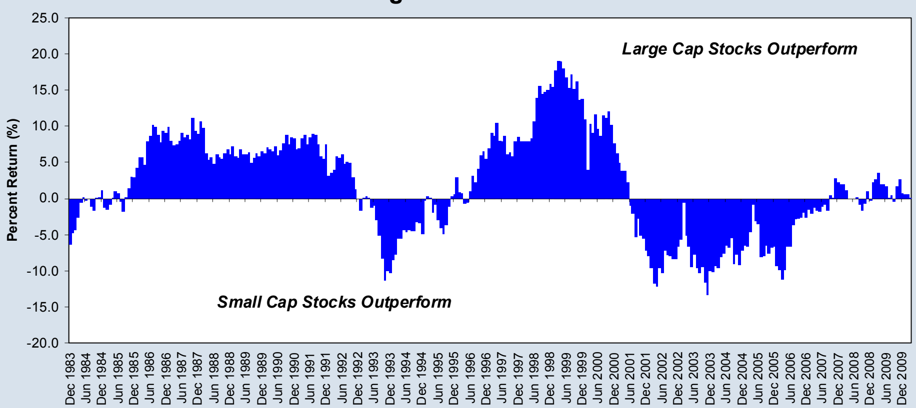
1 Year Returns

	Growth	Core	Value
Large	49.8%	51.6%	53.6%
Mid	63.0%	67.7%	72.4%
Small	60.3%	62.8%	65.1%

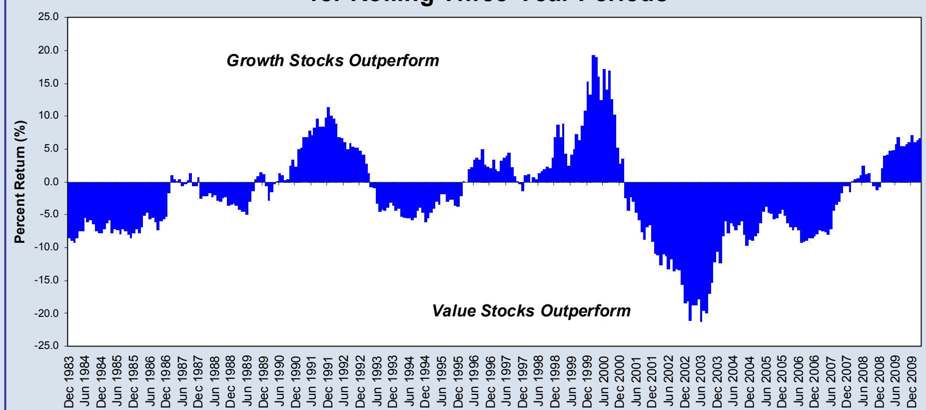
3 Year Returns

	Growth	Core	Value
Large	-0.8%	-4.0%	-7.3%
Mid	-2.0%	-3.3%	-5.2%
Small	-2.4%	-4.0%	-5.7%

Russell 1000 Index Minus Russell 2000 Index for Rolling Three-Year Periods



Russell 1000 Growth Index Minus Russell 1000 Value Index for Rolling Three-Year Periods



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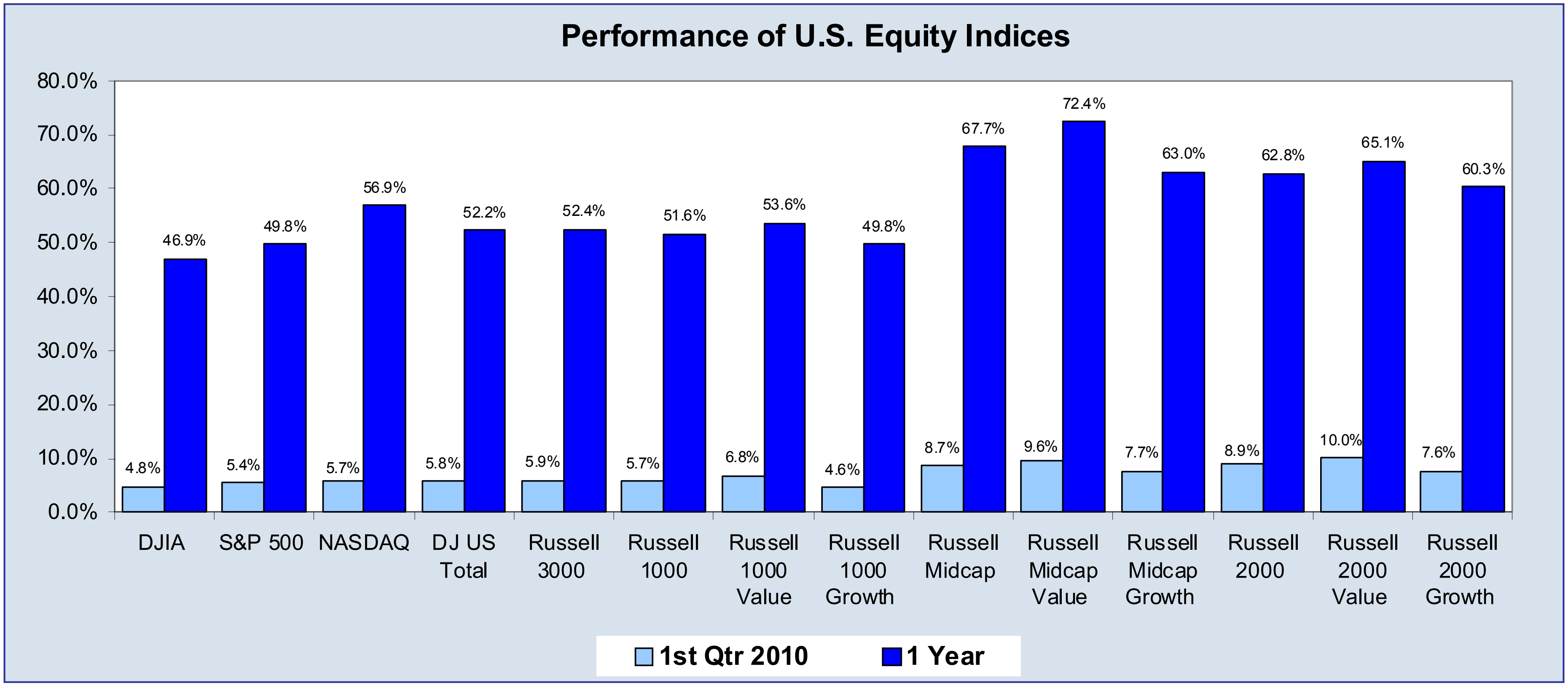
Small Cap outperforms Large Cap

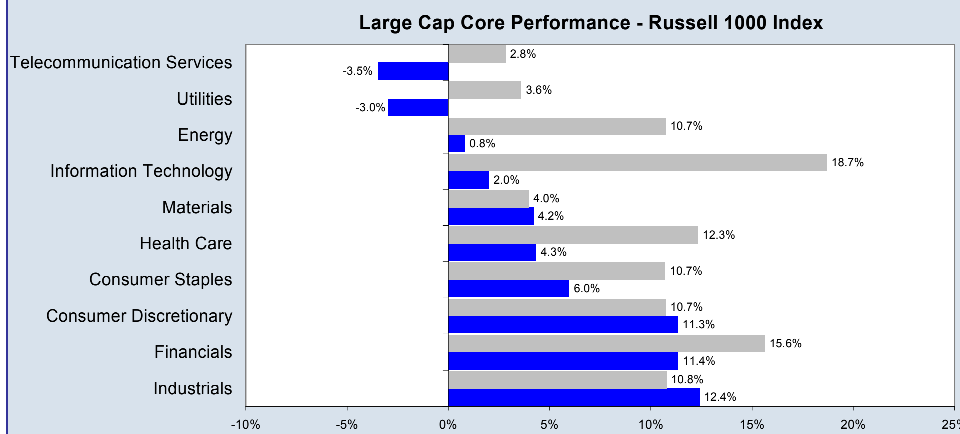
- After the first quarter, the US continues to recover from the worst recession in the post-war era driven by strong performance in the consumer discretionary and industrial sectors. US stocks continued to perform positively across all market caps (large, mid, small) and investment styles (value, core, growth)
- In a reversal from last quarter, value oriented stocks outperformed their growth counterparts across all market caps
- In another reversal from last quarter small cap stocks outperformed large cap stocks

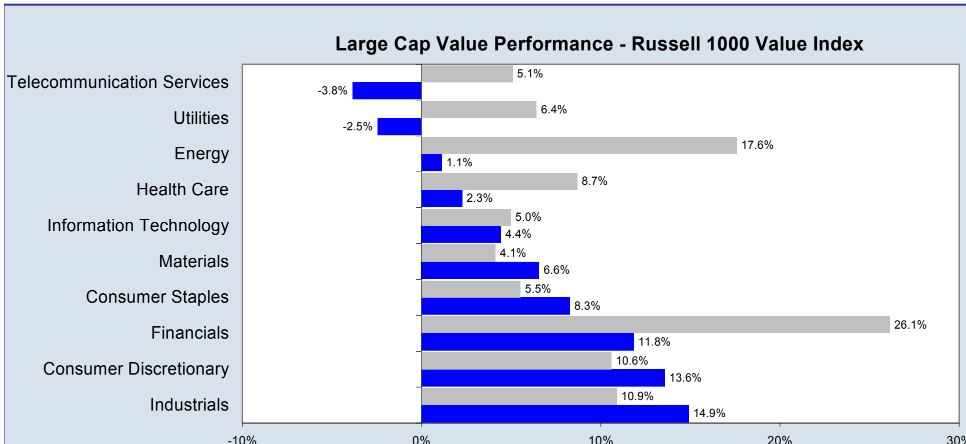


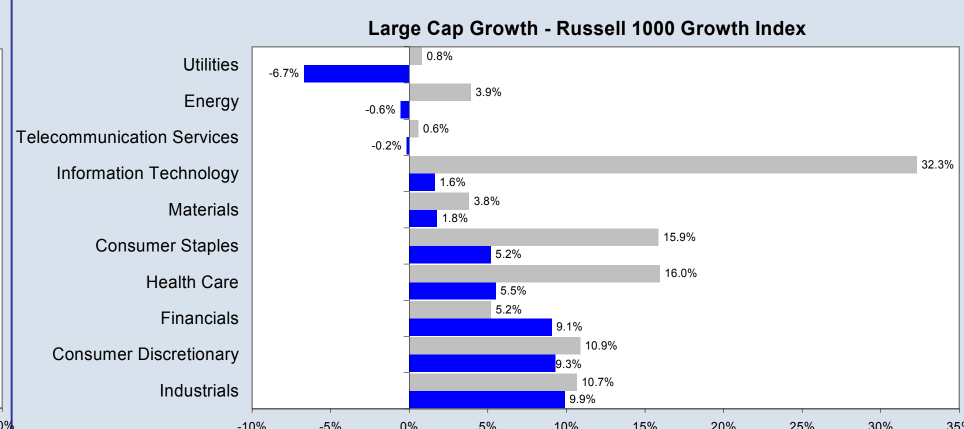
Domestic Equity – Large Cap

Value outperforms Growth

- Eight of the ten sectors of the Russell 1000 and Russell 1000 Value indices reported positive returns for the quarter, while seven of the ten sectors of the Russell 1000 Growth index performed positively
- Utilities and telecommunications were the weakest performing sectors in the large cap space for the quarter





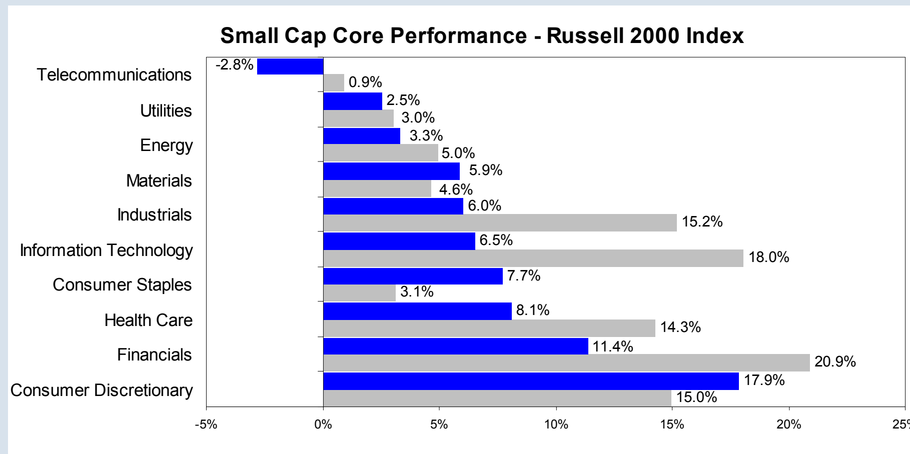


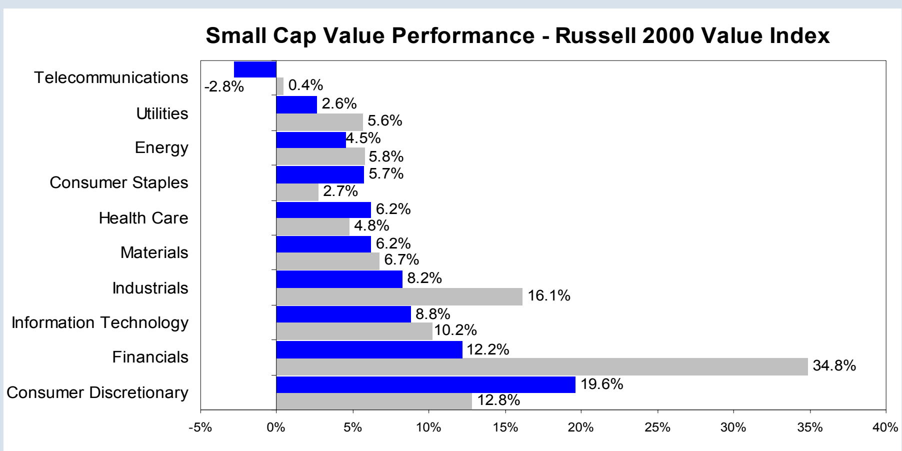
GICS Sector QTR Performance GICs Sector QTR Weighting

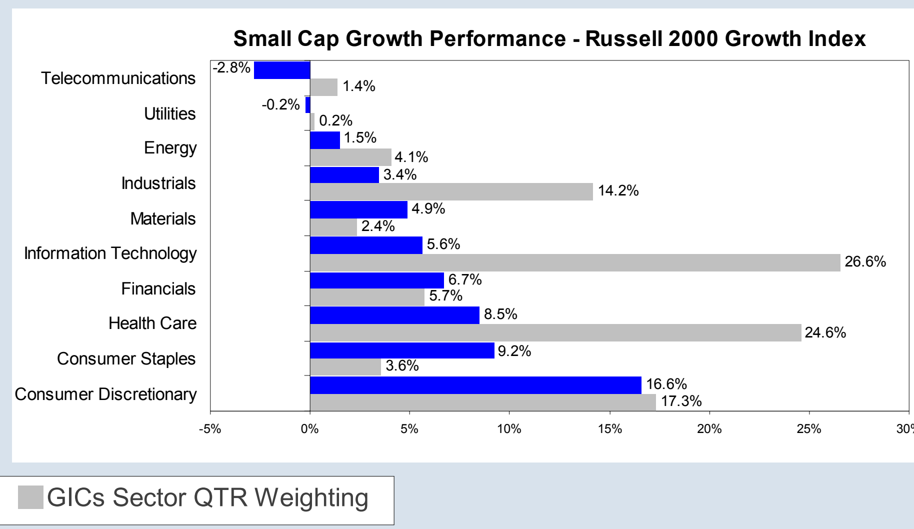
Small-Cap Stocks Outperform During the Quarter

Consumer Discretionary Led all Economic Sectors

- Consumer Discretionary led all economic sectors
- Top performing sectors for the quarter included consumer discretionary, financials, health care, and consumer staples
- Value stocks outperformed Growth stocks (10.0% vs. 7.6%, respectively)
- Reversal from the prior quarter, non-earning companies (11.1% return) and companies with lower ROE generally performed better
  - Stock in lowest P/E quintile returned 10.2%, while stocks in highest quintile returned 7.0%
  - Stocks in lowest ROE quintile returned 10.1%, while stocks in highest quintile returned 7.4%



