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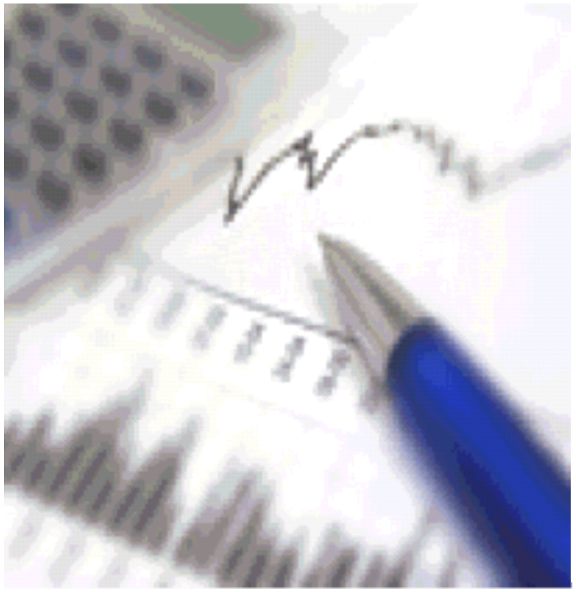

City of Milwaukee
Employes' Retirement System

Board Report

Periods Ending June 30, 2010

Services provided by Mercer Investment Consulting, Inc.

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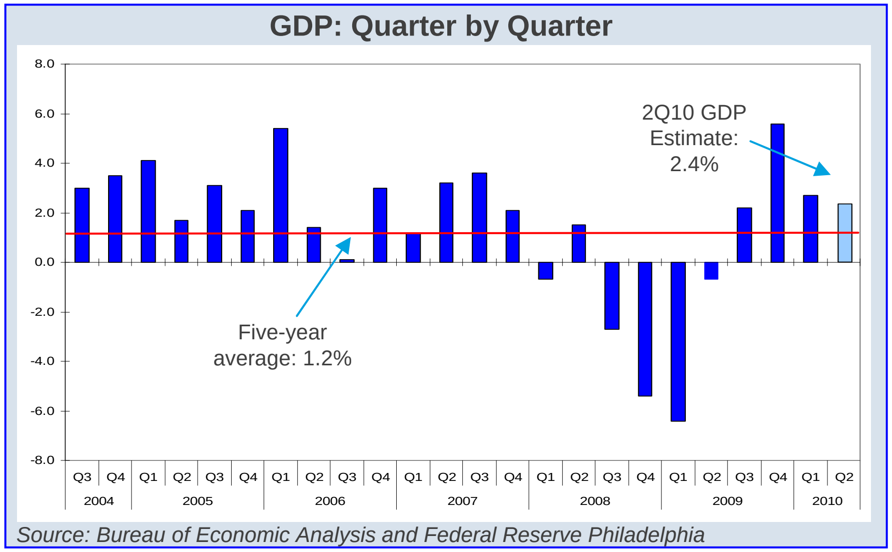
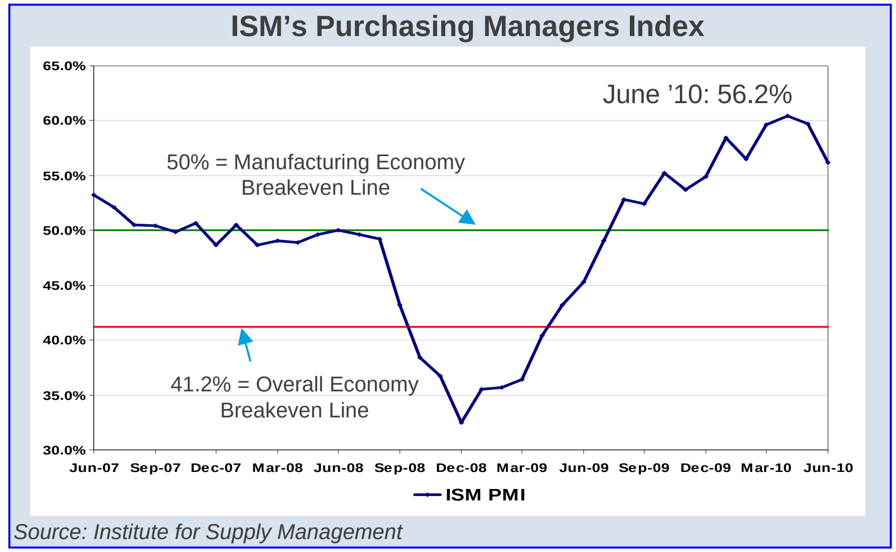
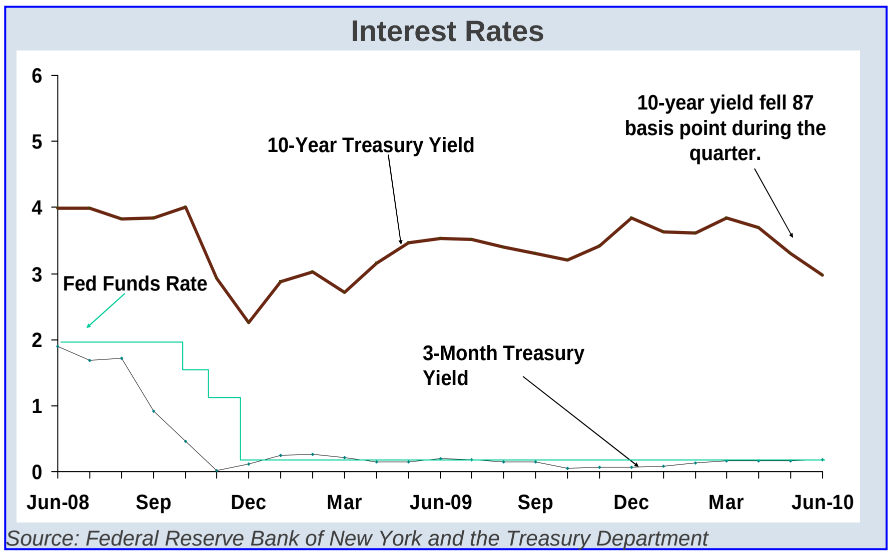
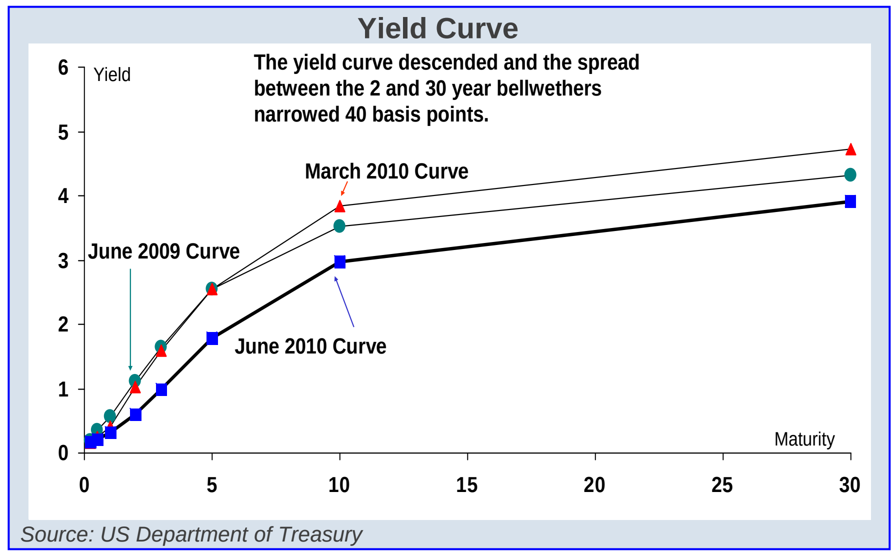




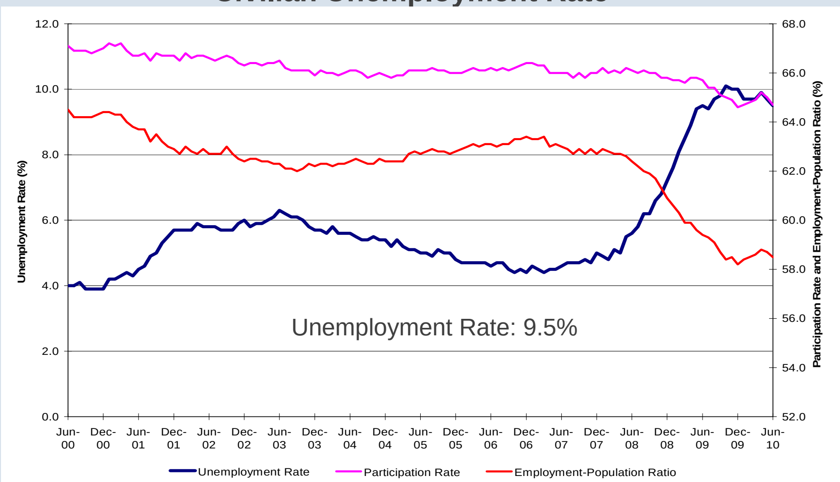




U.S. Capital Markets and Macroeconomic Conditions

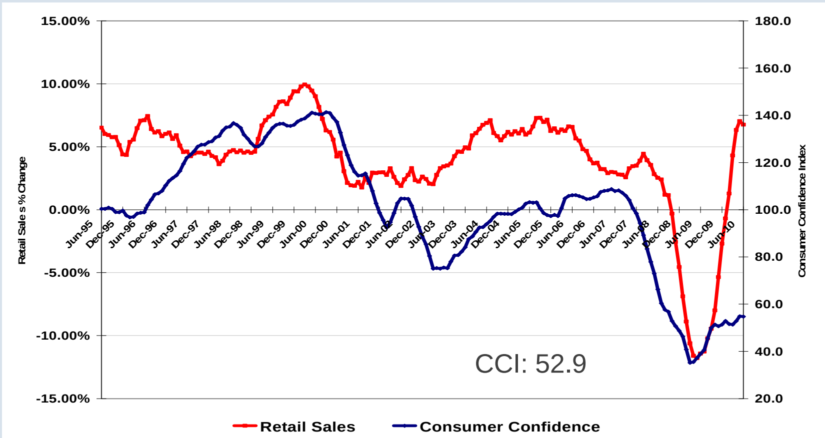
Economy

Civilian Unemployment Rate



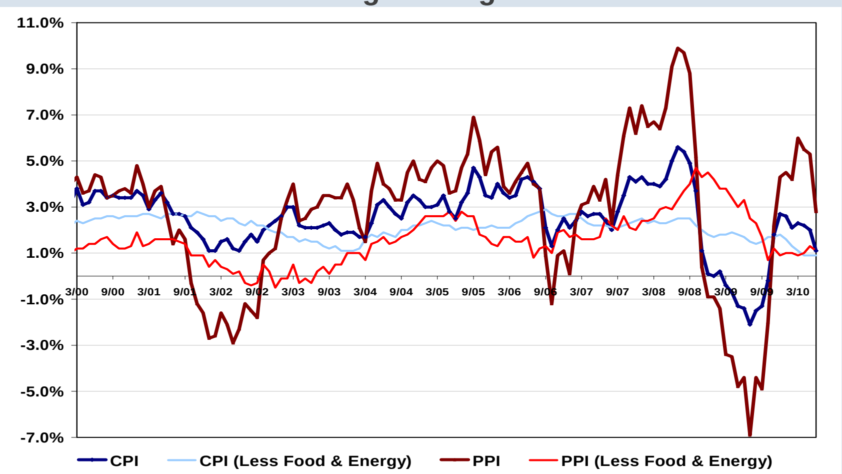
Source: Bureau of Labor Statistics, NBER

Consumer Confidence Index vs YOY % Change in Retail Sales (Smoothed)



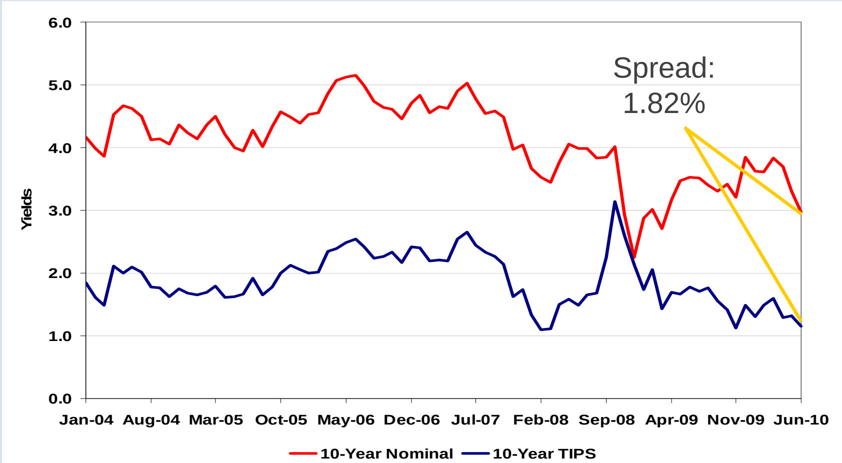
Source: The Conference Board and U.S. Census Bureau

YOY Percentage Change in CPI & PPI



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

10-Year Inflation Expectations



Source: Federal Reserve

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Domestic Equity – Large Cap

Style and Market Capitalization Comparison

2Q2010

	Growth	Core	Value
Large	-11.7%	-11.4%	-11.1%
Mid	-10.2%	-9.9%	-9.6%
Small	-9.2%	-9.9%	-10.6%

YTD Returns

	Growth	Core	Value
Large	-7.6%	-6.4%	-5.1%
Mid	-3.3%	-2.1%	-0.9%
Small	-2.3%	-2.0%	-1.6%

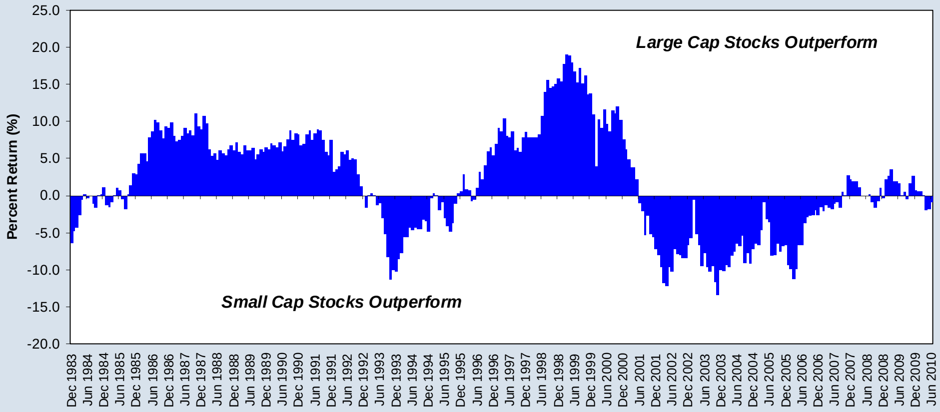
1 Year Returns

	Growth	Core	Value
Large	13.6%	15.2%	16.9%
Mid	21.3%	25.1%	28.9%
Small	18.0%	21.5%	25.1%

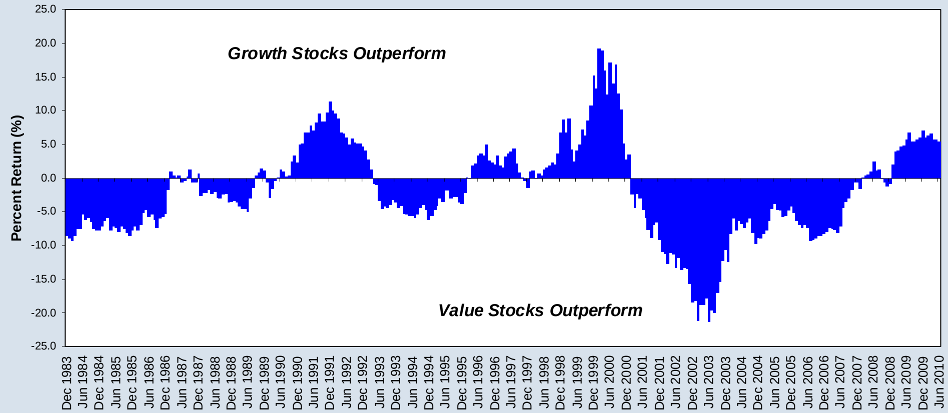
3 Year Returns

	Growth	Core	Value
Large	-6.9%	-9.5%	-12.3%
Mid	-7.5%	-8.2%	-9.4%
Small	-7.5%	-8.6%	-9.8%

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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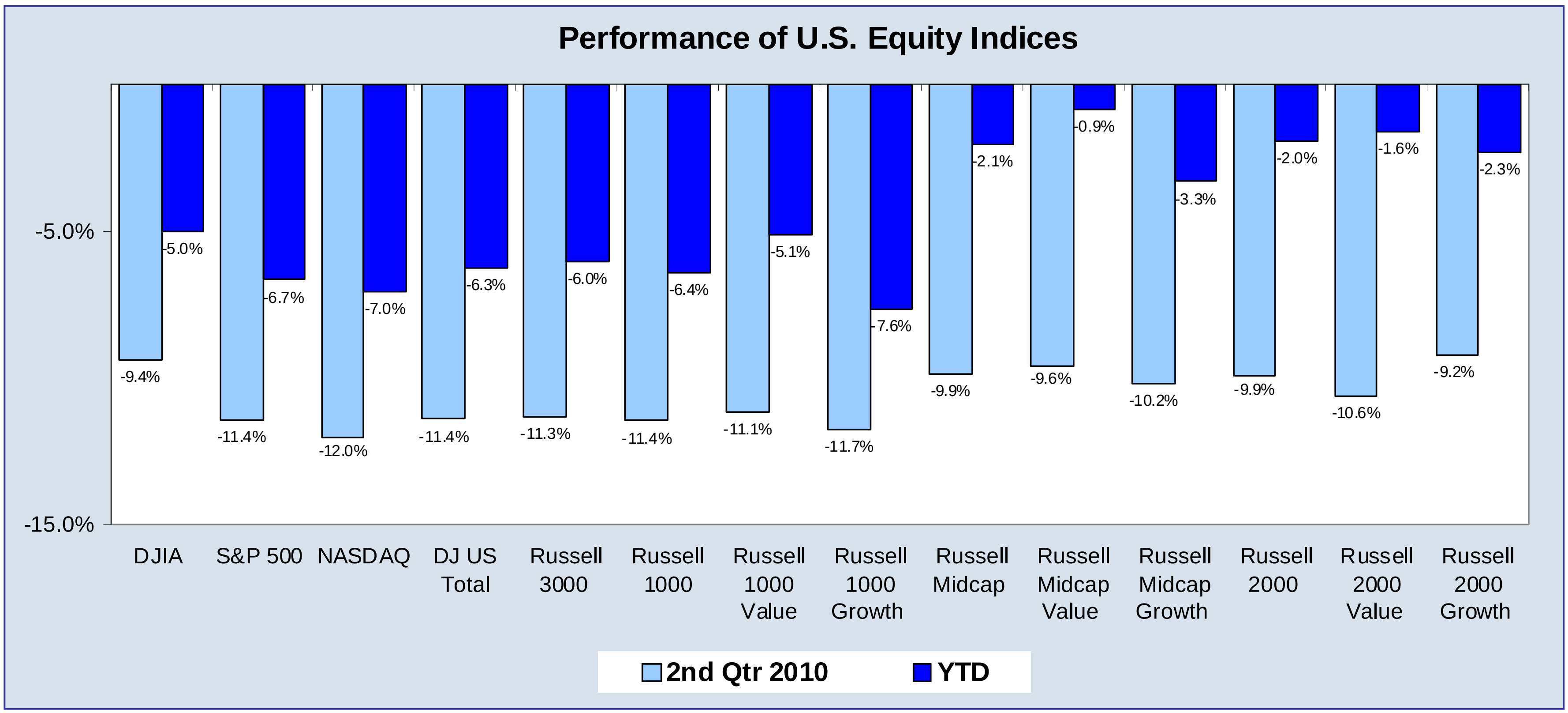
Small Cap outperforms Large Cap

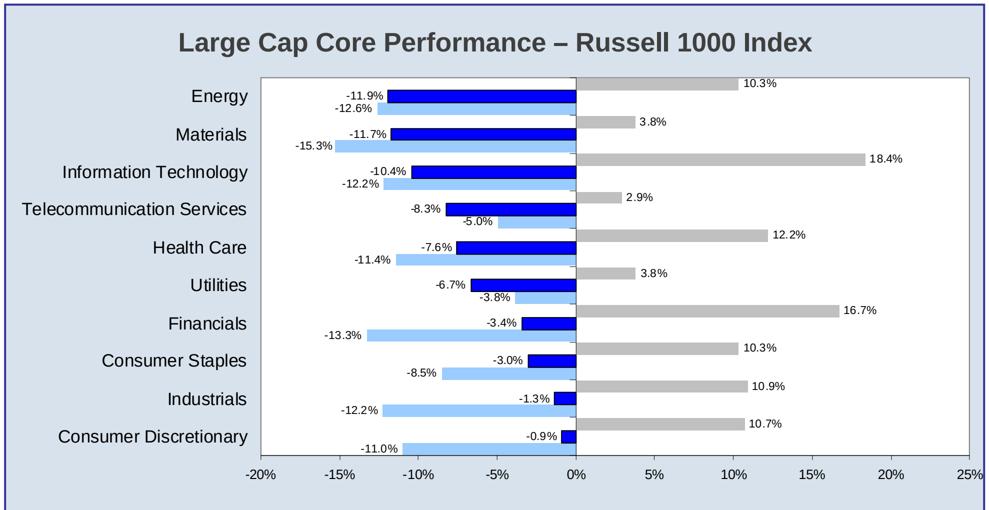
- During the second quarter the US capital markets pulled back amid growing concerns of a double-dip US recession fueled by slowing growth in consumer spending and sustained high unemployment. US stocks performed negatively across all market caps (large, mid, small) and investment styles (value, core, growth)
- Value oriented stocks continued to outpace their growth counterparts in the large and mid cap space, while the inverse was true within the small cap space
- Small cap stocks continued to outperform large cap stocks

