

City of Milwaukee Employees' Retirement System

**Board Report
Periods Ending December 31, 2010**

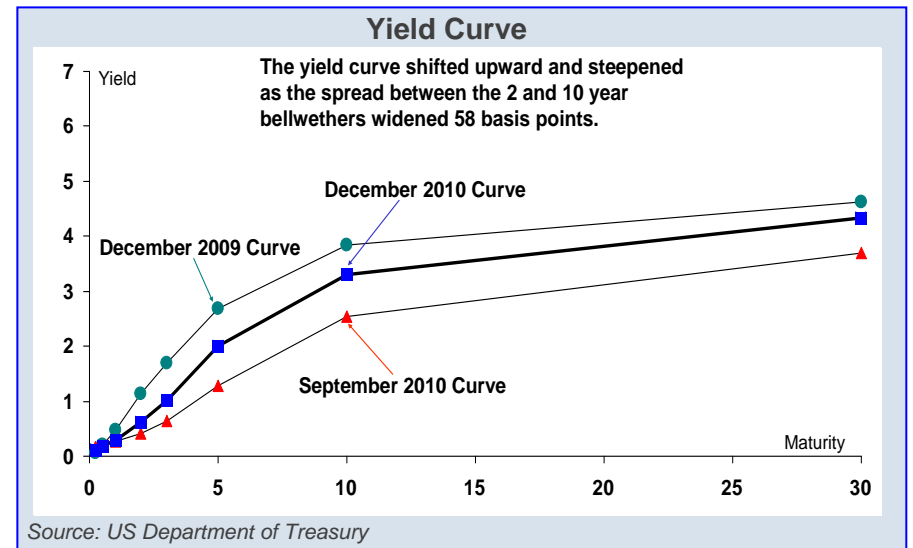
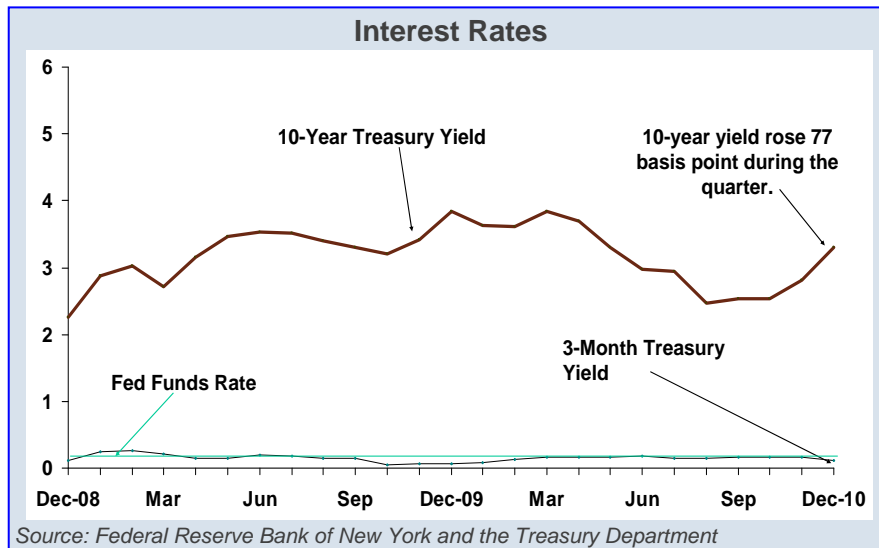
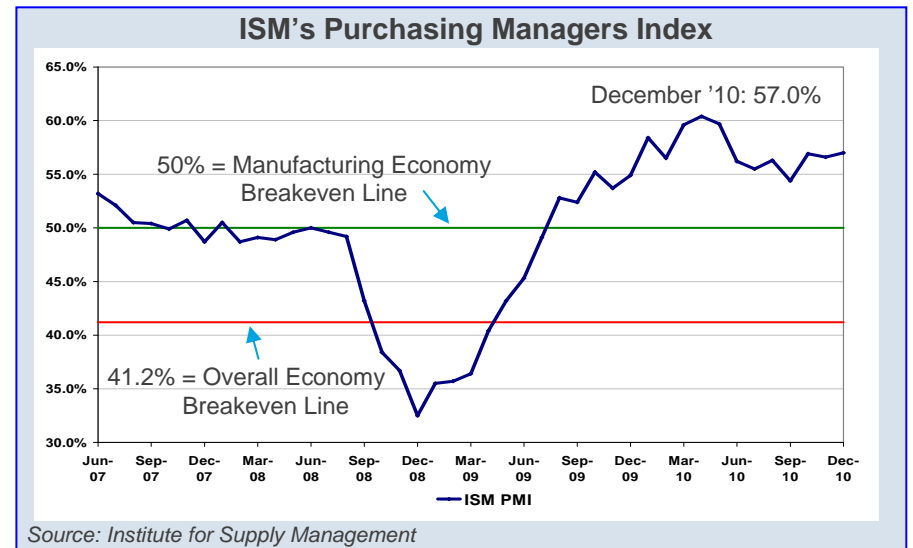
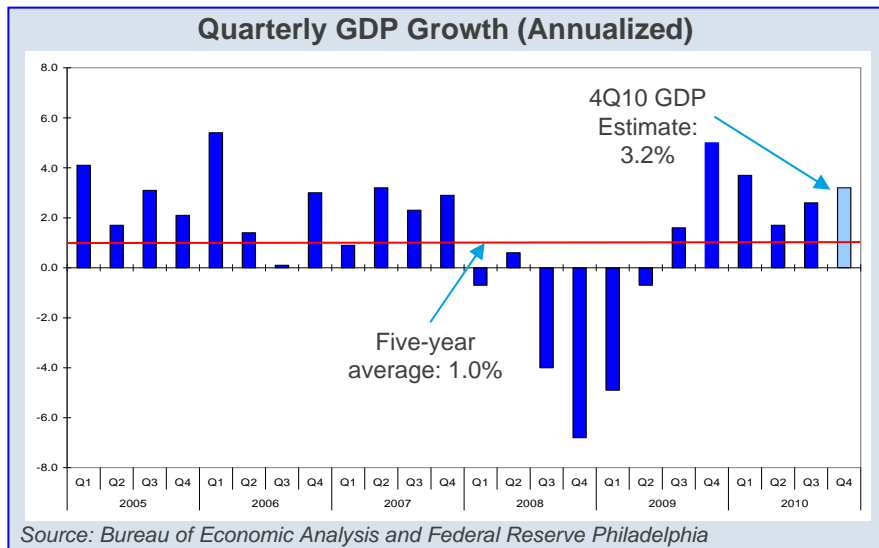
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Capital Markets Commentary

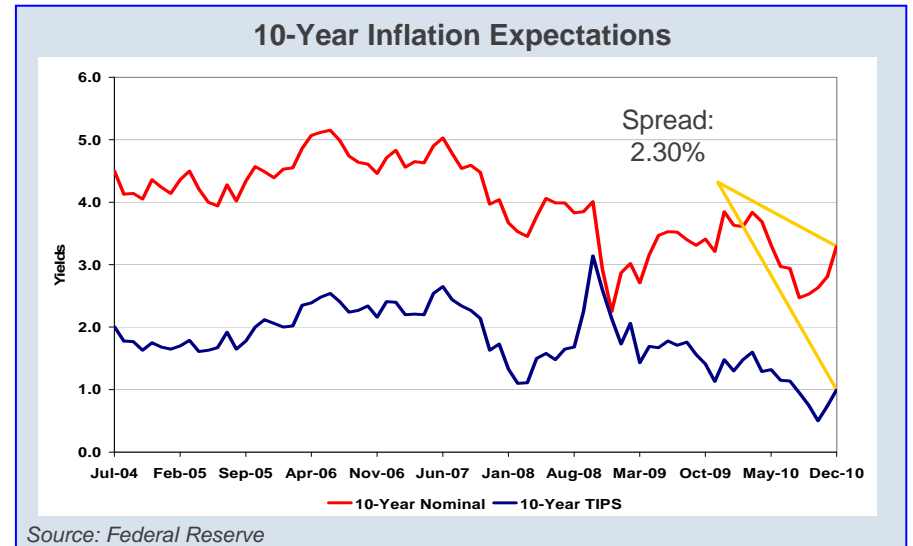
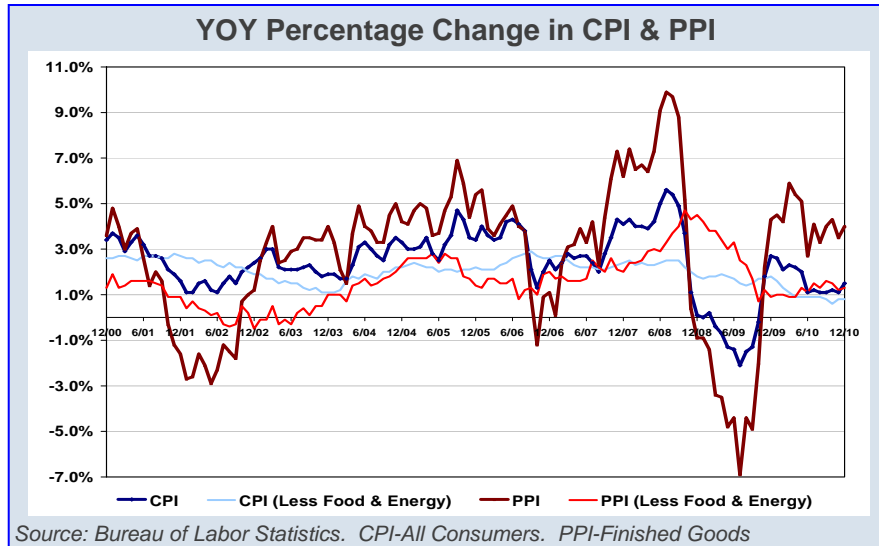
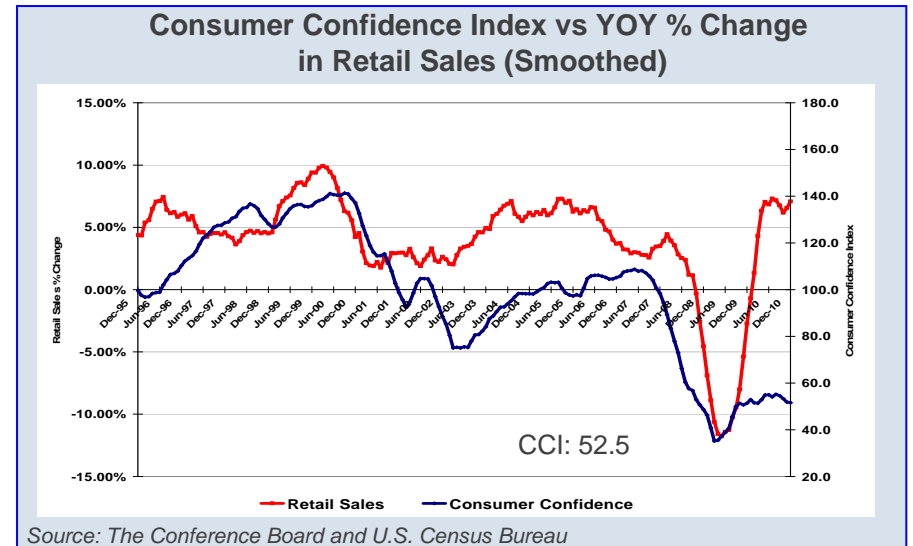
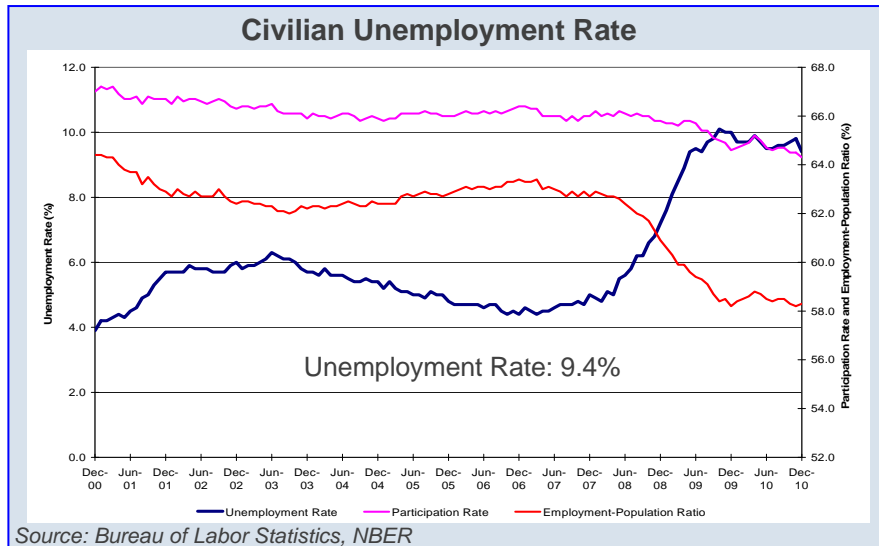
U.S. Capital Markets and Macroeconomic Conditions

Economy



U.S. Capital Markets and Macroeconomic Conditions

Economy



Domestic Equity

Style and Market Capitalization Comparison

4Q2010

	Growth	Core	Value
Large	11.8%	11.2%	10.5%
Mid	14.0%	13.1%	12.2%
Small	17.1%	16.3%	15.4%