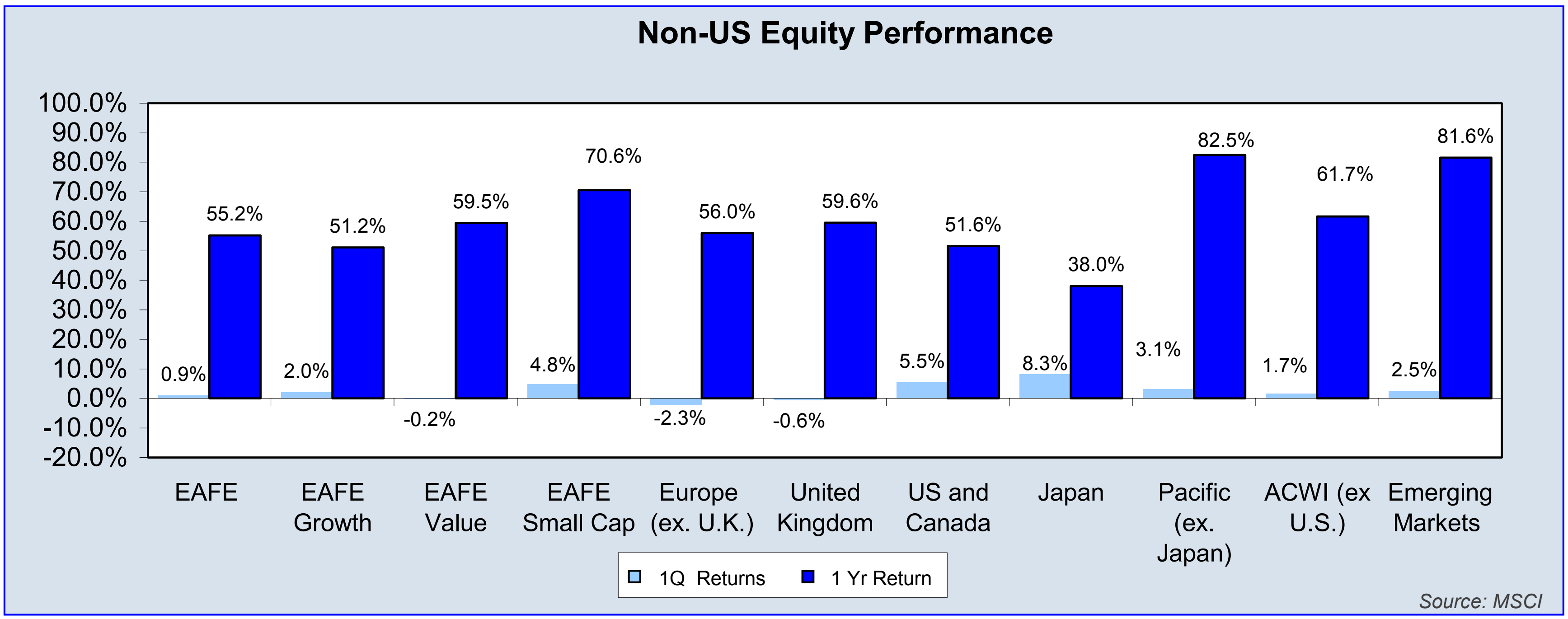




International Equities

Developed Markets: Non-U.S. equities performance

- MSCI EAFE gained 0.9% (gross) in the first quarter
  - In local currency terms, MSCI EAFE gained 4.4% for the quarter
- Japan, which represents 19.5% of the index, posted a 8.3% return. In local currency terms, Japan posted a 8.7% return.
- The UK, which represents 11.2% of the index, posted a -0.6% return. In local currency terms, UK posted a 5.8% gain.
- MSCI All Country World Index ex U.S. gained 1.7% (gross) in the first quarter
  - In local currency terms, MSCI All Country World Index ex U.S. gained 3.6% for the quarter



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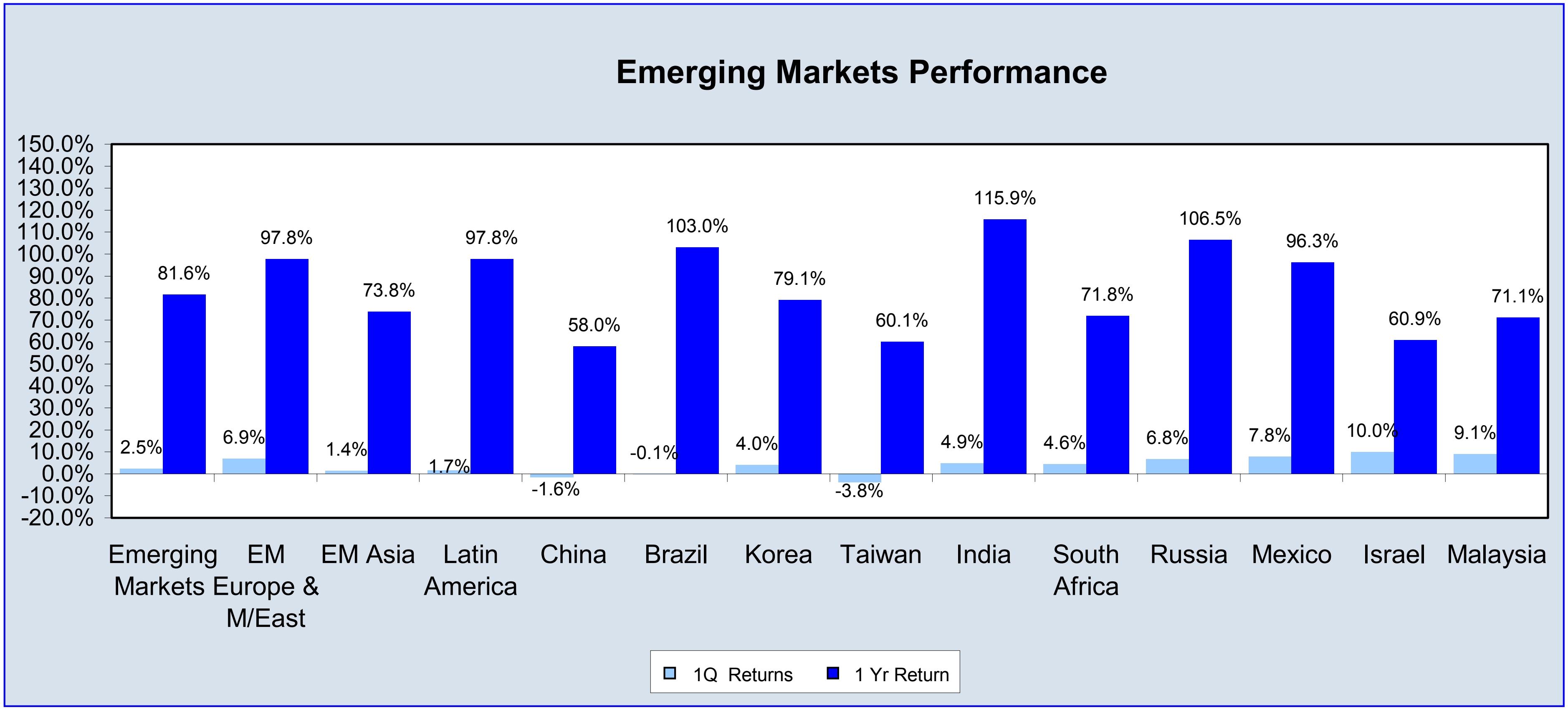
- MSCI Emerging Markets Index gained 2.5% in the first quarter
- Brazil, which represents 16.3% of the index, gained -0.1% for the quarter. China and Russia, which represent 17.5% and 6.6% of the index, posted quarterly returns of -1.6% and 6.8%, respectively

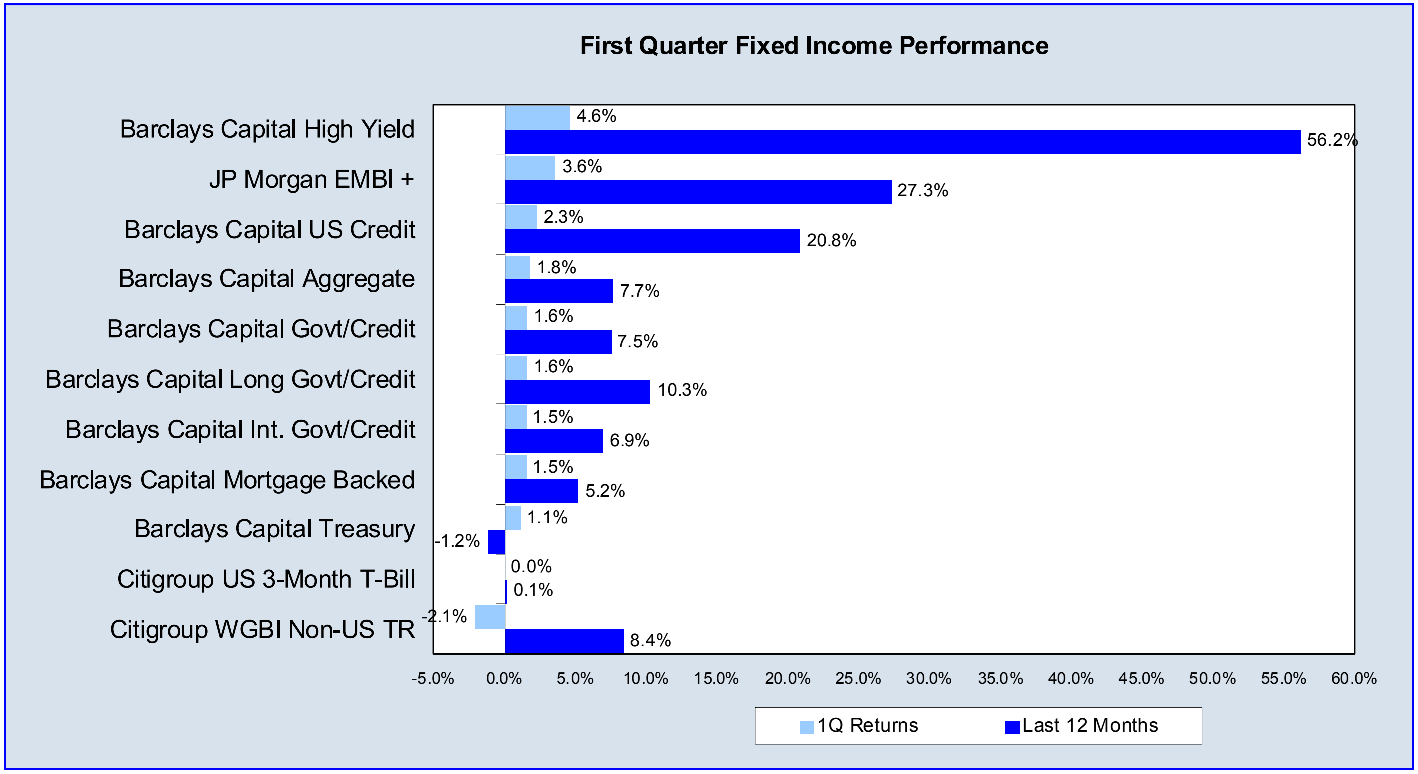


Source: MSCI

US Fixed Income

Barclays Capital Aggregate Had a Strong Quarter

- For the quarter, Barclays Aggregate Index had a strong quarter and returned 1.8%
  – A search for yield continued in Corporates and ABS, returning 2.3% and 2.2% respectively; CMBS returned 9.1%; Financial companies continue to lead the rally in Corporates, returning 2.9%
  – Treasury yields fell and lagged again this quarter returning 1.1% due to sovereign credit concerns in Europe
  – The Fed completed its mortgage repurchase program at the end of the quarter
- Markets embraced riskier assets as lower-rated securities generally outperformed higher grade bonds
- Barclays US High Yield Index continues to perform strongly with a return of 4.6% for the quarter



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Executive Summary

Total Fund

Asset Allocation

- At the end of the first quarter, the Total Plan was valued at approximately $4.1 billion, representing an increase of $160 million in assets since the end of the fourth quarter.
- The Domestic Equity segment of the Plan represented 42.6%, while the International Equity Composite accounted for 22.2% of the Plan (including cash) at quarter end.
- The Fixed Income component represented 27.6% and the Real Estate portfolio accounted for 5.1% of the Plan (including cash) at the end of March.
- As part of the interim asset allocation implementation, Global Equity was added to the portfolio in March. At the end of the quarter, the Global Equity Composite represented 0.5% of the Total Plan. A transition account was created to assist in the funding of the Global Equity managers.
- The Domestic Equity segment held an underweight allocation while the International Equity segment held an overweight allocation relative to the target policy due to implementation of the interim asset allocation. The Fixed Income and Real Estate segments of the Plan ended the quarter with underweight exposures relative to their policy targets.

Performance

- The Total Plan returned 4.2% over the quarter, leading the Reference Index by 90 basis points.
- The Domestic Equity, International Equity and Fixed Income segments of the Plan outperformed their respective benchmarks and peer universe medians over the quarter. The Real Estate portfolio lagged its reference index and peer group median over the last three months.
- Over the one-year period, the Plan advanced 39.7% and led its custom benchmark by 600 basis points. The Domestic Equity, International Equity and Fixed Income Composites have outperformed their benchmarks over the one-year period, while the Real Estate segment trailed its reference index over the same period.
- Over the three-year period, the Plan has lagged its reference index by 90 basis points annually.
- Over the five-year period, the Total Fund has approximated the return of benchmark and advanced 4.0% annually.

Domestic Equity

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

The first quarter of 2010 saw a continuation of positive performance in the equity markets. Oil prices increased from the previous quarter, yet housing prices continued to decline. The unemployment rate dropped from 10.0% to 9.7% over the quarter, while the Federal Open Market Committee left the Federal Funds Rate unchanged, at a target range of 0.00% to 0.25%. The advance estimate of first quarter annualized GDP growth was 2.7%.

Consumer prices, as measured by the Consumer Price Index (CPI), increased at an annualized rate of 0.9% during the first quarter, and grew by 2.3% for the 12 months ending March 31, 2010. The CPI, excluding volatile food and energy prices, declined by an annualized 0.2% during the quarter and increased 1.1% over the past 12 months. The Producer Price Index (PPI) for finished goods has risen by 6.0% since March 31, 2009. Preliminary production capacity utilization was 73.2% at the end of March 2010, representing a 1.2% increase from the level reported in December 2009. This level was 7.4% below the average for the period 1972 – 2009. The Consumer Confidence Index stood at 52.5 in March, which essentially remained unchanged from the December 2009 level of 52.9 but represented an increase from the 46.4 reported in February 2010. In 1985, the Consumer Confidence Index stood at 100. This index is based on a monthly survey of 5,000 US households determining their degree of optimism on the state of the economy.

Oil prices increased from $81/barrel in December 2009 to $85/barrel at the end of March 2010. In January 2010, home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, reported a decline of 0.7% over the trailing one-year period. The National Association of Home Builders/Wells Fargo Housing Market Index increased to 17 in February 2010 before dropping back to 15 in March; readings below 50 are considered a negative indicator. The yields on three-month Treasuries increased from 0.06% at the end of December 2009 to 0.16% at the end of March 2010. Ten-year Treasury yields essentially remained unchanged from the previous quarter, as the 10-year yield stood at 3.85% at the end of December 2009 and was 3.84% the end of March 2010.

Markets

The market rallied in the first quarter, sending all major equity indices into positive territory. The S&P 500 experienced its strongest first quarter since 1998, and rose by 5.4% during the period. However, the S&P 500 lagged the returns seen in the domestic small and mid cap indices. Cyclically oriented sectors, such as consumer discretionary and industrials, led the markets, while the utilities sector was the biggest detractor. Within the financials sector, REITs continued to rally from the March 2009 lows.

Corporate earnings continued to show strength during the first quarter, and more than 61% of the companies within the S&P 500 Index reported earnings that exceeded analysts' estimates. Strong year-over-year earnings growth was led primarily by corporations within the materials and consumer discretionary sectors.

During the first quarter, value stocks outpaced growth stocks in all market segments. Lower market capitalization, lower return on equity, and non-earning companies in the small and mid cap universes fared well during the quarter.

Within the large cap universe, managers with exposure to lower-quality stocks continued to outperform managers with higher-quality stocks. Within the large cap value space, deeper-value managers performed better than their relative-value counterparts.

Most small cap managers underperformed because of the lower-quality rally. Managers that focused on non-earners and held micro cap stocks outperformed during the first quarter. Small cap value managers with deep-value strategies tended to outperform relative-value strategies.