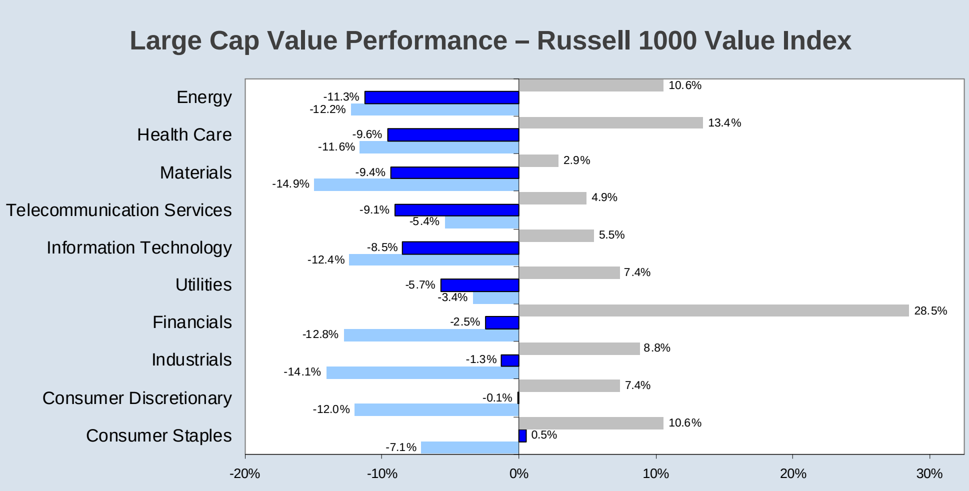


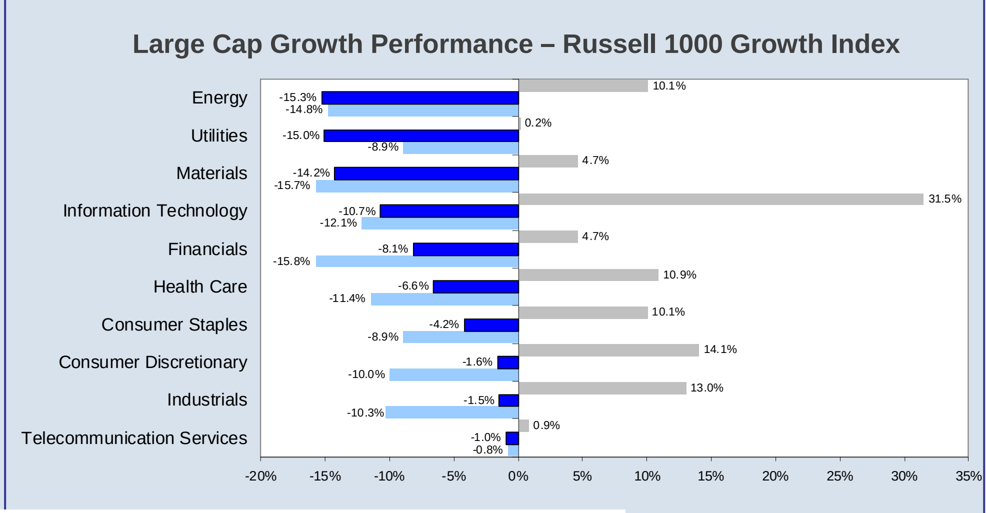
Domestic Equity – Large Cap

Value outperforms Growth

- All of the ten sectors of the Russell 1000 indices reported negative returns for the quarter
- Materials and financials were the weakest performing sectors in the large cap space for the quarter







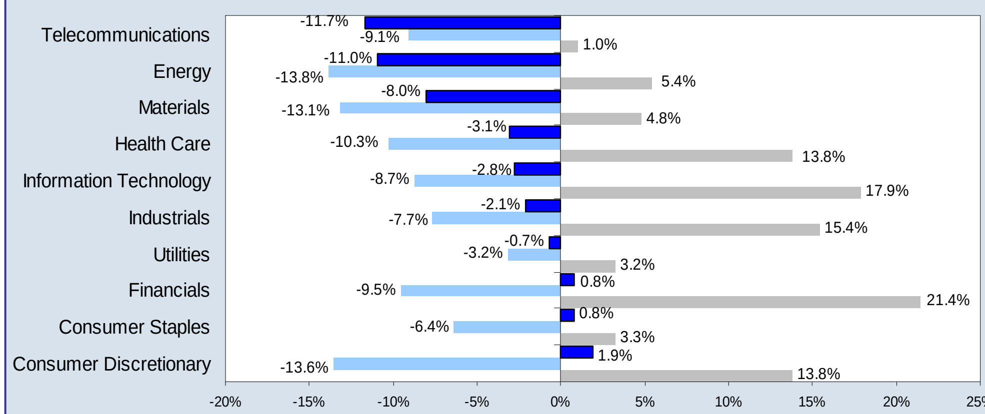
GICS Sector YTD Performance GICS Sector QTR Performance GICS Sector QTR Weighting

Domestic Equity – Small Cap

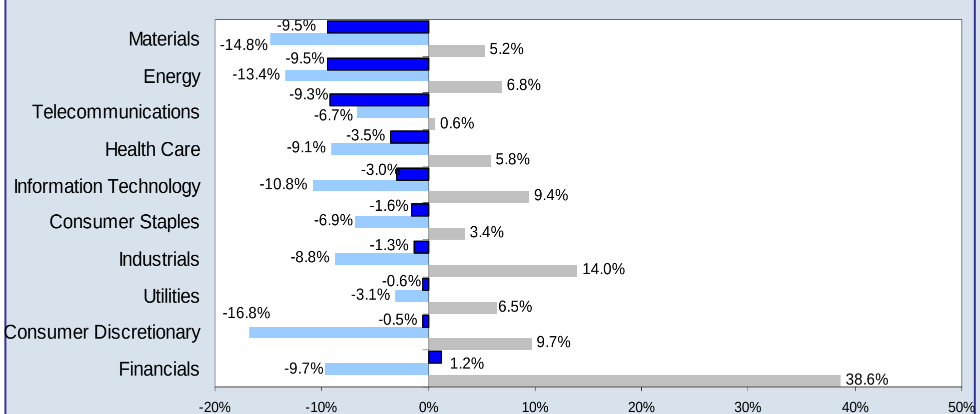
Consumer Discretionary and Energy Lagged the Most

- All ten sectors posted negative returns for the quarter
- Growth stocks slightly outperformed Value stocks (-9.2% vs. -10.6%, respectively)
- Reversal from the prior quarter, companies with the highest ROE fared better
  - Stocks in highest ROE quintile returned -6.7%, while stocks in lowest quintile returned -16.2%

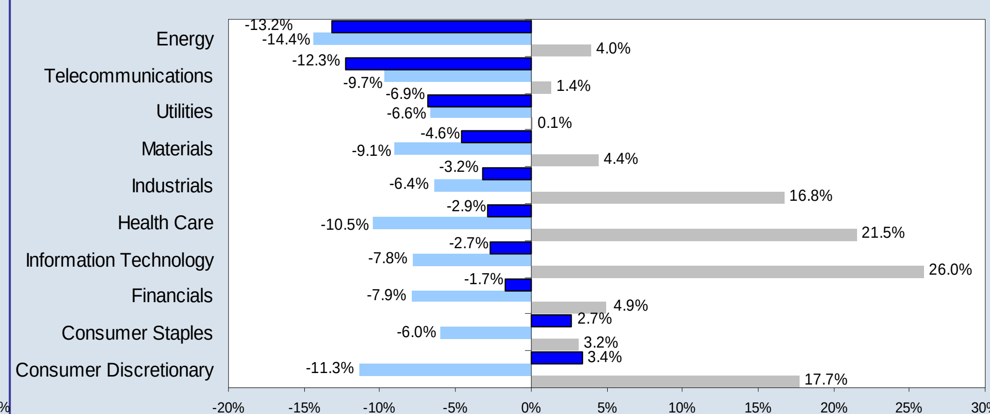
Small Cap Core Performance – Russell 2000 Index



Small Cap Value Performance – Russell 2000 Value Index



Small Cap Growth Performance – Russell 2000 Growth Index

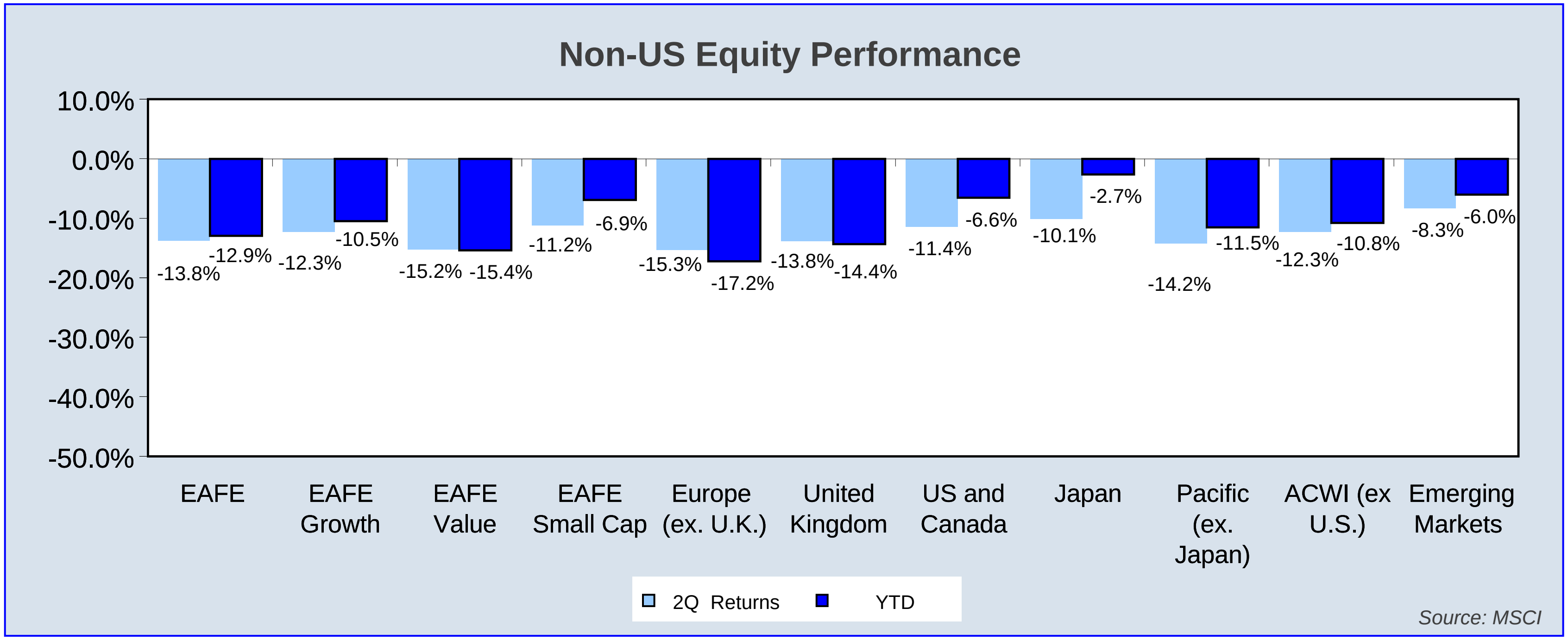


GICs Sector QTR Performance GICs Sector YTD Performance GICs Sector QTR Weighting

Source: Russell and Bank of America Merrill Lynch

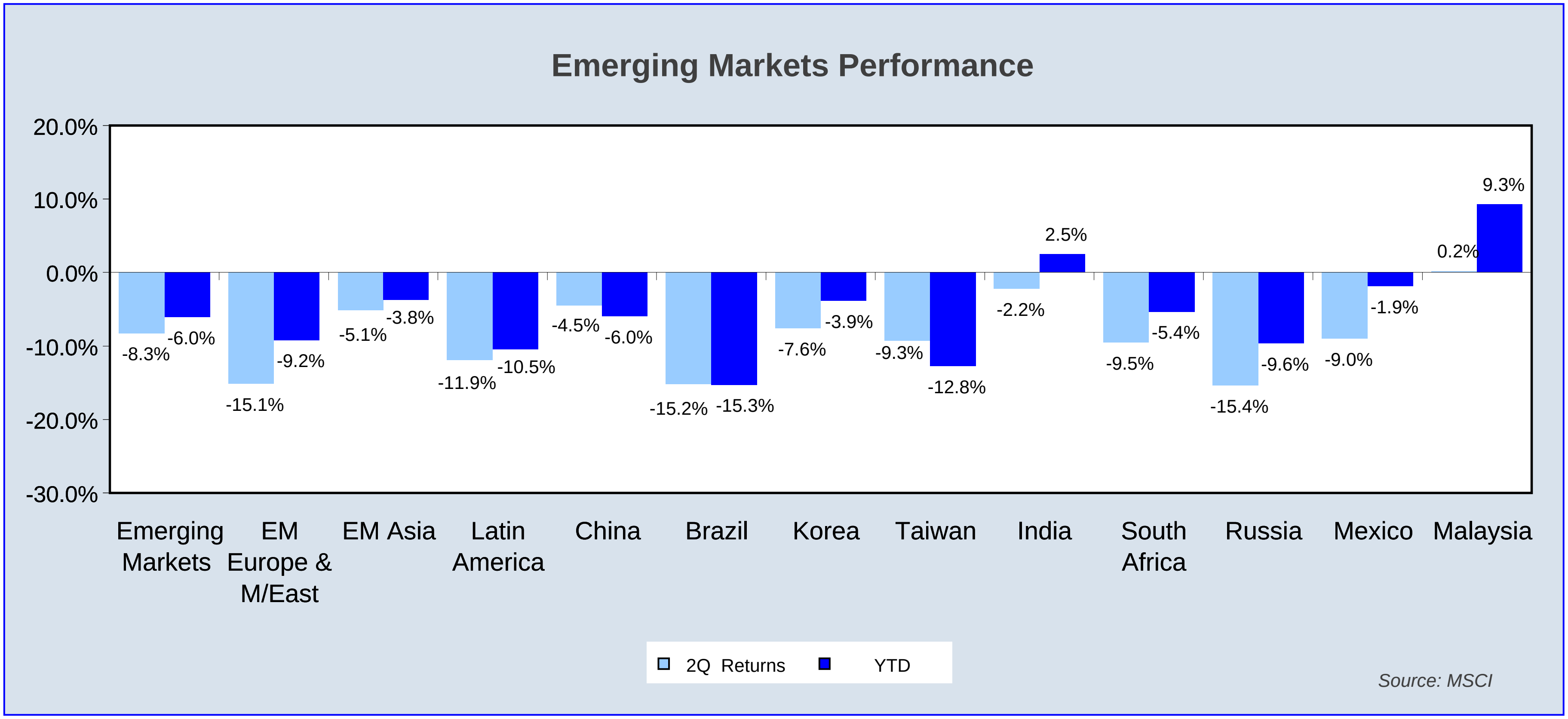
Developed Markets: Non-U.S. Equities Performance

- MSCI EAFE lost -13.8% (gross) in the second quarter
  - In local currency terms, MSCI EAFE lost -10.9% for the quarter
- Japan, which represents 23.3% of the index, posted a -10.1% return. In local currency terms, Japan posted a -14.8% lost
- The UK, which represents 21.0% of the index, posted a -13.8% return. In local currency terms, UK posted a -12.6% lost
- MSCI All Country World Index ex U.S. lost -12.3% (gross) in the second quarter
  - In local currency terms, MSCI All Country World Index ex U.S. lost -9.3% for the quarter



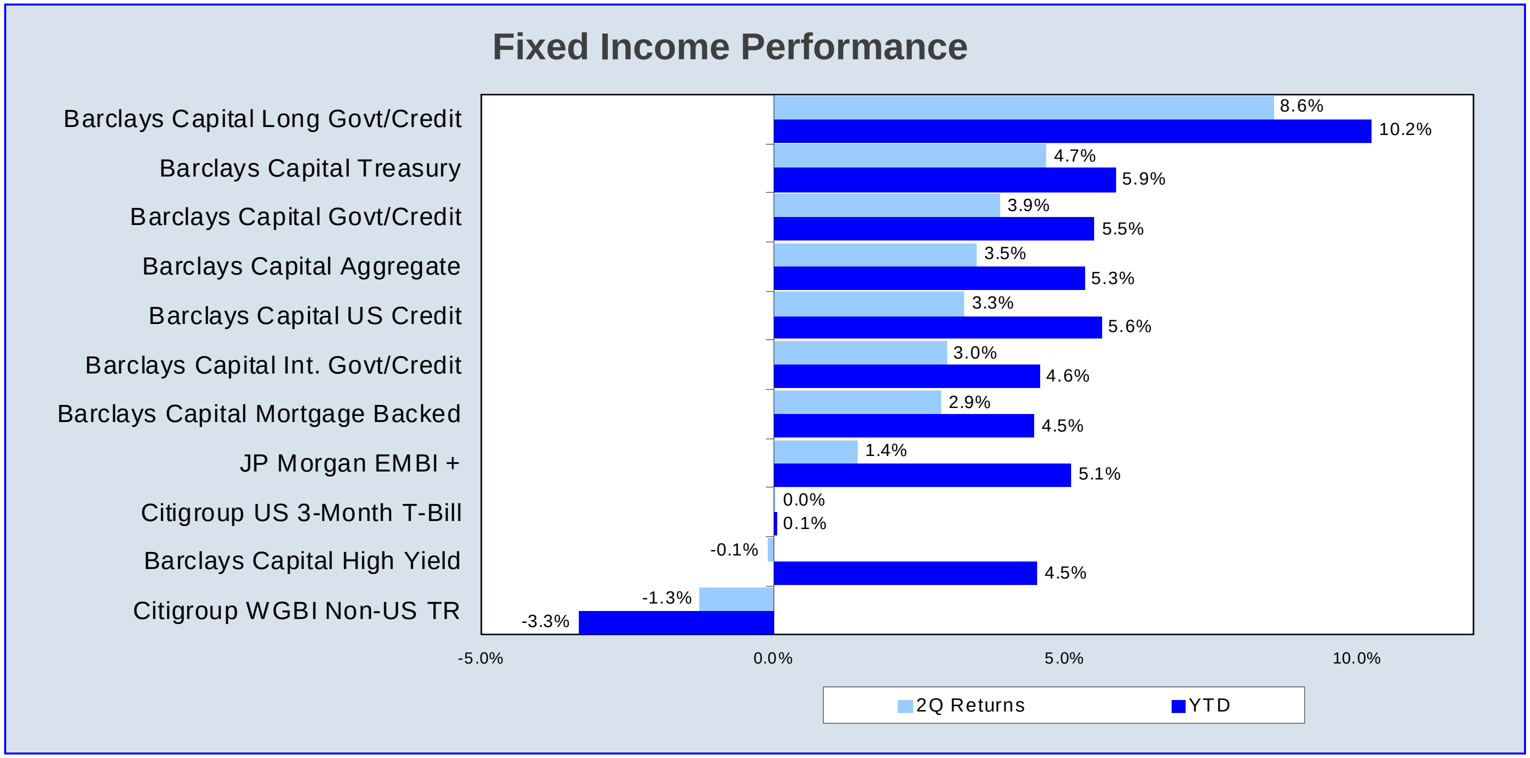
Emerging Markets: Performance

- MSCI Emerging Markets Index lost -8.3% in the second quarter
- Brazil, which represents 15.4% of the index, lost -15.2% for the quarter. China and Russia, which represent 19.1% and 6.3% of the index, posted quarterly returns of -4.5% and -15.4%, respectively



Barclays Capital Long Govt/Credit Performed Strongly

- Barclays Aggregate Index had a strong quarter and returned 3.5% and 5.3% for the first half of 2010
  - Treasuries rallied as sovereign European solvency concerns persist
  - The Fed suspended direct purchases of agency MBS at the start of the quarter, but favorable supply and demand technicals kept MBS at rich historic valuations
  - CMBS continues to post strong returns; it's 12.1% return for the first half of the year is the highest return of any sector within the Barclays Aggregate Index
- The FOMC indicates that the federal funds rate would remain exceptionally low for "an extended period of time"
- Barclays US High Yield Index lost steam and returned -0.1% for the quarter as risk tolerance waned