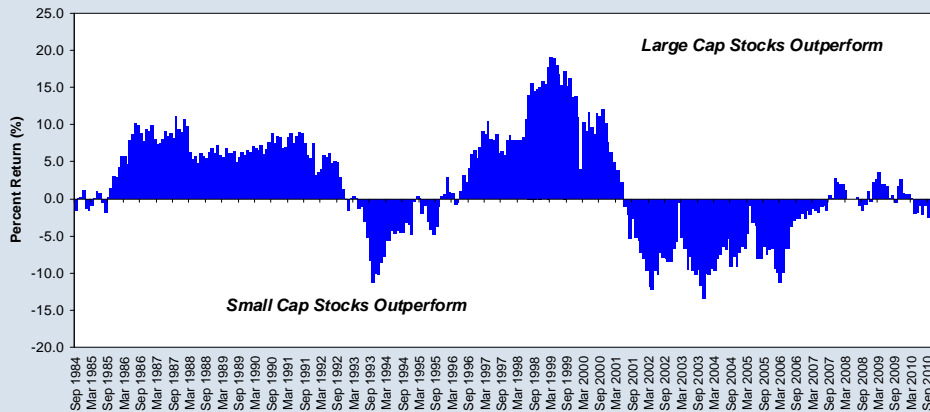
1 Year Returns

	Growth	Core	Value
Large	16.7%	16.1%	15.5%
Mid	26.4%	25.5%	24.8%
Small	29.1%	26.9%	24.5%

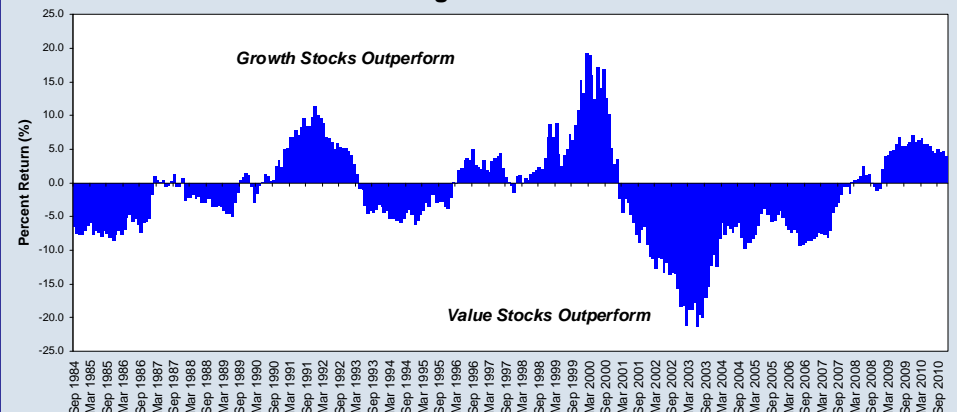
3 Year Returns

	Growth	Core	Value
Large	-0.5%	-2.4%	-4.4%
Mid	1.0%	1.1%	1.0%
Small	2.2%	2.2%	2.2%

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



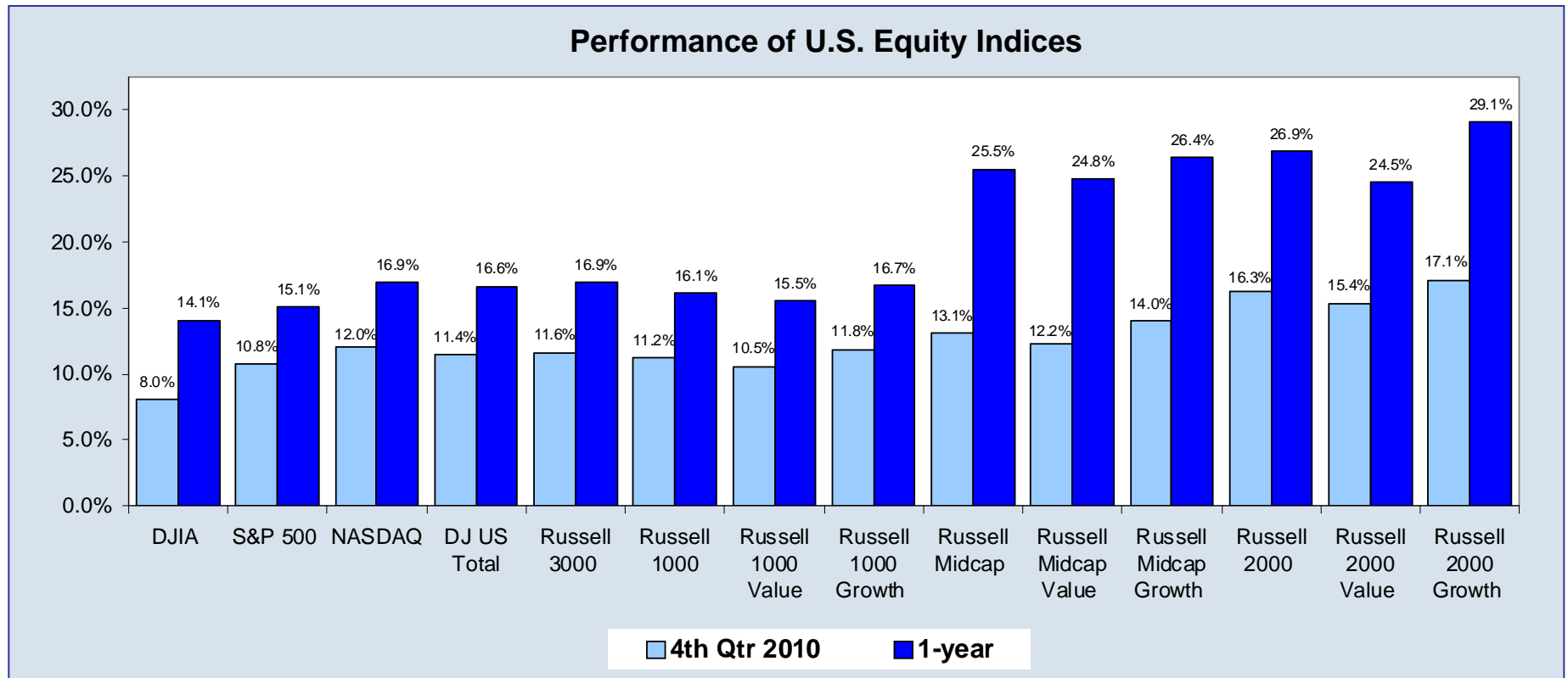
Russell 1000 Growth Index Minus Russell 1000 Value Index for Rolling Three-Year Periods



Domestic Equity

Small Cap outperforms Large Cap

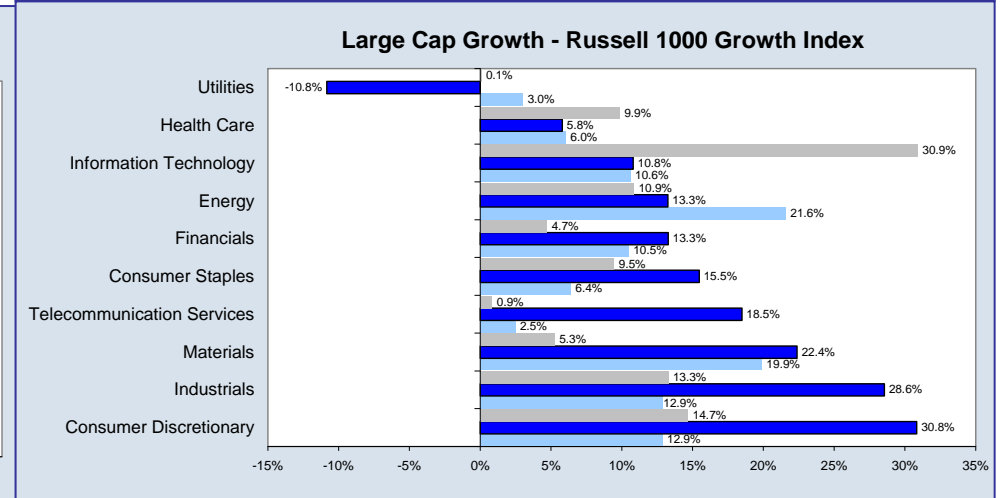
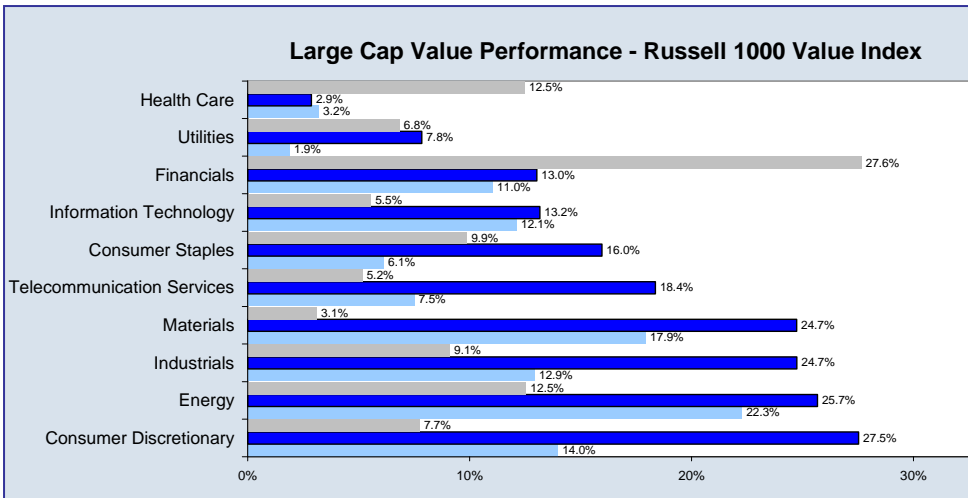
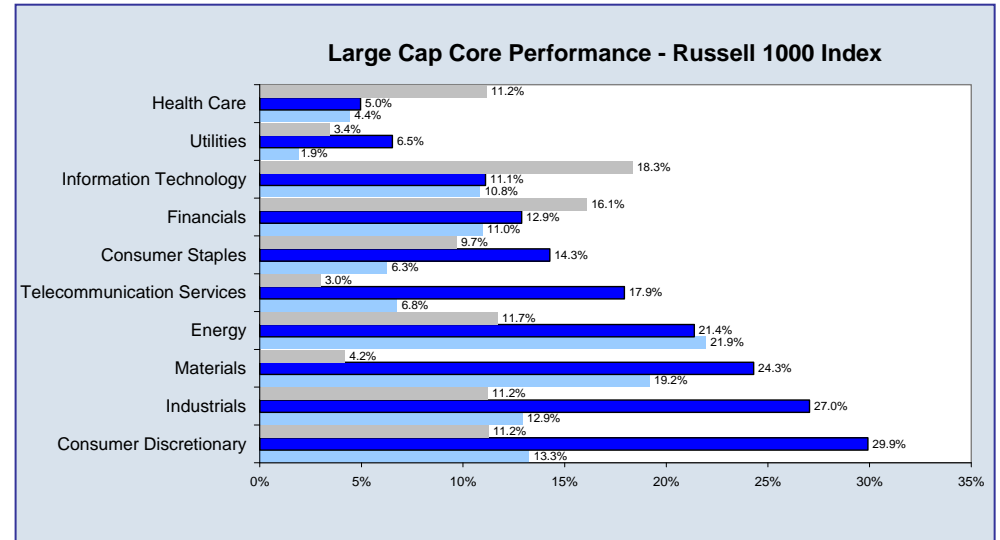
- During the fourth quarter the US capital markets continued to surge, fueled by strong corporate earnings. US stocks performed positively across all market caps (large, mid, small) and investment styles (value, core, growth)
- Similar to the third quarter, growth oriented stocks outpaced their value counterparts across all market caps
- In a reversal from the third quarter, small cap stocks outperformed larger capitalization stocks



Domestic Equity – Large Cap

Growth Outperforms Value

- All of the ten sectors of the Russell 1000 indices reported positive returns for the quarter
- Materials and energy were the strongest performing sectors in the large cap space for the quarter
- Health care and utilities reported the weakest returns
- P/E ratio of the Russell 1000 is currently 20.8% below its 20-year average (13.3x vs. 16.8x, respectively)