Major Events

US Treasury Secretary Timothy Geithner noted on February 7, 2010, that the possibility of the US economy slipping into a recession was lower than it had been in 2009.

On March 4, 2010, the Greek government raised $6.5 billion in a bond offering as a means of servicing its high debt levels. Greece's debt currently stands at about $400 billion.

The comprehensive health care overhaul legislation was signed into law by President Obama on March 23.

Domestic Equity Composite

- The Domestic Equity segment of the Plan posted a 6.7% return over the quarter, leading the Russell 3000 Index by 80 basis points and ranking in the 44th percentile of the peer universe.
- Of the Domestic Equity managers, Northern Trust, Turner, AllianceBernstein and DFA outperformed their reference indices over the quarter while BlackRock and Earnest lagged their benchmarks.
- Over the one-year period, the Domestic Equity portfolio advanced 56.7% and ranked in the 41st percentile of the peer group universe.
- Over the three- and five-year periods, the Domestic Equity Composite has lagged the Russell 3000 Index.
- On a since-inception basis, the Domestic Equity portion of the Plan gained 10.0% and outperformed its reference index by 20 basis points annually.

Northern Trust

- The Northern Trust Equity Index Fund returned 5.5% over the first quarter, leading the S&P 500 Index by 10 basis points and ranking in the 66th percentile of the peer universe.
- Over the one-year period, Northern Trust advanced 50.8% and outpaced the S&P 500 Index by 100 basis points due to positive returns from the fund's securities lending program during the second quarter of 2009.
- The fund has tracked its reference index within 10 basis points over the longer periods measured.

BlackRock

- Performance:
  - The BlackRock Alpha Tilts strategy advanced 4.7% over the quarter, trailing the Russell 1000 Index by 100 basis points and ranking in the 74th percentile of the peer universe.
  - Over the one-, three- and five-year periods, the portfolio has lagged the Russell 1000 Index.
  - BlackRock has trailed its benchmark by 10 basis points annually on a since-inception basis.
- Positive impact on performance over the quarter:
  - Security selection within the health care and consumer discretionary sectors.
  - The holdings of Coca Cola Enterprises (consumer staples) and Express Scripts (health care).
- Negative impact on performance over the quarter:
  - Positions within the industrials and financials sectors.
  - The holdings of Google Inc. (consumer discretionary) and Alcoa (materials).

Turner

- Performance:
  - Turner gained 5.1% over the quarter, leading the Russell 1000 Growth Index by 50 basis points and ranking in the 37th percentile of the peer universe.
  - Over the one-year period, the manager advanced 44.4% and trailed the reference index by 540 basis points.
  - Over the longer periods measured, the strategy has lagged its reference index.
- Positive impact on performance over the quarter:
  - Stock selection within the consumer staples and industrials sectors.
  - The holdings of Whole Foods Market Inc. (consumer staples), PepsiCo Inc. (consumer staples) and Apple Inc. (technology).
- Negative impact on performance over the quarter:
  - Stock selection within the energy and materials sectors.
  - An overweight allocation to the information technology sector.
  - The holdings of Google Inc. (consumer discretionary), Amazon.com Inc. (consumer discretionary) and QUALCOMM Inc. (technology).
- Turner manages their portfolio with an emphasis on stock selection.

AllianceBernstein

- Performance:
  - AllianceBernstein returned 7.7% over the first quarter, outperforming the Russell 1000 Value Index by 90 basis points and ranking in the 12th percentile of the peer universe.
  - Over the one-year period, AllianceBernstein has advanced 55.8%, leading the reference index by 220 basis points and ranking in the 28th percentile of the peer universe.
  - Over the three-year, five-year and since-inception periods, the strategy has lagged its reference index.
- Positive impact on performance over the quarter:
  - Stock selection within the consumer growth, consumer cyclical and energy sectors.
  - Underweight allocations to the utilities and energy sectors.
  - The holdings of Time Warner Cable (services), Macy's Inc. (consumer discretionary) and Supervalu Inc. (consumer staples).
- Negative impact on performance over the quarter:
  - Stock selection within the consumer staples, technology and utilities sectors.
  - Underweight allocations to the financials and capital equipment sectors.
  - The holdings of Devon Energy (energy), Motorola Inc. (technology) and Conocophillips (energy).

Earnest

- Performance:
  - Earnest posted an 8.4% return over the first quarter, trailing the Russell Mid Cap Index by 30 basis points and lagging the peer universe median by 10 basis points.
  - Over the one-year period, the strategy advanced 63.9%, lagging its reference index by 380 basis points and ranking in the 36th percentile of the peer universe.
  - Over the three-year and since-inception periods, Earnest has outperformed its benchmarks by 320 basis points and 60 basis points, respectively.
- Positive impact on performance over the quarter:
  - Stock selection within the consumer discretionary, health care and materials sectors.
  - The holdings of Cummins, Inc. (industrials), Darden Restaurants (consumer discretionary) and Express Scripts (health care).
- Negative impact on performance over the quarter:
  - Positions within the telecommunication services sector.
  - The holdings of Global Payments (information technology), Corning Inc. (information technology), Chesapeake Energy Corp. (energy).

DFA

- Performance:
  - DFA posted a 12.9% return over the first quarter, leading the Russell 2000 Value Index by 290 basis points and ranking in the 12th percentile of the peer universe.
  - Over the one-year period, DFA advanced 88.8% and outperformed both its reference index and peer universe median.
  - Over the longer periods measured, the strategy has outperformed its reference index.
- Positive impact on performance over the quarter:
  - An overweight allocation to microcap securities.
  - An overweight allocation to the consumer discretionary sector and stock selection within the financials and utilities sectors.
  - The holdings of Food Locker Inc. (consumer discretionary), Radian Group Inc. (financials) and American Capital Ltd. (financials).
- Negative impact on performance over the quarter:
  - Zero allocation to REITs.
  - An overweight exposure to the energy sector.
  - The holdings of M&F Worldwide Corp. (industrials), Coeur D'Alene Mines Corp. (materials) and Tech Data Corp. (information technology).

Artisan

- Artisan was terminated from the portfolio on March 23, 2010. For the period January 1, 2010 – March 22, 2010, Artisan returned 4.0%.
- Positive impact on performance:
  - Security selection within the consumer staples and materials sectors.
  - The holdings of Reinsurance Group of America (financials), MB Financial (financials) and Atheros Communications (information technology).
- Negative impact on performance over the quarter:
  - Positions within the information technology and consumer staples sectors.
  - The holdings of Phase Forward (health care) and Comstock Resources (materials).

Allianz

- Allianz was added to the portfolio in March 2010. Performance for this manager will be provided in the second quarter's report when the strategy will have a full quarter of performance.

Global Equity

GMO

- GMO was added to the portfolio in March 2010. The portfolio is being funded during the second quarter. Performance will be shown in the second quarter report.

International Equity

(Brandes, William Blair, DFA)

In contrast to the domestic equity market, growth stocks outpaced value stocks in the MSCI EAFE Index during the first quarter. The MSCI Emerging Markets Index outperformed the MSCI EAFE Index, yet both benchmarks lagged US equities. During the first quarter, the US dollar depreciated against emerging market currencies, but appreciated against many major developed market currencies including the euro and the British pound. This detracted from the return of the MSCI EAFE Index, which actually outperformed the MSCI Emerging Markets Index in local-currency terms.

International Equity Composite

- The International Equity Composite gained 2.4% over the last three months, leading the MSCI EAFE Index by 150 basis points and outperforming the peer universe median by 80 basis points.
- Among the International Equity managers, William Blair and DFA outperformed their reference indexes and peer universe medians over the quarter, while Brandes trailed its respective benchmarks.
- The International Equity segment has outperformed its reference index over the one-year, three-year, five-year and since-inception periods.

Brandes

- Performance:
  - Brandes advanced 0.8% over the quarter, lagging the MSCI EAFE Index by 10 basis points and ranking in the 74th percentile of the peer universe.
  - 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 Japan and within the commercial banks sector.
  - The holdings of Nokia Oyj (information technology), Ericsson (information technology) and MS&AD Insurance (financials).
- Negative impact on performance over the quarter:
  - Positions within Italy and the diversified telecommunications services sector.
  - The holdings of Marks & Spencer Group (consumer discretionary), Kingfisher (consumer discretionary) and GlaxoSmithKline (health care).

William Blair

- Performance:
  - William Blair returned 3.0% over the quarter, leading the MSCI AC World ex US Index and the peer universe median by 140 basis points each.
  - Over the one-year period, the strategy advanced 61.2% and outperformed the 60.9% return of its reference index.
  - Over the longer periods measured, William Blair has lagged its benchmark. This is partially due to their underperformance during the third and fourth quarters of 2008.
- Positive impact on performance over the quarter:
  - An underweight allocation and stock selection within the energy sector as well as stock selection within the materials and health care sectors in Continental Europe.
  - Stock selection within the consumer staples, energy, financials, industrials, and information technology sectors in the United Kingdom.
  - Stock selection within the energy, materials and financials sectors in Canada.
  - Stock selection in consumer staples, financials, and industrials in the Europe, Middle East and Africa (EMEA) region.
  - The holdings of Li and Fung (industrials), Rolls-Royce Group (industrials), Yahoo Japan Corp. (information technology), Pacific Rubiales (energy) and Standard Chartered (financials).
- Negative impact on performance over the quarter:
  - Selection in developed Asian industrials stocks.
  - The holdings of QBE Insurance Group (financials), Banco Santander (financials), Telefonica S.A. (telecommunication services), Alstom (industrials) and Hon Hai Precision Industry Co. Ltd (information technology).

DFA

- Performance:
  - Over the first quarter, DFA posted a 5.2% return, leading the MSCI EAFE Small Cap Price Index by 100 basis points and outperforming the Mercer Institutional International Small Cap Universe median by 70 basis points.
  - The strategy has outpaced its reference index over the one- and three-year periods.
  - On a since-inception basis, DFA has outperformed its benchmark by 440 basis points annually.
- Positive impact on performance over the quarter:
  - An overweight allocation to materials, and investments in the consumer discretionary sector.
  - An allocation to micro cap stocks.
  - Investments in Canada.
- Negative impact on performance over the quarter:
  - An overweight allocation to deep value stocks.
  - Stock selection within the financials sector.

Fixed Income

(BlackRock, Loomis, Reams)

The rally in low-quality fixed income continued during the first quarter as high-yield issues outperformed investment-grade issues. Corporate credit spreads and CMBS spreads both tightened as investors gained optimism on the economy.

Fixed Income Composite

- The Fixed Income portfolio advanced 3.3% over the first quarter, leading the Barclays Capital Aggregate Index by 150 basis points and ranking in the 22nd percentile of the peer universe.
- Each of the Fixed Income managers (BlackRock, Reams and Loomis) outperformed their respective reference index over the quarter.
- Over the one-year period, the Fixed Income segment gained 29.7% and outperformed the reference index by 22.0%.
- The Fixed income Composite has outperformed its benchmark over the longer periods measured.

BlackRock

- The BlackRock fixed income portfolio gained 1.9% 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 retuned 3.0% over the quarter, outperforming the Barclays Capital Aggregate Index by 120 basis points and ranking in the 48th percentile of the peer universe.
  - Over the one-year period, the strategy gained 38.9% and outperformed the reference index by 31.2%.
  - The portfolio has outpaced its benchmark over the longer periods measured.
- The three-year tracking error remained high compared to Reams' peers.

- Positive impact on performance over the quarter:
  - Security selection and an overweight exposure to commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS).
  - An overweight exposure to high-yield holdings.
  - Security selection within the investment-grade sector.
- Negative impact on performance over the quarter:
  - TIPS holdings.
  - An underweight allocation to mortgage-backed securities (MBS)

Loomis

- Performance:
  - Loomis posted a 4.3% return over the quarter, outperforming the Barclays Capital Aggregate Index by 250 basis points and ranking in the first quartile of the peer group universe.
  - The portfolio has outpaced its benchmark and peer group median over the one-, three- and five-year periods.
  - On a since-inception basis, Loomis has outperformed the reference index by 270 basis points annually.
- The three-year tracking error of the portfolio remained high compared to Loomis' peers.
- Positive impact on performance over the quarter:
  - The holdings of non-US dollar denominated securities.
  - Securities selection within the high-yield and investment-grade sectors.
- Negative impact on performance over the quarter:
  - An underweight exposure to commercial mortgage-backed securities (CMBS).

Manager Comments

AllianceBernstein

In March, Mercer met with AllianceBernstein to discuss their value strategies. The meeting took the form of a wide ranging discussion with Sharon Fay (CIO) about what is occupying her time at the moment and what lessons she takes from the poor performance patch now that most value products have seen a pick-up in performance.

- Bernstein have constantly sought to refine their process over time. Arguably the refinements of late have been of more significance and many of these have been recorded in previous notes.
- Mercer asked whether, after a period where performance has improved, there are further learnings to take away. Fay outlined some of the changes they have made/are considering. All of this is against the background that they are, and remain, a value team.
- Fay emphasized the continuing greater emphasis on the macro. They are primarily bottom-up driven. Clearly the macro structure has always influenced them to an extent but she feels they could and should have done better in considering second and third order effects in terms of thinking about, and managing, risks in portfolios. This might have enabled them to identify risks that traditional risk tools and less detailed thinking might have missed. They are using a range of tools that can help with this (credit market volatility and other risk indicators from different asset classes – more dialogue on macro between the CIOs, etc). They are also seeking to enlarge their contact network taking inputs from a wide range of sources. This latter factor is something Avi Lavi began doing some three years back.
- Fay didn't believe that these issues will change the roles of the CIO or the Director of Research for each strategy, but we did get the sense that the CIO would be thinking more than ever about "portfolio management". This is likely to be developed in a relatively evolutionary manner.
- They are thinking more about potentially adverse scenarios ("tail risk events"). Fay says they have hired two quant derivatives experts who are looking at tools that might help protect portfolios beyond using traditional equities or cash. Fay illustrated this by talking about multi-asset portfolios where they were exposed to dollar strength and bought out of the money calls on the dollar. Such thinking might be extended to equity only portfolios. This type of thinking is surprisingly rare. At present this is not happening but is a work in progress. Jerry Paul is taking this lead here.
- Fay acknowledged morale was not good in early part of 2009 and she spent more time than usual talking to people about how things would get better and encouraging them to focus on their jobs.
- She thinks the whole global value team grew too big. While this might be seen as making a virtue out of the necessity to shrink staff in 08/early 09 it has some credibility. They did deliberately set out to have excess capacity and there were individuals with not enough to do. Some senior analysts were spending too much time monitoring juniors and not enough on research. She claims the analysts are now getting better feedback on how they are doing their jobs and better direction on what they need to do to improve.
- Fay also acknowledged that managing compensation expectations had taken time. While intellectually people understood why bonuses are lower Fay says emotions get in the way.
- Again Peter Kraus (current CEO) was praised and Sanders (former CEO) came in for criticism. Kraus does let her run the process but does challenge their actions and makes them think. As we have noted before, he does travel the world and is said to be much more in evidence than Sanders was.

- Fay referred to the sector team leaders and claimed they were working better. They not only promote cross-geography sector debate but also debate between the sector teams.
- We discussed whether their rapid growth exacerbated the underperformance that was inevitable in a period where value was out of favor. Fay accepted rapid growth might have led to soft issues which negatively impacted the process/decision making. Mercer does think they could and should consider this further. It is unlikely to be of relevance for a while but could easily come back in a few years and we doubt the organization will put the brakes on.

BlackRock / BGI

Meeting with BlackRock

In February, BlackRock announced changes to the firm's Fundamental and Scientific Active Equity platforms. Bob Doll will become BlackRock's Chief Equity Strategist and transition his management responsibilities as Head of Fundamental Equity to Quintin Price. Price was previously CIO for Europe, Middle East, and Africa. In addition, Paul Walker-Duncalf will become Head of Fundamental Equity Trading. These changes are expected to have little-to-no impact on the underlying strategies.

In addition to the changes in the Fundamental Equity platform, BlackRock also announced that Morry Waked will be leaving the firm by the end of the third quarter. Waked is currently CIO of Scientific Active Equity and head of BlackRock's Australia SAE business. Blake Grossman will be assuming Waked's role as CIO in addition to his responsibilities as the head of BlackRock's Scientific Active Equity. Andrew Jackson will take on Waked's other role as head of BlackRock's Australia SAE business.