Market Returns

For Periods Ending June 30, 2010

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	-11.4	-6.7	14.4	-9.8	-0.8	-1.6
	Russell 1000 Value	-11.2	-5.1	16.9	-12.3	-1.6	2.4
	Russell 1000 Growth	-11.8	-7.7	13.6	-6.9	0.4	-5.1
	Russell MidCap	-9.9	-2.1	25.1	-8.2	1.2	4.2
	Russell MidCap Value	-9.6	-0.9	28.9	-9.4	0.7	7.6
	Russell MidCap Growth	-10.2	-3.3	21.3	-7.5	1.4	-2.0
	Russell 2000	-9.9	-2.0	21.5	-8.6	0.4	3.0
	Russell 2000 Value	-10.6	-1.6	25.1	-9.9	-0.5	7.5
	Russell 2000 Growth	-9.2	-2.3	18.0	-7.5	1.1	-1.7
	Russell 3000	-11.3	-6.1	15.7	-9.5	-0.5	-0.9
	*Mercer Large Cap Value Equity Peer Group median***	-11.9	-6.5	14.7	-10.1	-0.4	3.9
	*Mercer Large Cap Growth Equity Peer Group median***	-11.7	-7.7	12.6	-7.0	0.8	-2.5
	*Mercer Small Cap Value Equity Peer Group median***	-9.4	-0.4	26.1	-6.8	2.5	9.8
	*Mercer Small Cap Growth Equity Peer Group median***	-8.7	-2.2	20.4	-7.9	1.8	1.1
Fixed Income	Citigroup 3-Month T-Bill	0.0	0.1	0.1	1.4	2.6	2.6
	Barclays Capital Int. Gov't/Credit	3.0	4.6	8.3	7.0	5.3	6.1
	Barclays Capital Gov't/Credit	3.9	5.5	9.7	7.4	5.3	6.5
	Barclays Capital Aggregate	3.5	5.3	9.5	7.6	5.5	6.5
	Barclays Capital Intermediate Government	3.3	4.4	5.7	7.1	5.3	5.8
	Barclays Capital Long Gov't/Credit	8.6	10.2	16.5	9.4	5.6	8.1
	Barclays Capital MBS	2.9	4.5	7.5	8.2	6.3	6.5
	Barclays Capital TIPS	3.8	4.4	9.5	7.6	5.0	7.5
	Barclays Capital High Yield	-0.1	4.5	26.8	6.5	7.2	7.3
	*Mercer Core Fixed Income Peer Group median***	3.2	5.7	12.4	8.2	6.1	6.9
International	MSCI EAFE	-13.8	-12.9	6.4	-12.9	1.4	0.6
	MSCI Emerging Markets	-8.3	-6.0	23.5	-2.2	13.1	10.3
	Citigroup Non-US Gov't Bond	-1.3	-3.3	1.5	7.7	5.0	6.4
	Citigroup Non-US Gov't Bond - Hedged	1.6	2.7	4.9	6.0	4.4	5.2
	*Mercer International Equity Universe median***	-12.4	-11.0	9.1	-11.2	2.9	2.6
Miscellaneous	NCREIF Property Index***	0.8	-1.4	-9.6	-4.3	4.2	7.1
	FTSE NAREIT (Equity REITS)	-4.1	5.6	53.9	-9.0	0.2	9.9
	BofA Merrill Lynch Inv. Grade Convertible	-4.3	-2.7	11.3	2.9	5.1	2.9
	Goldman Sachs Commodity Index	-10.4	-11.2	-5.4	-12.5	-8.1	0.9
Inflation	CPI	-0.4	-0.1	1.1	1.5	2.3	2.4

Index at 3/31/10	**Dow Jones**	**NASDAQ**	**S&P 500**	**Russell 2000**	**Wilshire 5000**
	10,856.63	2,397.96	1,169.43	678.64	12,222.29
Index at 6/30/10	**Dow Jones**	**NASDAQ**	**S&P 500**	**Russell 2000**	**Wilshire 5000**
	9,774.02	2,109.24	1,030.71	609.49	10,823.31

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

Executive Summary

Total Fund

Asset Allocation

- At the end of the second quarter, the Total Fund held approximately $3.8 billion in assets (including cash), representing a decrease of $345 million as compared to the previous quarter end.
- At the end of the quarter, the Domestic Equity component of the Plan represented 35.6% of the Total Fund (including cash), while the Global Equity and International Equity segments accounted for 5.3% and 21.6% of the Plan, respectively.
- The Fixed Income portfolio represented 29.7% and the Real Estate portfolio accounted for 5.5% of the Plan (including cash) at the end of the second quarter.
- The two Private Equity managers, Abbott and Mesirow, were added to the portfolio in June. At the end of the quarter, the Private Equity Composite represented 0.1% of the Total Plan. A transition account is being utilized for the funding of the Private Equity and Global Equity managers.
- Due to the implementation of the interim asset allocation, the Fixed Income and International Equity segments held overweight allocations, while the Domestic Equity and Real Estate Composites ended the quarter with underweight exposures relative to current targets. Total Fund benchmark, asset allocation and target ranges will reflect the interim allocation once the staged transition to the interim allocation has been completed.

Performance

- The Total Plan returned -6.8% over the second quarter, leading the custom benchmark by 10 basis points but ranking in the 92nd percentile of the peer universe.
- With the exception of the International Equity segment, all other Plan Composites underperformed both their benchmarks and peer universe medians over the quarter.
- Year-to-date, the Total Plan posted a -3.0% return and ranked in the 85th percentile of the peer universe.
- Over the one-year period, the Plan advanced 13.2%, leading its reference index by 260 basis points and ranking in the 55th percentile of the peer group.
  - The Domestic Equity, International Equity and Fixed Income segments of the Plan outperformed their benchmarks over the one-year period, while the Real Estate Composite lagged its reference index.
- Over the three-year period, the Total Fund returned -5.7%, trailing its reference index by 100 basis points and underperforming the universe median by 210 basis points annually.
- Over the five-year period, the Plan advanced 2.1%, approximating the return of its custom benchmark and ranking in the 84th percentile of the peer universe.

Domestic Equity

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

The second quarter of 2010 began with high hopes of a steadily improving economy. However, the crisis in Greece, tepid employment growth, and falling consumer confidence produced a weaker-than-expected economy. Thus, unlike the first 3 months of 2010, this quarter was characterized by negative performance in the equity markets and a general decline in oil prices. Housing prices experienced an annual increase for the first time in 3 years in May 2010, but the unemployment rate continued to dip, falling from 9.7% to 9.5% over the quarter, even with a decline in payroll employment. The Federal Funds Rate remained at a target range of 0.00% to 0.25%, while the advance estimate of second quarter annualized GDP growth was 2.4%.

The Consumer Price Index (CPI) decreased at a seasonally adjusted annual rate of 1.5% during the second quarter, but increased by 1.1% for the 12 months ending June 30, 2010. The CPI, excluding volatile food and energy prices, rose at an annualized rate of 1.3% over the quarter, and increased by 0.9% during the past 12 months. The Producer Price Index (PPI) for finished goods fell 3.2% from the first quarter, but has risen 2.8% since June 30, 2009. Preliminary production capacity utilization increased 1.3% from the level reported in March 2010 to 74.1%. This level was 5.9% higher than the rate realized a year earlier, but 6.5% lower than the average for the period 1972 through 2009. The Consumer Confidence Index (CCI) is measured relative to 1985 as the base year with a value of 100. The figure is calculated based on a monthly survey of 5,000 US households determining their degree of optimism on the state of the economy. The CCI, which had risen for 3 consecutive months, declined sharply in June to 52.9. This number remained essentially unchanged from the March 2010 level of 52.5, but represented a decrease from the 62.7 level reported in May 2010.

Oil prices decreased from $85/barrel in March 2010 to $78/barrel at the end of June 2010. In April 2010, home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, reported an increase of 3.8% over the trailing 1-year period. The National Association of Home Builders/Wells Fargo Housing Market Index rose to 22 in May 2010, before dropping back to 16 in June, a slight increase from 15 in March; readings below 50 are considered a negative indicator. Three-month Treasury yields increased marginally, from 0.16% at the end of March 2010 to 0.18% at the end of June, while the yields on 10-year Treasuries declined from the previous quarter by 0.87% to 2.97% at the end of the second quarter.

The S&P 500 suffered significant losses after a strong first quarter, and fell by 11.4% during the second quarter – double-digit losses were realized in most segments of the US equity space during the second quarter of 2010 as fears of a double-dip recession resurfaced, helping to fuel a wave of pessimistic investor sentiment. The financials, materials, consumer discretionary and energy sectors were hit hardest during the second quarter. Both value and growth stocks reported losses over the second quarter, while value stocks significantly outperformed growth stocks over the trailing 1-year period.

Lower market capitalization generally performed better, with small cap stocks outperforming large cap stocks during the period. Mid cap value stocks and SMID cap value stocks delivered the best absolute returns during the past 12 months.

Within the large cap universe, managers with exposure to lower-beta, higher-quality stocks outperformed the index and their peers with greater exposure to larger names within the index. Higher returns on earnings and higher earnings growth returned to favor in the second quarter, as managers sought safety and stability in higher-quality stocks.

Corporate earnings continued to show strength during the second quarter, and more than 80% of the companies within the S&P 500 Index reported earnings that exceeded analysts' estimates. Together with their cousins in the consumer discretionary sector, information technology corporations such as Intel were among the top contributors in year-over-year earnings.

Major Events

The EU agreed on May 2, 2010 to provide €80bn to fund the 3-year bail-out of Greece. Germany's cabinet approved its contribution, and the International Monetary Fund will provide €30bn in funding the €110bn package.

On May 6, 2010, the Dow Jones Industrial Average experienced a "flash crash," plunging 998 points before rebounding nearly 400 points just as quickly. The Dow closed 347.80 points lower that day, dropping 3.2% to 10,520.32.

The Chinese government took measures to ward off inflation by slowing the country's GDP growth in the second quarter of 2010. Stocks in China and across Asia have retreated over the past 2 months on concern that Chinese tightening measures may be excessive. The global economy may be affected, as China is expected to account for one third of the world's economic growth this year.

Domestic Equity Composite

- The Domestic Equity segment of the Plan posted a -11.5% return over the quarter, underperforming the Russell 3000 Index by 20 basis points and ranking in the 65th percentile of the peer universe.
  - Of the Domestic Equity managers, BlackRock, AllianceBernstein, DFA and Allianz underperformed their reference indices and peer universe medians over the quarter, while Turner and Earnest outperformed their benchmarks and peer group medians.
  - Northern Trust approximated the return of the S&P 500 Index over the quarter.
- Year-to-date, the Composite returned -5.5% and outperformed its reference index by 50 basis points.
- Over the one-year period, the Domestic Equity segment advanced 17.1%, outperforming its reference index by 140 basis points and ranking in the 51st percentile of the peer universe.
- Over the three- and five-year periods, the Domestic Equity component of the Plan returned -10.8% and -1.3% respectively and underperformed both its reference index and peer universe median.
- On a since-inception basis, the Domestic Equity portion of the Plan gained 9.2% and outperformed its reference index by 10 basis points annually.

Northern Trust

- The Northern Trust Equity Index Fund returned -11.4% over the quarter, approximating the return of the S&P 500 Index and ranking in the 64th percentile of the peer universe.
- Over the one-year period, Northern Trust advanced 14.8% and outpaced the S&P 500 Index by 40 basis points.
- The fund has tracked its reference index within 10 basis points over the longer periods measured.

BlackRock

- Performance:
  - The BlackRock Alpha Tilts strategy returned -13.4% over the quarter, lagging the Russell 1000 Index by 200 basis points and ranking in the 93rd percentile of the peer universe.
  - Year-to-date and over the one-, three- and five-year periods, the portfolio has lagged the Russell 1000 Index.
  - BlackRock has trailed its benchmark by 50 basis points annually on a since-inception basis.
- Positive impact on performance over the quarter:
  - Security selection within the consumer staples sector.
  - An underweight exposure to General Electric.
  - The holdings of Coca Cola Enterprises (consumer staples) and Express Scripts (health care).
- Negative impact on performance over the quarter:
  - Stock selection within the materials, consumer discretionary and information technology sectors.
  - The holdings of Wellpoint (health care) and Noble (oil services).

Turner

- Performance:
  - Turner posted a -10.8% return, leading the Russell 1000 Growth Index by 90 basis points and ranking in the 28th percentile of the peer universe over the second quarter.
  - Year-to-date, the portfolio returned -6.3%, outperforming its reference index by 130 basis pints and leading the peer universe median by 140 basis points.
  - Over the one-, three- and five-year periods, the manager trailed its reference index and peer universe median.
  - On a since-inception basis, Turner advanced 2.1% and underperformed the Russell 1000 Growth Index by 160 basis points annually.
- Positive impact on performance over the quarter:
  - Stock selection within the information technology sector.
  - Positions within the energy and health care sectors.
  - The holdings of Edwards Lifesciences Corp. (health care), Salesforce.com Inc. (technology) and Apple Inc. (technology).
- Negative impact on performance over the quarter:
  - Stock selection within the materials and financials sectors.
  - The holdings of Cisco Systems Inc. (technology), PulteGroup Inc. (producer durables) and Freeport-McMoRan Copper & Gold Inc. (materials).
- Turner manages their portfolio with an emphasis on stock selection.

AllianceBernstein

- Performance:
  - AllianceBernstein returned -13.5% over the second quarter, underperforming the Russell 1000 Value Index by 240 basis points and ranking in the 86th percentile of the peer universe.
  - Year-to-date, AllianceBernstein posted a -6.8% return, lagging its reference index and peer universe median by 170 basis points and 30 basis points, respectively.
  - Over the one-year period, AllianceBernstein advanced 15.5%, trailing the reference index by 140 basis points and ranking in the 40th percentile of the peer universe.
  - Over the three-year, five-year and since-inception periods, the strategy has underperformed its reference index.
- Positive impact on performance over the quarter:
  - Stock selection within the energy and telecommunications sectors.
  - The holdings of Sprint Nextel Corp. (telecommunications), Cimarex Energy Co. (energy) and Time Warner Cable (telecommunications).
- Negative impact on performance over the quarter:
  - Stock selection within the materials, consumer staples and financials sectors.
  - An underweight allocation and security selection within the utilities sector.
  - The holdings of Goldman Sachs (financials), Nokia (telecommunications) and Freeport-McMoRan Copper & Gold Inc. (materials).

Earnest

- Performance:
  - Earnest returned -7.5% over the last three months, leading the Russell Mid Cap Index and the peer universe median by 240 basis points each.
  - Year-to-date, the portfolio advanced 0.3%, outperforming its reference index by 240 basis points and ranking in the 10th percentile of the peer group.
  - Over the one-year period, the strategy advanced 24.3%, lagging its reference index by 80 basis points and ranking in the 37th percentile of the peer universe.
  - Over the three-year, five-year and since-inception periods, Earnest has outperformed its benchmarks.
- Positive impact on performance over the quarter:
  - Stock selection within the industrials, information technology and telecommunications sectors.
  - An overweight allocation and stock selection within the energy sector.
  - The holdings of Akamai Technologies Inc. (information technology), SM Energy (energy) and Pioneer Natural Resources Co. (energy).
- Negative impact on performance over the quarter:
  - An underweight exposure to the utilities sector.
  - The holdings of Freeport-McMoRan Copper & Gold Inc. (materials), General Dynamics Corp. (industrials) and URS Corp. (industrials).

DFA

- Performance:
  - DFA posted a -11.0% return over the quarter, lagging the Russell 2000 Value Index by 40 basis points and ranking in the 82nd percentile of the peer universe.
  - Year-to-date and over the one-year period, DFA advanced 0.4% and 32.6% respectively and outperformed both its reference index and peer universe median.
  - Over the three-year period, DFA has trailed both its benchmark and universe median.
  - Over the five-year term and on a since-inception basis, the portfolio has outperformed the Russell 2000 Value Index.
- Positive impact on performance over the quarter:
  - Stock selection within the industrials and consumer discretionary sectors.
  - Exposure to micro cap stocks.
  - The holdings of Dollar Thrift Automotive (industrials), Seaboard Corp. (industrials) and Lanrdy's Restaurants Inc. (consumer discretionary).
- Negative impact on performance over the quarter:
  - An overweight exposure to the consumer discretionary sector.
  - An underweight allocation to the utilities sector.
  - Stock selection within the financials sector.
  - Lack of exposure to REITs.
  - The holdings of Radian Group (financials), Oshkosh truck Corp. (industrials) and Vishay Intertechnology Inc. (information technology).

Allianz

- Allianz was added to the portfolio in March 2010. The manager replaced Artisan, which was terminated from the portfolio due to investment strategy changes and organizational concerns.
- Performance:
  - Allianz returned -10.4% over the second quarter, lagging the Russell 2000 Growth Index by 120 basis points and ranking in the 84th percentile of the peer universe.
- Positive impact on performance over the quarter:
  - Stock selection within the financials, energy, consumer staples and technology sectors.
  - The holdings of Innerworkings (industrials), AcmePacket (technology) and Cardiome Pharma (health care).
- Negative impact on performance over the quarter:
  - Stock selection within the consumer discretionary and health care sectors.
  - The holdings of Aegean Marine Petroleum Network (energy), MGIC Investment Corp. (financials) and Petrohawk Energy (energy).

Global Equity

(GMO, T. Rowe Price)

GMO

- Performance:
  - GMO returned -13.2% over the second quarter, trailing the MSCI World Index by 50 basis points and ranking in the 79th percentile of the peer universe.
- Positive impact on performance over the quarter:
  - An underweight exposure to the financials sector.
  - Positions in Germany and Emerging Markets.
  - The holdings of Newmont Mining Corp. (materials), Vaalco Energy Inc. (energy) and Daimler AG (consumer discretionary).
- Negative impact on performance over the quarter:
  - Holdings within the United States, the United Kingdom and France.
  - The holdings of TP Oil & Gas Corp. (energy), BP PLC (energy) and OM Group Inc.(materials).

T. Rowe Price

- T. Rowe Price was added to the portfolio in June 2010. The portfolio is being funded during the third quarter. Performance will be shown starting with the third quarter report.

International Equity

(Brandes, William Blair, DFA)

The international equity markets also posted negative returns over the second quarter, with value stocks in the MSCI EAFE Index performing worse than growth stocks. Emerging markets held up better than developed markets, as the MSCI Emerging Markets Index dropped 8.29% compared with the 13.75% decline in the MSCI EAFE Index. During the second quarter, the US dollar appreciated against many currencies, including the euro, the Australian dollar, the Swiss franc and the British pound.

International Equity Composite

- The International Equity Composite returned -9.9% over the last quarter, leading the MSCI EAFE Index by 410 basis points and outperforming the peer universe median by 260 basis points.
- Among the International Equity managers, William Blair and Brandes outperformed their reference indexes and peer universe medians over the quarter, while DFA trailed its respective benchmarks.
- The International Equity segment has outperformed its reference index over all longer time periods measured.

Brandes

- Performance:
  - Brandes posted a -12.3% return over the quarter, leading the MSCI EAFE Index by 170 basis points and ranking in the 48th 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.
  - Since inception, Brandes has outperformed its reference index by 560 basis points annually.
- Positive impact on performance over the quarter:
  - Underweight allocations to the materials and energy sectors.
  - An overweight exposure to the consumer discretionary sector.
  - The holdings of Hitachi (information technology), KT Corp. (telecommunications) and Vodaphone Group (telecommunications).
- Negative impact on performance over the quarter:
  - An underweight allocation and stock selection within the industrials sector.
  - Investments in Japan.
  - The holdings of Sony (consumer discretionary), Barclays (financials) and MS&AD Insurance (financials).

William Blair

- Performance:
  - William Blair returned -7.2% over the quarter, leading the MSCI AC World ex US Index by 520 basis points and ranking in the 2nd percentile of the peer group.
  - Year-to-date and over the one-year period, the strategy has outperformed its reference index and ranked in the top decile of the peer universe.
  - Over the three- and five-year periods, William Blair has led its reference index and peer universe median.
  - On a since-inception basis, the portfolio trailed the MSCI AC World Index by 70 basis points and outperformed the universe median by 160 basis points.
- Positive impact on performance over the quarter:
  - Stock selection within the energy and information technology sectors.
  - An overweight allocation and stock selection within the industrials sector.
  - Positions in Japan, Developed Europe and Emerging markets.
  - The holdings of British Sky Broadcasting Group (telecommunications), Yahoo Japan Corp. (information technology) and Softbank (financials).
- Negative impact on performance over the quarter:
  - Investments in Canada and the United Kingdom.
  - The holdings of Canon (technology), BHP Billiton (materials) and First Quantum Minerals (materials).

DFA

- Performance:
  - DFA returned -13.1% over the second quarter, lagging the MSCI EAFE Small Cap Price Index by 110 basis points and ranking in the 92nd percentile of the peer universe.
  - Year-to-date, DFA has lagged both its reference index and peer universe median by 30 basis points and 170 basis points, respectively.
  - The strategy has led its benchmark over the one-year, three-year and since-inception periods.
- Positive impact on performance over the quarter:
  - Stock selection within the financials sector.
  - Positions within Continental Europe.
- Negative impact on performance over the quarter:
  - Stock selection within the consumer discretionary and materials sectors.
  - Security selection in Canada and Japan.

Fixed Income

(BlackRock, Loomis, Reams)

As expected, high-quality and longer-duration fixed income indices were the best performers in the second quarter. Returns of riskier assets suffered from lack of investor confidence, and investment-grade issues outperformed high-yield issues. The Greek crisis and weak economic data produced a "flight-to-quality," and Treasury bonds performed better than corporate bonds. Corporate credit spreads and CDS spreads both widened amid sovereign debt worries and government re-regulation concerns.

Fixed Income Composite

- The Fixed Income portfolio gained 1.8% over the second quarter, underperforming the Barclays Capital Aggregate Index by 170 basis points and ranking in the 69th percentile of the peer universe.
- BlackRock and Reams outperformed their respective reference indexes over the quarter, while Loomis lagged its benchmark.
- With the exception of the year-to-date period, the Fixed Income Composite has outperformed its reference index over all longer periods measured.

BlackRock

- The BlackRock fixed income portfolio advanced 3.0% over the quarter, outpacing the Barclays Capital Intermediate Aggregate Index by 10 basis points.
- The strategy has tracked its reference indices within 20 basis points over the longer periods measured.