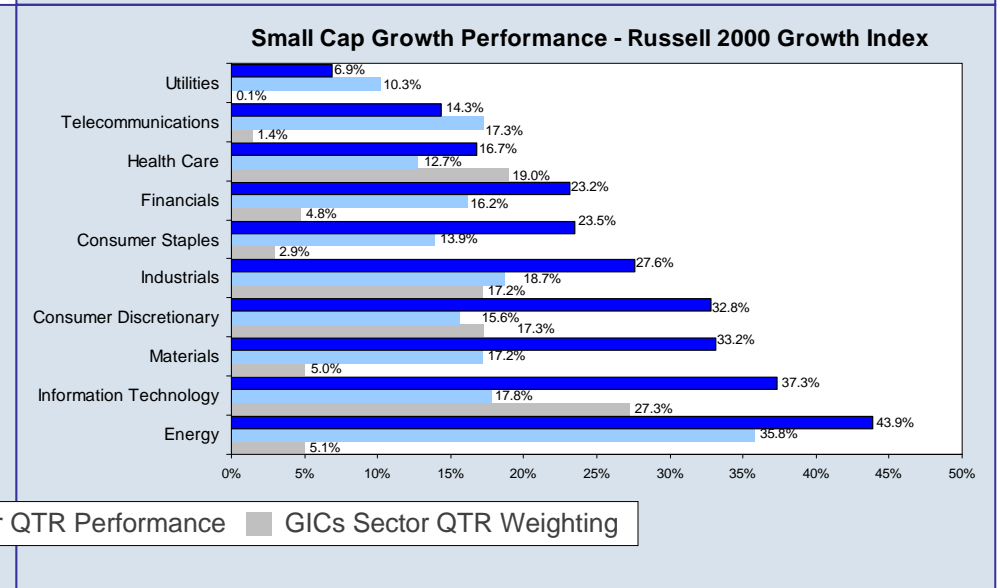
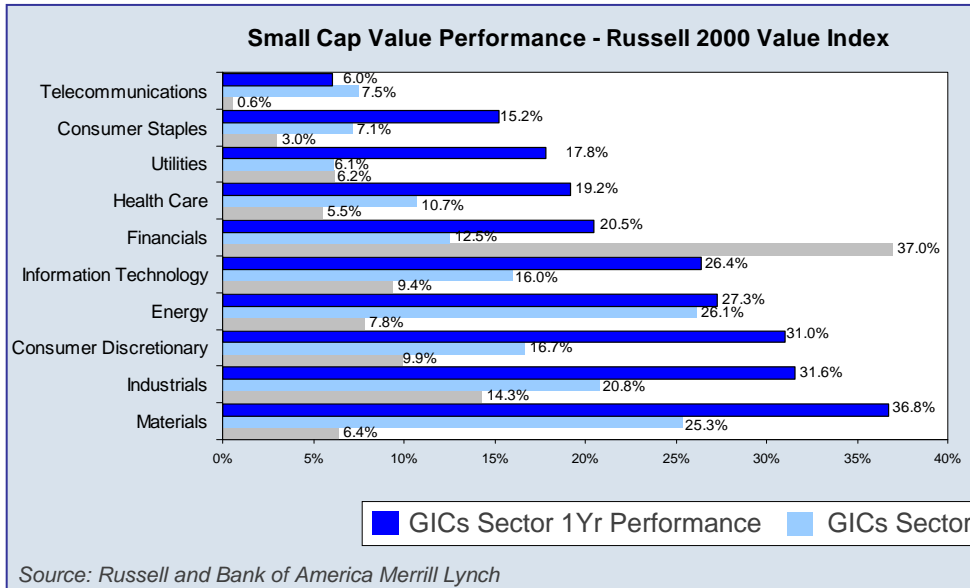
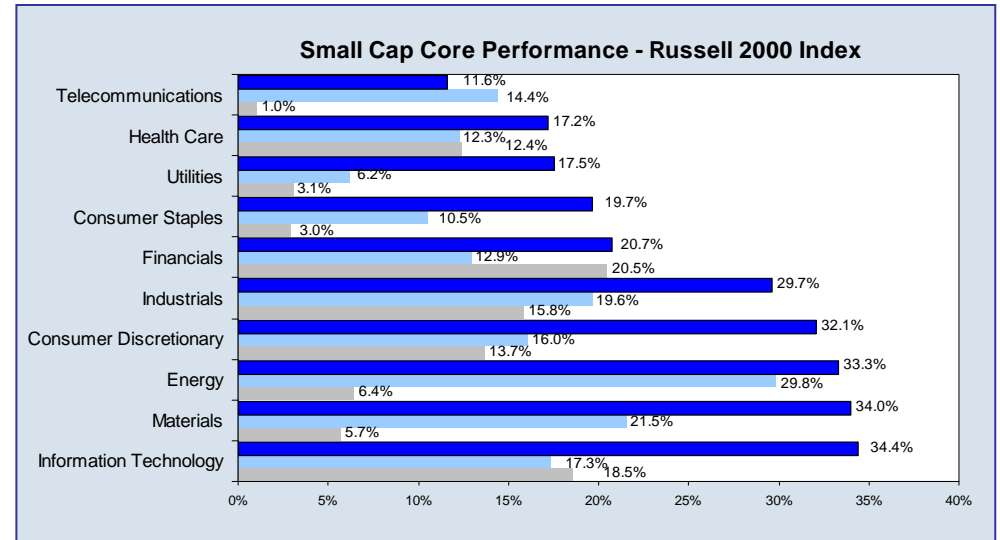
■ GICS Sector 1Yr Performance ■ GICS Sector QTR Performance ■ GICS Sector QTR Weighting

Source: Russell and Bank of America Merrill Lynch

Domestic Equity – Small Cap

Small Cap Stocks Finish the Year Strong

- Nine of the ten sectors posted double digit returns for the quarter, as energy was the top performer while utilities lagged
- Growth outperformed Value stocks for the quarter (17.1% vs. 15.4%, respectively)
- P/E ratio of small cap stocks is currently 6.1% cheaper than its 20-year average (16.0x vs. 17.0x, respectively)



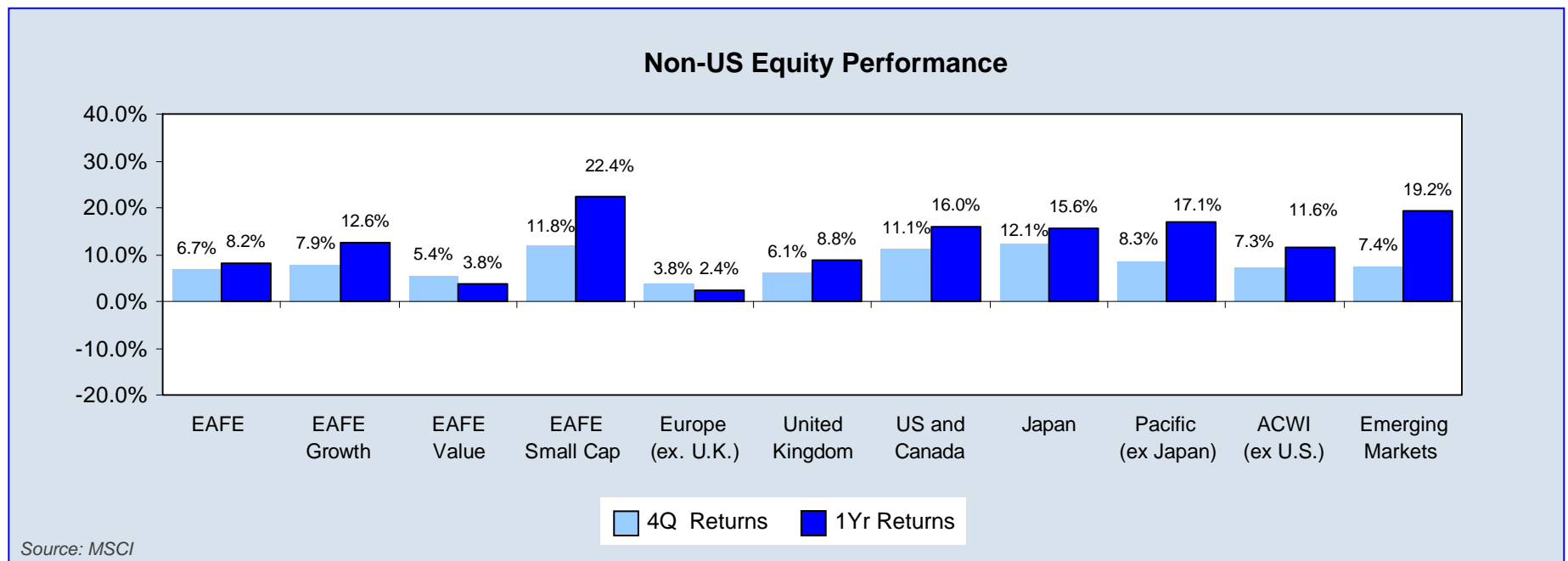
■ GICs Sector 1Yr Performance
 ■ GICs Sector QTR Performance
 ■ GICs Sector QTR Weighting

Source: Russell and Bank of America Merrill Lynch

International Equity

Developed Markets: Non-U.S. Equities Performance

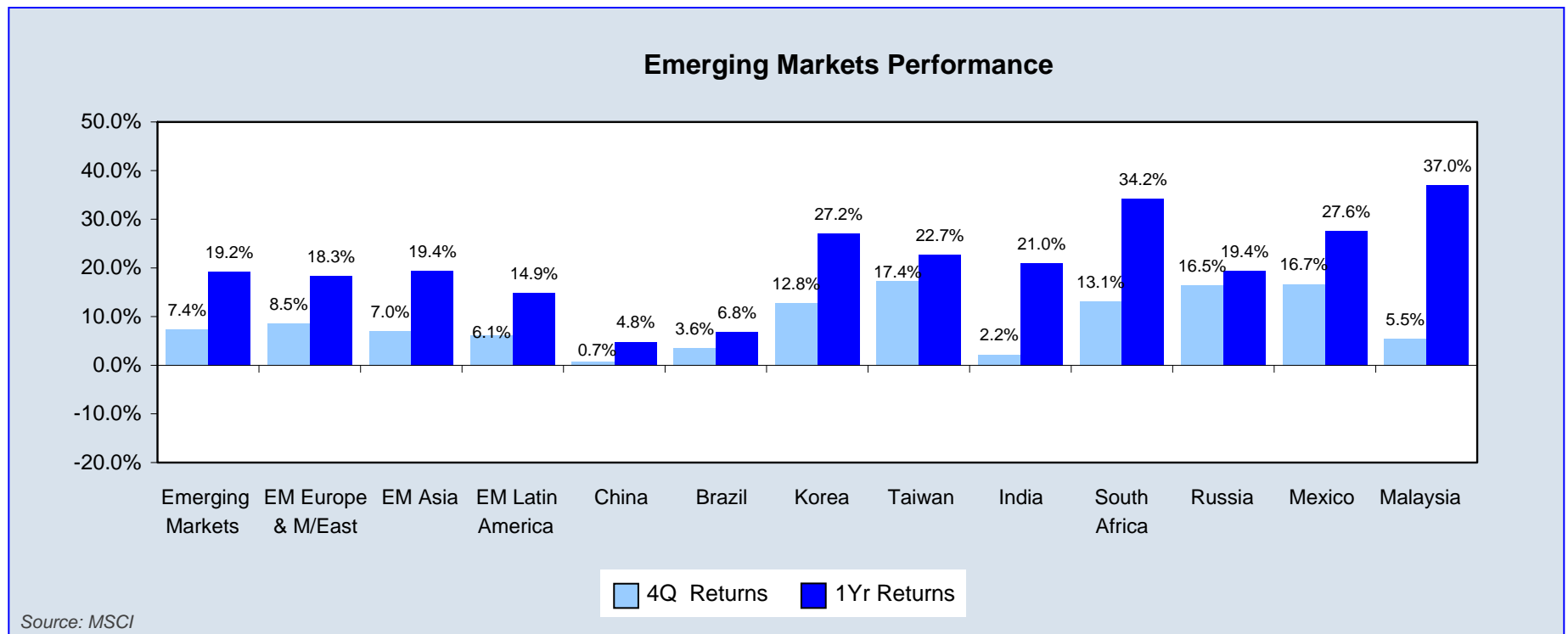
- MSCI EAFE gained 6.7% (gross) in the fourth quarter
 - In local currency terms, MSCI EAFE gained 5.7% for the quarter
- Japan, which represents 22.1% of the index, posted a 12.1% return. In local currency terms, Japan posted a 8.9% return
- The UK, which represents 21.3% of the index, posted a 6.1% return. In local currency terms, UK posted a 6.7% gain
- MSCI All Country World Index ex U.S. gained 7.3% (gross) in the fourth quarter
 - In local currency terms, MSCI All Country World Index ex U.S. gained 5.9% for the quarter



International Equity

Emerging Markets: Performance

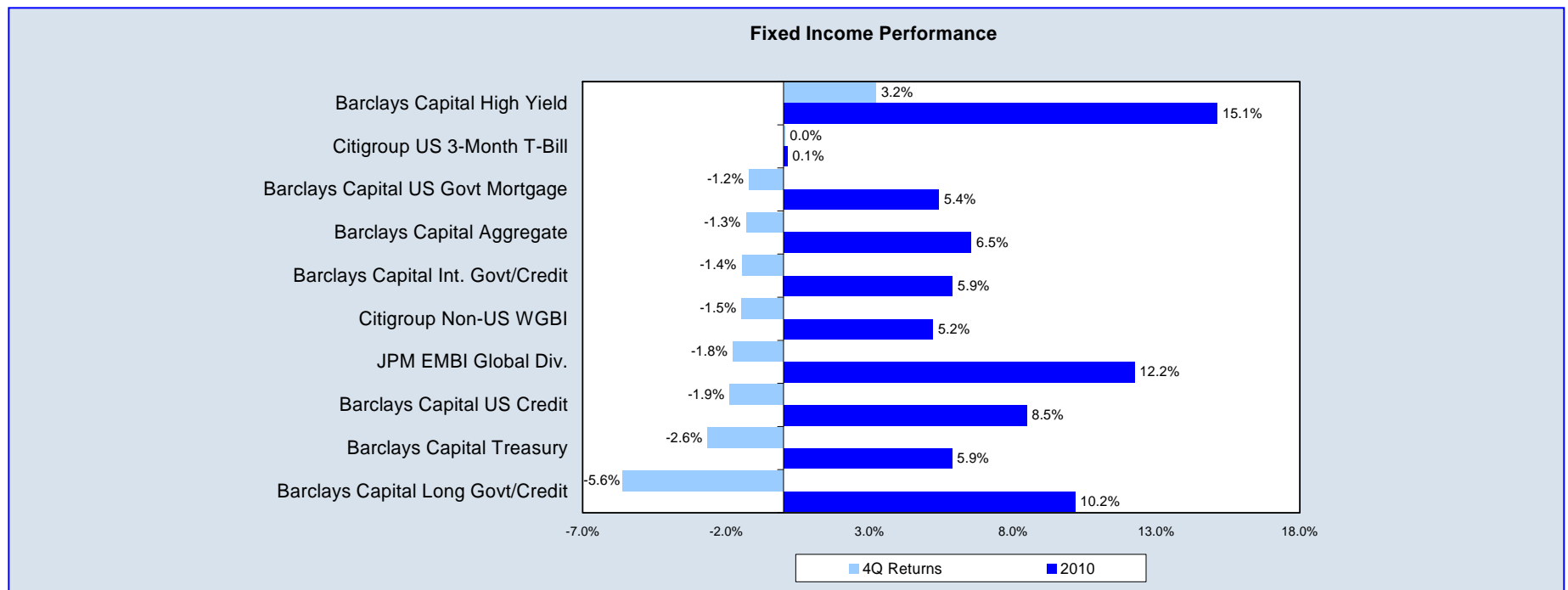
- MSCI Emerging Markets Index gained 7.4% in the fourth quarter
- Brazil, which represents 15.8% of the index, gained 3.6% for the quarter. China and Russia, which represent 17.3% and 6.4% of the index, posted quarterly returns of 0.7% and 16.5%, respectively