Mercer View

Mercer views this news as a relative non-event as it relates to the rated fundamental US and Global/International equity strategies as well as the highly rated quantitative strategies. These changes are more of an expansion of responsibilities rather than structural changes to the organization and better align the interests of the individuals involved with their core competencies. Doll is relinquishing his management duties to Price who is expanding his current responsibilities to include the Americas. This change gives Doll an opportunity to focus more on overall strategy and investment management, where we feel his talents are integral to the performance of the Large Cap Series strategies.

Walker-Duncalf's expanded role as Head of Fundamental Equity Trading is also not a significant event as he was already responsible for all trading outside of the Americas. Mercer intends to follow-up on how this expanded role impacts the overall trading team at BlackRock, specifically Jonathan Clark, who is head of trading for the Americas.

We also do not believe Waked's decision to leave the firm is material to the highly rated US and Global/International equity strategies. Waked had only served in the role of CIO of Scientific Active Equity since 2008. In addition, we are confident in Blake Grossman's capabilities to oversee the strategies as he has been an integral component of the Alpha Tilts strategies for over twenty years. Naozer Dadachanji will continue in his role as head of and Chief Operating Officer of the strategies. BlackRock has a deep team of investment professionals and Mercer believes the firm continues to be well resourced and supportive of its active quantitative strategies. Mercer will discuss the change in the Alpha Tilts strategies at our next meeting with BlackRock.

Scott Amero to Retire

In January Mercer learned that Scott Amero will be retiring from BlackRock at the end of the first quarter 2010. Amero is Vice Chairman, Global CIO, and Co-Head of Fixed Income. He will remain an advisor to the firm and is not planning to join another asset management firm. Peter Fisher, who is Co-Head of Fixed Income, will become Vice Chairman of BlackRock and will continue to have responsibility for management of BlackRock's Fixed Income platform. Curtis Arledge will become CIO of Fixed Income, and Rick Rieder and Scott Thiel will be the deputies.

Mercer View

Amero's departure is surprising. He is relatively young and only assumed the CIO role when Keith Anderson left the firm in December 2007. He was slated to take on slightly more oversight in the combined BlackRock/BGI, with Peter Knez expected to report to Amero. Per BlackRock's integration planning, "Scott Amero and Peter Fisher will be Co-heads of the combined Fixed Income group and will continue to report to Rob Kapito; Peter Knez will continue to lead the teams managing BGI's index and model-driven products and will report to Scott and Peter."

Following a meeting with BlackRock in New York in February, Mercer believes that Amero's resignation was an isolated incident, and Mercer is satisfied with subsequent changes to fixed income leadership and the US Multi-Sector portfolio management team.

Mark Dichek, Co-Head of Investment Grade Credit Investment Team to Depart BlackRock

BlackRock has announced that Mark Dichek, Co-Head of Investment Grade Credit, will leave BlackRock effective April 23, 2010. Jeff Cucunato will lead the US investment grade effort on an interim basis until Dichek's position is filled. Michael Phelps will continue to be the Co-Head of the team. Further details about Dichek's decision or the search for a replacement have not been provided.

Mercer View

Mercer is not concerned with the impact Dichek's departure may have on the investment grade credit team or research given the team's size and experience; however, Mercer will continue to monitor the situation and provide further updates as more information becomes available. Mercer will meet with Dichek's replacement as soon as it is announced.

Earnest Partners

Effective April 19, 2010, investment team member Ken Grimes is no longer with Earnest. He will be relocating to his hometown of Durham, NC and will be replaced by the addition of Yash Patodia in early June 2010. Patodia will assume Grimes' coverage of the telecom sector upon joining the firm, prior to which Grimes' responsibilities will be reassigned to the rest of the team in the interim.

Patodia began his career at Microsoft as a software engineer for Windows mobile phones and subsequently worked as a program manager. He graduated with a BS in Computer Science and MS in Software Engineering from Carnegie Mellon University and holds an MBA from Harvard Business School.

Mercer View

Mercer's not recommending any ratings changes as Grimes' departure does not impact Mercer's overall opinion of the firm's strategies. Earnest's portfolio management process is based on the collective contributions of the team and not dependent on a lead star system. As such, Mercer believes the firm has the wherewithal to sustain some turnover, which has not been an issue.

According to Patmon Malcom (director), Grimes left the firm voluntarily to join another asset manager in his hometown. It appears that the hiring of Patodia, a process that began when he was a summer intern in 2009, was the impetus for Grimes' departure based on his view that there would be limited upside potential within the firm. While Grimes was still considered to be a contributing member of the team, it appears that his performance was no longer meeting the full expectations that the firm had embraced. In fact, Malcom acknowledged that Patodia's addition is viewed as an upgrade for the overall team.

Allianz / Oppenheimer Capital

Oppenheimer Capital, NFJ Investment Group, and Nicholas Applegate Capital Management (NACM) announced that they combined to form Allianz Global Investors Management Partners in the summer of 2008; a holding company that will consolidate the non-investment related functions of each of the three firms. The firm has just announced that the new organization will now be called Allianz Global Investors Capital (AGIC).

AGIC will now act as a single $48 billion (as of 12/31/09) investment organization that manages a variety of investment strategies across equity, fixed income, and alternative asset classes. AGIC will have offices in San Diego, New York, and Dallas.

The NACM and OpCap brands will no longer exist. The firm will continue to use the NFJ name as a descriptor for the value-equity strategies it manages.

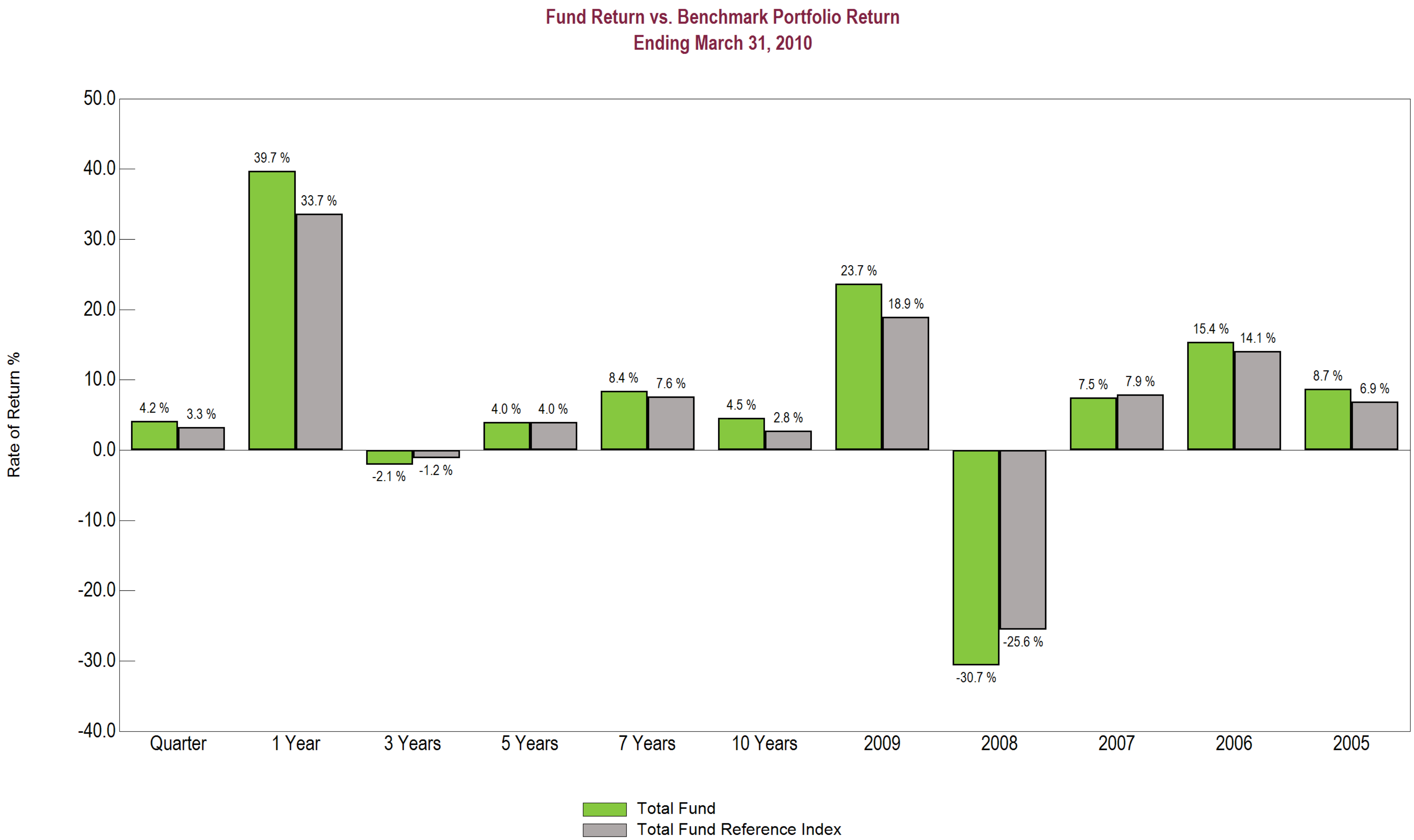
Mercer View

Mercer's views on the underlying investment teams within each of the individual organizations will not change as a result of the news. As stated in the summer of 2008, Mercer would expect that the new entity will allow each of the investment teams to operate in the same capacity and with the same level of autonomy that it had before the merger and name change. However, Mercer will make sure to delve further into the organization and how it is affecting the investment teams when we next visit with investment teams from any of the three mentioned firms.

Board Report

Total Plan

Performance

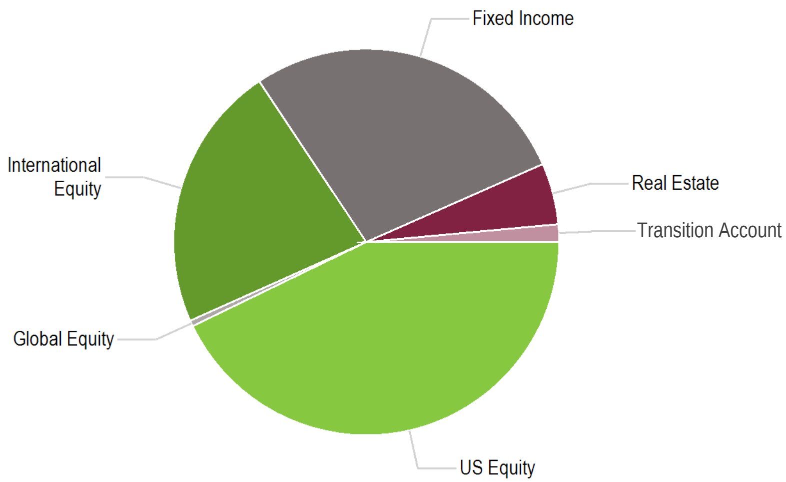


Mercer Investment Consulting, Inc.

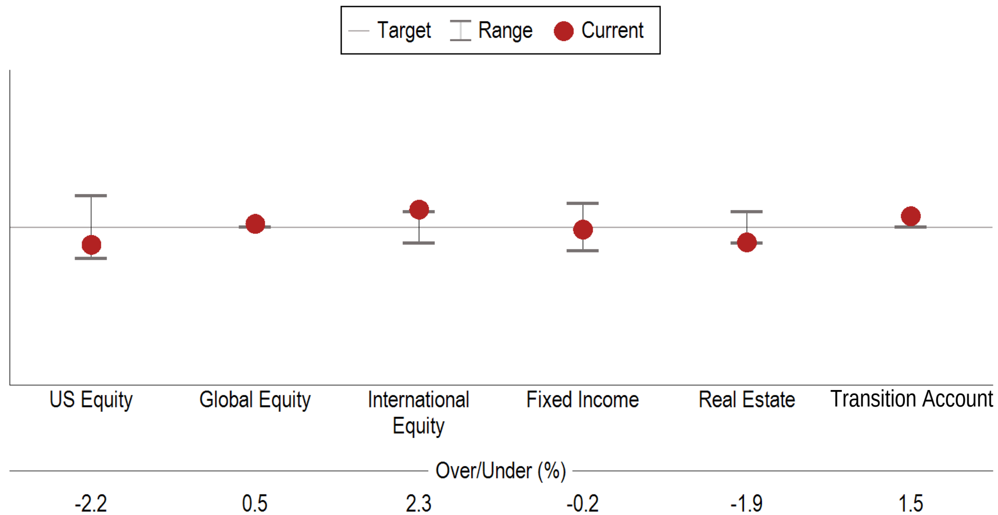
Total Plan

Asset Allocation vs. Target

Current Allocation
as of March 31, 2010



Actual vs. Target
as of March 31, 2010



Allocation vs. Targets and Policy
as of March 31, 2010

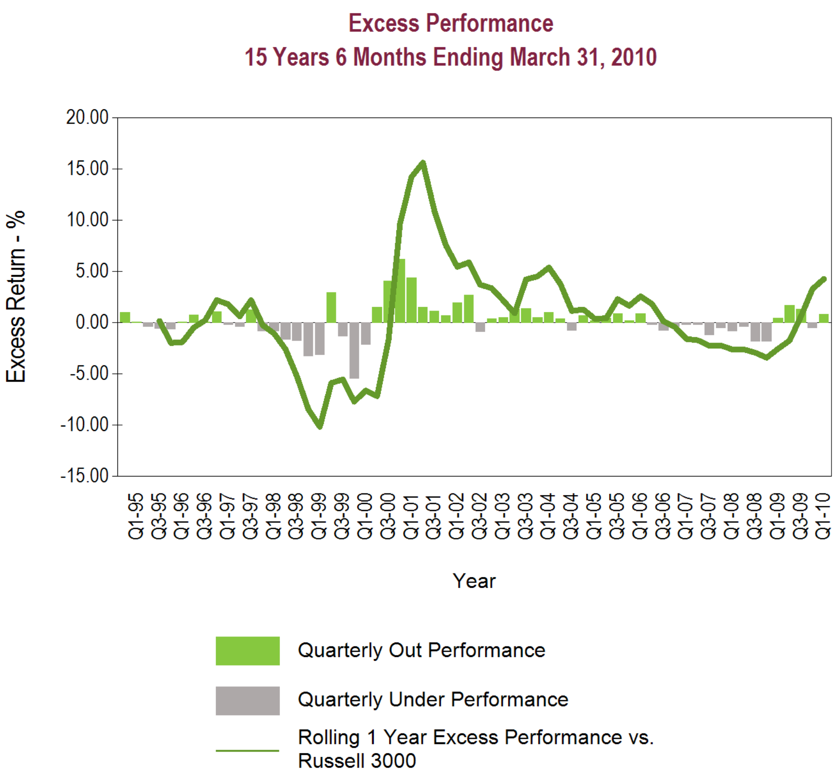
	Current Balance	Current Allocation	Target Allocation	Difference	Target Ranges	Within IPS Range? [1]
US Equity	$1,760,136,809	42.8%	45.0%	-$89,091,365	41.0% - 49.0%	Yes
Global Equity	$20,138,712	0.5%	0.0%	$20,138,712	0.0% - 0.0%	No
International Equity	$916,593,560	22.3%	20.0%	$94,714,371	18.0% - 22.0%	No
Fixed Income	$1,141,031,254	27.8%	28.0%	-$9,599,610	25.0% - 31.0%	Yes
Real Estate	$211,160,455	5.1%	7.0%	-$76,497,261	5.0% - 9.0%	Yes
Transition Account	$60,335,153	1.5%	0.0%	$60,335,153	0.0% - 0.0%	No
Total	**$4,109,395,943** [2]	**100.0%**	**100.0%**			

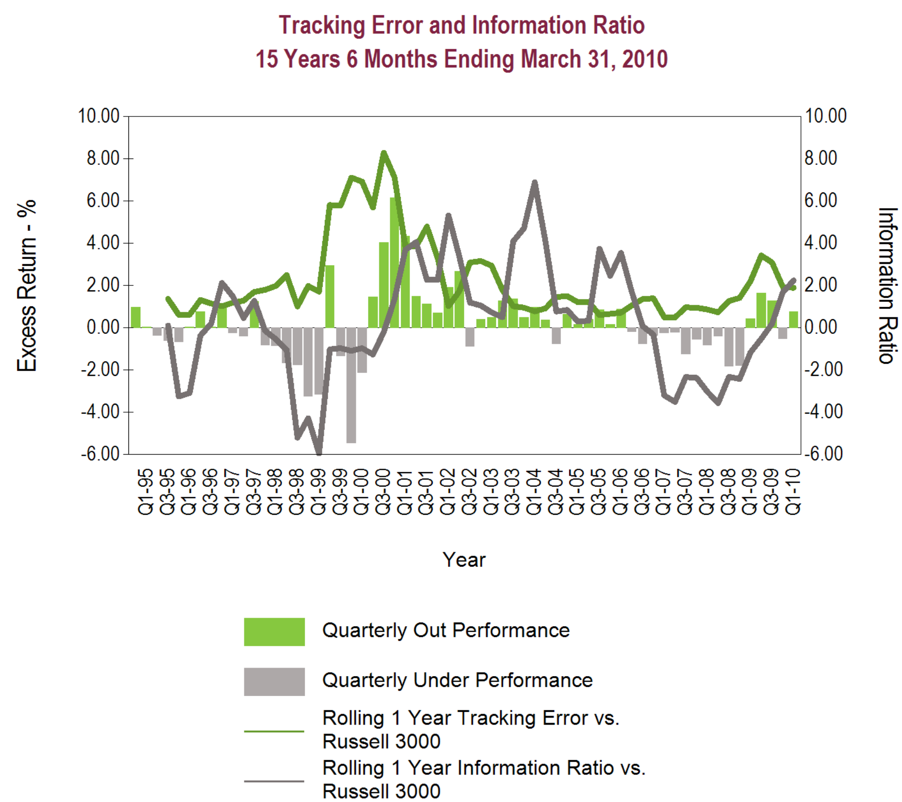
[1] In March 2010, the Plan started transitioning to the interim asset allocation, which includes a 22% allocation to International Equity and a 10% allocation to Global Equity.