Reams

- Performance:
  - Reams gained 3.6% over the second quarter, outperforming the Barclays Capital Aggregate Index by 10 basis points and ranking in the 12th percentile of the peer universe.
  - Year-to-date and over the one-year period, Reams outperformed its reference index by 140 basis points and 700 basis points, respectively.
  - The portfolio has outpaced its benchmark and peer universe median over all longer periods measured.
- The three-year tracking error remained high compared to Reams' peers.
- Positive impact on performance over the quarter:
  - Positions in investment-grade and commercial mortgage-backed securities (CMBS).
  - An underweight allocation to government-related holdings.
- Negative impact on performance over the quarter:
  - Shorter portfolio duration relative to the index
  - An overweight exposure to high-yield holdings.

Loomis

- Performance:
  - Loomis advanced 0.1% over the quarter, trailing the Barclays Capital Aggregate Index by 340 basis points and ranking in the 98th percentile of the peer group universe.
  - Year-to-date, Loomis lagged its reference index by 90 basis points.
  - Over the one-year period, the strategy returned 21.7% versus 9.5% return for its benchmark.
  - Over the three-year period, Loomis approximated the return of its reference index and outperformed both its reference index and peer universe median over the five-year and since-inception periods.
- The three-year tracking error of the portfolio remained high compared to Loomis' peers.
- Positive impact on performance over the quarter:
  - Investments in investment–grade financials.
- Negative impact on performance over the quarter:
  - The holdings of non-US dollar denominated securities.

Private Equity

(Abbott, Mesirow)

- Abbott and Mesirow were added to the portfolio in June 2010.

Manager Comments

AllianceBernstein

Research Meeting (May 28, 2010)

Since John Mahedy's departure in October, the US Large Cap Value team has remained stable, alleviating some concerns that other Bernstein individuals would follow suit. However, given the instability (in addition to Mahedy's departure Marilyn Fedak stepped out of the co-CIO role in January 2009) Mercer will monitor the situation closely. Both David Yuen and Gerry Paul appear well adjusted in their new roles as Co-CIOs of US Large Cap Value. The transition has been seamless and the analysts have experienced minimal disruptions to their analyst roles. Mercer is confident in the team dynamic and believes it is just as strong as it was prior to Mahedy's departure.

As Director of Research (a title Yuen still maintains), Yuen's responsibilities include mentoring the analysts to develop and validate their research. Yuen still currently spends the majority of his time managing the research resources as he did previously; but is now also a decision maker regarding portfolio construction decisions. Yuen shares this role with Paul who, in addition to meeting with Yuen and the analysts for portfolio construction decisions, spends the majority of his time on product design and client servicing. Given this, both Yuen and Paul appear well adjusted to the Co-CIO role and we are comfortable with their leadership role on the US Large Cap Value strategies.

Given the severe underperformance in 2008, Bernstein encouraged the analysts to leverage third party experts when researching stocks to gain a greater understanding of risks. It is encouraging to see the team has fully incorporated this practice when researching stocks and is committed to continually enhancing its research process.

Changes to Bernstein's US Large Cap Value Equities leadership (July 19, 2010)

Bernstein announced that Gerry Paul, Chief Investment Officer (CIO) of the North American Value Equity team and co-CIO of US Large Cap Value Equities, will be assuming sole leadership of the US Large Cap Value services.

David Yuen, currently co-CIO and Director of Research (DOR) of US Large Cap Value Equities, will be taking on a new role leading Bernstein's Global Long/Short Absolute Return strategy. Yuen will continue to be a member of the North American Value Investment Policy Group and will remain involved in US Value research for both the longs and shorts in the global long/short strategy.

Greg Powell, currently DOR of Equity Hedge Fund Strategies and Head of Fundamental Value Research, will be taking on the role of DOR of US Large Cap Value. He will keep his current DOR of Equity Hedge Fund Strategies role. The firm expects this transition to occur over the next few months.

Mercer View:

Mercer has confidence in Paul as sole CIO of the US Large Cap Value services given his experience and our conversations in previous meetings discussing his role as co-CIO of US Large Cap Value. Mercer will follow-up with Powell in our next meeting to assess how the transition is progressing but given his previous experience as DOR of Equity Hedge Fund Strategies at Bernstein, Mercer does not have any concerns at this time. Additionally, Paul and Powell have worked together for more than nine years managing the US long/short value strategy and developed a strong working relationship, which Mercer expects to continue. Therefore, Mercer will not be recommending any changes to ratings at this time.

Sharon Fay appointed CIO of Equities (July 27, 2010)

AllianceBernstein announced that it has named Sharon Fay to the newly created position of CIO of Equities. In this role, Fay will have responsibility for both the value and growth equity businesses. Fay has been the CIO of Value Equities since 2003 and Head of Value Equities since 2009. She will retain her membership on the various Investment Policy Groups to which she currently belongs. To allow Fay to focus on investments, AllianceBernstein will also name a COO to assist Fay in running the business.

The firm also announced that Lisa Shalett, Head of Growth Equities, will be leaving the firm to become the head of Bank of America's private wealth business. Fay will assume Shalett's responsibility on the various Portfolio Oversight Groups within growth equities.

Also as part of this change, Vadim Zlotnikov, currently Chief Investment Officer – Alliance Global Growth Equities and Head of Growth Portfolio Analytics, was named Chief Market Strategist. In his new role, which includes continued oversight of the Quantitative Analytics function for Growth portfolios, Zlotnikov will be responsible for macro research for the entire firm, including the sell side business. He will remain on the Portfolio Oversight Groups of which he is currently a member.

According to AllianceBernstein, the firm expects that the creation of a CIO of Equities role will have the following impacts:

- There will be combined oversight of the value and growth sleeves, but the investment decision making will remain separated. There is no intention to merge the two research groups and the firm remains committed to offering style pure investment strategies.
- AllianceBernstein is looking to better leverage its highly regarded professionals across the firm, notably Fay and Zlotnikov. Kraus has already appointed a new global head of trading across the growth and value sleeves. It is not clear where else AllianceBernstein will leverage its best people since the research analysts will remain distinct groups.
- Peter Kraus (CEO) believes that having shared oversight should improve the teams' ability to understand risk and to manage it correctly.
- Operational issues will be brought under one COO.
- Research will remain segregated, but will be better leveraged. The implications at this stage are that this refers to improvements in the research flow, although the details remain to be fleshed out.

Mercer View

Mercer understands and appreciates the logic behind AllianceBernstein's desire to place its best people into areas where it perceives there are problems in order to enact change. There have been issues with performance and team stability on the growth side. Fay is highly regarded within AllianceBernstein (and by Mercer) and has significant experience in running an investment management operation. Mercer also has a high regard for Shalett and would have liked to see her remain with the firm although her decision to leave is not surprising.

The decision to place her in charge of all equities at the firm seems sensible to Mercer, but has some negative implications for her role in managing the global and international value products. Fay is one of the primary decision makers for Bernstein's global and international value products and Mercer has to question her ability to focus on portfolio decisions in light of her new responsibilities.

BlackRock / BGI

Firm and Scientific Active Equity (SAE) Update (May 20, 2010)

Mercer is recommending a downgrade from A (P) to B+ for BlackRock's US Scientific Active Equity strategies, including Alpha Tilts (BGI).

The downgrade is mainly attributable to organizational instability within the team and the sudden change in roles for Blake Grossman. The firm has recently announced that Ken Kroner, head of the firm's Global Market Strategies Group (GMSG) has been appointed to the CIO and Head of Scientific Active Equity role, reporting to Grossman. The firm had not previously communicated that Grossman's time in that role would be short term in nature. In addition, the firm has experienced a number of senior legacy BGI departures across regions and there has been no change in the firm's broad retention strategy to give us confidence that departures will not continue. Lastly, Mercer reported that at the end of 2008, BGI decided to reorganize its Active Equities team by moving to a global structure from a regional one. Now, to increase accountability, the firm has returned to a regional structure. All of these changes occurred in a short period of time, and Mercer would prefer to see more stability in the research structure. Mercer believes that dedicated and consistent senior leadership could assist in this area and once this occurs, these strategies may have the potential to be rated among Mercer's best ideas once again.

Issues to watch

- Mercer anticipates a smooth transition for Ken Kroner as the new CIO of Scientific Active Equities given Grossman's commitment over the next six months to help Kroner acclimate to the role. Mercer would like to meet with Kroner once he has had time to settle into the role and obtain his vision for the research agenda going forward.
- As integration processes continue, will there be unexpected challenges that may impact the Alpha Tilts strategies?
- What changes will Kroner attempt to implement to improve the alpha potential of the strategies on a go forward basis? 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?

Change to CIO of Fixed Income (August 4, 2010)

BlackRock announced that Curtis Arledge, CIO of Fixed Income, is leaving BlackRock and being replaced by Rick Rieder. Arledge was named CIO in January of this year, following the departure of Scott Amero. At that time, Rick Rieder was named Co-Deputy CIO of Fixed Income.

Mercer View

This is now the second CIO of Fixed Income to leave BlackRock this year. Mercer continues to be concerned with the relatively high level of senior investment professional turnover at the firm. Rieder's background is in credit, so Mercer is interested to learn why he was appointed to lead the multi-sector investment process. Mercer will monitor any further developments.

Brandes

Brandes announced on May 17, 2010 that the firm has re-opened the International Equity strategy to new investors across all vehicles and distribution channels. Brandes explained that the additional capacity is available because of market conditions, improved ability to access the markets and increased trading volume, and normal client rebalancing and attrition over the years. The firm estimates the strategy will be able to take in an additional $10 billion of new inflows before it will close the product. Brandes would like to avoid having to hard close the strategy and prevent existing clients from accessing the strategy and the lower capacity target reflects this approach.

Mercer View

This news does not impact Mercer's rating of A(T) for the International Equity product. Brandes has lost a fair amount of assets under management over the past two years due to lackluster performance, the unfavorable market environment, and client departures. With $53 billion under management at the firm and $23 billion in International Equity, Brandes remains well below the peak level of $125 billion and $43 billion, respectively, reached in June 2007. As a result, Mercer is not surprised to see that Brandes has made additional capacity available. Mercer believes the stated capacity target is reasonable given Brandes' investment philosophy, process, and history of assets in the product. The firm has demonstrated diligence in closing this and other products in the past and Mercer is pleased to see Brandes take a holistic approach to capacity in terms of vehicles, distribution channels, and overlap amongst the various products.

DFA

Research Meeting (June 14, 2010)

Issues to watch

The firm is going through a transition of management with Repetto being appointed co-CEO. Mercer believes he is well positioned to build on the success of the business, but managing this transition, while maintain the culture of the firm, still presents a challenge for Repetto.

DFA have a significant asset base. The managed $124bn in equities as at 31 December 2009; $15bn in non-US small cap strategies, $21bn in US small cap strategies and $1.3bn in global small cap strategies. This is a significant asset base is a relatively illiquid asset class. They are within their stated (approximate) limits of managing 4-5% of the free float market cap of the universe, and their approach is likely to give higher levels of capacity that a traditional active manager. However in times of stress or asset outflows such high asset levels may become a problem. While Mercer is not unduly concerned it is an area that requires ongoing vigilance.

DFA do not provide much transparency over the breadth of internal ownership of the firm. They appear to be making steps to ensure that the younger generation are adequately tied into the firm, but Mercer would like further comfort that this is taking place.

Highlights

From a business perspective the most notable change has been the appointment of Eduardo Repetto to Co-Chief Executive Officer. The significance of this lies in the implied succession of the firm from the founder and CEO, David Booth, to the next generation. Mercer maintains its view that the succession planning has been well thought through, and Mercer's impression of Repetto is positive. Mercer learned little new at this meeting on Repetto's plans for the future direction of the business, who is based in Santa Monaca and not present at the meeting.

Mercer discussed potential change in the internal ownership of the firm when Booth retires. DFA are not overly transparent on how wide the internal ownership of the business is. However Booth and Sinquefield (co-founders) are the largest share holders in DFA – it appears Booth is unlikely to relinquish much of his holding post retirement. There did appear to be some acknowledgment that ownership needs to spread more widely to give the younger generation of investors a stake in the business if the transition to the next generation is to be successful. There is a LTIP in place which 'all senior investors' will participate in and will help broaden the ownership, although again Mercer was not told who would participate. This is an area Mercer would like them to address in more detail at future meetings.

The other change from a business perspective has been the opening of the office in Austin, Texas, in late 2008, which has taken over from the Santa Monica (California) office as the firm's headquarters. This appears to have been a relatively smooth transition with little disruption or undue staff turnover. Both offices will be maintained, offering senior staff the choice of location, however the newer Austin office is expected to grow over time.

There have been two changes to the investment process used by DFA across their range of strategies. All of DFA's investment strategies offer a similar approach to providing access to the Fama and French risk premium (Value and Small Cap), and the changes are aimed at improving how those are implemented. The two changes are:

1. The introduction of sector constraints on the value portfolios; sector exposure had previously been unconstrained. They now cap each sector's exposure at 10% above the index weight. DFA's research shows that this limits the relative volatility (tracking error) but can be implemented in such a way that it does not impact the degree of the value tilt.
2. DFA have made a change in the definition of 'value' in each country; previously they had looked at the cheapest bottom three deciles by price-to-book by number of companies, whereas they now use the cheapest quintile by size of assets. The aim was to avoid significant swings in exposure in markets dominated by a single stock that may move in and out of the 'value' category, while maintaining the same overall portfolio value tilt.

Mercer believes both of the changes are intuitively sensible. They are backed up with strong supporting back testing showing they don't harm the factor exposures, while having a positive impact on the risk profile.

Mercer continues to be impressed with the work DFA put into extracting value from trading. Mercer met with the Head of International Trading, Jon Romiza, who talked through the sources of value add from trading.

EARNEST

Research Meeting (May 20, 2010)

Issues to watch

Global expansion. Earnest recently opened an office in China as part of its global research efforts. Although the firm does not have immediate plans to expand to other regions, there is a possibility in the future. With investment members situated in non-US locales, Mercer looks to see how they contribute to or impact the team's collective decision-making efforts.

Highlights

The meeting provided an update on Earnest's Mid Cap Core strategy, which continues to adhere to a process that combines the team's quantitative and fundamental research elements. Since Mercer last reviewed the strategy, research analyst Ken Grimes voluntarily left the firm to pursue another opportunity. While the specifics to his departure were not fully disclosed, it appears that the hiring of research analyst Yash Patodia (officially starting early June 2010) sparked Grimes' belief that a career at Earnest would have limited upside potential going forward. While Earnest had intentions of keeping him on board, Mercer was also told that his departure resulted in an upgrade to the overall team, which indicates that his contributions had less of an impact to the firm's strategies. Given that the process is based on the collective contributions of the team and not dependent on a lead star system, Mercer does not believe Grimes' departure is significant.

We had the opportunity to meet Dinkar Singh, who oversees Earnest's quantitative research efforts with Dan Royer and splits Technology coverage with Chris Hovis. While the screen has not changed over recent years, Singh and Royer are currently in the process of reexamining the efficacy of the Return Pattern Recognition model, an exercise that cycles roughly every two years. Mercer does not anticipate there to be significant enhancements to the model once the review is finalized over the next month, but Mercer would not be surprised to see the incorporation of some of the newer research topics that were discussed during the meeting. One of the research ideas that the team is currently examining is based on the belief that those companies experiencing strong asset growth tend to lag over time. Another idea that still needs to be tested is the effect of a company's under-funded pension plans on its stock performance. According to Singh, research ideas tend to emerge from a variety of sources including academic literature, company management, and Earnest's investment team members. He also claimed that approximately one third of the alpha can be attributed to the model itself, which Mercer believes continues to serve as a nice complement to the team's fundamental research process. There have been no changes to the team's risk model that is used to minimize downside risk and manage portfolio construction.

Though the investment team remains well resourced, Mercer continues to believe that having 15 members partake in research and portfolio discussions during formal group meetings can potentially lead to a less effective decision-making process than some of its smaller based peers. Typically, the team targets a 75% approval rate amongst the members to reach critical consensus on investment ideas. While Mercer believes this level helps maintain accountability and offers dissenting views, the fact that the team is also responsible for overseeing Earnest's entire suite of products can be a modest distraction from a portfolio construction standpoint. With two investment professionals situated in China and possibly more in other non-US locales in the future, the incorporation of additional decision-making individuals may be a challenge. That said, the team's diversified set of experiences and knowledge base continue to be strengths of the strategy.

At approximately $17 billion in firm-wide assets, Earnest's business remains steady. Despite asset flows that have been relatively flat over the past year, the firm has been involved in a number of searches, particularly in its international and mid cap strategies. There are no new partners since Mercer last met with the team. However, Paul Viera, CEO, stated that there is likely to be further grants in equity ownership based on a two-year review cycle by Earnest's Partnership Committee.

GMO

Jean-Pierre Mittaz has joined GMO as Chief Operating Officer (July 13, 2010)

Jean-Pierre Mittaz joins GMO from UBS, where he most recently served as Chief Operating Officer for UBS Global Asset Management. He previously served as Global Head of Operations and Information Technology and Global Head of Operational Risk Management. Mittaz will be based in GMO's Boston office and report directly to Marc Mayer, CEO. Mittaz replaces Scott Eston, who was previous COO and retired about a year ago.

Mercer View

Mayer assumed some of Eston's responsibilities as COO while the firm looked for a replacement. The addition of Mittaz will free up some of Mayer's time previously spent on fulfilling Eston's responsibilities after his departure. Mercer does not view this as having any significant impact on the investment strategies or processes within GMO and therefore no recommended changes to any of the firm's ratings.

Meeting Update (June 21, 2010)

There have been some team developments. Portfolio manager Hoyt Luddington left the firm on 31 March 2010. He had been with the team since 1992, but decided he needed a break from the industry; some issues concerning health, a young family and other interests also played into the decision. Luddington was responsible for stock research in the UK, Ireland, Spain and Portugal. Coverage of Spain and Portugal was handed to Eric Ikauniks, an existing portfolio manager on the team, adding to his coverage of Switzerland, Belgium, Hong Kong and China. Coverage of UK and Ireland was handed to replacement James Chapman, who joined the team in Boston in early January 2010. Chapman was scheduled to attend the meeting, but flight disruptions intervened.

Chapman was previously at Credit Suisse Asset Management in London, UK, where he joined in mid-2006 to work on a small cap growth fund, of which he became the portfolio manager in mid-2007. Previously, from mid-2004 until mid-2006, he was a UK equity small company analyst for Hardman & Co. Before that, Chapman was a financial journalist from 2000 until 2004 at Investors Chronicle and previously an energy markets analyst and reporter at Heren Energy.

Chapman's small cap, growth experience is not exactly in line with GMO's value orientation and the large cap focus of the Global Value strategy; Mercer expects Chapman worked through a learning period with Luddington, who stayed on until his duties had been fully assumed by Chapman. Losing a long-time team member is not ideal, but Luddington was one of nine analyst/portfolio managers, and most have long experience with the team. Although Mercer considers the team weaker for losing Luddington's experience and having to work through Chapman's learning curve, Mercer does not view the personnel change as significant enough from an overall strategy perspective to affect Mercer's ratings.

Two analysts joined in August 2009. Greg Shell (nine years experience) is analyzing selected US equity sectors and being mentored by Drew Spangler. Neeraj Mahajan (three years credit analysis experience) contributes to equity research in selected European countries and is being mentored by Domenic Esposito.

There have been no material changes to the investment process, but GMO has made some small adjustments to the country model. The model now considers industry values to make sense of indicated country weights; for example, the Swiss market is dominated by pharma and Norway by oil. Some forward indicators have been added to the model to supplement the preponderance of historical factors. There is now enough country data for the model to treat emerging markets countries separately; previously, it treated all emerging markets countries as one aggregated country.

GMO remarked that the country model has not been contributing as much as in the past. Previously, GMO secured about 1/3 of total added value from country selection and 2/3 from stock selection. However, certain sectors have become somewhat insulated from country differences (e.g., semi-conductors, autos, mining, energy) and country valuation differences, which drive GMO's determination of country preferences, have not been as predictive of country performance as previously.

T. Rowe Price

Research Meeting (June 23, 2010)

This meeting served as Mercer's annual update with T. Rowe and Rob Gensler to review the Global Equity Strategy. While Gensler has softened his stance on some of the assessments and enhancements he made immediately following a period of difficult performance in 2008, Mercer remains confident in Gensler and reaffirm Mercer's A (T) rating on the strategy. In our previous meeting, Gensler outlined four evolutions he was planning to incorporate in his process: 1) more outside, top-down views 2) greater use of risk tools 3) broadening the advisory committee 4) requiring all ideas to have analyst sponsorship. Mercer re-visited these topics with Gensler to see where things stand with more time and perspective. Overall, Mercer was impressed by Gensler's adaptive, but not reactive approach, and ongoing willingness to challenge himself on how he can improve.

Mercer spoke with Gensler on how he was using the analysts' research and if anything had changed over the past year. He re-emphasized the importance of the analysts' company-level insights and that the analysts were in the best position to get the company-specific views and risks right. As a portfolio manager, Gensler believes he brings a better understanding of valuation. This view is confirmed by the portfolio composition; five companies in the portfolio are not buy-rated, only EOG and Cotec are unrated and three companies are neutral rated. The latter typically include situations where the analysts downgrade for valuation reasons. Along those lines, Genlser recently commissioned a study on the efficacy of the analysts' up/down rating changes on companies to assess how he could make more effective use of that information. The results of this work indicated to Gensler that he often sells too soon and his turnover could probably come down somewhat. Gensler has not yet made any direct changes as a result of this work and Mercer will discuss this with him during our next meeting to see if it has impacted how he makes portfolio decisions. Mercer appreciates Gensler's willingness to examine his own mistakes and behavioral biases and look for ways to continually improve his decision-making processes. Mercer does not believe Gensler will sit back and be satisfied with the status quo.