Fixed Income – US

Fixed Income Suffers as Investors Shift Toward Riskier Assets

- Strong returns in the equity markets coupled with fears of inflation drove up the yield curve in the fourth quarter, negatively affecting fixed income returns
 - Mutual fund flows into fixed income funds turned net negative in the fourth quarter for the first time since January 2009
 - The Federal Reserve announced in November a second round of Quantitative Easing totaling \$600 billion
- Barclays Aggregate Index fell in the fourth quarter, returning -1.3% and finished 2010 up 6.5%
 - Longer maturities suffered with the increased prospect of higher interest rates. General consensus expects the Fed to raise their target rates sometime in 2011
- Barclays US High Yield Index gained 3.2% in the fourth quarter, one of few positive fixed income sectors
 - Increased investor risk tolerance and signs of a healthier economy helped to drive demand



Market Returns

For Periods Ending December 31, 2010

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	10.8	15.1	15.1	-2.9	2.3	1.4
	Russell 1000 Value	10.5	15.5	15.5	-4.4	1.3	3.3
	Russell 1000 Growth	11.8	16.7	16.7	-0.5	3.8	0.0
	Russell MidCap	13.1	25.5	25.5	1.1	4.7	6.5
	Russell MidCap Value	12.2	24.8	24.8	1.0	4.1	8.1
	Russell MidCap Growth	14.0	26.4	26.4	1.0	4.9	3.1
	Russell 2000	16.3	26.9	26.9	2.2	4.5	6.3
	Russell 2000 Value	15.4	24.5	24.5	2.2	3.5	8.4
	Russell 2000 Growth	17.1	29.1	29.1	2.2	5.3	3.8
	Russell 3000	11.6	16.9	16.9	-2.0	2.7	2.2
	<i>Mercer Large Cap Value Equity Peer Group median**</i>	10.6	14.3	14.3	-2.7	2.6	4.5
	<i>Mercer Large Cap Growth Equity Peer Group median**</i>	12.0	16.2	16.2	-1.2	3.8	1.4
	<i>Mercer Small Cap Value Equity Peer Group median**</i>	16.1	27.1	27.1	5.3	6.2	11.2
	<i>Mercer Small Cap Growth Equity Peer Group median**</i>	17.0	28.7	28.7	0.9	5.3	5.7
Fixed Income	Citigroup 3-Month T-Bill	0.0	0.1	0.1	0.7	2.3	2.3
	Barclays Capital Int. Gov't/Credit	-1.4	5.9	5.9	5.4	5.5	5.5
	Barclays Capital Gov't/Credit	-2.2	6.6	6.6	5.6	5.6	5.8
	Barclays Capital Aggregate	-1.3	6.5	6.5	5.9	5.8	5.8
	Barclays Capital Intermediate Government	-1.6	5.0	5.0	4.9	5.4	5.1
	Barclays Capital Long Gov't/Credit	-5.6	10.2	10.2	6.8	5.9	7.1
	Barclays Capital MBS	0.2	5.4	5.4	6.5	6.3	5.9
	Barclays Capital TIPS	-0.6	6.3	6.3	5.0	5.3	7.0
	Barclays Capital High Yield	3.2	15.1	15.1	10.4	8.9	8.9
	<i>Mercer Core Fixed Income Peer Group median**</i>	-0.9	7.9	7.9	6.9	6.4	6.3
International	MSCI EAFE	6.7	8.2	8.2	-6.5	2.9	3.9
	MSCI Emerging Markets	7.4	19.2	19.2	0.0	13.1	16.2
	Citigroup Non-US Gov't Bond	-1.5	5.2	5.2	6.5	7.6	7.4
	Citigroup Non-US Gov't Bond - Hedged	-2.1	2.5	2.5	4.3	4.1	4.6
	<i>Mercer International Equity Universe median**</i>	7.7	11.7	11.7	-5.0	4.3	5.8
Miscellaneous	NCREIF Property Index***	3.9	5.8	5.8	-4.6	3.7	7.2
	FTSE NAREIT (Equity REITS)	7.4	27.9	27.9	0.7	3.0	10.8
	BofA Merrill Lynch Inv. Grade Convertible	4.4	7.4	7.4	5.4	6.3	4.3
	Goldman Sachs Commodity Index	13.4	9.0	9.0	-12.8	-5.7	1.8
Inflation	CPI	0.3	1.5	1.5	1.4	2.2	2.3

Index at 9/30/10	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	10,788.05	2,368.62	1,141.20	676.14	12,020.91
Index at 12/31/10	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	11,577.51	2,652.87	1,257.64	783.65	13,360.12

* Annualized

** Preliminary

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

Mercer Investment Consulting, Inc.

Executive Summary

Total Fund

Asset Allocation

- At the end of the fourth quarter, the Total Fund held approximately \$4.3 billion in assets (including cash), representing an increase of \$218 million as compared to the previous quarter end.
- At the end of the quarter, the Domestic Equity segment represented 34.7% of the Total Fund (including cash), while the Global Equity and International Equity segments accounted for 10.3% and 22.5% of the Plan, respectively.
- The Fixed Income portfolio represented 26.4% of the Plan and the Private Equity segment accounted for 0.2% of the Plan (including cash).
- The Real Estate portion of the Plan comprised 5.4% of Total Fund assets (including cash) at the end of the quarter.
- Relative to the current target asset allocation, the Domestic Equity, International Equity and Global Equity components held overweight allocations, while the Fixed Income and Real Estate Composites ended the quarter with underweight exposures.
 - Over the second and third quarter of 2010, the Plan transitioned to the interim asset allocation, which includes a 2% allocation to Private Equity.
 - Until the target allocation to Private Equity is reached, the Total Plan performance will be compared to two reference indices – the first one will reflect the current asset allocation of the Fund and the second one will represent the interim asset allocation of the Plan. Beginning October 1, 2010, the Total Fund benchmarks, asset allocation targets and target ranges have been changed to reflect these developments.

Performance

- The Total Plan advanced 7.0% over the quarter, leading the Current Allocation Reference Index and the Interim Allocation Reference Index by 90 basis points and ranking in the 19th percentile of the peer universe.
 - Outperformance was driven by manager selection within Domestic Equity and Fixed Income segments of the Plan.
- The Global Equity portfolio trailed its benchmark and peer universe median.
- Over the one-year period, the Plan advanced 14.1%, leading both benchmarks by 250 basis points and ranking in the second quartile of the peer group.
 - The Domestic Equity, International Equity and Fixed Income components of the Plan outperformed their benchmarks over the one-year period, while the Real Estate portfolio lagged its reference index.
- Over the three-year period, the Total Fund returned -0.7%, trailing the universe median by 110 basis points annually.
- Over the five-year period, the Plan advanced 3.9% and ranked in the fourth quartile of the peer universe.
- Since inception, the Plan posted a 9.8% return annually.

Domestic Equity

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

Economy

The fourth quarter of 2010 began with uncertainty about the general direction of the U.S. economy but ended with improving sentiment and a moderately upbeat tone. Key developments during this period included the announcement of a second round of quantitative easing (QE2) and continued concerns surrounding sovereign debt levels. Additionally, oil prices continued to increase over the quarter while housing data was mixed. The employment picture improved marginally during the fourth quarter due to a general increase in payroll employment. The unemployment rate fell by 0.2% over the period to 9.4% in December 2010, while the Federal Funds Rate remained at a target range of 0.00% to 0.25%. The Commerce Department reported that the U.S. economy grew at an annualized rate of 3.2% during the fourth quarter. Other positives for the period were consumer spending, which rose sharply in November and December, and the equity markets, which posted yet another strong quarter.

The Consumer Price Index (CPI) increased at a seasonally-adjusted annual rate of 3.5% during the fourth quarter, and increased by 1.5% for the 12 months ending December 31, 2010. The CPI, excluding volatile food and energy prices, rose at an annualized rate of 0.7% over the quarter, and increased by 0.8% during the past 12 months. The Producer Price Index (PPI) for finished goods rose at a seasonally adjusted rate of 2.3% from the level reported in September 2010, and has risen by 4.0% since December 31, 2009. Inflation expectations, as measured by the difference between nominal and real bond yields, rose by approximately 0.5% to 0.6% over the quarter. Preliminary production capacity utilization increased to 76.0% from the revised September level of 75.3%. This level was 4.4% higher than the rate realized a year earlier, but 4.6% lower than the average for the period 1972 through 2009. The Consumer Confidence Index (CCI) rose over the quarter from 48.5 in September to 52.5 in December. The 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.

Oil prices continued to increase during the fourth quarter, from approximately \$80/barrel at the end of the September to approximately \$90/barrel at the end of December. Gold futures also continued to rise from \$1,301.47 at the end of the third quarter to \$1,417.63 at the end of the fourth. In October 2010, home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, fell by 0.8% over the trailing 1-year period. The National Association of Home Builders/Wells Fargo Housing Market Index, however, rose over the quarter from 13 in September to 16 in December; readings below 50 are considered a negative indicator. The yields on 3-month Treasuries continued to decrease slightly from the 0.16% level reported at the end of September 2010 to 0.12% in December. 10-year Treasury yields increased over the quarter from 2.53% at the end of September to 3.30% at the end of December.

Markets

The fourth quarter of 2010 was characterized by positive performance and double-digit gains in the broad domestic equity markets. The S&P 500 continued to experience strong performance during the fourth quarter, rising by 10.8% over the 3-month timeframe. The energy sector was the strongest-performing sector during the period; this positive gain was fueled by rising commodity prices. The materials sector also exhibited strong

Executive Summary

performance during the fourth quarter. Consistent with the trend witnessed during the third quarter, growth outperformed value across the market capitalization spectrum. While losing momentum in the fourth quarter, REITs were a significant area of strength in the calendar year 2010, and managers allocating to this sector benefited.

During the fourth quarter, large cap stocks underperformed small cap stocks. In a stark reversal from the previous quarter, micro cap stocks outperformed their larger cap brethren and led in performance over the past 1, 3 and 12 months. Managers with exposure to higher beta and cyclical sectors continued to fare well during the fourth quarter. Lower-quality stocks and companies with high long-term earnings growth forecasts also outperformed during the period.

Finalized third quarter corporate earnings showed a slight decrease from the prior quarter, from \$19.68 per share at the end of June to \$19.52 per share at the end of September. During the fourth quarter, about 76% of companies within the S&P 500 Index reported earnings that exceeded analysts' third quarter estimates. Corporations within the financials, industrials and information technology sectors were among the top contributors in year-over-year earnings.

Major Events

On November 3, 2010, the Federal Reserve announced a second, large purchase of Treasury bonds, in an effort to stimulate economic growth by lowering long-term interest rates. The Fed announced plans to continue its program of reinvesting proceeds from its mortgage-related holdings to purchase an additional \$600 billion in long-term Treasury securities by the end of June 2011. This decision came amid high unemployment, low inflation and a “disappointingly slow” recovery. The next day, it was evident that the markets responded positively when stocks surged to a 2-year high.

Worries about Europe’s debt crisis, specifically that of Ireland, Greece and Portugal, resulted in stocks worldwide falling for the seventh consecutive day on November 16, 2010. Five days later, on November 21, 2010, Ireland applied for a rescue package worth more than \$100 billion; the much-anticipated step gave a lift to global stocks as well as the euro.

Domestic Equity Composite

- The Domestic Equity segment of the Plan advanced 13.2% over the quarter, leading the Russell 3000 Index by 160 basis points and ranking in the 45th percentile of the peer universe.
 - Of the Domestic Equity managers, Turner, AllianceBernstein, Earnest and DFA outperformed their reference indices and peer universe medians over the quarter, while BlackRock and Allianz lagged their benchmarks.
 - Northern Trust approximated the return of the S&P 500 Index over the fourth quarter.
- Over the one-year period, the Domestic Equity segment gained 19.1%, outperforming its benchmark by 220 basis points and ranking in the 53rd percentile of the peer universe.
- Over the three- and five-year periods, the Domestic Equity component of the Plan returned -2.4% and 2.0% respectively and underperformed both its reference index and peer universe median.
- On a since-inception basis, the Domestic Equity segment advanced 10.1% annually and outperformed its reference index by 10 basis points.

Executive Summary

Northern Trust

- The Northern Trust Equity Index Fund returned 10.8% over the quarter, approximating the return of the S&P 500 Index and ranking in the 75th percentile of the peer universe.
- Over the one-year period, Northern Trust gained 15.2% and outpaced the S&P 500 Index by 10 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 advanced 11.0% over the quarter, trailing the Russell 1000 Index by 20 basis points and ranking in the 43rd percentile of the peer universe.
 - Over the one-, three- and five-year periods, the portfolio has underperformed the Russell 1000 Index and its peer universe median.
 - BlackRock has trailed its reference index by 40 basis points annually on a since-inception basis.
- Positive impact on performance over the quarter:
 - Holdings within the industrials and consumer staples sectors.
 - Overweight exposures to Cummins (industrials) and AGCO (industrials).
- Negative impact on performance over the quarter:
 - Positions within the consumer discretionary and information technology sectors.
 - An overweight exposure to Intuitive Surgical (health care).

Turner

- Performance:
 - Turner returned 14.2% over the fourth quarter, leading the Russell 1000 Growth Index by 240 basis points and ranking in the top quartile of the peer universe.
 - Over the one-year period, the portfolio advanced 19.5%, outperforming its reference index by 280 basis points and ranking in the 22nd percentile of the peer universe.
 - Over the three- and five-year periods, the manager trailed its reference index and peer universe median.
 - On a since-inception basis, Turner advanced 5.0% and underperformed the Russell 1000 Growth Index by 140 basis points annually.
- Positive impact on performance over the quarter:
 - Stock selection within the information technology, industrials, consumer discretionary and energy sectors.
 - The holdings of Las Vegas Sands Corp. (consumer discretionary), Apple Inc. (technology) and Broadcom Corp. (technology).
- Negative impact on performance over the quarter:
 - Stock selection within the health care sector.
 - The holdings of American Express Co. (financials), Abbott Laboratories (health care) and Intuitive Surgical Inc. (health care).
- Turner manages their portfolio with an emphasis on stock selection.