[2] Excludes $20.4 million in cash and Artisan's residual value.

Total Domestic Equity Composite

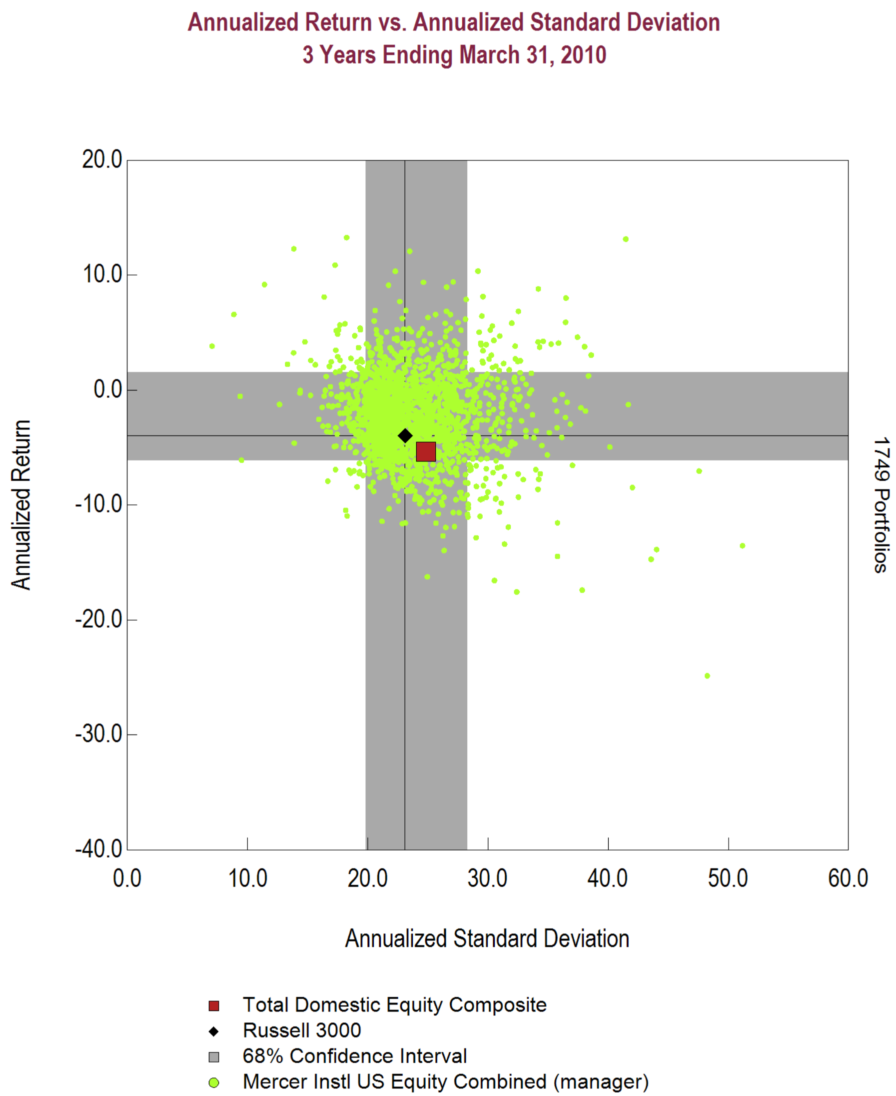
Performance and Risk

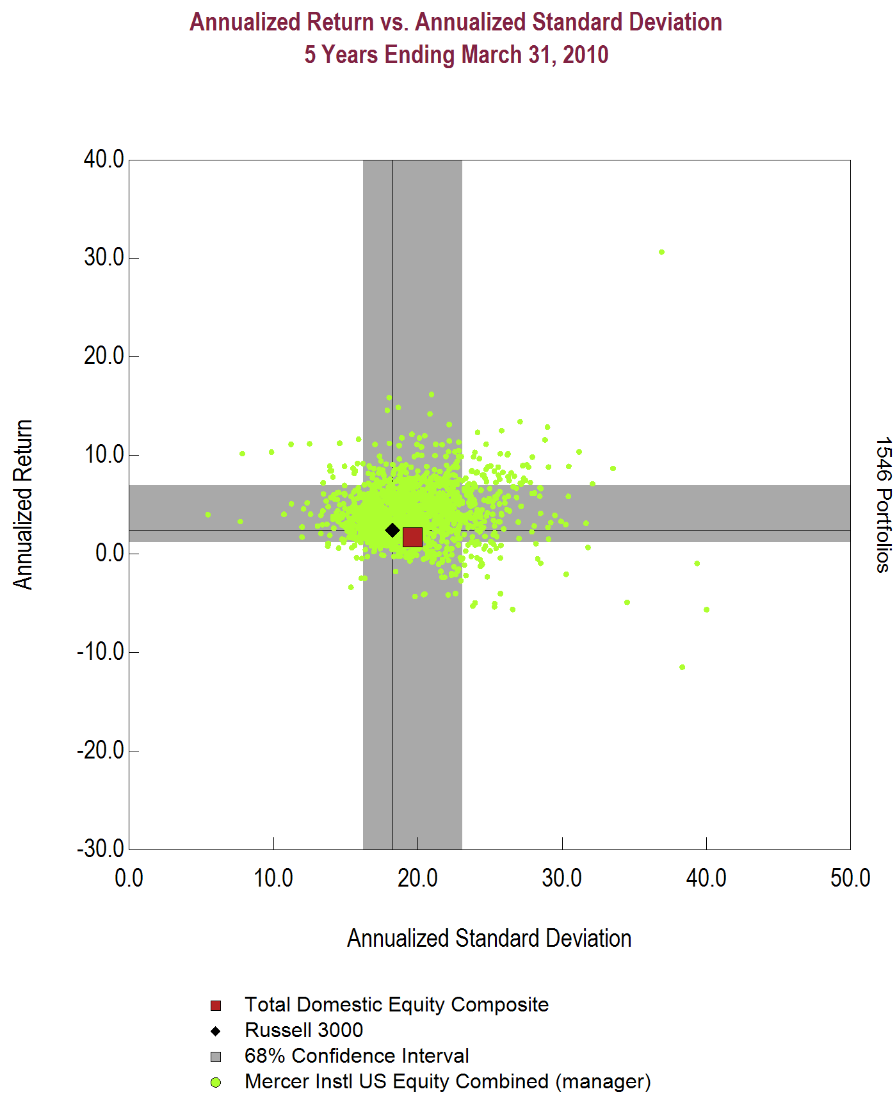




Total Domestic Equity Composite

Performance and Risk

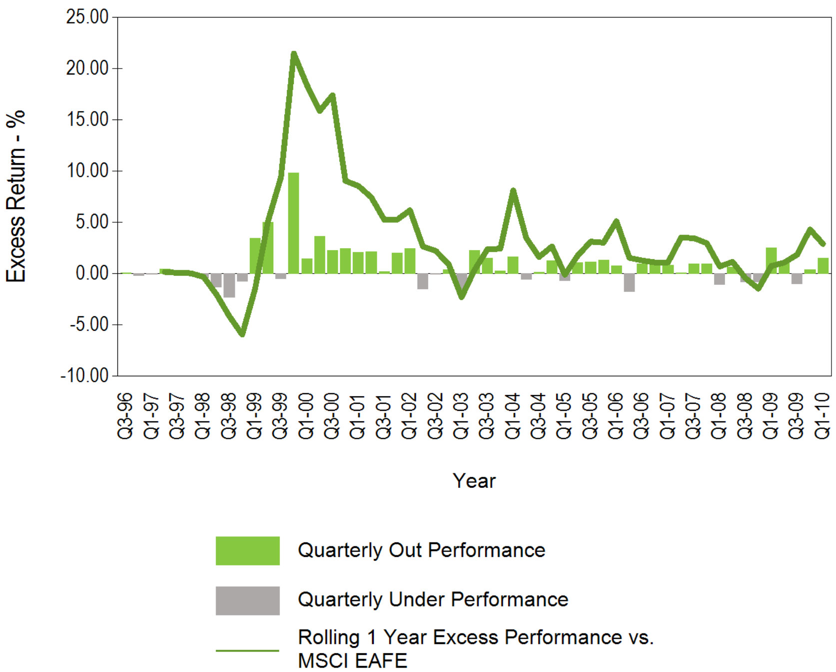




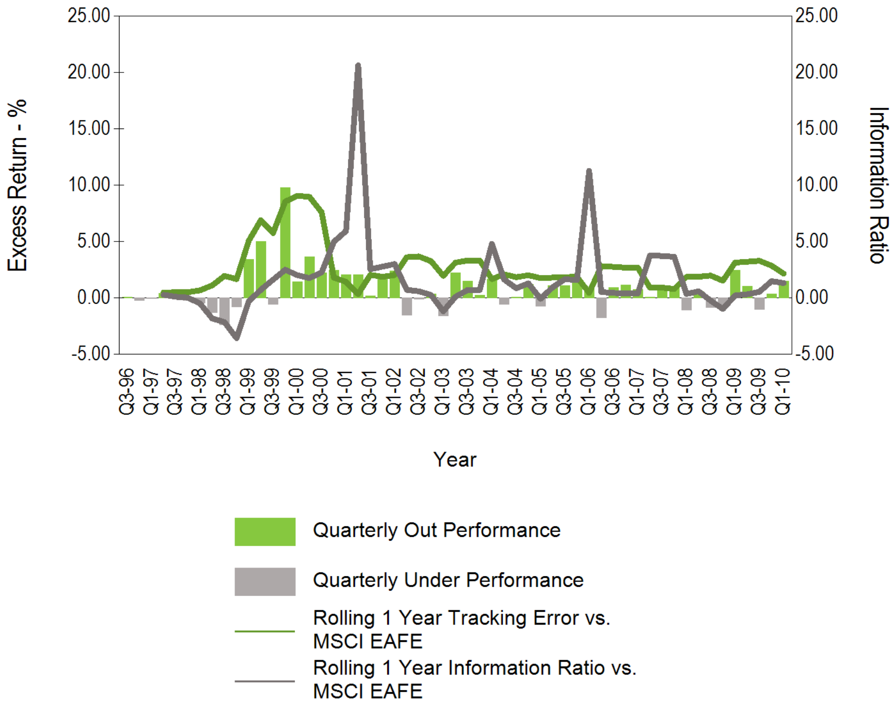
Total Intl Equity Composite

Performance and Risk

Excess Performance
13 Years 11 Months Ending March 31, 2010

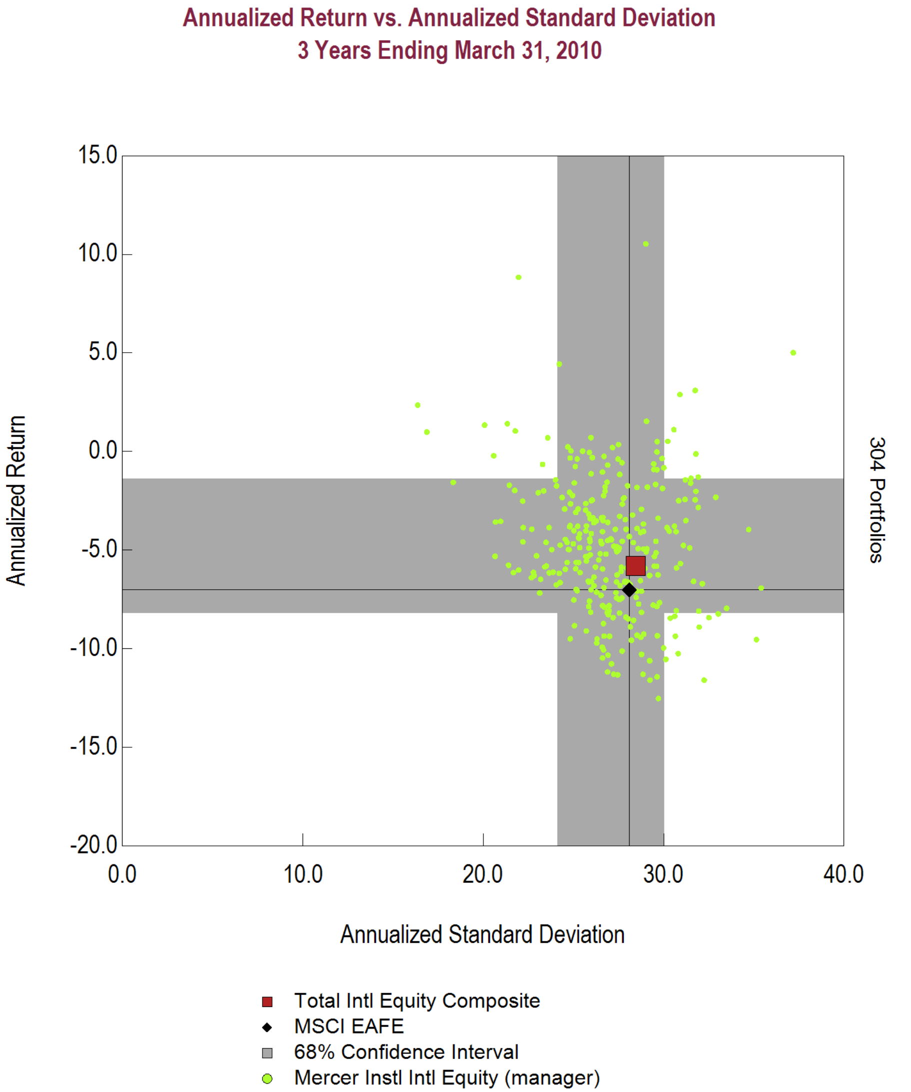


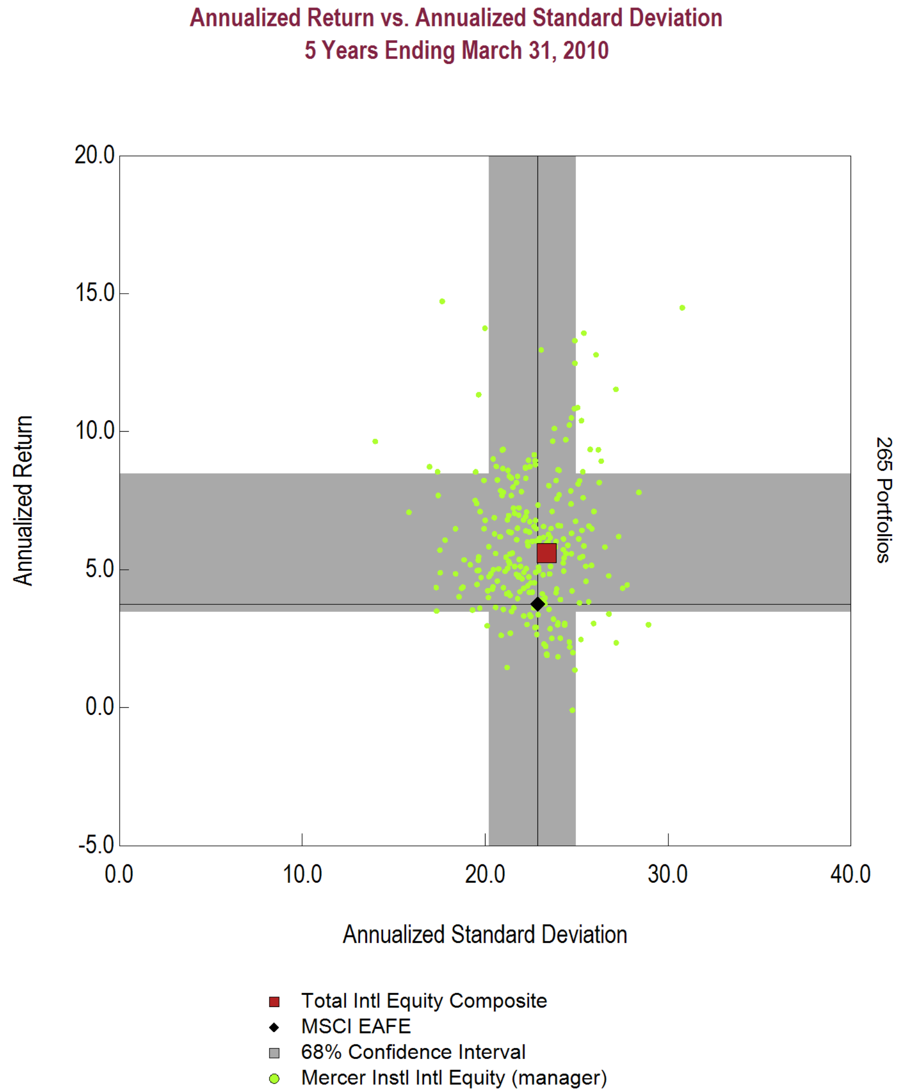
Tracking Error and Information Ratio
13 Years 11 Months Ending March 31, 2010