Gensler acknowledged that he now makes greater use of the extensive risk management tools available at to him at T. Rowe, particularly in how they can help him understand the components of active risk in the portfolio. Examining the risk profile has reaffirmed that the highest percentage contribution to risk should come from stock selection and that sector, industry, country and currency should be secondary contributors. Recent and historical holdings analysis confirms this is the case. Additionally, this exercise reaffirmed that his portfolio is likely to struggle when market volatility spikes up and at discontinuous market events. Mercer remains confident that Gensler uses the risk tools as an additional source of information, but does not allow them to unduly drive portfolio positioning. Gensler does appear to have taken a step back from the view that he needs more external and top-down inputs to the process.

Gensler will be adding three new members to his Investment Advisors committee. One person's background is in Australia and is a new addition to T. Rowe. The two other additions bring sector expertise, one in infrastructure and Rick de la Reyes on Metals & Mining. Additionally, Gensler is participating in Bob Smith's monthly committee calls for the Non-US Growth strategy. Gensler explained his use of the advisory committee as a means to attain more peripheral views on the portfolio. He admits to weighing the inputs from the regional portfolio managers more heavily as they tend to bring a broader perspective than the sector specialists. That said, Gensler has discontinued his quarterly advisory survey. He explained that he used this as a tool to help navigate the risks of a crisis market, but felt it was more work than it was worth as markets began to stabilize.

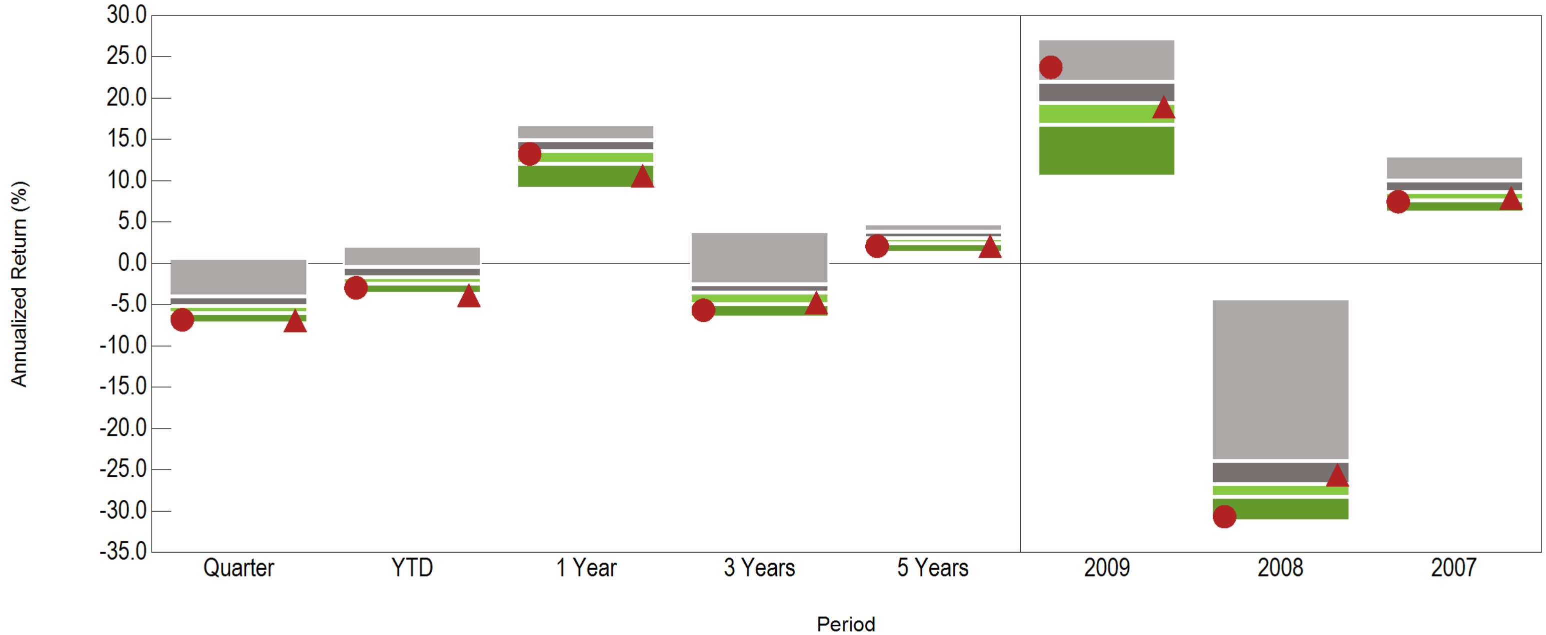
T. Rowe has appointed two new associates portfolio managers to help Gensler and Scott Berg manage their respective global strategies. Josh Nelson, who will officially take on the role in October 2010, will be primarily supporting Gensler on Global Equity. Jay Nogueira joined the Global Equity team to support Berg. Nelson has seven years of investment experience and has been at T. Rowe for two years. Gensler anticipates that for the first few years, Nelson will primarily focus on companies, splitting his time evenly between existing holdings and new ideas. Over time, as Nelson gains comfort with the portfolio and universe, Gensler would anticipate he take on some portfolio and risk management duties. Nelson's hire helps to allay Mercer's previous concern that Gensler no longer received direct support from Berg now that he is managing his own product. As Nelson settles in, Mercer will look to see how he grows into the role and the kind of support he provides to Gensler.

Assets under management in the strategy total $15 billion and the strategy remains closed to most investors with the intent to allow any available capacity to go to existing clients. T. Rowe is no longer accepting new separate account mandates and the commingled fund is mostly closed.

Board Report

Total Plan

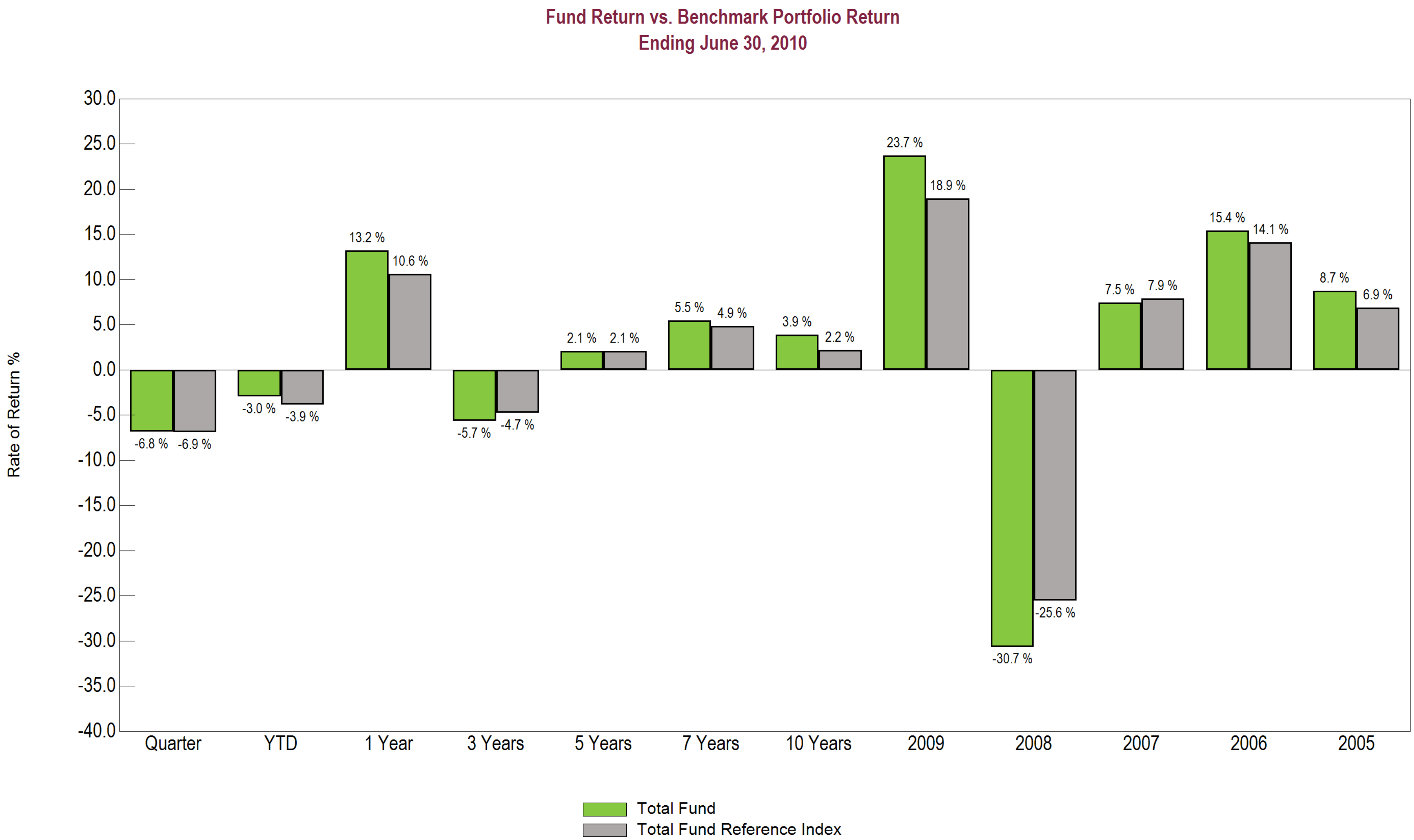
Performance



Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2009		2008		2007	
5th Percentile	0.6		2.1		16.8		3.9		4.8		27.2		-4.3		13.0	
25th Percentile	-4.0		-0.5		14.8		-2.6		3.8		21.9		-24.0		10.0	
Median	-5.2		-1.7		13.5		-3.6		3.0		19.4		-26.8		8.6	
75th Percentile	-6.1		-2.5		12.0		-5.0		2.4		16.8		-28.3		7.6	
95th Percentile	-7.3		-3.8		9.0		-6.6		1.2		10.4		-31.2		6.1	
# of Portfolios	73		73		72		70		67		66		59		51	
● Total Fund	-6.8	(92)	-3.0	(85)	13.2	(55)	-5.7	(86)	2.1	(84)	23.7	(11)	-30.7	(95)	7.5	(76)
▲ Total Fund Reference Index	-6.9	(93)	-3.9	(96)	10.6	(87)	-4.7	(71)	2.1	(83)	18.9	(54)	-25.6	(34)	7.9	(68)

Total Plan

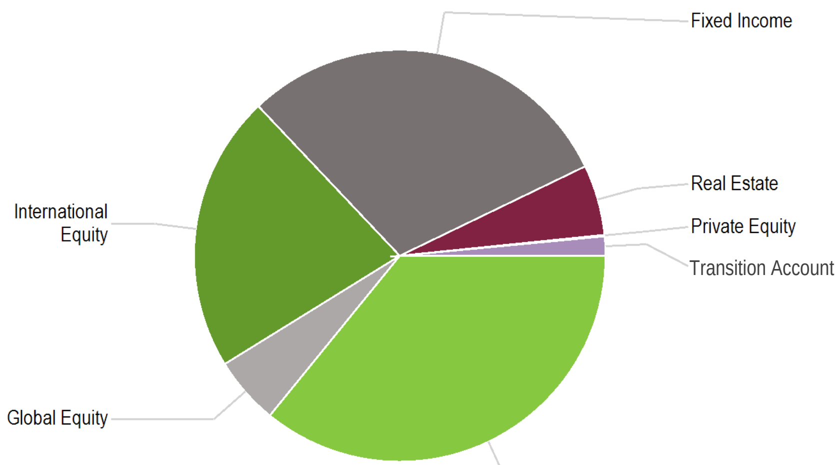
Performance



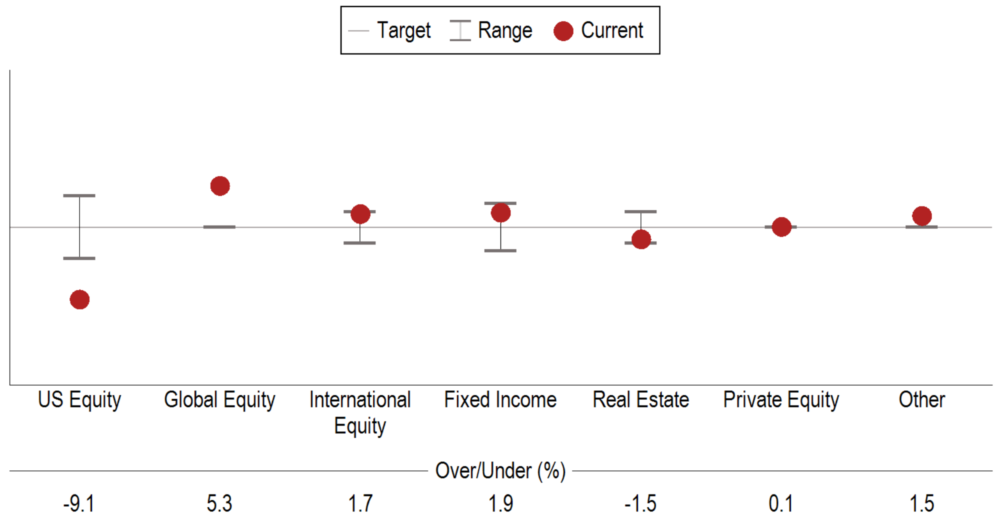
Total Plan

Asset Allocation vs. Target

Current Allocation
as of June 30, 2010



Actual vs. Target
as of June 30, 2010



Allocation vs. Targets and Policy
as of June 30, 2010

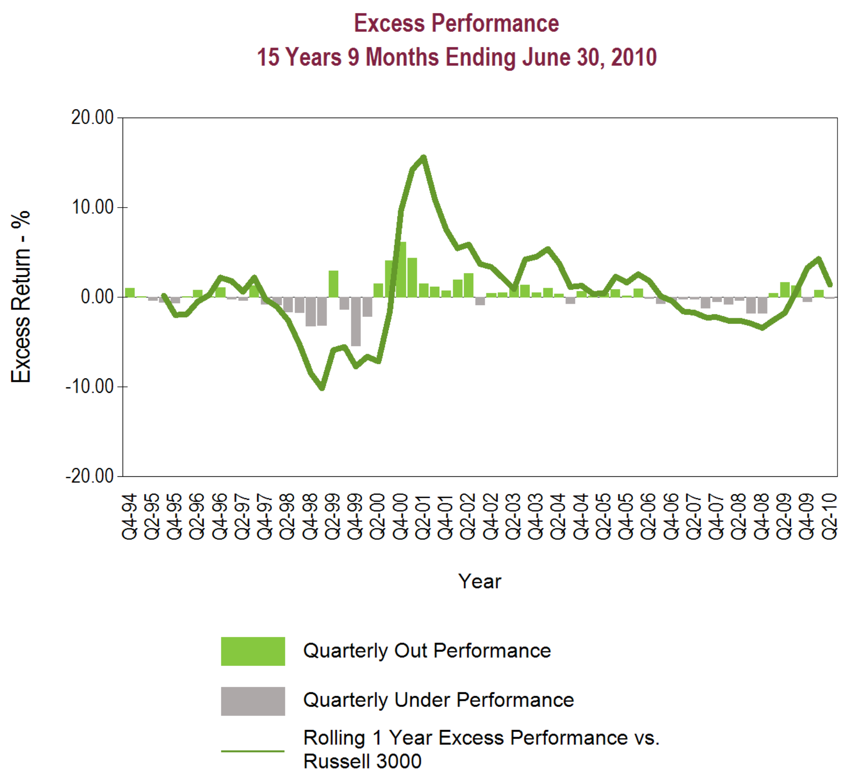
	Current Balance	Current Allocation	Target Allocation	Difference	Target Ranges	Within IPS Range?[1]
US Equity	$1,347,976,209	35.9%	45.0%	-$342,877,642	41.0% - 49.0%	No
Global Equity	$199,822,917	5.3%	0.0%	$199,822,917	0.0% - 0.0%	No
International Equity	$817,055,606	21.7%	20.0%	$65,565,005	18.0% - 22.0%	Yes
Fixed Income	$1,124,080,366	29.9%	28.0%	$71,993,525	25.0% - 31.0%	Yes
Real Estate	$207,700,133	5.5%	7.0%	-$55,321,577	5.0% - 9.0%	Yes
Private Equity	$4,225,000	0.1%	0.0%	$4,225,000	0.0% - 0.0%	No
Transition Account	$56,592,772	1.5%	0.0%	$56,592,772	0.0% - 0.0%	No
Total	**$3,757,453,003[2]**	**100.0%**	**100.0%**			

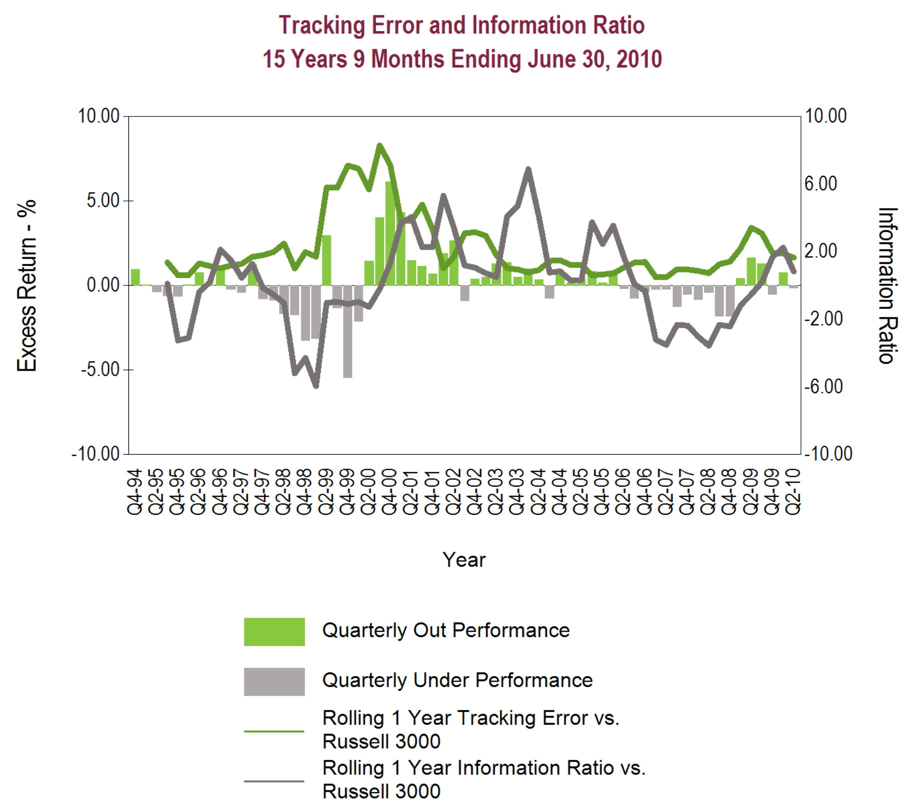
[1] In March 2010, the Plan started transitioning to the interim asset allocation, which includes a 22% allocation to International Equity, 33% allocation to Domestic Equity and 10% allocation to Global Equity. Since the transition is gradual, the respective adjustments to the total fund benchmark and asset allocation targets/target ranges will be made when the transition is completed.

[2] Excludes $26.9 million in cash.