Executive Summary

AllianceBernstein

- Performance:
 - AllianceBernstein gained 11.8% over the fourth quarter, outperforming the Russell 1000 Value Index by 130 basis points and ranking in the first quartile of the peer universe.
 - Over the one-year period, AllianceBernstein advanced 13.4%, trailing the reference index by 210 basis points and ranking in the 66th 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 materials and consumer staples sectors.
 - An overweight exposure and stock selection within the consumer discretionary sector.
 - An underweight allocation to the utilities sector.
 - The holdings of Ford Motor Co. (consumer cyclicals), Time Warner Cable (consumer discretionary) and Devon Energy Corp. (energy).
- Negative impact on performance over the quarter:
 - Stock selection within the health care sector.
 - The holdings of AstraZenica Plc. (health care), Bank of America Corp. (financials) and Johnson & Johnson (consumer discretionary).

Earnest

- Performance:
 - Earnest advanced 13.6%, outpacing the Russell Mid Cap Index by 50 basis points and leading the peer group median by 60 basis points over the fourth quarter.
 - Over the one-year period, Earnest gained 27.5%, leading its reference index by 200 basis points and ranking in the first quartile of the peer universe.
 - Earnest has outperformed its benchmark over the longer periods measured.
- Positive impact on performance over the quarter:
 - Stock selection within the health care sector.
 - An overweight allocation to the industrials sector.
 - An underweight exposure and stock selection within the utilities sector.
 - The holdings of Beckman Coulter (health care), International Rectifier (information technology) and Freeport-McMoRan (materials).
- Negative impact on performance over the quarter:
 - Stock selection within the consumer discretionary and telecommunications sectors.
 - The holdings of PulteGroup (consumer discretionary), Akamai Technologies (information technology) and Integrys Energy (energy).

Executive Summary

DFA

- Performance:
 - DFA returned 19.4% over the quarter, leading the Russell 2000 Value Index by 400 basis points and ranking in the 9th percentile of the peer universe.
 - Over the one-year period, DFA has outperformed both its reference index and peer group median.
 - Over the three-year period, the manager returned 5.0%, leading the benchmark by 280 basis points and trailing the peer group median by 30 basis points.
 - Over the five-year term and on a since-inception basis, the portfolio has outperformed the Russell 2000 Value Index by 180 basis points and 310 basis points, respectively.
- Positive impact on performance over the quarter:
 - An underweight allocation and stock selection within the financials sector.
 - Stock selection within the consumer discretionary, health care and information technology sectors.
 - Overweight exposures to the industrials and energy sectors.
 - An underweight exposure to the utilities sector.
 - The holdings of Dillard's Inc. (consumer discretionary), Westlake Chemical Corp. (materials) and Vishay Intertechnology Inc. (information technology).
- Negative impact on performance over the quarter:
 - Stock selection within the utilities sector.
 - The holdings of Newpark Resources Inc. (energy), Regis Corp. (consumer discretionary) and Sycamore Networks Inc. (information technology).

Allianz

- Performance:
 - Allianz advanced 11.5% over the fourth quarter, lagging the Russell 2000 Growth Index by 560 basis points and ranking in the 97th percentile of the peer group.
 - On a since-inception basis, Allianz posted a 9.9% return and underperformed its benchmark by 10.1%.
- Positive impact on performance over the quarter:
 - Stock selection within the information technology sector.
 - An overweight exposure to the energy sector.
 - The holdings of Atheros Communications (technology), Constant Contact (technology) and Financial Engines (financials).
- Negative impact on performance over the quarter:
 - Stock selection within the consumer discretionary, energy, health care and industrials sectors.
 - The holdings of NuVasive (health care), Talbots (consumer discretionary) and Aegean Marine Petroleum Network (industrials).

Global Equity

(GMO, T. Rowe Price)

GMO

- Performance:
 - GMO advanced 8.2% over the quarter, underperforming the MSCI World Index by 80 basis points and ranking in the 65th percentile of the peer universe.
 - Since inception, the strategy gained 7.1% and trailed its reference index by 120 basis points.
- Positive impact on performance over the quarter:
 - An underweight allocation to Spain.
 - An overweight allocation to the energy sector.
 - Positions in Japan, Norway and Switzerland.
 - The holdings of Navistar International Corp. (industrials), Clariant AG (materials) and Hitachi Ltd (information technology).
- Negative impact on performance over the quarter:
 - An overweight exposure to Italy.
 - An underweight allocation to the United States.
 - Investments in the United States, Hong Kong and emerging markets.
 - The holdings of Apollo Group Inc (consumer discretionary), RTI International Metals Inc (materials) and Financial Holdings Ltd (financials).

T. Rowe Price

- Performance:
 - T. Rowe Price gained 8.3% over the last three months, trailing the MSCI AC World Index by 40 basis points and ranking in 63rd percentile of the peer universe.
 - Since inception, the manager advanced 25.4% and led its reference index by 110 basis points.
- Positive impact on performance over the quarter:
 - Stock selection within the health care sector.
 - Security selection in the United States.
 - The holdings of Anglo American (materials), Accenture (information technology services) and Juniper Networks (telecommunications).
- Negative impact on performance over the quarter:
 - Stock selection within the industrials, business services and energy sectors.
 - Security selection in China.
 - The holdings of Bank of America (financials), Dongfeng Motor Group (consumer discretionary) and Ctrip.com International Group (consumer discretionary).

International Equity

(Brandes, William Blair, DFA)

The international equity markets also posted positive gains during the fourth quarter. Within the MSCI EAFE Index, growth stocks performed marginally better than value stocks. Emerging markets outperformed developed markets, as the MSCI Emerging Markets Index rose by 7.4% while the MSCI EAFE Index increased by 6.7% over the quarter. During the fourth quarter, the US dollar appreciated marginally against the euro and the British pound. However, the US dollar depreciated against most other currencies, including the Australian dollar, the yen, and many emerging market currencies.

International Equity Composite

- The International Equity Composite advanced 7.2% over the fourth quarter, leading the MSCI EAFE Index by 60 basis points and trailing the peer universe median by 50 basis points.
- Brandes underperformed its benchmark and peer universe median over the quarter, while William Blair and DFA outperformed both their comparative measures.
- The International Equity segment has outperformed its reference index over all longer time periods measured.

Brandes

- Performance:
 - Over the quarter, Brandes posted a 4.5% return, trailing the MSCI EAFE Index by 210 basis points and ranking in the bottom quartile of the peer universe.
 - Over the one- and three-year periods, Brandes has lagged both its reference index and peer group median.
 - Over the five-year and since-inception periods, the manager has outperformed its reference index.
- Positive impact on performance over the quarter:
 - Stock selection within the consumer discretionary sector.
 - An underweight exposure to the financials sector.
 - Positions in Japan.
 - The holdings of Volkswagen (consumer discretionary), CRH (materials) and ITV (consumer discretionary).
- Negative impact on performance over the quarter:
 - Stock selection within the energy and financials sectors.
 - Underweight exposures and security selection within the materials and industrials sectors.
 - Overweight allocations to the health care and telecommunications sectors.
 - Investments in France.
 - The holdings of Portugal Telecom (telecommunications), Intesa Sanpaolo Spa (financials) and Marks & Spencer Group (consumer discretionary).

Executive Summary

William Blair

- Performance:
 - William Blair advanced 8.0% over the last quarter, leading the MSCI AC World ex US Index by 70 basis points and outperforming the universe median by 30 basis points.
 - 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-year, five-year and since-inception periods, the manager underperformed the reference index.
- Positive impact on performance over the quarter:
 - Stock selection within the industrials sector.
 - An underweight allocation to the telecommunications sector.
 - Investments in European chemicals and general mining companies.
 - The holdings of BHP Billiton (materials), BASF SE (materials) and Sumitomo Mitsui Financial (financials).
- Negative impact on performance over the quarter:
 - An underweight exposure to the energy sector.
 - Investments in Brazil.
 - The holdings of Portugal Banco Santander (financials), BNP Paribas (financials) and Cairn Energy (energy).

DFA

- Performance:
 - DFA returned 12.7% over the quarter, outperforming the MSCI EAFE Small Cap Price Index by 120 basis points and ranking in the 44th percentile of the peer universe.
 - Over the one-year period, DFA has lagged both its reference index and peer universe median.
 - The strategy has led its benchmark over the three-year and since-inception periods.
- Positive impact on performance over the quarter:
 - An overweight allocation and stock selection within the materials sector.
 - Stock selection within the industrials sector.
 - Stock selection in Europe.
- Negative impact on performance over the quarter:
 - Stock selection and an overweight allocation to the financials sector.
 - Security selection in Scandinavia.

Fixed Income

(BlackRock, Loomis, Reams)

Within the fixed income space, lower-quality and shorter-duration indices were the best performers during the fourth quarter. However, the rise of the yield curve due to the perceived potential long-term inflationary impact of QE2 resulted in negative returns for most fixed income indices in the fourth quarter. During the fourth quarter, credit fared better than Treasuries did. Credit Default Swap (CDS) spreads on municipal bonds widened due to budgetary concerns surrounding the two dominant municipal issuers, Illinois and California, as well as uncertainty regarding the continuation of the Build America Bonds program.

Fixed Income Composite

- Over the quarter, the Fixed Income portfolio returned 0.0%, leading the Barclays Capital Aggregate Index by 130 basis points and ranking in the 32nd percentile of the peer universe.
- All three Fixed Income managers outperformed their respective reference indexes over the quarter.
- The Fixed Income Composite has outperformed its reference index and peer universe median over all longer periods measured.

BlackRock

- The BlackRock fixed income portfolio returned -0.7% over the quarter, outperforming the Barclays Capital Intermediate Aggregate Index by 10 basis points and ranking in the 22nd percentile of the peer universe.
- The strategy has tracked its reference indices within 20 basis points over the longer periods measured.

Reams

- Performance:
 - Reams posted a -0.8% over the quarter, outperforming the Barclays Capital Aggregate Index by 50 basis points and ranking in the 79th percentile of the peer universe.
 - The portfolio has outpaced its benchmark over all longer periods measured.
- The three-year tracking error remained high compared to Reams' peers.
- Positive impact on performance over the quarter:
 - Shorter duration positioning as interest rates rose.
 - Overweight exposures to high yield and investment grade securities.
 - Selection of asset-backed securities (ABS).
- Negative impact on performance over the quarter:
 - Underweight allocation to commercial mortgage-backed securities (CMBS) and mortgage-backed securities (MBS).
 - Positions in government related holdings.

Executive Summary

Loomis

- Performance:
 - Loomis advanced 0.9% over the quarter, leading the Barclays Capital Aggregate Index by 220 basis points and ranking in the 9th percentile of the peer group universe.
 - Over the one-, three- and five-year periods, Loomis outperformed both its benchmark and peer group median.
 - On a since-inception basis, the manager advanced 10.1% and outperformed its reference index by 270 basis points annually.
- The three-year tracking error of the portfolio remained high compared to Loomis' peers.
- Positive impact on performance over the quarter:
 - Positions in convertible bonds.
 - Security selection of high yield holdings.
- Negative impact on performance over the quarter:
 - Longer portfolio duration relative to the index.

Private Equity

(Abbott, Mesirow)

Private Equity Composite

- Abbott and Mesirow were added to the portfolio in June 2010 and represented 0.2% of the Total Fund at the end of the fourth quarter.

Manager Comments

BlackRock

BlackRock's Two Largest Investors Reduce Ownership in Firm

In November, BlackRock's two largest stakeholders, Bank of America Corp. and PNC Financial Services Group Inc., sold a combined 51.1 million shares (\$8.3 billion) of stock in BlackRock. Bank of America and PNC said last week they would offer as many as 48.3 million shares as banks seek to reduce investments not crucial to their main businesses. The sale was increased to meet investor demand.

Concurrently with the closing of this offering, Bank of America intends to sell an additional 2.45 million shares to an institutional investor and has also granted the underwriters a 30-day option to purchase an additional 5.21 million shares. The bank obtained its stake in BlackRock through its acquisition of Merrill Lynch & Co. last year. Before the sale, Bank of America held a 34% stake in BlackRock and pending the completion of the additional shares, Bank of America's economic interest in the firm would decline to 7.1%.

PNC, based in Pittsburgh, controlled 24% percent before the sale and with the offering was planning to reduce its ownership in BlackRock to 20%. The company was BlackRock's owner before the fund manager went public in 1999.

Mercer View

This news is not surprising in light of the increased capital requirements and regulation banks are facing and their need to divest non-core assets. In addition, there were likely tensions between BlackRock and Bank of America as BlackRock and other asset managers were vocal in asking that Bank of America repurchase troubled mortgages stemming from its Countrywide unit. This news ultimately provides Larry Fink, BlackRock CEO, more control over the firm; however, Mercer does not anticipate this news to have significant impact to the firm's investment teams or strategies. Mercer will not be recommending any changes to underlying strategy ratings as a result.

Blake Grossman, Vice Chairman, leaving BlackRock

BlackRock announced in January that Blake Grossman, Vice Chairman, will be leaving the firm to pursue other opportunities. He will remain available to the firm until the end of the first quarter to aid in the transition. Grossman does not have any specific plans for future employment at this time. Since handing over the reins of the Scientific Active Equity (SAE) group to Ken Kroner in 2010, Grossman's main responsibilities have been working on the integration of the former BGI with BlackRock and serving as a member of BlackRock's Global Executive Committee (GEC). Much of the integration has been completed and there are no plans to replace Grossman on the GEC. BlackRock believes that the current membership of the GEC is sufficient to manage the business of the firm.

Mercer View

Mercer is not surprised by the announcement as Grossman had been reducing his involvement with the investment groups over the past year. Mercer had downgraded most of the SAE strategies in 2010 due to the senior leadership changes that occurred with the BlackRock merger and we do not plan on recommending any further ratings changes due to Grossman's departure.

Executive Summary

DFA

Dimensional Announces Official Timeline for David Booth's Departure as Chief Executive Officer

Dimensional has announced its intentions to make Eduardo Repetto the sole Chief Executive Officer (CEO) of the firm at the start of 2014. At that time, David Booth will officially step down from his duties as Co-CEO and only act as the firm's Chairman.