Total Intl Equity Composite

Performance and Risk



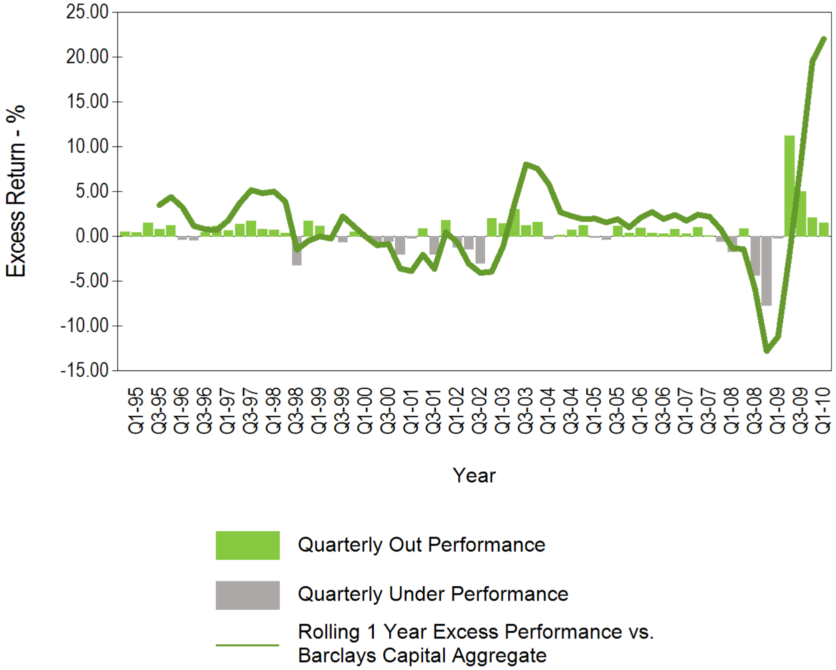


Mercer Investment Consulting, Inc.

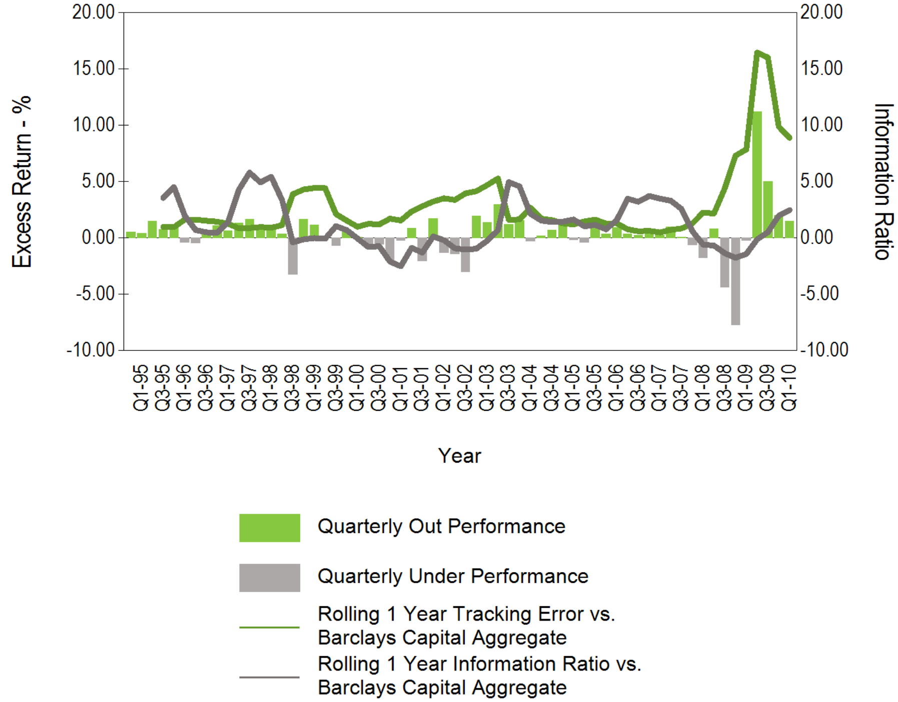
Total Fixed Income Composite

Performance and Risk

Excess Performance
15 Years 6 Months Ending March 31, 2010

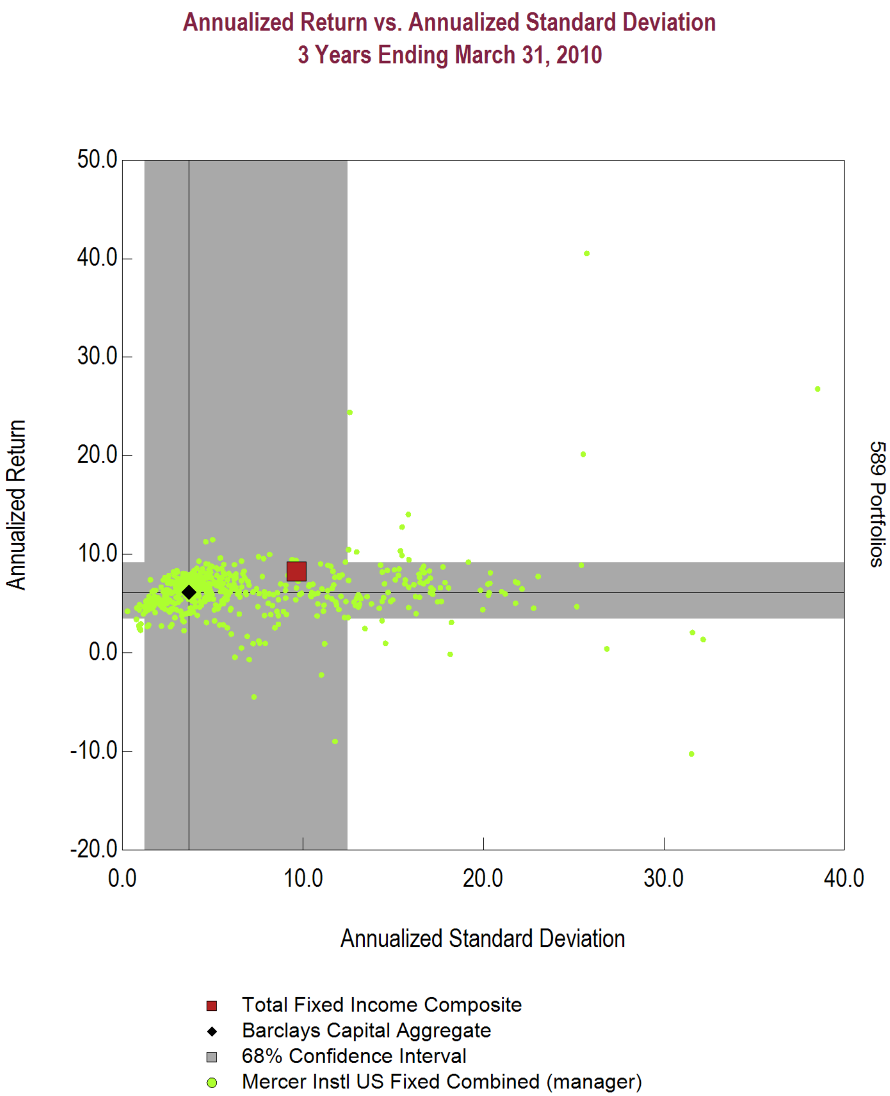


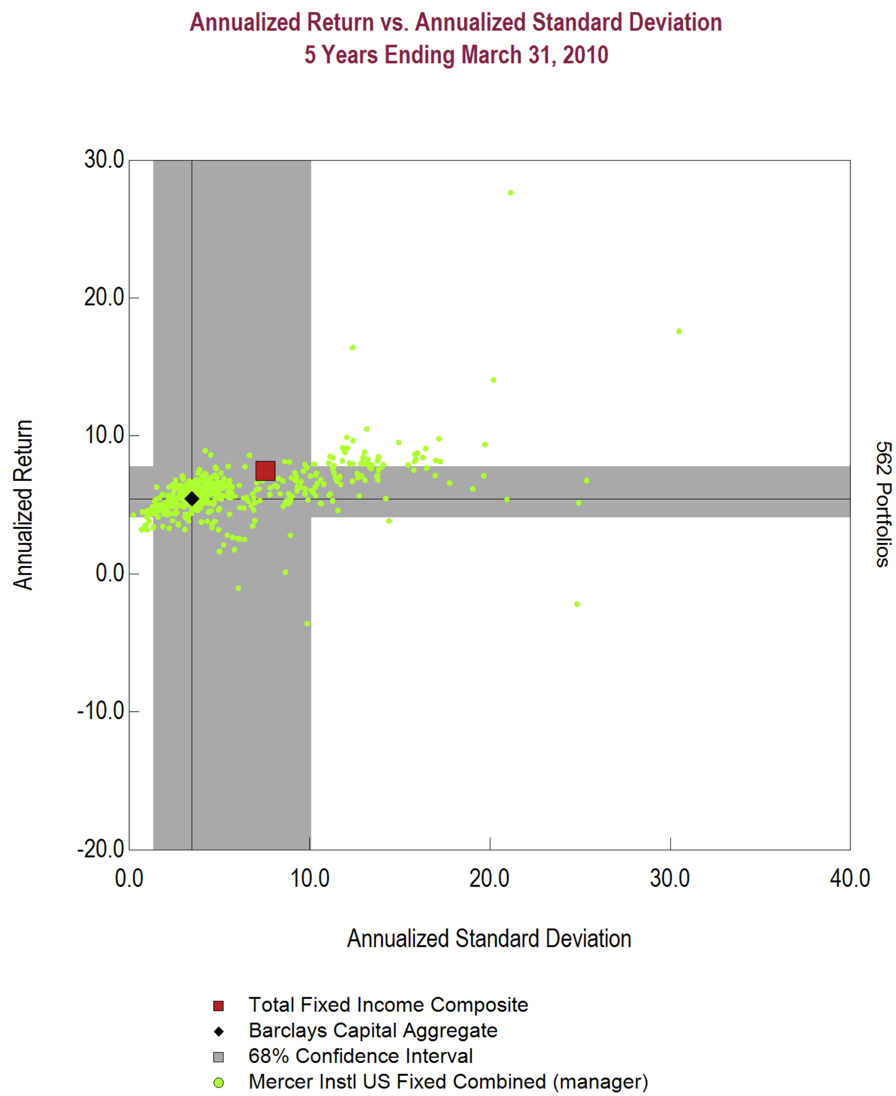
Tracking Error and Information Ratio
15 Years 6 Months Ending March 31, 2010