Total Domestic Equity Composite

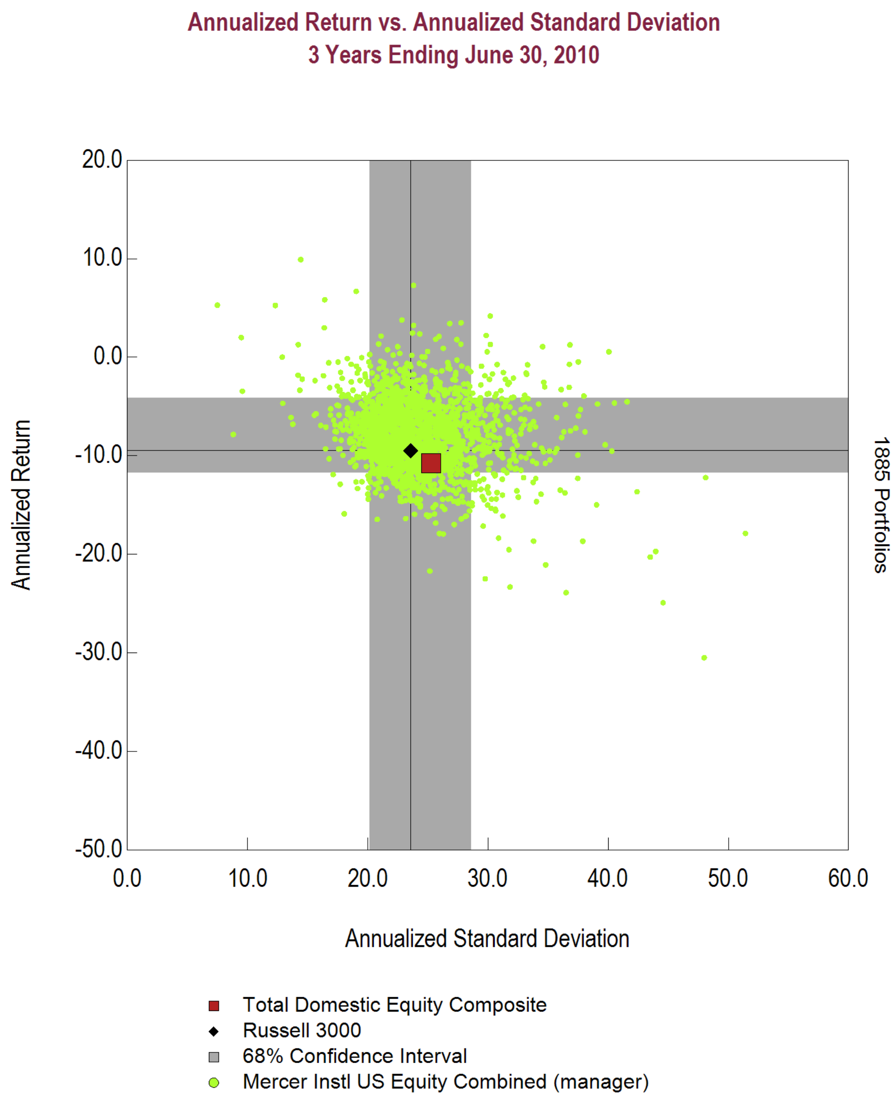
Performance and Risk

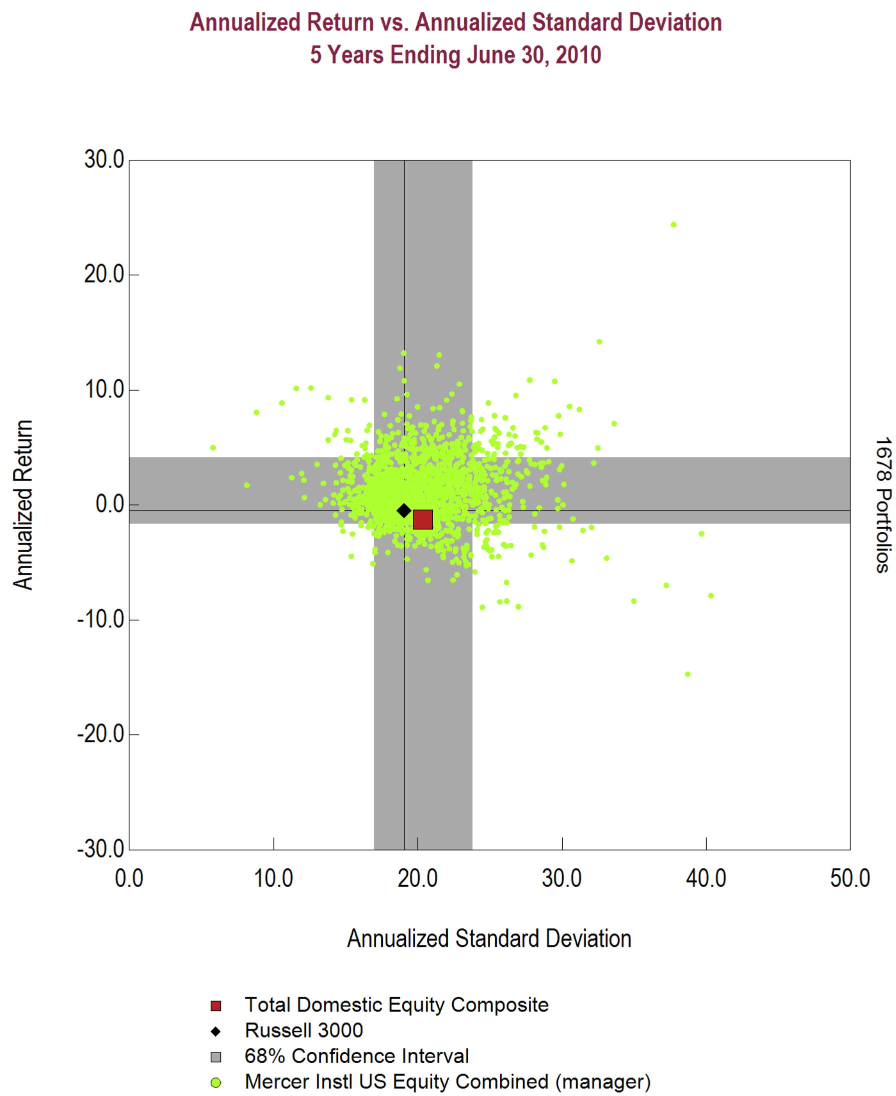




Total Domestic Equity Composite

Performance and Risk

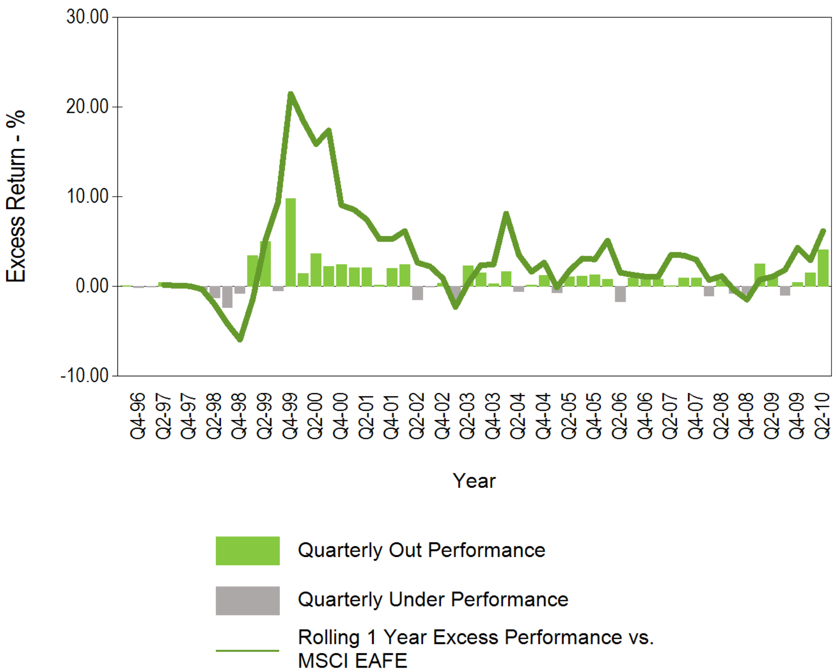




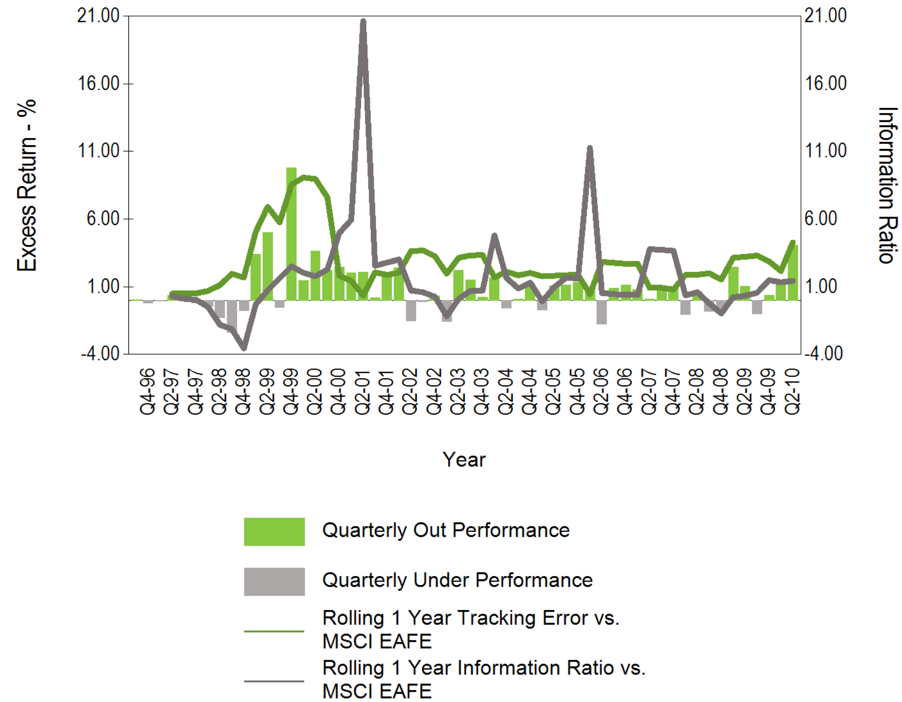
Total Intl Equity Composite

Performance and Risk

Excess Performance
14 Years 2 Months Ending June 30, 2010



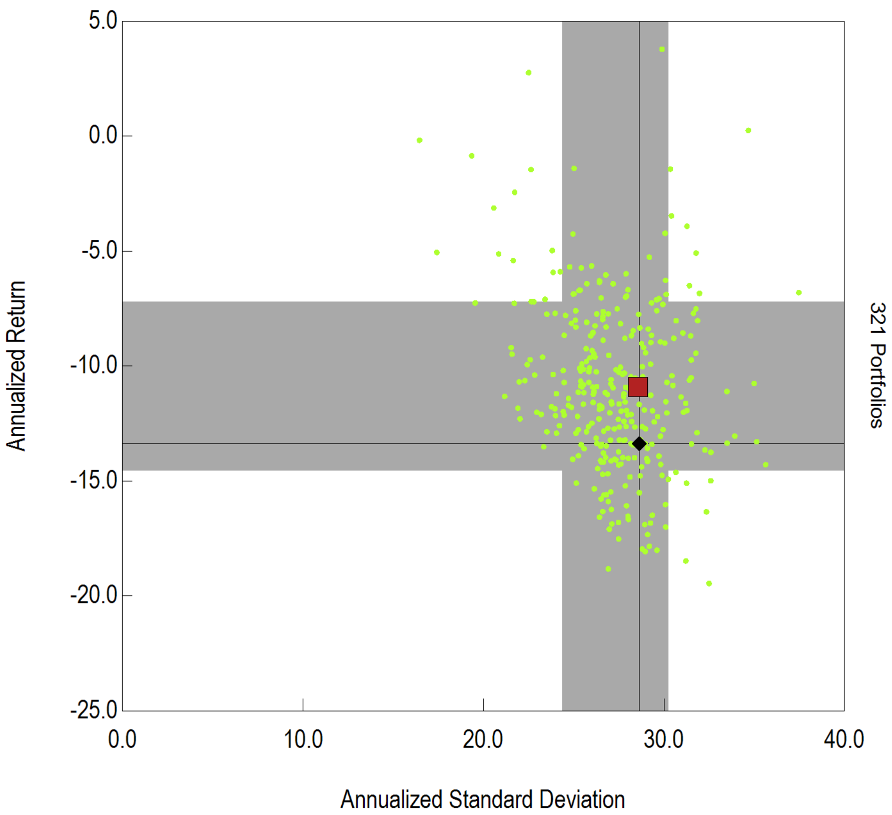
Tracking Error and Information Ratio
14 Years 2 Months Ending June 30, 2010



Total Intl Equity Composite

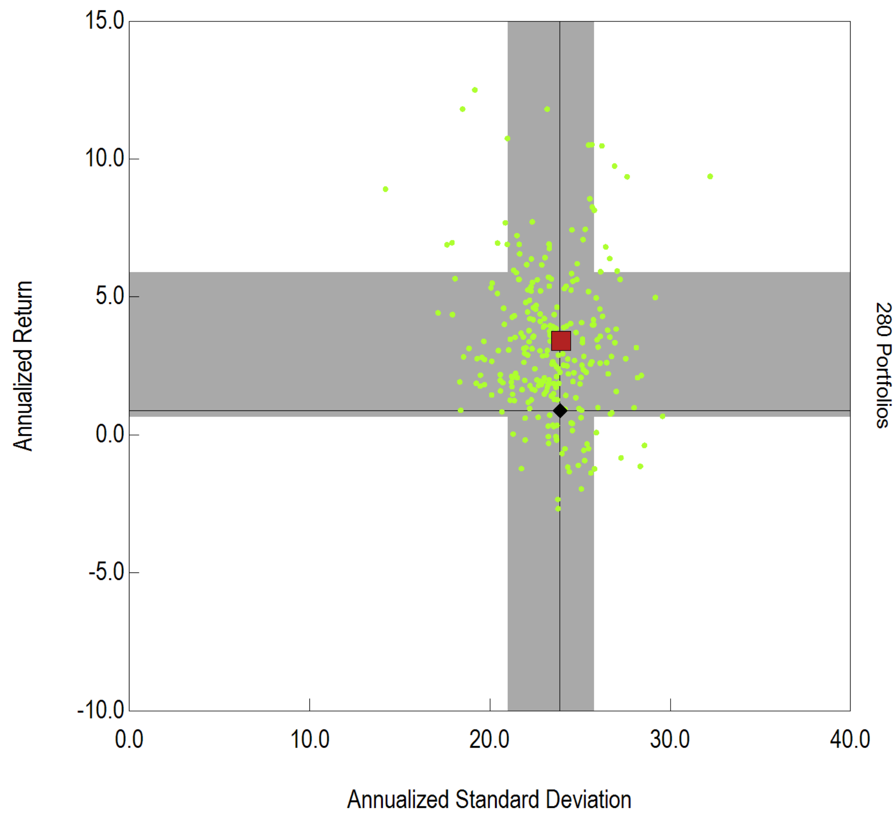
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2010



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2010

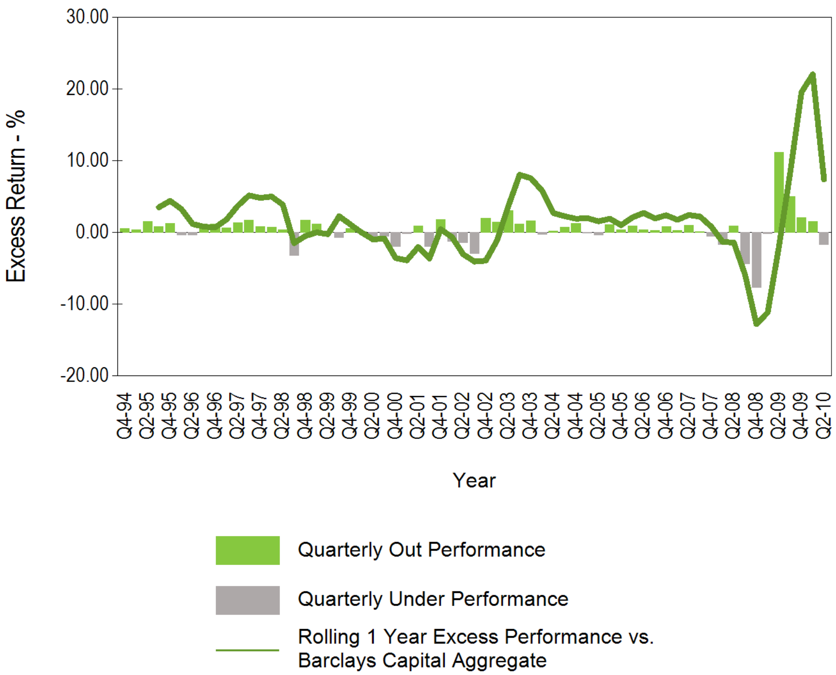


- ■ Total Intl Equity Composite
- ◆ MSCI EAFE
- ■ 68% Confidence Interval
- ● Mercer Instl Intl Equity (manager)

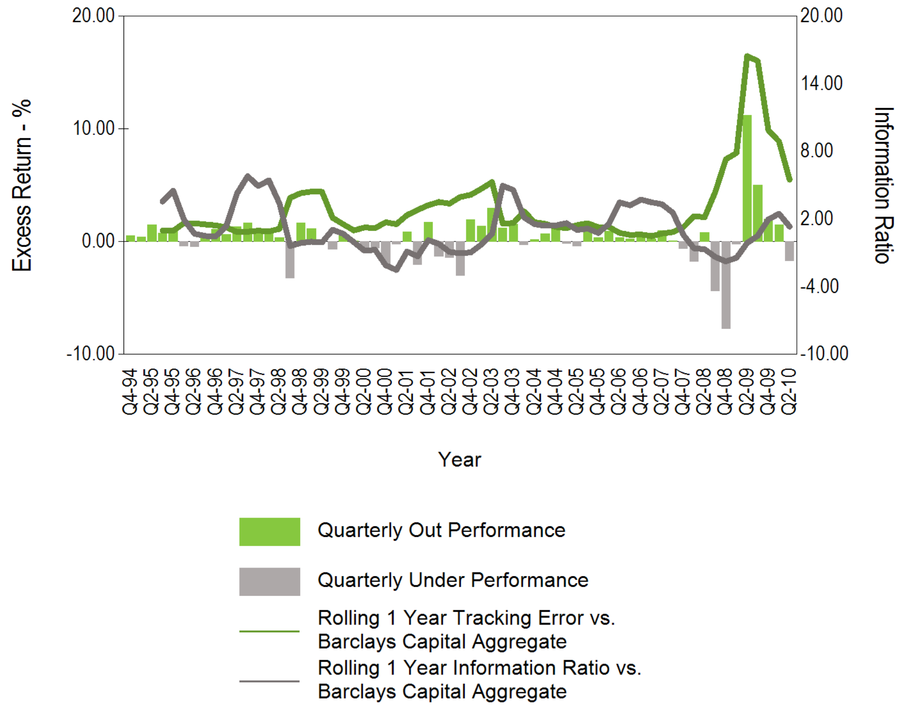
Total Fixed Income Composite

Performance and Risk

Excess Performance
15 Years 9 Months Ending June 30, 2010

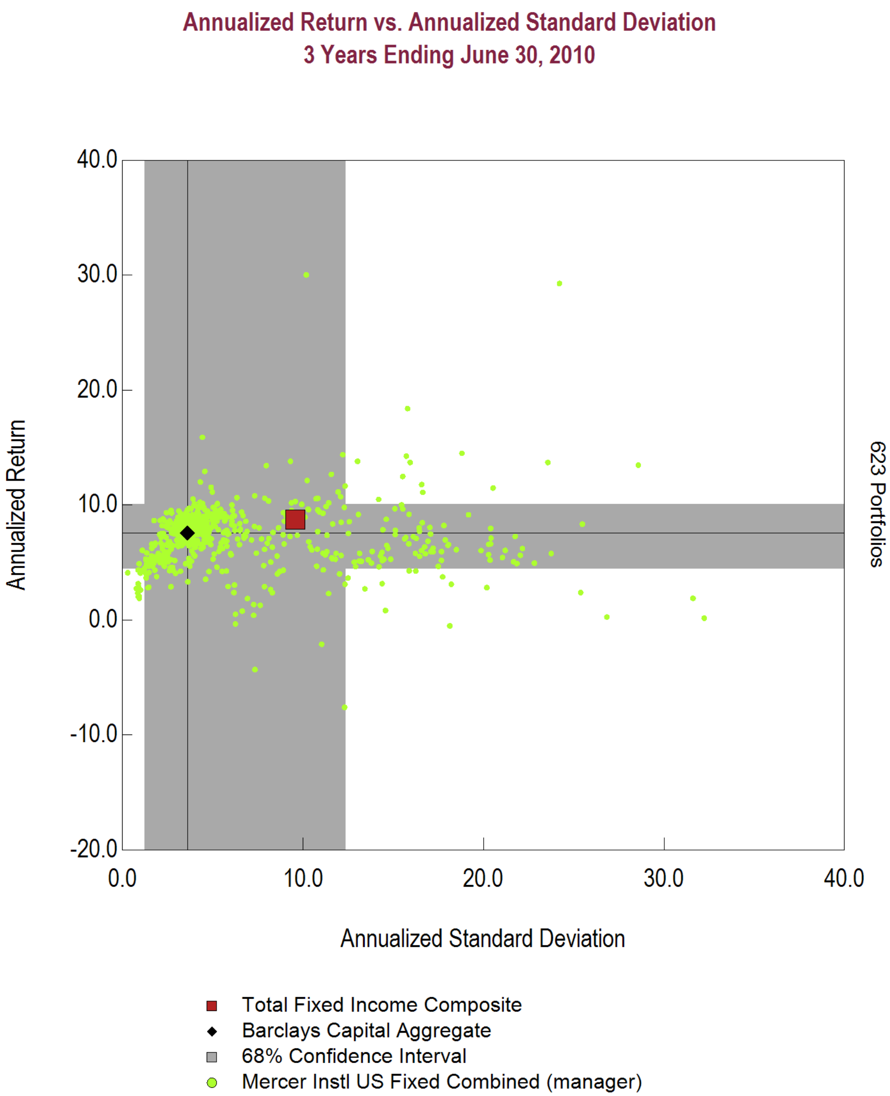


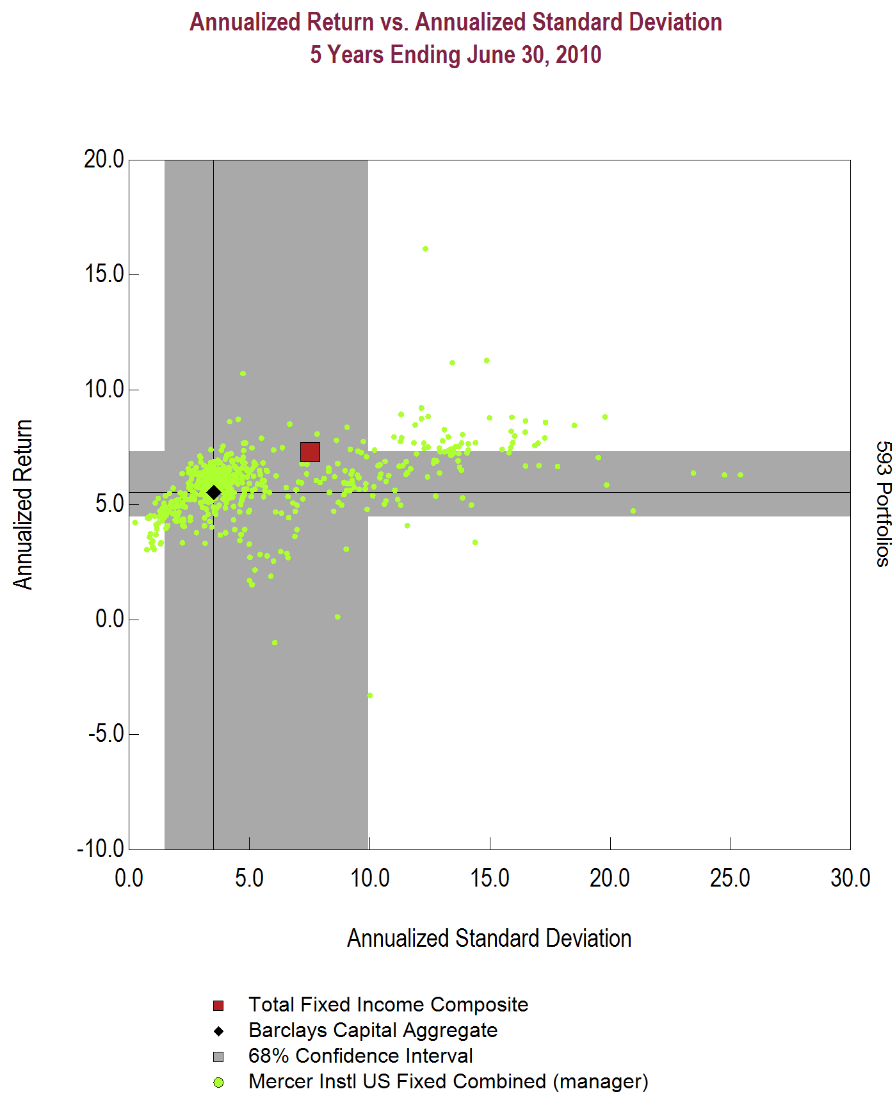
Tracking Error and Information Ratio
15 Years 9 Months Ending June 30, 2010