Mercer View

While the news is significant for the firm, it corresponds with Dimensional's intentions of phasing Booth out of his CEO role at the firm over an extended period and eventually relinquishing his CEO duties to Repetto. Repetto has been acting as Co-CEO since the start of the year, and under his leadership, things have operated smoothly during that time. Dimensional has been thoughtful in Booth's succession plan, and Mercer believes that Repetto is a capable successor to handle the firm's reigns going forward. Mercer applauds Dimensional for taking its time with the transition, allowing for things to be handled carefully and efficiently.

U.S. Small Cap Equity Update

Mercer met with DFA and maintained their A-rating on the small cap value strategy.

Issues to Watch

Liquidity: Although the portfolios contain a large number of stocks, many of these names are thinly traded microcaps. However, despite the recent economic downturn, DFA has not been faced with significant redemptions, and the firm has the ability to control the flows to and from the trust vehicles which make up approximately half of the assets under management. Although the Small Cap Value strategy remains officially closed to new investors, DFA will allow new clients when current clients exit. Furthermore, many stocks in the Small Cap Value portfolio are held in the U.S. Targeted Value strategy, which is open. Therefore, liquidity will always be a concern with the strategies.

Highlights

- The most significant event that has taken place at DFA since Mercer last saw the firm relates to senior management changes. In December 2009 the firm announced its intentions to make Eduardo Repetto co-Chief Executive Officer (CEO). Then, in December of 2010, the firm announced its intentions to make Repetto the sole CEO of the firm at the start of 2014. At that time, David Booth will officially step down from his duties as Co-CEO and only act as the firm's Chairman. In addition, the firm appointed Gerard O'Reilly as the firm's Head of Research in October 2010 (see news item). The move was made so Repetto, the prior Head of Research, could concentrate further on his roles as co-CEO and Chief Investment Officer (CIO).
- While these announcements have significance for the firm, it corresponds with DFA's intentions of phasing Booth out of his CEO role at the firm over an extended period and eventually relinquishing his CEO duties to Repetto. Repetto has been acting as Co-CEO since the start of 2010, and under his leadership, things have operated smoothly. DFA has been thoughtful in Booth's succession plan, and Mercer believes that Repetto is a capable successor to handle the firm's reigns going forward. It is refreshing to see DFA act with prudence and patience regarding the succession, allowing for things to be handled carefully and efficiently. In addition, O'Reilly's appointment was part of the natural progression of allowing Repetto the opportunity to be more focused on the day-to-day operations of the firm. O'Reilly's academic background and experience

Executive Summary

in research at DFA (he has been with the firm since 2004) make him a sensible choice to fill Repetto's role, and Mercer believes that the firm will continue to identify and implement relevant solutions with O'Reilly directing the research platform.

- Overall, DFA's core business and investment process has not changed. The team rarely makes alterations to its investment models, and any tweaks that are brought forth are only implemented after thorough analysis and deliberation by senior investment personnel. Deere explained to us that things are done very slowly and with much rigor. Mercer appreciates this approach, and from our experience with the firm, it rings true.
- That being said, DFA has made two enhancements to its U.S. investment process 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. The removal of extreme growth stocks from inclusion in its models. Uninspired by low returns in the smallest, highest growth stocks over the last 50 years, the team analyzed its models to potentially exclude these names and results were positive. It sorted all small caps by book-to-market (B/M), earnings-to-price (E/P), and cash flow-to-price (CF/P) and excluded from purchase the bottom 25% by B/M and the bottom 25% by E/P and/or CF/P. This resulted in kicking out roughly 240 names from inclusion.
- The enhancements appear sensible and are backed with strong supporting back-testing data showing that they don't harm the factor exposures, while having a positive impact on the overall risk profiles. The changes began to be implemented into the models in the late summer of 2010 and were fully incorporated by the middle of the fourth quarter.

William Blair

William Blair announces acquisition of Guidance Capital

News Item

- On January 20, 2011, Blair announced plans to acquire certain assets of Guidance Capital LLC (Guidance), a hedge fund management firm, in a deal expected to be completed in the first quarter of this year. The terms of the transaction have not been disclosed.
- Guidance Capital develops and manages hedge fund of funds for institutions and high net worth investors with offices in Chicago and Delaware. The team located in Chicago will be relocated to Blair's Chicago headquarters, while the team in Delaware will remain in place.

Mercer View

- Mercer does not have views on Guidance Capital or any of its hedge fund of funds products. This is William Blair's initial entrance into the hedge fund space and the news indicates that the firm is looking to diversify its investment product offerings. The acquisition of Guidance Capital should not affect any of William Blair's traditional investment teams. However, Mercer will discuss broader business initiatives at future meetings to ensure that we understand what the firm is trying to accomplish and how it may affect our view on the other strategies.

Executive Summary

Abbott Capital Management

Update on Abbott Capital

Mercer met with Abbot Capital in December and maintained their A-rating.

Issues to watch

- **Potential new products** – Abbott is considering raising another fund that might be debt-focused including mezzanine and distressed or something very different, such as aircraft leasing. Mercer hopes Abbott does not venture too far from its core competency in private equity and does not raise too many products that may create a strain on resources.
- **Potential clash of culture and strategy** – Abbott touts its “one office” culture that defines the firm. However, many professionals are forced to travel quite a bit which puts a strain on resources. Furthermore, as it looks into possible new geographies that may require more local resources, Mercer does not believe the firm will be able to maintain this mentality.
- **Growth of separate account business/allocation issues** - Abbott has historically focused on its commingled fund but is willing to manage separate accounts for selective clients. Its use of the Select Fund, a vehicle for smaller buyout/special situations funds, has caused some allocation issues with its core Abbott Capital Private Equity (“ACE”) funds as well.

Highlights

Fund and Portfolio update:

- Abbott indicated that it might reach its 70% committed mark on its latest broadly diversified fund of fund in 2011. This likely means that Abbott will have a close on a new fund some time in 2012.
- Roughly 35 names are expected in total in the current fund as Abbott maintains its style of building high conviction portfolios.
- There are currently 15 funds in the pipeline that could close in the first half of 2011. Abbott is in the process of evaluating three energy groups and might invest a small amount in each.
- Abbott expects to come to market with another Select Buyout fund in the second half of 2011. Select Funds invest in small and medium buyout and special situations funds and Abbott’s main fund has an allocation or “downloads” to this fund. ACE VI made a commitment of \$70M to ASBII (7% of ACE VI) which was the first time an ACE fund had an allocation to a Select fund. Abbott’s most recent Select program had four investors at \$50M each.
- Some of the Select underlying funds qualify for the ACE fund as well, which causes some allocation issues and cutbacks. Mercer has seen evidence of allocations cut back for some high quality funds due to this issue.
- There is some thought surrounding a new product launch such as a debt-type fund with mezzanine, distressed, etc. or an aircraft leasing-focused vehicle.
- Abbott has shifted its venture portfolio more to growth and later stage funds with less of a focus on early stage. It continues in its strategy of finding the “best of breed managers,” which as of late have not been the early stage venture groups in its view. Abbott has not had access to the best early stage managers in the past, so Mercer would rather them focus on where it can invest in top tier managers. Investors should note that they will not get the best or significant early-stage venture exposure through Abbott.

Executive Summary

- While it has invested outside the U.S. for some time, Abbott has been somewhat opaque about its plans for the London office in Mercer's past interactions. There are currently two professionals there and it may add an additional one sometime soon. Abbott continues to tout its "one office" culture and made it clear that it will continue to operate under this mentality. However, if Abbott is pursuing a more local manager strategy in Europe or elsewhere in the future, Mercer believes it may be necessary to build a more significant local presence in order to do proper diligence. Professionals have been traveling to Europe quite a bit and Mercer has some concerns about a potential strain on resources this set-up may force.

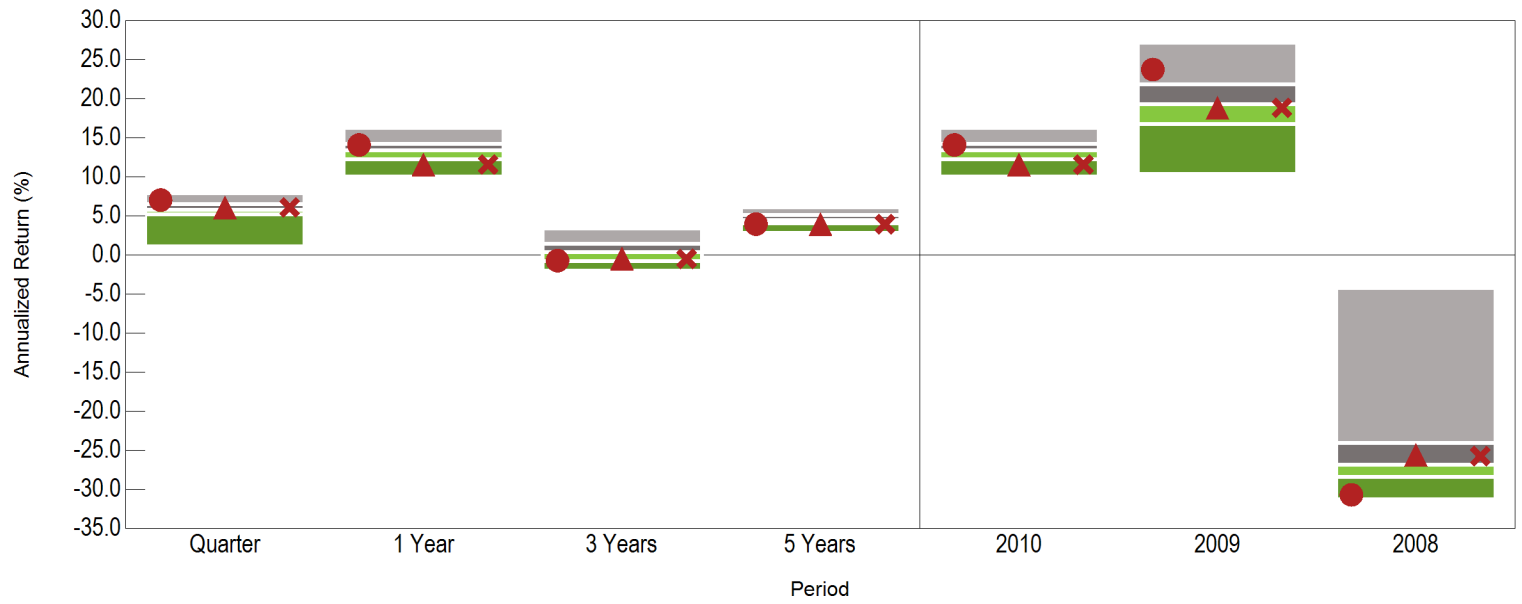
Business Management and Implementation:

- There have been no changes to the organization since our last update meeting. Abbott's investment team has been very stable over the years with the last senior professional having left in 1997. It places a premium on its people and operates under an "up or out" philosophy. The members have diverse backgrounds and complement one another, forming a cohesive team. Abbott may add a post-MBA associate to the team in 2011. The group continues to operate with no apparent silos; all professionals are essentially generalists and work on all types of strategies.
- Abbott remains steadfast in its rigorous level of due diligence, a key differentiator of the firm. Managing Partners play a large role in the process and emphasis is placed on each investment being a team decision. This extensive diligence process includes an uncommonly high number of reference calls and portfolio company visits. The team generally visits at least five portfolio companies where it says it gets a better feel for the styles of the individual GPs. On average, Abbott performs 25+ reference calls on all funds. For one group that it has been invested with for quite some time, Abbott made roughly 50 reference calls.
- Abbott has a program in place in which investment professionals are assigned to become an "expert" on a new region for the firm and report on it. The regions they are focused on now are China, India, Australia, Latin America and Central & Eastern Europe. This is an effort to stay on top of various regions and understand the specific challenges associated with each. There is a trip planned for India which along with China are the most interesting regions for Abbott, followed by Brazil. Abbott does not have any current plans to open an office in Asia, however.

Board Report

Total Plan Performance

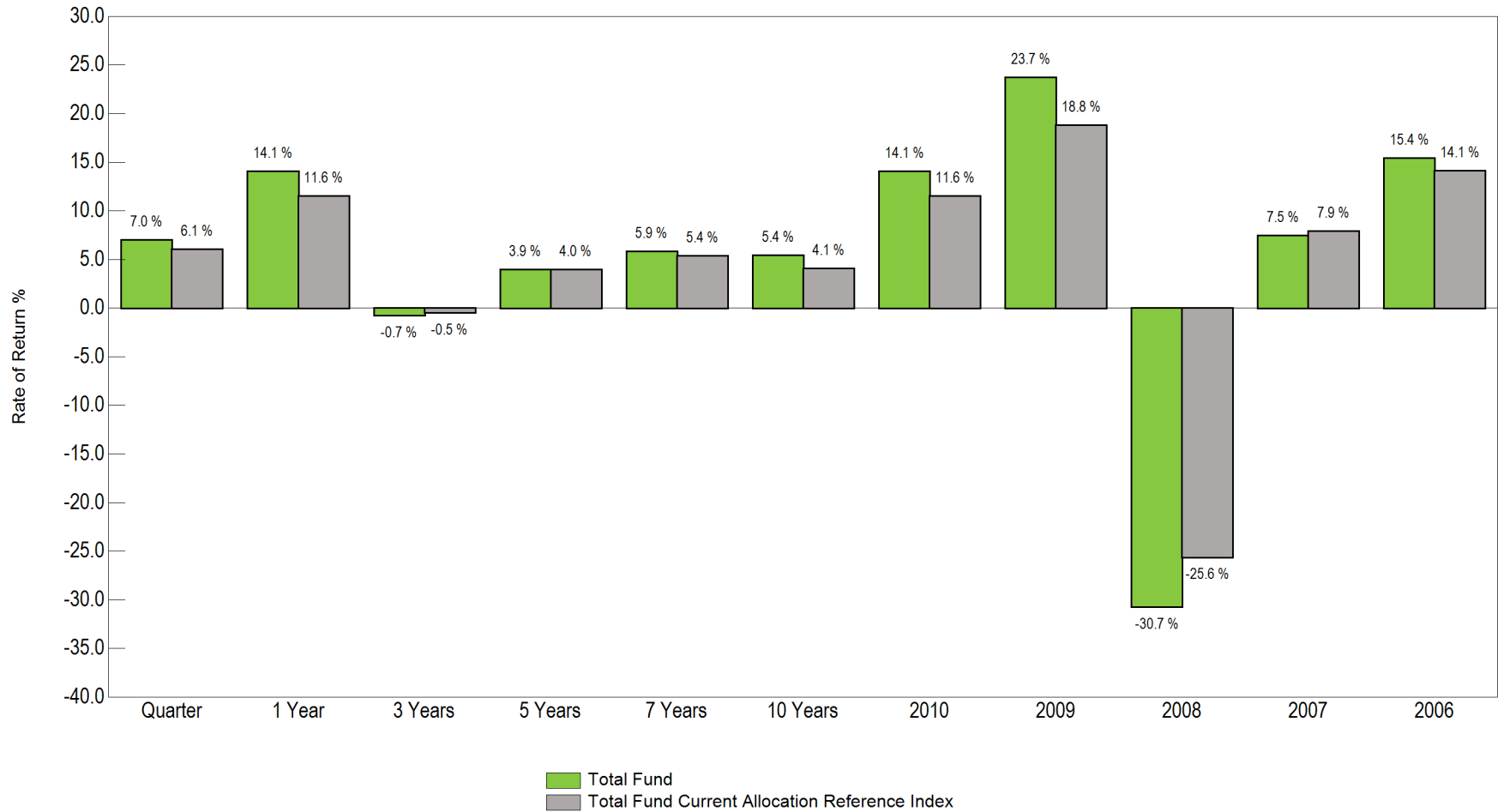
Performance vs. Public Funds >\$1B
Ending December 31, 2010