Total Fixed Income Composite

Performance and Risk

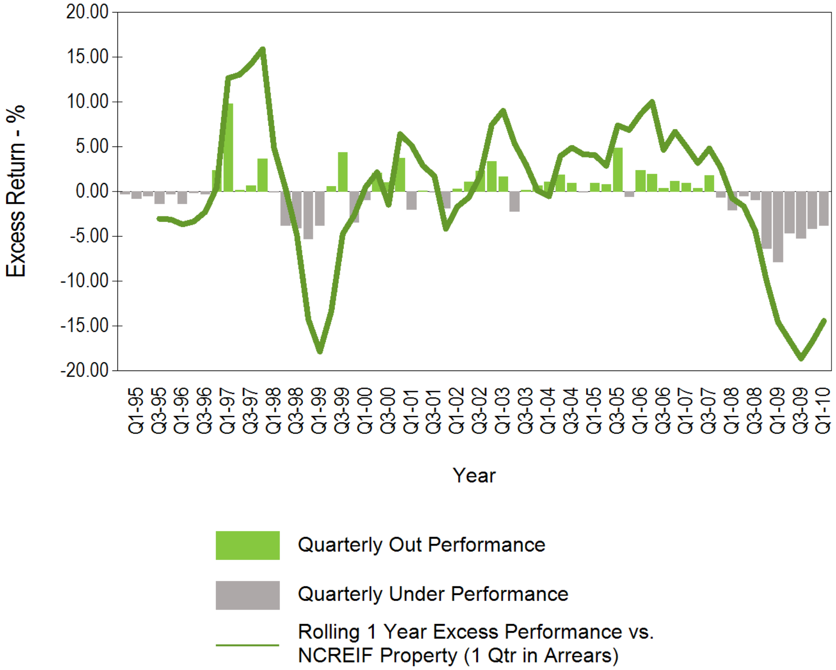




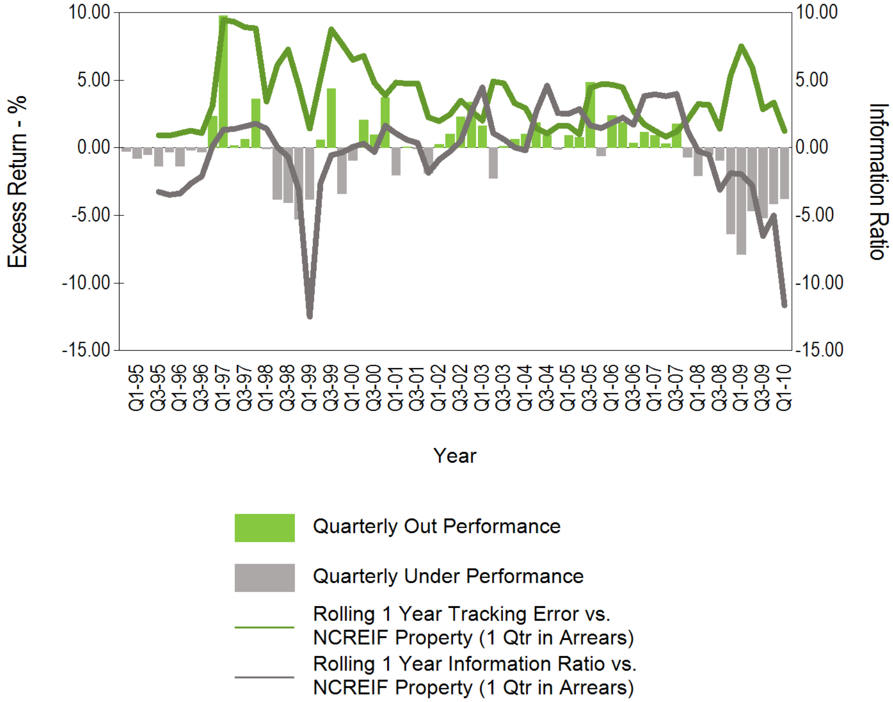
Total Real Estate Composite

Performance and Risk

Excess Performance
15 Years 6 Months Ending March 31, 2010

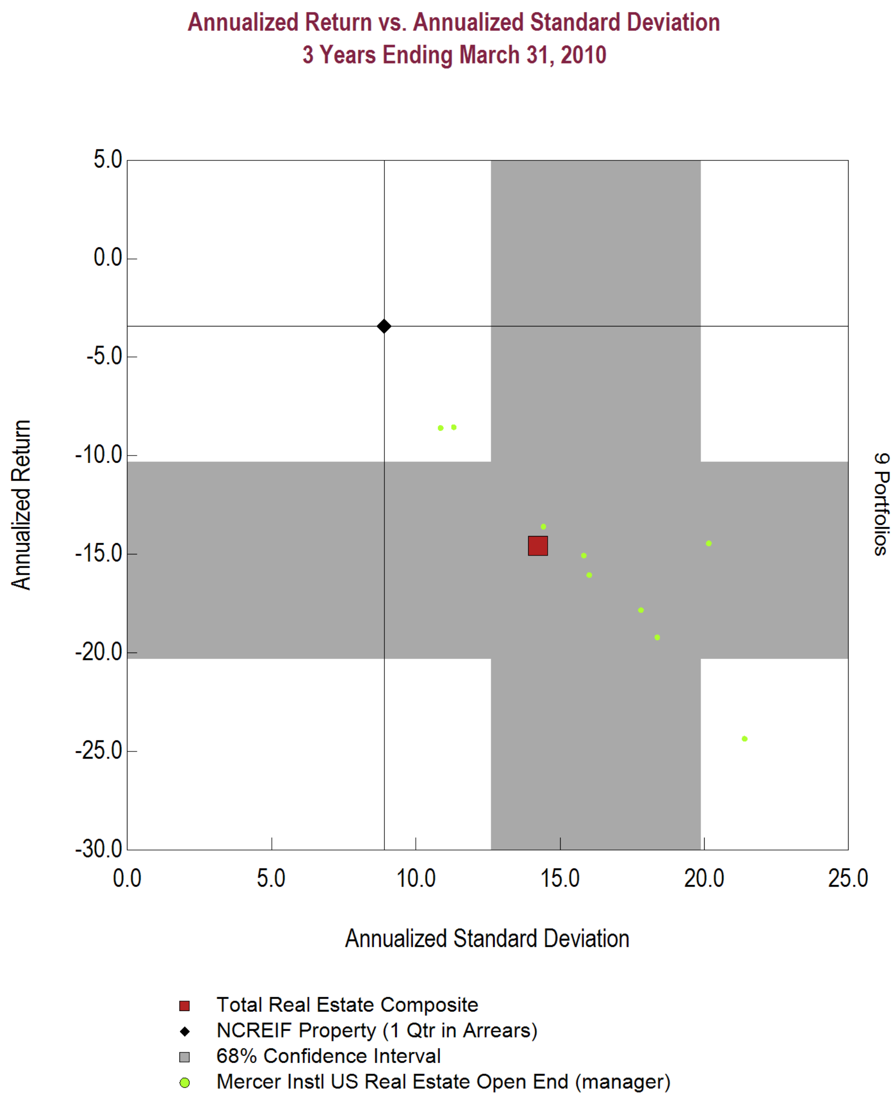


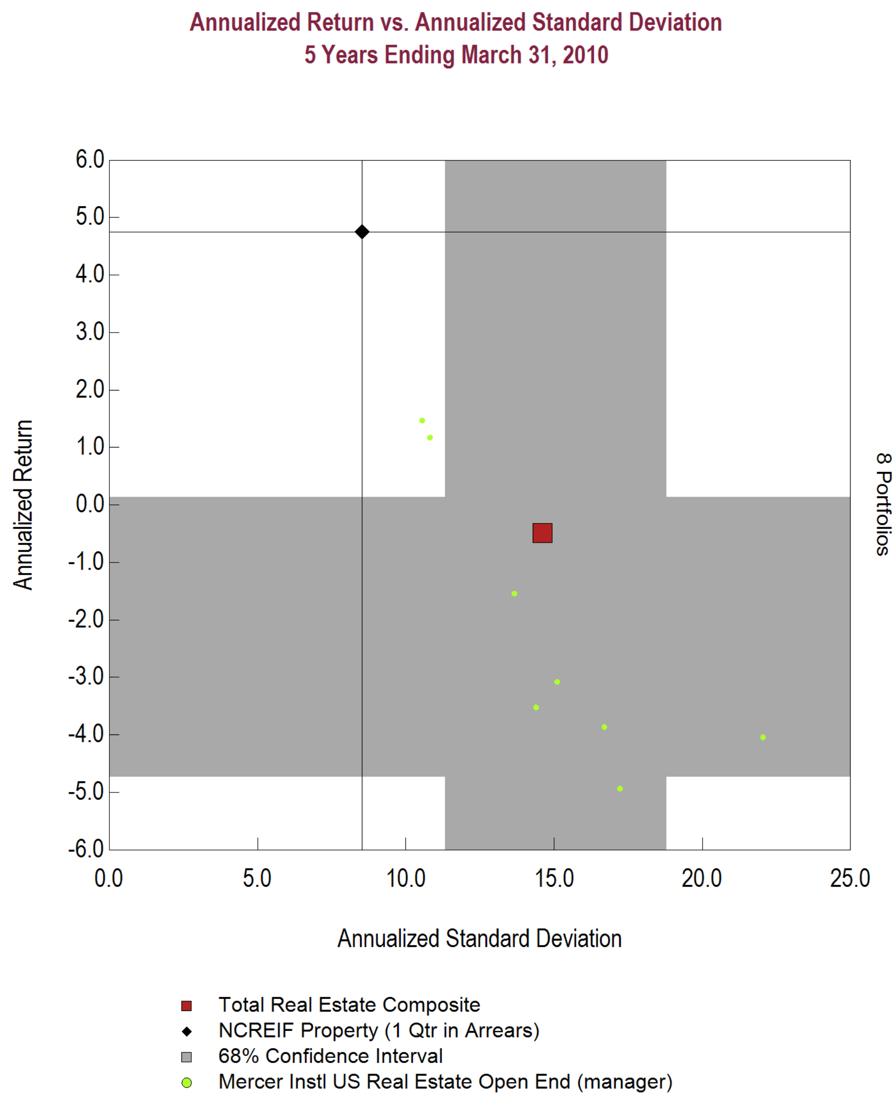
Tracking Error and Information Ratio
15 Years 6 Months Ending March 31, 2010



Total Real Estate Composite

Performance and Risk





Performance

Total Plan

Performance Summary - Gross of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending March 31, 2010 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
Total Fund	**$4,129,796,317[1]**	**100.0%**	**4.2%**	**--**	**39.7%**	**--**	**-2.1%**	**--**	**4.0%**	**--**	**9.8%**	**Nov-78**
Total Fund Reference Index			*3.3%*	*--*	*33.7%*	*--*	*-1.2%*	*--*	*4.0%*	*--*	*--*	*Nov-78*
CPI + 4%			*1.7%*	*--*	*6.3%*	*--*	*6.0%*	*--*	*6.4%*	*--*	*7.8%*	*Nov-78*
Total Domestic Equity Composite	**$1,760,276,319[2]**	**42.6%**	**6.7%**	**44**	**56.7%**	**41**	**-5.4%**	**82**	**1.7%**	**85**	**10.0%**	**Dec-87**
Russell 3000			*5.9%*	*57*	*52.4%*	*55*	*-4.0%*	*68*	*2.4%*	*76*	*9.8%*	*Dec-87*
Mercer Instl US Equity Combined Median			*6.3%*		*53.7%*		*-2.4%*		*3.9%*		*11.6%*	*Dec-87*
Northern Trust Global	$331,689,362	8.0%	5.5%	66	50.8%	61	-4.3%	72	1.9%	82	2.0%	Jun-98
S&P 500 Index (Total Return)			*5.4%*	*69*	*49.8%*	*66*	*-4.2%*	*71*	*1.9%*	*82*	*2.0%*	*Jun-98*
Mercer Instl US Equity Combined Median			*6.3%*		*53.7%*		*-2.4%*		*3.9%*		*5.7%*	*Jun-98*
BlackRock R1000 Alpha Tilts	$434,130,554	10.5%	4.7%	74	49.6%	44	-6.0%	93	1.3%	93	3.4%	Apr-02
Russell 1000			*5.7%*	*35*	*51.6%*	*30*	*-4.0%*	*66*	*2.3%*	*71*	*3.5%*	*Apr-02*
Mercer Instl US Equity Large Cap Core Median			*5.3%*		*48.9%*		*-3.2%*		*3.0%*		*3.3%*	*Apr-02*
Turner Investment Partners	$234,920,547	5.7%	5.1%	37	44.4%	67	-6.0%	97	-0.3%	98	3.7%	Jul-02
Russell 1000 Growth			*4.6%*	*51*	*49.8%*	*36*	*-0.8%*	*51*	*3.4%*	*61*	*5.5%*	*Jul-02*
Mercer Instl US Equity Large Cap Growth Median			*4.7%*		*47.7%*		*-0.7%*		*3.8%*		*5.2%*	*Jul-02*
AllianceBernstein L.P.	$223,023,444	5.4%	7.7%	12	55.8%	28	-10.0%	99	-0.5%	98	6.7%	Jul-96
Russell 1000 Value			*6.8%*	*28*	*53.6%*	*39*	*-7.3%*	*85*	*1.0%*	*83*	*7.5%*	*Jul-96*
Mercer Instl US Equity Large Cap Value Median			*6.0%*		*51.3%*		*-4.3%*		*2.7%*		*8.1%*	*Jul-96*
Earnest Partners LLC	$190,187,847	4.6%	8.4%	55	63.9%	36	-0.1%	31	--	--	5.6%	Apr-05
Russell Mid Cap			*8.7%*	*43*	*67.7%*	*25*	*-3.3%*	*70*	*4.2%*	*60*	*5.0%*	*Apr-05*
Mercer Instl US Equity Mid Cap Core Median			*8.5%*		*60.0%*		*-1.6%*		*4.9%*		*4.9%*	*Apr-05*

[1] Includes cash.

[2] Includes allocation to Artisan of approximately $140 thousand.

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

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
			Ending March 31, 2010								Inception	
Dimensional Fund Advisors Inc.	$257,580,326	6.2%	12.9%	12	88.8%	17	-5.3%	83	4.0%	68	12.0%	Sep-96
Russell 2000 Value			*10.0%*	*36*	*65.1%*	*60*	*-5.7%*	*88*	*2.8%*	*82*	*9.1%*	*Sep-96*
Mercer Instl US Equity Small Cap Value Median			*9.2%*		*69.4%*		*-1.9%*		*5.3%*		*11.5%*	*Sep-96*
Allianz Global Investors Capital	$88,604,729	2.1%	--	--	--	--	--	--	--	--	--	Mar-10
Russell 2000 Growth			*7.6%*	*63*	*60.3%*	*59*	*-2.4%*	*49*	*3.8%*	*59*	*--*	*Mar-10*
Mercer Instl US Equity Small Cap Median			*8.4%*		*63.0%*		*-2.6%*		*4.5%*		*--*	*Mar-10*
Global Equity Composite	**$20,138,712**	**0.5%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**Mar-10**
MSCI The World Index			*3.2%*	*42*	*52.4%*	*52*	*-5.4%*	*70*	*2.9%*	*84*	*--*	*Mar-10*
Mercer Instl Global Equity Median			*3.0%*		*52.6%*		*-3.8%*		*5.0%*		*--*	*Mar-10*
Grantham Mayo Van Otterloo	$20,138,712	0.5%	--	--	--	--	--	--	--	--	--	Mar-10
MSCI The World Index			*3.2%*	*42*	*52.4%*	*52*	*-5.4%*	*70*	*2.9%*	*84*	*--*	*Mar-10*
Mercer Instl Global Equity Median			*3.0%*		*52.6%*		*-3.8%*		*5.0%*		*--*	*Mar-10*
Total Intl Equity Composite	**$916,593,559**	**22.2%**	**2.4%**	**31**	**57.3%**	**41**	**-5.8%**	**60**	**5.6%**	**51**	**7.2%**	**Apr-96**
MSCI EAFE			*0.9%*	*72*	*54.4%*	*54*	*-7.0%*	*75*	*3.8%*	*84*	*4.1%*	*Apr-96*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*7.3%*	*Apr-96*
Brandes Investment Partners	$356,437,519	8.6%	0.8%	74	49.3%	80	-6.3%	68	5.0%	62	9.9%	Jan-98
MSCI EAFE			*0.9%*	*72*	*54.4%*	*54*	*-7.0%*	*75*	*3.8%*	*84*	*4.2%*	*Jan-98*
MSCI EAFE Value			*-0.2%*	*92*	*58.5%*	*37*	*-8.4%*	*87*	*3.2%*	*90*	*5.7%*	*Jan-98*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*6.8%*	*Jan-98*
William Blair & Company	$449,971,552	10.9%	3.0%	24	61.2%	25	-5.6%	58	5.9%	48	7.5%	Nov-03
MSCI AC World ex USA (Net)			*1.6%*	*50*	*60.9%*	*27*	*-4.2%*	*41*	*6.1%*	*44*	*9.3%*	*Nov-03*
MSCI EAFE Growth			*2.0%*	*39*	*50.6%*	*74*	*-5.7%*	*59*	*4.2%*	*76*	*6.8%*	*Nov-03*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*10.0%*	*Nov-03*
Dimensional Fund Advisors Inc.	$110,184,489	2.7%	5.2%	22	69.9%	50	-6.3%	58	--	--	-0.5%	Mar-06
MSCI EAFE Small Cap Price Index			*4.2%*	*62*	*66.2%*	*66*	*-10.4%*	*85*	*1.5%*	*97*	*-4.9%*	*Mar-06*
MSCI EAFE Small Cap			*4.8%*	*37*	*70.6%*	*46*	*-7.9%*	*70*	*4.0%*	*84*	*-2.5%*	*Mar-06*
Mercer Instl Intl Equity Small Cap Median			*4.5%*		*69.2%*		*-5.8%*		*6.3%*		*0.5%*	*Mar-06*

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending March 31, 2010									
Total Fixed Income Composite	**$1,141,031,254**[1]	**27.6%**	**3.3%**	**22**	**29.7%**	**20**	**8.2%**	**9**	**7.5%**	**12**	**8.8%**	**Dec-87**
Barclays Capital Aggregate			*1.8%*	*71*	*7.7%*	*78*	*6.1%*	*58*	*5.4%*	*69*	*7.4%*	*Dec-87*
Mercer Instl US Fixed Combined Median			*2.2%*		*12.7%*		*6.5%*		*5.9%*		*7.6%*	*Dec-87*
BlackRock Intermediate Agg	$305,756,658	7.4%	1.9%	50	7.6%	74	6.3%	64	5.6%	67	6.0%	Jun-99
Barclays Capital Int Aggregate			*1.8%*	*57*	*7.4%*	*77*	*6.2%*	*71*	*5.5%*	*75*	*5.9%*	*Jun-99*
Mercer Instl US Fixed Intermediate Median			*1.9%*		*9.4%*		*6.7%*		*5.8%*		*6.1%*	*Jun-99*
Reams Asset Management	$293,409,579	7.1%	3.0%	48	38.9%	5	9.2%	8	7.8%	8	6.8%	Dec-01
Barclays Capital Aggregate			*1.8%*	*96*	*7.7%*	*98*	*6.1%*	*65*	*5.4%*	*76*	*5.5%*	*Dec-01*
Mercer Instl US Fixed Core Opportunistic Median			*3.0%*		*18.8%*		*6.7%*		*6.2%*		*6.4%*	*Dec-01*
Loomis, Sayles & Company, L.P.	$541,865,017	13.1%	4.3%	11	38.6%	5	8.0%	21	7.9%	7	10.1%	Nov-87
Barclays Capital Aggregate			*1.8%*	*96*	*7.7%*	*98*	*6.1%*	*65*	*5.4%*	*76*	*7.4%*	*Nov-87*
Mercer Instl US Fixed Core Opportunistic Median			*3.0%*		*18.8%*		*6.7%*		*6.2%*		*8.1%*	*Nov-87*
Total Real Estate Composite	**$211,160,455**[2]	**5.1%**	**-5.9%**	**94**	**-31.3%**	**84**	**-14.6%**	**40**	**-0.5%**	**24**	**4.8%**	**May-86**
NCREIF Property (1 Qtr in Arrears)			*-2.1%*	*78*	*-16.9%*	*7*	*-3.4%*	*1*	*4.8%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*-0.2%*		*-24.2%*		*-15.1%*		*-3.3%*		*6.1%*	*May-86*
Real Estate	$211,160,455	5.1%	-5.9%	94	-31.3%	84	-14.6%	40	-0.5%	24	4.8%	May-86
NCREIF Property (1 Qtr in Arrears)			*-2.1%*	*78*	*-16.9%*	*7*	*-3.4%*	*1*	*4.8%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*-0.2%*		*-24.2%*		*-15.1%*		*-3.3%*		*6.1%*	*May-86*
Transition Account	$60,335,153	1.5%	--	--	--	--	--	--	--	--	--	Mar-10

[1] Excludes $20.4 million in cash.
[2] As of December 31, 2009.