Total Fixed Income Composite

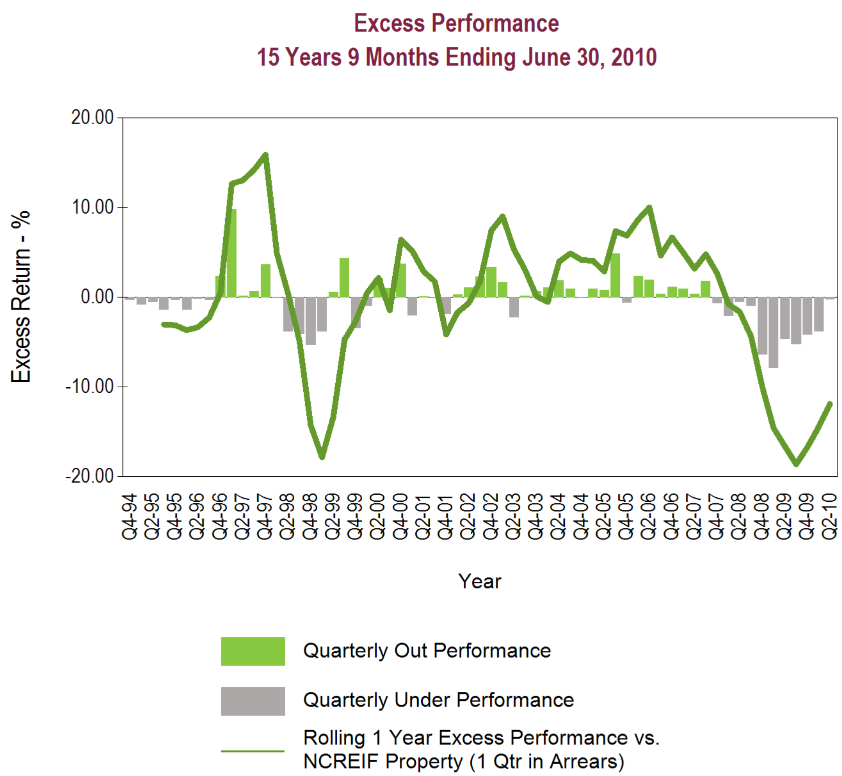
Performance and Risk

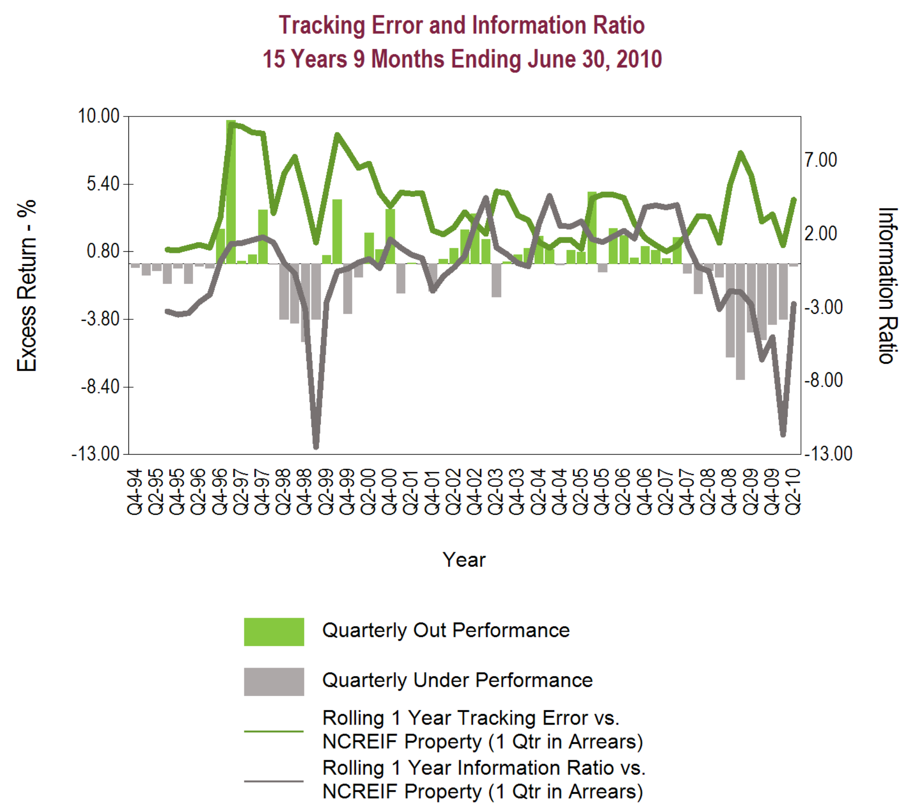




Total Real Estate Composite

Performance and Risk



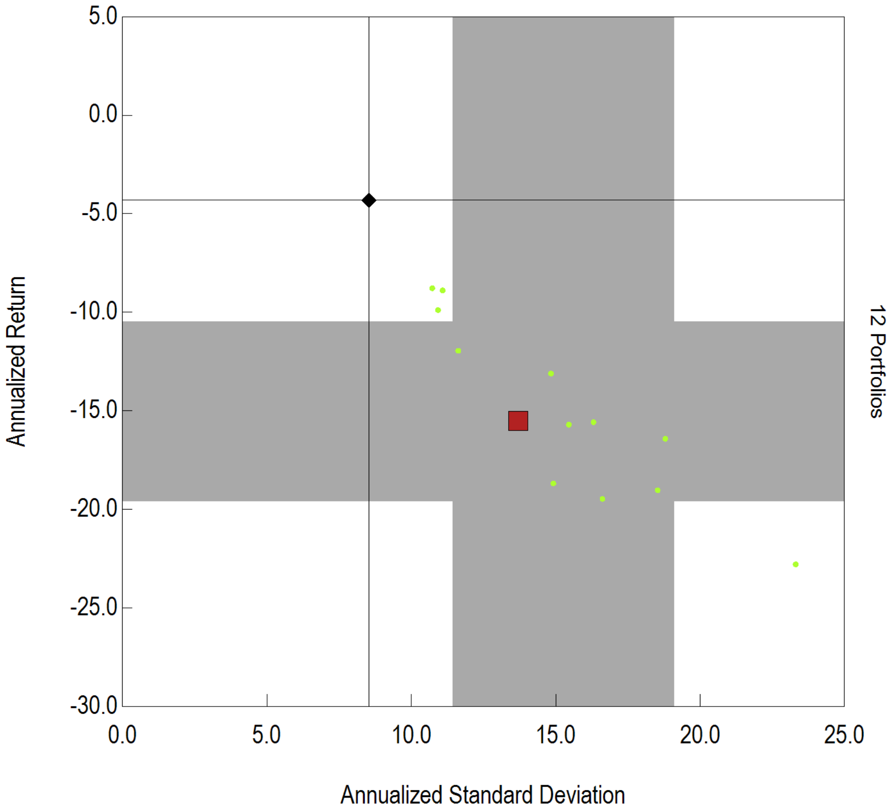


Mercer Investment Consulting, Inc.

Total Real Estate Composite

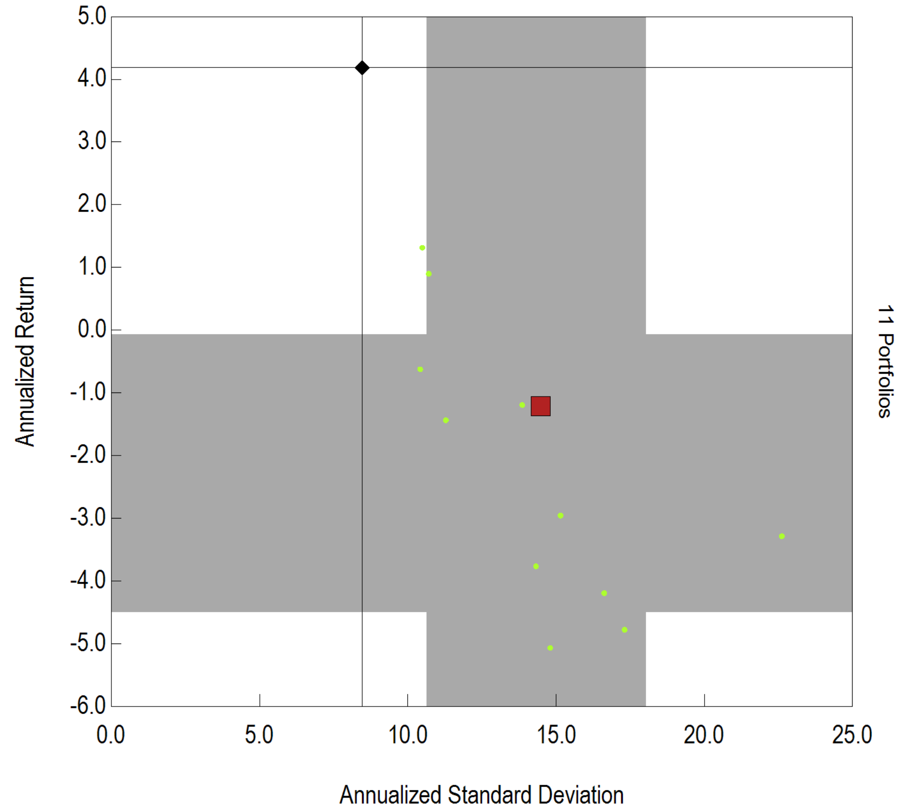
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2010



- 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 June 30, 2010



- 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	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2010										Inception	
Total Fund	**$3,784,358,076[1]**	**100.0%**	**-6.8%**	**92**	**-3.0%**	**85**	**13.2%**	**55**	**-5.7%**	**86**	**2.1%**	**84**	**9.4%**	**Nov-78**
Total Fund Reference Index			*-6.9%*	*93*	*-3.9%*	*96*	*10.6%*	*87*	*-4.7%*	*71*	*2.1%*	*83*	*--*	*Nov-78*
CPI + 4%			*1.4%*	*1*	*3.2%*	*4*	*5.1%*	*99*	*5.5%*	*1*	*6.4%*	*1*	*7.8%*	*Nov-78*
Public Funds >$1B Median			*-5.2%*		*-1.7%*		*13.5%*		*-3.6%*		*3.0%*		*9.9%*	*Nov-78*
Total Domestic Equity Composite	**$1,347,976,209**	**35.6%**	**-11.5%**	**65**	**-5.5%**	**57**	**17.1%**	**51**	**-10.8%**	**81**	**-1.3%**	**85**	**9.2%**	**Dec-87**
Russell 3000			*-11.3%*	*62*	*-6.0%*	*63*	*15.7%*	*59*	*-9.5%*	*66*	*-0.5%*	*74*	*9.1%*	*Dec-87*
Mercer Instl US Equity Combined Median			*-10.7%*		*-4.7%*		*17.1%*		*-8.0%*		*1.0%*		*10.9%*	*Dec-87*
Northern Trust Global	$288,952,937	7.6%	-11.4%	64	-6.5%	68	14.8%	65	-9.9%	72	-0.8%	80	1.0%	Jun-98
S&P 500 Index (Total Return)			*-11.4%*	*64*	*-6.7%*	*70*	*14.4%*	*68*	*-9.8%*	*71*	*-0.8%*	*79*	*1.0%*	*Jun-98*
Mercer Instl US Equity Combined Median			*-10.7%*		*-4.7%*		*17.1%*		*-8.0%*		*1.0%*		*4.6%*	*Jun-98*
BlackRock R1000 Alpha Tilts	$210,299,209	5.6%	-13.4%	93	-9.3%	94	11.1%	83	-11.7%	95	-2.0%	97	1.4%	Apr-02
Russell 1000			*-11.4%*	*48*	*-6.4%*	*39*	*15.2%*	*31*	*-9.5%*	*65*	*-0.6%*	*71*	*1.9%*	*Apr-02*
Mercer Instl US Equity Large Cap Core Median			*-11.5%*		*-6.8%*		*13.8%*		*-8.9%*		*0.2%*		*1.7%*	*Apr-02*
Turner Investment Partners	$209,463,288	5.5%	-10.8%	28	-6.3%	24	12.0%	57	-11.1%	95	-3.1%	98	2.1%	Jul-02
Russell 1000 Growth			*-11.7%*	*52*	*-7.6%*	*50*	*13.6%*	*43*	*-6.9%*	*50*	*0.4%*	*59*	*3.7%*	*Jul-02*
Mercer Instl US Equity Large Cap Growth Median			*-11.7%*		*-7.7%*		*12.7%*		*-7.0%*		*0.8%*		*3.5%*	*Jul-02*
AllianceBernstein L.P.	$192,983,995	5.1%	-13.5%	86	-6.8%	56	15.5%	40	-15.9%	98	-3.9%	96	5.4%	Jul-96
Russell 1000 Value			*-11.1%*	*31*	*-5.1%*	*24*	*16.9%*	*26*	*-12.3%*	*78*	*-1.6%*	*77*	*6.5%*	*Jul-96*
Mercer Instl US Equity Large Cap Value Median			*-11.8%*		*-6.5%*		*14.7%*		*-10.2%*		*-0.4%*		*7.0%*	*Jul-96*
Earnest Partners LLC	$150,825,264	4.0%	-7.5%	14	0.3%	10	24.3%	37	-5.1%	25	2.4%	43	3.7%	Apr-05
Russell Mid Cap			*-9.9%*	*45*	*-2.1%*	*49*	*25.1%*	*22*	*-8.2%*	*64*	*1.2%*	*63*	*2.6%*	*Apr-05*
Mercer Instl US Equity Mid Cap Core Median			*-9.9%*		*-2.2%*		*22.2%*		*-6.8%*		*2.0%*		*2.5%*	*Apr-05*

[1] Includes cash.

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

Total Plan

Performance Summary - Gross of Fees

			Ending June 30, 2010										Inception	
Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	$215,941,080	5.7%	-11.0%	82	0.4%	36	32.6%	18	-9.9%	81	0.8%	69	10.9%	Sep-96
Russell 2000 Value			*-10.6%*	*76*	*-1.6%*	*67*	*25.1%*	*58*	*-9.8%*	*81*	*-0.5%*	*82*	*8.1%*	*Sep-96*
Mercer Instl US Equity Small Cap Value Median			*-9.5%*		*-0.4%*		*26.3%*		*-6.8%*		*2.5%*		*10.5%*	*Sep-96*
Allianz Global Investors Capital	$79,510,436	2.1%	-10.4%	84	--	--	--	--	--	--	--	--	-10.4%	Mar-10
Russell 2000 Growth			*-9.2%*	*62*	*-2.3%*	*54*	*18.0%*	*66*	*-7.5%*	*45*	*1.1%*	*57*	*-9.2%*	*Mar-10*
Mercer Instl US Equity Small Cap Growth Median			*-8.7%*		*-2.2%*		*20.2%*		*-8.0%*		*1.4%*		*-8.7%*	*Mar-10*
Total Global Equity Composite	**$199,822,917**	**5.3%**	**-13.7%**	**85**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**-13.7%**	**Mar-10**
MSCI The World Index			*-12.7%*	*66*	*-9.8%*	*59*	*10.2%*	*59*	*-11.5%*	*66*	*0.1%*	*81*	*-12.7%*	*Mar-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*-12.1%*	*Mar-10*
Grantham Mayo Van Otterloo	$181,074,406	4.8%	-13.2%	79	--	--	--	--	--	--	--	--	-13.2%	Mar-10
MSCI The World Index			*-12.7%*	*66*	*-9.8%*	*59*	*10.2%*	*59*	*-11.5%*	*66*	*0.1%*	*81*	*-12.7%*	*Mar-10*
MSCI The World Value			*-13.2%*	*77*	*-10.3%*	*67*	*9.7%*	*64*	*-13.5%*	*87*	*-0.8%*	*91*	*-13.2%*	*Mar-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*-12.1%*	*Mar-10*
T. Rowe Price	$18,748,511	0.5%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
MSCI AC World			*-12.1%*	*51*	*-9.4%*	*49*	*11.8%*	*43*	*-10.5%*	*56*	*1.2%*	*67*	*--*	*Jun-10*
MSCI The World Growth			*-12.2%*	*52*	*-9.4%*	*50*	*10.6%*	*56*	*-9.5%*	*42*	*0.8%*	*74*	*--*	*Jun-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*--*	*Jun-10*
Total Intl Equity Composite	**$817,055,606**	**21.6%**	**-9.9%**	**14**	**-7.8%**	**16**	**12.1%**	**30**	**-10.9%**	**47**	**3.4%**	**43**	**6.3%**	**Apr-96**
MSCI EAFE			*-14.0%*	*82*	*-13.2%*	*83*	*5.9%*	*83*	*-13.4%*	*75*	*0.9%*	*86*	*3.0%*	*Apr-96*
Mercer Instl Intl Equity Median			*-12.5%*		*-11.2%*		*9.1%*		*-11.2%*		*2.9%*		*6.2%*	*Apr-96*
Brandes Investment Partners	$312,503,128	8.3%	-12.3%	48	-11.7%	57	5.0%	89	-11.9%	59	2.6%	57	8.5%	Jan-98
MSCI EAFE			*-14.0%*	*82*	*-13.2%*	*83*	*5.9%*	*83*	*-13.4%*	*75*	*0.9%*	*86*	*2.9%*	*Jan-98*
MSCI EAFE Value			*-15.5%*	*96*	*-15.7%*	*98*	*3.2%*	*97*	*-15.1%*	*91*	*0.0%*	*92*	*4.2%*	*Jan-98*
Mercer Instl Intl Equity Median			*-12.5%*		*-11.2%*		*9.1%*		*-11.2%*		*2.9%*		*5.6%*	*Jan-98*

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2010										Inception	
William Blair & Company	$408,968,117	10.8%	-7.2%	2	-4.4%	3	18.0%	7	-10.2%	37	3.9%	35	6.0%	Nov-03
MSCI AC World ex USA (Net)			*-12.4%*	*50*	*-11.1%*	*50*	*10.4%*	*42*	*-10.7%*	*43*	*3.4%*	*44*	*6.7%*	*Nov-03*
MSCI EAFE Growth			*-12.4%*	*50*	*-10.7%*	*44*	*8.6%*	*56*	*-11.7%*	*56*	*1.7%*	*76*	*4.4%*	*Nov-03*
Mercer Instl Intl Equity Median			*-12.5%*		*-11.2%*		*9.1%*		*-11.2%*		*2.9%*		*7.5%*	*Nov-03*
Dimensional Fund Advisors Inc.	$95,584,361	2.5%	-13.1%	92	-8.6%	78	11.8%	82	-11.9%	54	--	--	-3.7%	Mar-06
MSCI EAFE Small Cap Price Index			*-12.0%*	*85*	*-8.3%*	*77*	*10.0%*	*92*	*-15.1%*	*87*	*-1.0%*	*98*	*-7.4%*	*Mar-06*
MSCI EAFE Small Cap			*-11.2%*	*70*	*-6.9%*	*58*	*12.6%*	*77*	*-12.8%*	*64*	*1.4%*	*88*	*-5.0%*	*Mar-06*
Mercer Instl Intl Equity Small Cap Median			*-10.3%*		*-6.6%*		*15.8%*		*-10.9%*		*4.7%*		*-2.0%*	*Mar-06*
Total Fixed Income Composite	**$1,124,080,365[1]**	**29.7%**	**1.8%**	**69**	**5.1%**	**49**	**16.9%**	**28**	**8.7%**	**25**	**7.3%**	**12**	**8.8%**	**Dec-87**
Barclays Capital Aggregate			*3.5%*	*22*	*5.3%*	*42*	*9.5%*	*70*	*7.5%*	*51*	*5.5%*	*69*	*7.5%*	*Dec-87*
Mercer Instl US Fixed Combined Median			*2.8%*		*5.1%*		*11.8%*		*7.6%*		*6.0%*		*7.7%*	*Dec-87*
BlackRock Intermediate Agg	$308,754,790	8.2%	3.0%	39	4.9%	38	8.9%	61	7.5%	60	5.7%	62	6.2%	Jun-99
Barclays Capital Int Aggregate			*2.9%*	*41*	*4.8%*	*43*	*8.7%*	*65*	*7.3%*	*65*	*5.6%*	*71*	*6.1%*	*Jun-99*
Mercer Instl US Fixed Intermediate Median			*2.8%*		*4.7%*		*9.4%*		*7.7%*		*5.8%*		*6.3%*	*Jun-99*
Reams Asset Management	$296,885,168	7.8%	3.6%	12	6.7%	13	16.5%	39	10.7%	5	7.9%	4	7.1%	Dec-01
Barclays Capital Aggregate			*3.5%*	*13*	*5.3%*	*71*	*9.5%*	*96*	*7.5%*	*64*	*5.5%*	*77*	*5.7%*	*Dec-01*
Mercer Instl US Fixed Core Opportunistic Median			*2.9%*		*5.8%*		*15.3%*		*8.0%*		*6.3%*		*6.6%*	*Dec-01*
Loomis, Sayles & Company, L.P.	$518,440,408	13.7%	0.1%	98	4.4%	95	21.7%	8	7.5%	65	7.4%	13	10.0%	Nov-87
Barclays Capital Aggregate			*3.5%*	*13*	*5.3%*	*71*	*9.5%*	*96*	*7.5%*	*64*	*5.5%*	*77*	*7.5%*	*Nov-87*
Mercer Instl US Fixed Core Opportunistic Median			*2.9%*		*5.8%*		*15.3%*		*8.0%*		*6.3%*		*8.4%*	*Nov-87*

[1] Excludes $26.9 million in cash.