	Return (Rank)						
	Quarter	1 Year	3 Years	5 Years	2010	2009	2008
5th Percentile	7.9	16.2	3.4	6.1	16.2	27.2	-4.3
25th Percentile	6.6	14.3	1.5	5.1	14.3	21.9	-24.0
Median	5.8	13.4	0.4	4.5	13.4	19.4	-26.8
75th Percentile	5.2	12.3	-0.7	4.1	12.3	16.8	-28.3
95th Percentile	1.1	10.1	-2.0	2.9	10.1	10.4	-31.2
# of Portfolios	67	61	61	60	61	66	59
● Total Fund	7.0 (19)	14.1 (32)	-0.7 (76)	3.9 (78)	14.1 (32)	23.7 (11)	-30.7 (95)
▲ Total Fund Current Allocation Reference Inde	6.1 (42)	11.6 (80)	-0.5 (69)	4.0 (78)	11.6 (80)	18.8 (55)	-25.6 (34)
✕ Total Fund Interim Reference Index	6.1 (42)	11.6 (80)	-0.5 (73)	3.9 (79)	11.6 (80)	18.8 (55)	-25.7 (34)

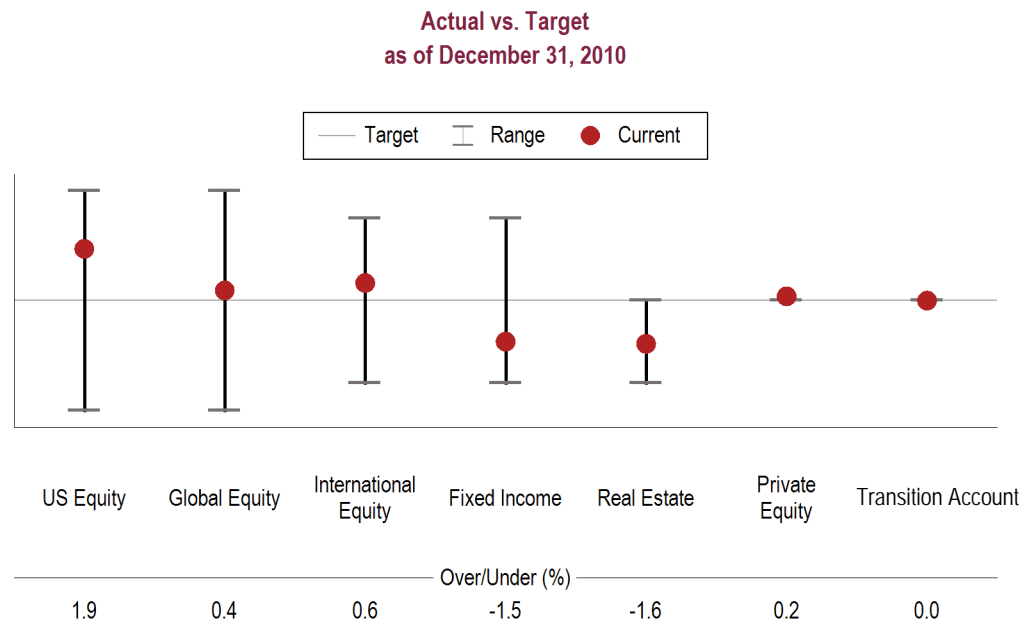
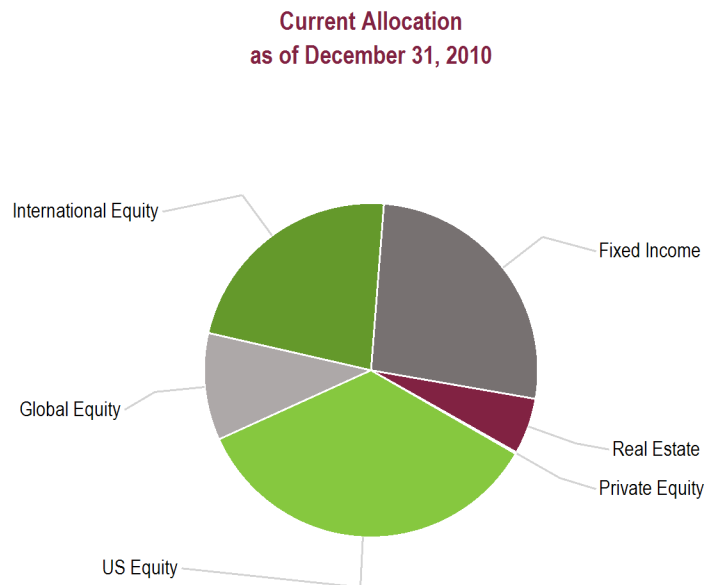
Total Plan Performance

Fund Return vs. Benchmark Portfolio Return
Ending December 31, 2010



Total Plan

Asset Allocation vs. Target



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

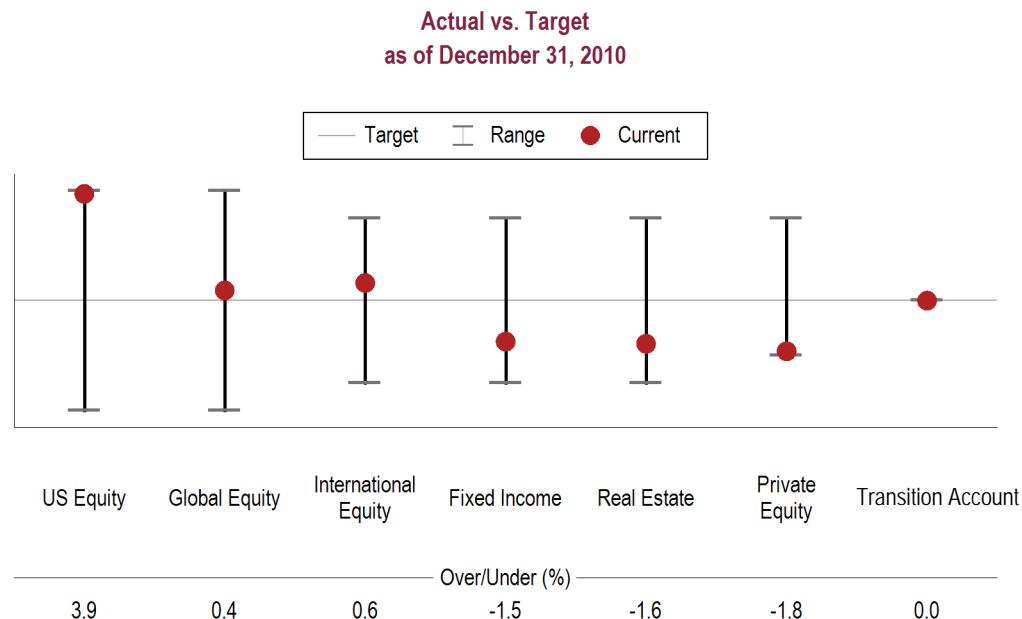
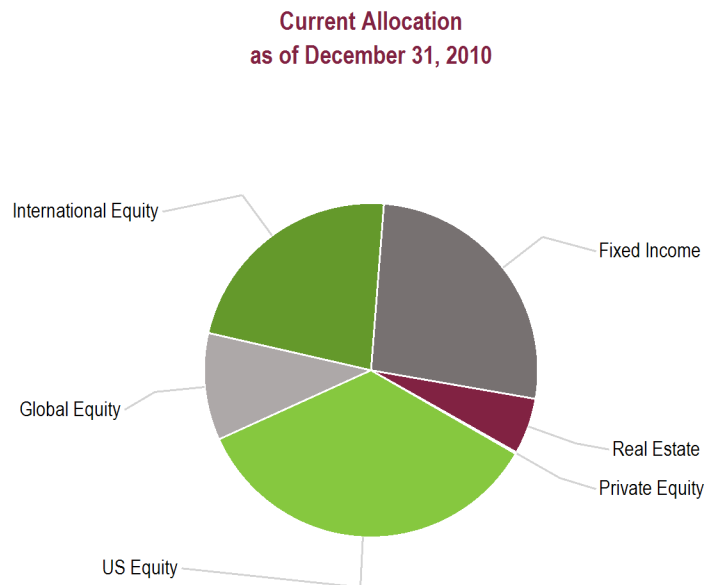
	Current Balance	Current Allocation	Target Allocation ²	Difference	Target Ranges	Within IPS Range?
US Equity	\$1,490,167,383	34.9%	33.0%	\$80,511,271	29.0% - 37.0%	Yes
Global Equity	\$443,068,413	10.4%	10.0%	\$15,899,894	6.0% - 14.0%	Yes
International Equity	\$967,285,416	22.6%	22.0%	\$27,514,674	19.0% - 25.0%	Yes
Fixed Income	\$1,132,447,183	26.5%	28.0%	-\$63,624,670	25.0% - 31.0%	Yes
Real Estate	\$231,991,002	5.4%	7.0%	-\$67,026,961	4.0% - 10.0%	Yes
Private Equity	\$6,721,871	0.2%	0.0%	\$6,721,871	0.0% - 0.0%	No
Transition Account	\$3,921	0.0%	0.0%	\$3,921	0.0% - 0.0%	No
Total	\$4,271,685,189¹	100.0%	100.0%			

¹ Excludes \$24.9 million in cash.

² Based on the target asset allocation presented at the December 2009 Committee meeting.

Total Plan

Asset Allocation vs. Target



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

	Current Balance	Current Allocation	Target Allocation ²	Difference	Target Ranges	Within IPS Range?
US Equity	\$1,490,167,383	34.9%	31.0%	\$165,944,974	27.0% - 35.0%	Yes
Global Equity	\$443,068,413	10.4%	10.0%	\$15,899,894	6.0% - 14.0%	Yes
International Equity	\$967,285,416	22.6%	22.0%	\$27,514,674	19.0% - 25.0%	Yes
Fixed Income	\$1,132,447,183	26.5%	28.0%	-\$63,624,670	25.0% - 31.0%	Yes
Real Estate	\$231,991,002	5.4%	7.0%	-\$67,026,961	4.0% - 10.0%	Yes
Private Equity	\$6,721,871	0.2%	2.0%	-\$78,711,833	0.0% - 5.0%	Yes
Transition Account	\$3,921	0.0%	0.0%	\$3,921	0.0% - 0.0%	No
Total	\$4,271,685,189¹	100.0%	100.0%			

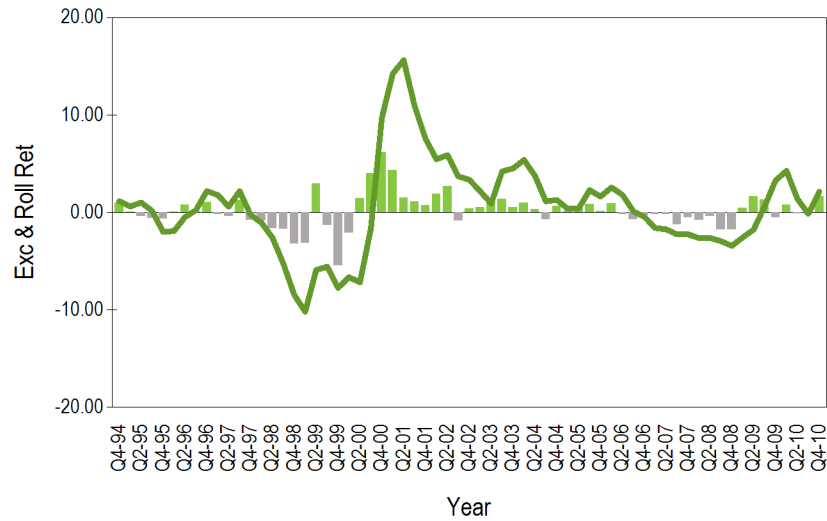
¹ Excludes \$24.9 million in cash.

² Total Fund interim asset allocation.