Total Plan Performance

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending March 31, 2010									
Total Fund	**$4,129,796,317[1]**	**100.0%**	**4.1%**	**--**	**39.4%**	**--**	**-2.3%**	**--**	**3.8%**	**--**	**9.2%**	**Nov-78**
Total Fund Reference Index			*3.3%*	*--*	*33.7%*	*--*	*-1.2%*	*--*	*4.0%*	*--*	*--*	*Nov-78*
CPI + 4%			*1.7%*	*--*	*6.3%*	*--*	*6.0%*	*--*	*6.4%*	*--*	*7.8%*	*Nov-78*
Total Domestic Equity Composite	**$1,760,276,319[2]**	**42.6%**	**6.7%**	**45**	**56.4%**	**41**	**-5.6%**	**84**	**1.4%**	**87**	**9.8%**	**Dec-87**
Russell 3000			*5.9%*	*57*	*52.4%*	*55*	*-4.0%*	*68*	*2.4%*	*76*	*9.8%*	*Dec-87*
Mercer Instl US Equity Combined Median			*6.3%*		*53.7%*		*-2.4%*		*3.9%*		*11.6%*	*Dec-87*
Northern Trust Global	$331,689,362	8.0%	5.5%	66	50.8%	61	-4.3%	72	1.9%	82	2.0%	Jun-98
S&P 500 Index (Total Return)			*5.4%*	*69*	*49.8%*	*66*	*-4.2%*	*71*	*1.9%*	*82*	*2.0%*	*Jun-98*
Mercer Instl US Equity Combined Median			*6.3%*		*53.7%*		*-2.4%*		*3.9%*		*5.7%*	*Jun-98*
BlackRock R1000 Alpha Tilts	$434,130,554	10.5%	4.7%	74	49.5%	45	-6.0%	93	1.2%	95	3.1%	Apr-02
Russell 1000			*5.7%*	*35*	*51.6%*	*30*	*-4.0%*	*66*	*2.3%*	*71*	*3.5%*	*Apr-02*
Mercer Instl US Equity Large Cap Core Median			*5.3%*		*48.9%*		*-3.2%*		*3.0%*		*3.3%*	*Apr-02*
Turner Investment Partners	$234,920,547	5.7%	5.0%	40	43.9%	70	-6.3%	97	-0.6%	98	3.4%	Jul-02
Russell 1000 Growth			*4.6%*	*51*	*49.8%*	*36*	*-0.8%*	*51*	*3.4%*	*61*	*5.5%*	*Jul-02*
Mercer Instl US Equity Large Cap Growth Median			*4.7%*		*47.7%*		*-0.7%*		*3.8%*		*5.2%*	*Jul-02*
AllianceBernstein L.P.	$223,023,444	5.4%	7.6%	14	55.1%	33	-10.4%	99	-1.0%	98	6.1%	Jul-96
Russell 1000 Value			*6.8%*	*28*	*53.6%*	*39*	*-7.3%*	*85*	*1.0%*	*83*	*7.5%*	*Jul-96*
Mercer Instl US Equity Large Cap Value Median			*6.0%*		*51.3%*		*-4.3%*		*2.7%*		*8.1%*	*Jul-96*
Earnest Partners LLC	$190,187,847	4.6%	8.3%	56	63.0%	38	-0.7%	41	--	--	5.0%	Apr-05
Russell Mid Cap			*8.7%*	*43*	*67.7%*	*25*	*-3.3%*	*70*	*4.2%*	*60*	*5.0%*	*Apr-05*
Mercer Instl US Equity Mid Cap Core Median			*8.5%*		*60.0%*		*-1.6%*		*4.9%*		*4.9%*	*Apr-05*

[1] Includes cash.
[2] Includes allocation to Artisan of approximately $140 thousand.

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

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending March 31, 2010									
Dimensional Fund Advisors Inc.	$257,580,326	6.2%	12.9%	12	88.6%	17	-5.5%	85	3.7%	71	11.7%	Sep-96
Russell 2000 Value			*10.0%*	*36*	*65.1%*	*60*	*-5.7%*	*88*	*2.8%*	*82*	*9.1%*	*Sep-96*
Mercer Instl US Equity Small Cap Value Median			*9.2%*		*69.4%*		*-1.9%*		*5.3%*		*11.5%*	*Sep-96*
Allianz Global Investors Capital	$88,604,729	2.1%	--	--	--	--	--	--	--	--	--	Mar-10
Russell 2000 Growth			*7.6%*	*63*	*60.3%*	*59*	*-2.4%*	*49*	*3.8%*	*59*	*--*	*Mar-10*
Mercer Instl US Equity Small Cap Median			*8.4%*		*63.0%*		*-2.6%*		*4.5%*		*--*	*Mar-10*
Global Equity Composite	**$20,138,712**	**0.5%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**Mar-10**
MSCI The World Index			*3.2%*	*42*	*52.4%*	*52*	*-5.4%*	*70*	*2.9%*	*84*	*--*	*Mar-10*
Mercer Instl Global Equity Median			*3.0%*		*52.6%*		*-3.8%*		*5.0%*		*--*	*Mar-10*
Grantham Mayo Van Otterloo	$20,138,712	0.5%	--	--	--	--	--	--	--	--	--	Mar-10
MSCI The World Index			*3.2%*	*42*	*52.4%*	*52*	*-5.4%*	*70*	*2.9%*	*84*	*--*	*Mar-10*
Mercer Instl Global Equity Median			*3.0%*		*52.6%*		*-3.8%*		*5.0%*		*--*	*Mar-10*
Total Intl Equity Composite	**$916,593,559**	**22.2%**	**2.3%**	**33**	**56.6%**	**43**	**-6.2%**	**67**	**5.1%**	**58**	**6.8%**	**Apr-96**
MSCI EAFE			*0.9%*	*72*	*54.4%*	*54*	*-7.0%*	*75*	*3.8%*	*84*	*4.1%*	*Apr-96*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*7.3%*	*Apr-96*
Brandes Investment Partners	$356,437,519	8.6%	0.7%	77	48.7%	82	-6.7%	73	4.5%	70	9.5%	Jan-98
MSCI EAFE			*0.9%*	*72*	*54.4%*	*54*	*-7.0%*	*75*	*3.8%*	*84*	*4.2%*	*Jan-98*
MSCI EAFE Value			*-0.2%*	*92*	*58.5%*	*37*	*-8.4%*	*87*	*3.2%*	*90*	*5.7%*	*Jan-98*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*6.8%*	*Jan-98*
William Blair & Company	$449,971,552	10.9%	2.9%	25	60.5%	28	-6.0%	64	5.4%	55	7.1%	Nov-03
MSCI AC World ex USA (Net)			*1.6%*	*50*	*60.9%*	*27*	*-4.2%*	*41*	*6.1%*	*44*	*9.3%*	*Nov-03*
MSCI EAFE Growth			*2.0%*	*39*	*50.6%*	*74*	*-5.7%*	*59*	*4.2%*	*76*	*6.8%*	*Nov-03*
Mercer Instl Intl Equity Median			*1.6%*		*55.2%*		*-4.9%*		*5.6%*		*10.0%*	*Nov-03*
Dimensional Fund Advisors Inc.	$110,184,489	2.7%	5.0%	28	68.8%	51	-6.9%	64	--	--	-1.1%	Mar-06
MSCI EAFE Small Cap Price Index			*4.2%*	*62*	*66.2%*	*66*	*-10.4%*	*85*	*1.5%*	*97*	*-4.9%*	*Mar-06*
MSCI EAFE Small Cap			*4.8%*	*37*	*70.6%*	*46*	*-7.9%*	*70*	*4.0%*	*84*	*-2.5%*	*Mar-06*
Mercer Instl Intl Equity Small Cap Median			*4.5%*		*69.2%*		*-5.8%*		*6.3%*		*0.5%*	*Mar-06*

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending March 31, 2010									
Total Fixed Income Composite	**$1,141,031,254[1]**	**27.6%**	**3.3%**	**23**	**29.6%**	**20**	**8.1%**	**11**	**7.4%**	**12**	**8.7%**	**Dec-87**
Barclays Capital Aggregate			*1.8%*	*71*	*7.7%*	*78*	*6.1%*	*58*	*5.4%*	*69*	*7.4%*	*Dec-87*
Mercer Instl US Fixed Combined Median			*2.2%*		*12.7%*		*6.5%*		*5.9%*		*7.6%*	*Dec-87*
BlackRock Intermediate Agg	$305,756,658	7.4%	1.9%	50	7.6%	75	6.3%	64	5.6%	69	6.0%	Jun-99
Barclays Capital Int Aggregate			*1.8%*	*57*	*7.4%*	*77*	*6.2%*	*71*	*5.5%*	*75*	*5.9%*	*Jun-99*
Mercer Instl US Fixed Intermediate Median			*1.9%*		*9.4%*		*6.7%*		*5.8%*		*6.1%*	*Jun-99*
Reams Asset Management	$293,409,579	7.1%	3.0%	50	38.7%	5	9.0%	9	7.7%	11	6.7%	Dec-01
Barclays Capital Aggregate			*1.8%*	*96*	*7.7%*	*98*	*6.1%*	*65*	*5.4%*	*76*	*5.5%*	*Dec-01*
Mercer Instl US Fixed Core Opportunistic Median			*3.0%*		*18.8%*		*6.7%*		*6.2%*		*6.4%*	*Dec-01*
Loomis, Sayles & Company, L.P.	$541,865,017	13.1%	4.3%	11	38.4%	5	7.9%	24	7.8%	8	10.0%	Nov-87
Barclays Capital Aggregate			*1.8%*	*96*	*7.7%*	*98*	*6.1%*	*65*	*5.4%*	*76*	*7.4%*	*Nov-87*
Mercer Instl US Fixed Core Opportunistic Median			*3.0%*		*18.8%*		*6.7%*		*6.2%*		*8.1%*	*Nov-87*
Total Real Estate Composite	**$211,160,455[2]**	**5.1%**	**-6.3%**	**95**	**-31.9%**	**85**	**-15.6%**	**57**	**-2.1%**	**34**	**3.4%**	**May-86**
NCREIF Property (1 Qtr in Arrears)			*-2.1%*	*78*	*-16.9%*	*7*	*-3.4%*	*1*	*4.8%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*-0.2%*		*-24.2%*		*-15.1%*		*-3.3%*		*6.1%*	*May-86*
Real Estate	$211,160,455	5.1%	-6.3%	95	-31.9%	85	-15.6%	57	-2.1%	34	3.4%	May-86
NCREIF Property (1 Qtr in Arrears)			*-2.1%*	*78*	*-16.9%*	*7*	*-3.4%*	*1*	*4.8%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*-0.2%*		*-24.2%*		*-15.1%*		*-3.3%*		*6.1%*	*May-86*
Transition Account	$60,335,153	1.5%	--	--	--	--	--	--	--	--	--	Mar-10

[1] Excludes $20.4 million in cash.
[2] As of December 31, 2009.

Appendix

Notes Specific to City of Milwaukee Employes' 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.

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

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.

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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:

Manager	*Inception Date*	
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	— terminated during 1Q 2010
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	
Allianz	1Q 2010	
GMO	1Q 2010	

Benchmark Performance
For the 10-Year Period Ended March 31, 2010
(Percent Return)

Benchmark	10-Year Annualized Return
Total Fund Composite	4.6
Total Domestic Equity Composite	2.5
Total International Equity Composite	4.2
Total Fixed Income Composite	7.5
Total Real Estate Composite	6.1
Russell 3000 Index	-0.1
S&P 500 Index	-0.7
Russell 1000 Index	-0.4
Russell 1000 Growth Index	-4.2
Russell 1000 Value Index	3.1
Russell Midcap Index	4.8
Russell 2000 Value Index	8.9
Russell 2000 Growth Index	-1.5
MSCI EAFE Index (net)	1.3
MSCI AC World Ex USA Index (net)	–
MSCI EAFE Small Cap Price Index	4.2
Barclays Capital Intermediate Aggregate Bond	6.1
Barclays Capital Aggregate Bond	6.3

Mercer Manager Ratings as of March 31, 2010

Manager	Mercer Rating
Northern Trust	N*
BlackRock Alpha Tilts	A (P)
Alliance (Bernstein)	B+(T)
Turner Investment Partners	N
EARNEST Partners	B+
Allianz	A
Dimensional Fund Advisors SCV	A
GMO	A
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 March 31, 2010

Manager	Information Ratio	Ranking
Total Fund Composite	0.1	(64)
Total Domestic Equity Composite	-0.4	(95)
Total International Equity Composite	0.6	(26)
Total Fixed Income Composite	0.3	(32)
Total Real Estate Composite	----	----
Northern Trust	0.1	(77)
BlackRock Alpha Tilts	-0.5	(96)
Alliance Bernstein	-0.3	(94)
Turner Investment Partners	-0.7	(98)
EARNEST Partners	0.3	(32)
Dimensional Fund Advisors SCV	0.2	(66)
Brandes	0.4	(39)
William Blair	-0.2	(51)
Dimensional Fund Advisors Intl SCV	1.1	(26)
BlackRock Intermediate Aggregate	1.3	(3)
Reams	0.2	(48)
Loomis	0.3	(45)

Performance Reconciliation
For the Quarter Ended March 31, 2010
(Percent Return)

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	5.5	5.5
BlackRock (Equity)	4.7	4.7
Turner	5.1	5.1
AllianceBernstein	7.7	7.7
EARNEST Partners	8.4	8.3
DFA	12.9	12.8
Artisan Partners	-	-
Brandes	0.8	0.6 *
William Blair	3.0	2.9
DFA Intl SC	5.2	5.0
BlackRock (Fixed Income)	1.9	1.9
Reams	3.0	3.0
Loomis	4.3	4.0 *

* Differences in returns due to market value differences between the managers and the custodian.

Manager Roster and Fee Schedule

as of March 31, 2010

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total Fund	**No 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	$60,669	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	$1,167,826	0.27%
Turner Investment Partners	0.33% of First $300.0 Mil, 0.30% Thereafter		$775,238	0.33%
AllianceBernstein L.P.	0.90% of First $15.0 Mil, 0.50% of Next $35.0 Mil, 0.40% Thereafter		$1,002,094	0.45%
Earnest Partners LLC	0.54% of First $175.0 Mil, 0.50% Thereafter		$1,012,189	0.53%
Dimensional Fund Advisors Inc.	0.50% of First $100.0 Mil, 0.25% of Next $50.0 Mil, 0.20% Thereafter	$0	$840,161	0.33%
Allianz Global Investors Capital	0.85% of First $25.0 Mil, 0.70% of Next $25.0 Mil, 0.60% of Next $50.0 Mil, 0.50% Thereafter		$619,128	0.70%

Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Global Equity Composite	**No Fee**		**--**	**--**
Grantham Mayo Van Otterloo	NA		--	--
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	$1,497,531	0.42%
William Blair & Company	0.80% of First $20.0 Mil, 0.60% of Next $30.0 Mil, 0.50% of Next $50.0 Mil	$0	$590,000	0.13%
Dimensional Fund Advisors Inc.	0.71% of Assets	$0	$782,310	0.71%
Total Fixed Income Composite	**No Fee**		**--**	**--**
BlackRock Intermediate Agg	0.02% of Assets	$0	$61,151	0.02%
Reams Asset Management	0.15% of First $300.0 Mil, 0.10% Thereafter		$440,114	0.15%
Loomis, Sayles & Company, L.P.	0.20% of First $100.0 Mil, 0.14% Thereafter		$818,611	0.15%
Total Real Estate Composite	**No Fee**		**--**	**--**
Real Estate	No Fee		--	--
Transition Account	No Fee		--	--

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