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
			Ending June 30, 2010										Inception	
Total Private Equity	**$4,225,000**	**0.1%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**Jun-10**
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Abbott Capital Management	$175,000	0.0%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Mesirow Financial	$4,050,000	0.1%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Total Real Estate Composite	**$207,700,133**	**5.5%**	**0.6%**	**99**	**-5.4%**	**99**	**-21.5%**	**99**	**-15.5%**	**46**	**-1.2%**	**31**	**4.8%**	**May-86**
NCREIF Property (1 Qtr in Arrears)			*0.8%*	*99*	*-1.4%*	*99*	*-9.6%*	*32*	*-4.3%*	*1*	*4.2%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*4.0%*		*3.8%*		*-12.6%*		*-15.6%*		*-3.0%*		*5.7%*	*May-86*
Real Estate	$207,700,133	5.5%	0.6%	99	-5.4%	99	-21.5%	99	-15.5%	46	-1.2%	31	4.8%	May-86
NCREIF Property (1 Qtr in Arrears)			*0.8%*	*99*	*-1.4%*	*99*	*-9.6%*	*32*	*-4.3%*	*1*	*4.2%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*4.0%*		*3.8%*		*-12.6%*		*-15.6%*		*-3.0%*		*5.7%*	*May-86*
Transition Account	$56,592,772	1.5%	--	--	--	--	--	--	--	--	--	--	--	Mar-10

Total Plan

Performance Summary - Net of Fees

Total Plan Performance

			Ending June 30, 2010										Inception	
Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	**$3,784,358,076[1]**	**100.0%**	**-6.9%**	**93**	**-3.1%**	**87**	**13.0%**	**59**	**-5.9%**	**87**	**1.8%**	**90**	**8.9%**	**Nov-78**
Total Fund Reference Index			*-6.9%*	*93*	*-3.9%*	*96*	*10.6%*	*87*	*-4.7%*	*71*	*2.1%*	*83*	*--*	*Nov-78*
CPI + 4%			*1.4%*	*1*	*3.2%*	*4*	*5.1%*	*99*	*5.5%*	*1*	*6.4%*	*1*	*7.8%*	*Nov-78*
Public Funds >$1B Median			*-5.2%*		*-1.7%*		*13.5%*		*-3.6%*		*3.0%*		*9.9%*	*Nov-78*
Total Domestic Equity Composite	**$1,347,976,209**	**35.6%**	**-11.5%**	**65**	**-5.6%**	**58**	**16.9%**	**52**	**-10.9%**	**82**	**-1.5%**	**88**	**9.0%**	**Dec-87**
Russell 3000			*-11.3%*	*62*	*-6.0%*	*63*	*15.7%*	*59*	*-9.5%*	*66*	*-0.5%*	*74*	*9.1%*	*Dec-87*
Mercer Instl US Equity Combined Median			*-10.7%*		*-4.8%*		*17.1%*		*-8.0%*		*1.0%*		*10.9%*	*Dec-87*
Northern Trust Global	$288,952,937	7.6%	-11.4%	64	-6.5%	68	14.7%	65	-9.9%	72	-0.9%	80	0.9%	Jun-98
S&P 500 Index (Total Return)			*-11.4%*	*64*	*-6.7%*	*69*	*14.4%*	*68*	*-9.8%*	*71*	*-0.8%*	*79*	*1.0%*	*Jun-98*
Mercer Instl US Equity Combined Median			*-10.7%*		*-4.8%*		*17.1%*		*-8.0%*		*1.0%*		*4.6%*	*Jun-98*
BlackRock R1000 Alpha Tilts	$210,299,209	5.6%	-13.5%	93	-9.4%	95	11.1%	83	-11.8%	95	-2.1%	98	1.2%	Apr-02
Russell 1000			*-11.4%*	*48*	*-6.4%*	*39*	*15.2%*	*31*	*-9.5%*	*64*	*-0.6%*	*70*	*1.9%*	*Apr-02*
Mercer Instl US Equity Large Cap Core Median			*-11.5%*		*-6.8%*		*13.8%*		*-8.9%*		*0.2%*		*1.7%*	*Apr-02*
Turner Investment Partners	$209,463,288	5.5%	-10.9%	30	-6.4%	27	11.6%	63	-11.4%	96	-3.5%	98	1.8%	Jul-02
Russell 1000 Growth			*-11.7%*	*51*	*-7.6%*	*50*	*13.6%*	*43*	*-6.9%*	*51*	*0.4%*	*60*	*3.7%*	*Jul-02*
Mercer Instl US Equity Large Cap Growth Median			*-11.7%*		*-7.7%*		*12.8%*		*-6.8%*		*0.8%*		*3.5%*	*Jul-02*
AllianceBernstein L.P.	$192,983,995	5.1%	-13.6%	88	-7.0%	58	15.0%	47	-16.3%	99	-4.3%	97	4.9%	Jul-96
Russell 1000 Value			*-11.1%*	*31*	*-5.1%*	*24*	*16.9%*	*27*	*-12.3%*	*78*	*-1.6%*	*77*	*6.5%*	*Jul-96*
Mercer Instl US Equity Large Cap Value Median			*-11.9%*		*-6.6%*		*14.7%*		*-10.2%*		*-0.3%*		*7.0%*	*Jul-96*
Earnest Partners LLC	$150,825,264	4.0%	-7.7%	18	0.0%	14	23.7%	41	-5.6%	30	1.8%	54	3.2%	Apr-05
Russell Mid Cap			*-9.9%*	*48*	*-2.1%*	*51*	*25.1%*	*20*	*-8.2%*	*62*	*1.2%*	*63*	*2.6%*	*Apr-05*
Mercer Instl US Equity Mid Cap Core Median			*-9.9%*		*-2.1%*		*22.2%*		*-6.9%*		*2.0%*		*2.5%*	*Apr-05*

[1] Includes cash.

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

Total Plan

Performance Summary - Net of Fees

			Ending June 30, 2010										Inception	
Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	$215,941,080	5.7%	-11.1%	83	0.4%	37	32.4%	19	-10.0%	82	0.5%	72	10.5%	Sep-96
Russell 2000 Value			*-10.6%*	*77*	*-1.6%*	*67*	*25.1%*	*59*	*-9.8%*	*81*	*-0.5%*	*83*	*8.1%*	*Sep-96*
Mercer Instl US Equity Small Cap Value Median			*-9.4%*		*-0.4%*		*26.4%*		*-6.8%*		*2.5%*		*10.5%*	*Sep-96*
Allianz Global Investors Capital	$79,510,436	2.1%	-10.6%	85	--	--	--	--	--	--	--	--	-10.6%	Mar-10
Russell 2000 Growth			*-9.2%*	*61*	*-2.3%*	*55*	*18.0%*	*66*	*-7.5%*	*44*	*1.1%*	*56*	*-9.2%*	*Mar-10*
Mercer Instl US Equity Small Cap Growth Median			*-8.8%*		*-2.2%*		*20.2%*		*-8.0%*		*1.4%*		*-8.8%*	*Mar-10*
Total Global Equity Composite	**$199,822,917**	**5.3%**	**-13.7%**	**85**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**-13.7%**	**Mar-10**
MSCI The World Index			*-12.7%*	*66*	*-9.8%*	*59*	*10.2%*	*59*	*-11.5%*	*66*	*0.1%*	*81*	*-12.7%*	*Mar-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*-12.1%*	*Mar-10*
Grantham Mayo Van Otterloo	$181,074,406	4.8%	-13.3%	79	--	--	--	--	--	--	--	--	-13.3%	Mar-10
MSCI The World Index			*-12.7%*	*66*	*-9.8%*	*59*	*10.2%*	*59*	*-11.5%*	*66*	*0.1%*	*81*	*-12.7%*	*Mar-10*
MSCI The World Value			*-13.2%*	*77*	*-10.3%*	*67*	*9.7%*	*63*	*-13.5%*	*86*	*-0.8%*	*92*	*-13.2%*	*Mar-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*-12.1%*	*Mar-10*
T. Rowe Price	$18,748,511	0.5%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
MSCI AC World			*-12.1%*	*52*	*-9.4%*	*49*	*11.8%*	*43*	*-10.5%*	*55*	*1.2%*	*67*	*--*	*Jun-10*
MSCI The World Growth			*-12.2%*	*53*	*-9.4%*	*50*	*10.6%*	*55*	*-9.5%*	*42*	*0.8%*	*73*	*--*	*Jun-10*
Mercer Instl Global Equity Median			*-12.1%*		*-9.5%*		*11.2%*		*-10.2%*		*2.0%*		*--*	*Jun-10*
Total Intl Equity Composite	**$817,055,606**	**21.6%**	**-10.0%**	**15**	**-8.0%**	**18**	**11.6%**	**33**	**-11.3%**	**53**	**2.9%**	**50**	**5.9%**	**Apr-96**
MSCI EAFE			*-14.0%*	*82*	*-13.2%*	*83*	*5.9%*	*83*	*-13.4%*	*76*	*0.9%*	*86*	*3.0%*	*Apr-96*
Mercer Instl Intl Equity Median			*-12.4%*		*-11.1%*		*9.1%*		*-11.2%*		*2.9%*		*6.1%*	*Apr-96*
Brandes Investment Partners	$312,503,128	8.3%	-12.4%	50	-11.8%	61	4.5%	91	-12.3%	65	2.2%	63	8.1%	Jan-98
MSCI EAFE			*-14.0%*	*82*	*-13.2%*	*83*	*5.9%*	*83*	*-13.4%*	*76*	*0.9%*	*86*	*2.9%*	*Jan-98*
MSCI EAFE Value			*-15.5%*	*96*	*-15.7%*	*98*	*3.2%*	*97*	*-15.1%*	*91*	*0.0%*	*92*	*4.2%*	*Jan-98*
Mercer Instl Intl Equity Median			*-12.4%*		*-11.1%*		*9.1%*		*-11.2%*		*2.9%*		*5.6%*	*Jan-98*

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
			Ending June 30, 2010											
William Blair & Company	$408,968,117	10.8%	-7.3%	3	-4.6%	3	17.5%	8	-10.6%	42	3.5%	42	5.6%	Nov-03
MSCI AC World ex USA (Net)			*-12.4%*	*51*	*-11.1%*	*50*	*10.4%*	*42*	*-10.7%*	*44*	*3.4%*	*44*	*6.7%*	*Nov-03*
MSCI EAFE Growth			*-12.4%*	*51*	*-10.7%*	*45*	*8.6%*	*56*	*-11.7%*	*57*	*1.7%*	*76*	*4.4%*	*Nov-03*
Mercer Instl Intl Equity Median			*-12.4%*		*-11.1%*		*9.1%*		*-11.2%*		*2.9%*		*7.5%*	*Nov-03*
Dimensional Fund Advisors Inc.	$95,584,361	2.5%	-13.3%	93	-8.9%	81	11.1%	88	-12.5%	59	--	--	-4.3%	Mar-06
MSCI EAFE Small Cap Price Index			*-12.0%*	*85*	*-8.3%*	*77*	*10.0%*	*92*	*-15.1%*	*86*	*-1.0%*	*98*	*-7.4%*	*Mar-06*
MSCI EAFE Small Cap			*-11.2%*	*69*	*-6.9%*	*57*	*12.6%*	*78*	*-12.8%*	*63*	*1.4%*	*86*	*-5.0%*	*Mar-06*
Mercer Instl Intl Equity Small Cap Median			*-10.3%*		*-6.7%*		*15.9%*		*-10.9%*		*4.7%*		*-2.2%*	*Mar-06*
Total Fixed Income Composite	**$1,124,080,365[1]**	**29.7%**	**1.7%**	**69**	**5.1%**	**50**	**16.7%**	**28**	**8.6%**	**27**	**7.2%**	**13**	**8.7%**	**Dec-87**
Barclays Capital Aggregate			*3.5%*	*22*	*5.3%*	*42*	*9.5%*	*69*	*7.5%*	*50*	*5.5%*	*68*	*7.5%*	*Dec-87*
Mercer Instl US Fixed Combined Median			*2.8%*		*5.1%*		*11.8%*		*7.5%*		*6.0%*		*7.7%*	*Dec-87*
BlackRock Intermediate Agg	$308,754,790	8.2%	2.9%	42	4.9%	38	8.9%	61	7.5%	59	5.7%	62	6.2%	Jun-99
Barclays Capital Int Aggregate			*2.9%*	*43*	*4.8%*	*44*	*8.7%*	*66*	*7.3%*	*64*	*5.6%*	*69*	*6.1%*	*Jun-99*
Mercer Instl US Fixed Intermediate Median			*2.8%*		*4.7%*		*9.4%*		*7.7%*		*5.8%*		*6.2%*	*Jun-99*
Reams Asset Management	$296,885,168	7.8%	3.5%	12	6.6%	14	16.3%	42	10.6%	6	7.8%	8	6.9%	Dec-01
Barclays Capital Aggregate			*3.5%*	*13*	*5.3%*	*71*	*9.5%*	*96*	*7.5%*	*64*	*5.5%*	*77*	*5.7%*	*Dec-01*
Mercer Instl US Fixed Core Opportunistic Median			*2.9%*		*5.8%*		*15.3%*		*8.0%*		*6.3%*		*6.6%*	*Dec-01*
Loomis, Sayles & Company, L.P.	$518,440,408	13.7%	0.1%	99	4.3%	95	21.6%	8	7.4%	69	7.3%	15	9.9%	Nov-87
Barclays Capital Aggregate			*3.5%*	*13*	*5.3%*	*71*	*9.5%*	*96*	*7.5%*	*64*	*5.5%*	*77*	*7.5%*	*Nov-87*
Mercer Instl US Fixed Core Opportunistic Median			*2.9%*		*5.8%*		*15.3%*		*8.0%*		*6.3%*		*8.4%*	*Nov-87*

[1] Excludes $26.9 million in cash.

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending June 30, 2010											
Total Private Equity	**$4,225,000**	**0.1%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**Jun-10**
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Abbott Capital Management	$175,000	0.0%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Mesirow Financial	$4,050,000	0.1%	--	--	--	--	--	--	--	--	--	--	--	Jun-10
RUSSELL 3000 (ON A QUARTER LAG) + 3%			*7.1%*	*--*	*14.0%*	*--*	*55.4%*	*--*	*-0.8%*	*--*	*5.5%*	*--*	*6.6%*	*Jun-10*
Total Real Estate Composite	**$207,700,133**	**5.5%**	**0.2%**	**99**	**-6.0%**	**99**	**-22.1%**	**95**	**-16.5%**	**67**	**-2.8%**	**57**	**3.4%**	**May-86**
NCREIF Property (1 Qtr in Arrears)			*0.8%*	*99*	*-1.4%*	*94*	*-9.6%*	*42*	*-4.3%*	*1*	*4.2%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*3.4%*		*3.8%*		*-11.8%*		*-14.4%*		*-2.1%*		*5.9%*	*May-86*
Real Estate	$207,700,133	5.5%	0.2%	99	-6.0%	99	-22.1%	95	-16.5%	67	-2.8%	57	3.4%	May-86
NCREIF Property (1 Qtr in Arrears)			*0.8%*	*99*	*-1.4%*	*94*	*-9.6%*	*42*	*-4.3%*	*1*	*4.2%*	*1*	*6.8%*	*May-86*
Mercer Instl US Real Estate Open End Median			*3.4%*		*3.8%*		*-11.8%*		*-14.4%*		*-2.1%*		*5.9%*	*May-86*
Transition Account	$56,592,772	1.5%	--	--	--	--	--	--	--	--	--	--	--	Mar-10

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 Global Equity Composite	2Q 2010
Total International Equity Composite	3Q1996
Total Fixed Income Composite	1Q1988
Total Private Equity Composite	2Q 2010
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
T. Rowe Price	2Q 2010
Mesirow Financial	2Q 2010
Abbott	2Q 2010

Benchmark Performance
For the 10-Year Period Ended June 30, 2010
(Percent Return)

Benchmark	10-Year Annualized Return
Total Fund Composite	3.9
Total Domestic Equity Composite	1.5
Total Global Equity Composite	NA
Total International Equity Composite	3.1
Total Fixed Income Composite	7.6
Total Private Equity Composite	NA
Total Real Estate Composite	5.7
Russell 3000 Index	-0.9
S&P 500 Index	-1.6
Russell 1000 Index	-1.2
Russell 1000 Growth Index	-5.1
Russell 1000 Value Index	2.4
Russell Midcap Index	4.2
Russell 2000 Value Index	7.5
Russell 2000 Growth Index	-1.7
MSCI EAFE Index (net)	0.2
MSCI AC World Ex USA Index (net)	NA
MSCI EAFE Small Cap Price Index	2.9
Barclays Capital Intermediate Aggregate Bond	6.2
Barclays Capital Aggregate Bond	6.5

Mercer Manager Ratings as of June 30, 2010

Manager	Mercer Rating
Northern Trust	N*
BlackRock Alpha Tilts	B+
Alliance (Bernstein)	B+(T)
Turner Investment Partners	N
EARNEST Partners	B+
Allianz	A
Dimensional Fund Advisors SCV	A
GMO	A
T. Rowe Price	A (T)
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)
Abbott	A
Mesirow	A

* Mercer does not currently rate passive strategies.

Performance Reconciliation
For the Quarter Ended June 30, 2010
(Percent Return)

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	-11.4	-11.4
BlackRock (Equity)	-13.4	-13.5
Turner	-10.8	-10.8
AllianceBernstein	-13.5	-13.5
EARNEST Partners	-7.5	-7.6
DFA	-11.0	-11.0
Allianz	-10.4	-10.5
GMO	-13.2	-13.1
T. Rowe Price	--	--
Brandes	-12.3	-12.1 *
William Blair	-7.2	-7.3
DFA Intl SC	-13.1	-14.1 *
BlackRock (Fixed Income)	3.0	3.0
Reams	3.6	3.5 *
Loomis	0.1	0.3 *
Abbott	--	--
Mesirow	--	--

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

Manager Roster and Fee Schedule

as of June 30, 2010

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total Fund	--		--	--
Total Domestic Equity Composite	--		--	--
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	$56,395	0.02%
BlackRock R1000 Alpha Tilts	NA		--	--
Turner Investment Partners	0.33% of First $300.0 Mil, 0.30% Thereafter		$691,229	0.33%
AllianceBernstein L.P.	0.90% of First $15.0 Mil, 0.50% of Next $35.0 Mil, 0.40% Thereafter		$881,936	0.46%
Earnest Partners LLC	0.54% of First $175.0 Mil, 0.50% Thereafter		$806,915	0.54%
Dimensional Fund Advisors Inc.	$59,190 Quarterly*		$236,761	0.11%
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		$564,563	0.71%
Global Equity Composite	--		--	--
Grantham Mayo Van Otterloo	$56,509 Quarterly*		$226,036	0.12%
T. Rowe Price	NA		--	--

*Performance based fee.

Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total Intl Equity Composite	**--**		**--**	**--**
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	$1,343,761	0.43%
William Blair & Company	0.80% of First $20.0 Mil, 0.60% of Next $30.0 Mil, 0.50% of Next $50.0 Mil, 0.45% of Next $50.0 Mil, 0.40% of Next $50.0 Mil, 0.30% Thereafter	$0	$1,641,904	0.40%
Dimensional Fund Advisors Inc.	0.69% of Assets	$0	$659,532	0.69%
Total Fixed Income Composite	**--**		**--**	**--**
BlackRock Intermediate Agg	0.02% of Assets	$0	$61,751	0.02%
Reams Asset Management	0.15% of First $300.0 Mil, 0.10% Thereafter		$445,328	0.15%
Loomis, Sayles & Company, L.P.	0.20% of First $100.0 Mil, 0.14% Thereafter		$785,817	0.15%
Total Private Equity	**--**		**--**	**--**
Abbott Capital Management	--		--	--
Mesirow Financial	--		--	--
Total Real Estate Composite	**--**		**--**	**--**
Real Estate	--		--	--
Transition Account	--		--	--
Investment Management Fee			**$8,401,928**	**0.22%**

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Appendix

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

Style analysis graph time periods may differ reflecting the length of performance history available.

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