Total Domestic Equity Composite

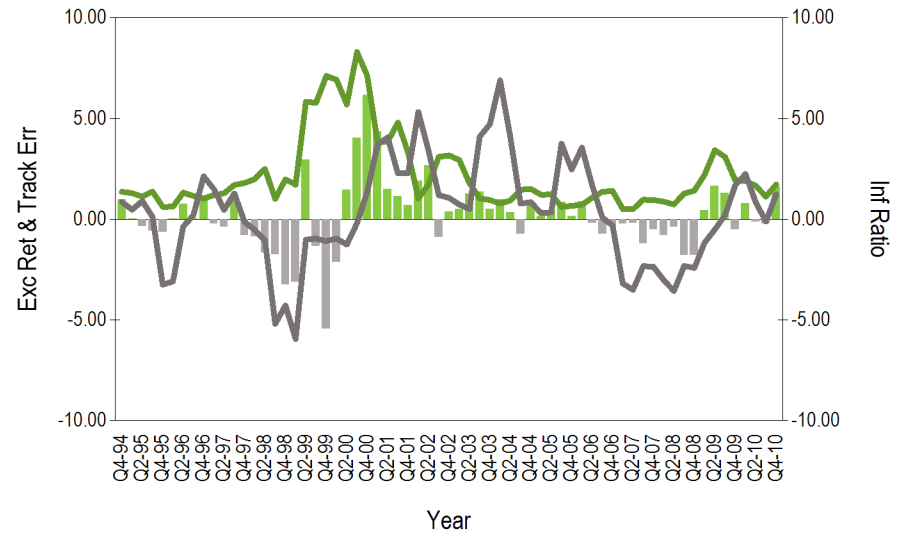
Performance and Risk

Excess Performance
16 Years 3 Months Ending December 31, 2010



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

Tracking Error and Information Ratio
16 Years 3 Months Ending December 31, 2010

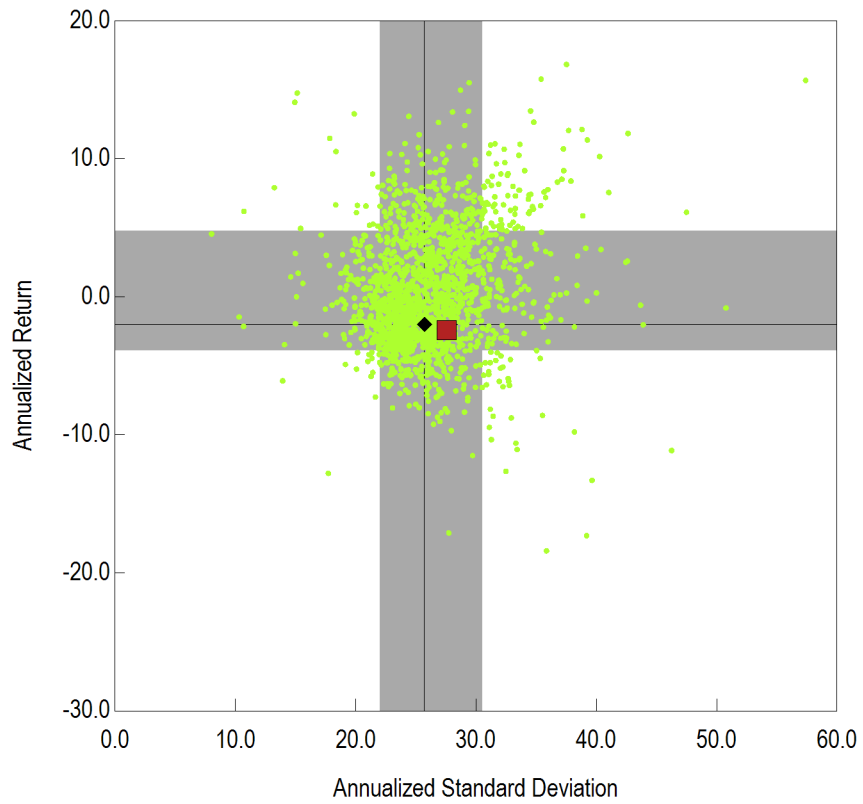


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. Russell 3000
- Rolling 1 Year Information Ratio vs. Russell 3000

Total Domestic Equity Composite

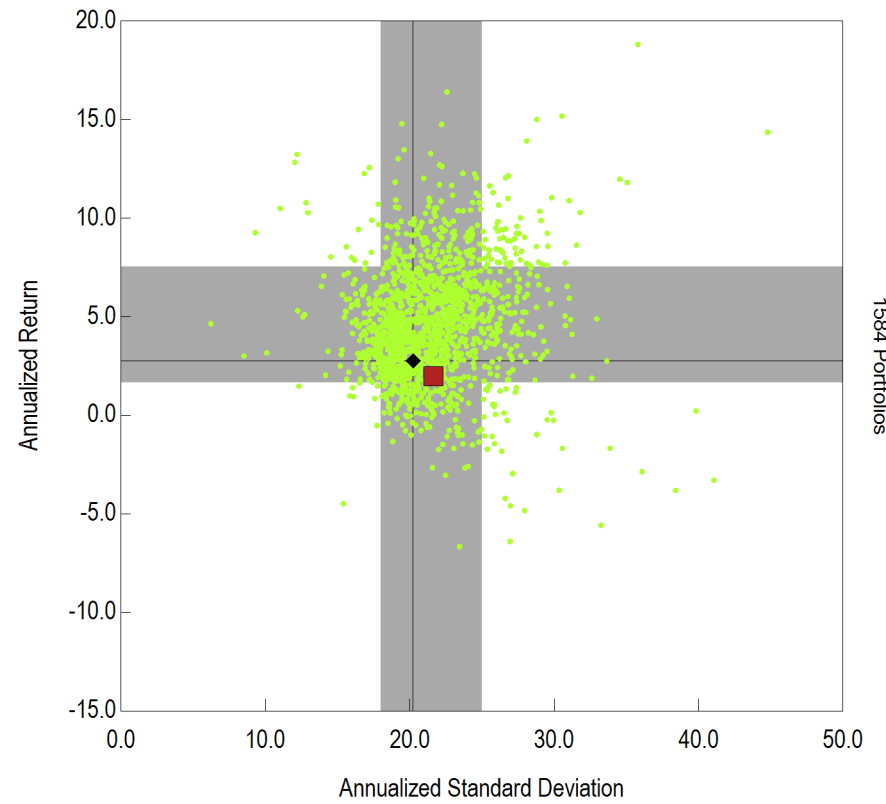
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2010



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2010

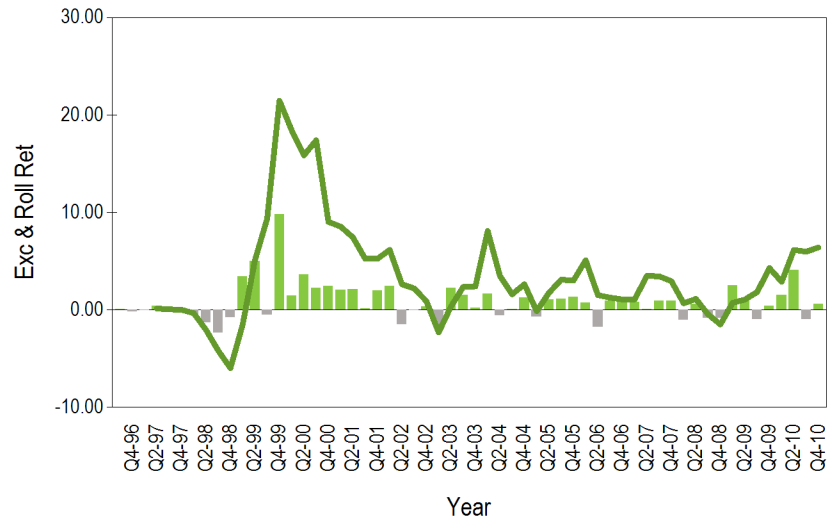


- Total Domestic Equity Composite
- ◆ Russell 3000
- 68% Confidence Interval
- Mercer Instl US Equity Combined (manager)

Total Intl Equity Composite

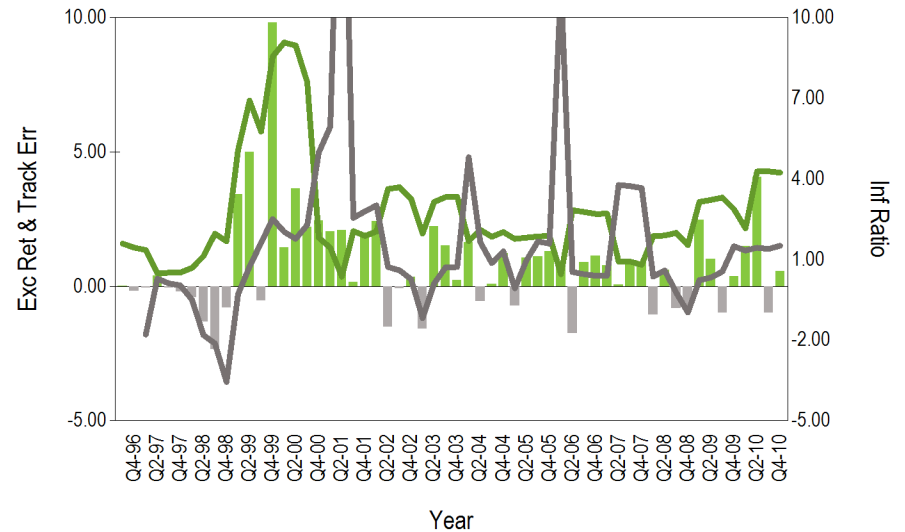
Performance and Risk

Excess Performance
14 Years 8 Months Ending December 31, 2010



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

Tracking Error and Information Ratio
14 Years 8 Months Ending December 31, 2010

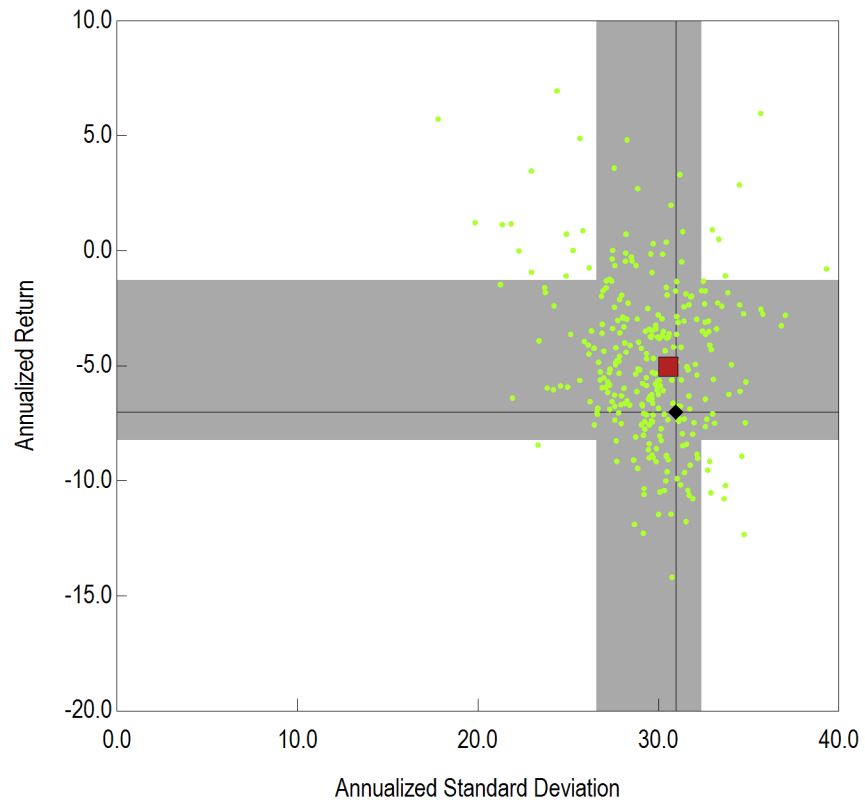


■ Quarterly Out Performance
■ Quarterly Under Performance
— Rolling 1 Year Tracking Error vs. MSCI EAFE
— Rolling 1 Year Information Ratio vs. MSCI EAFE

Total Intl Equity Composite

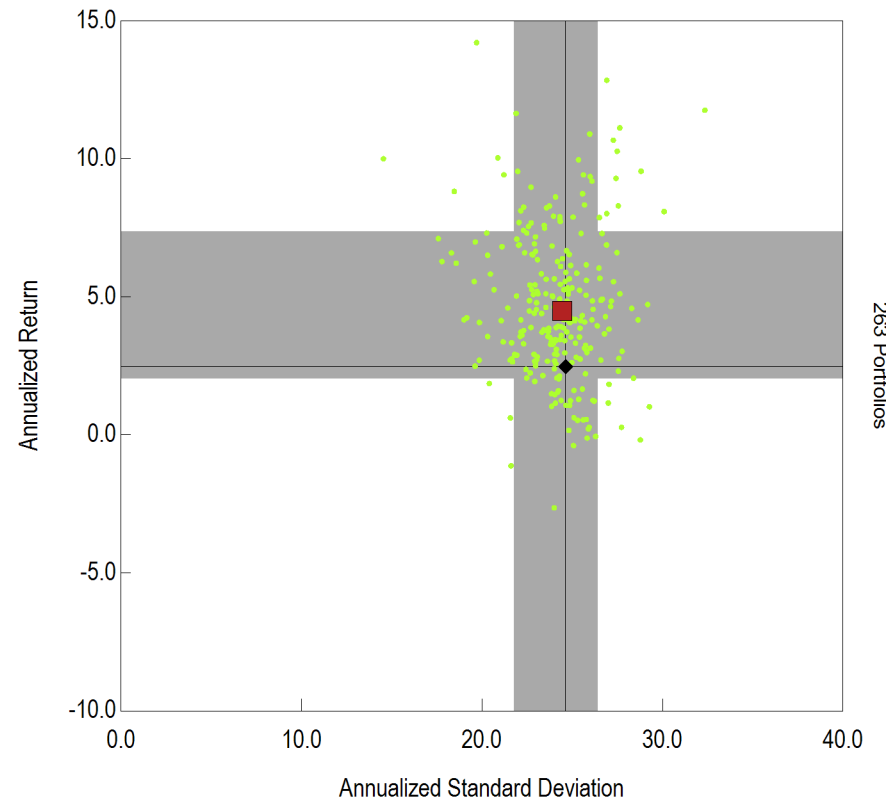
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2010



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2010

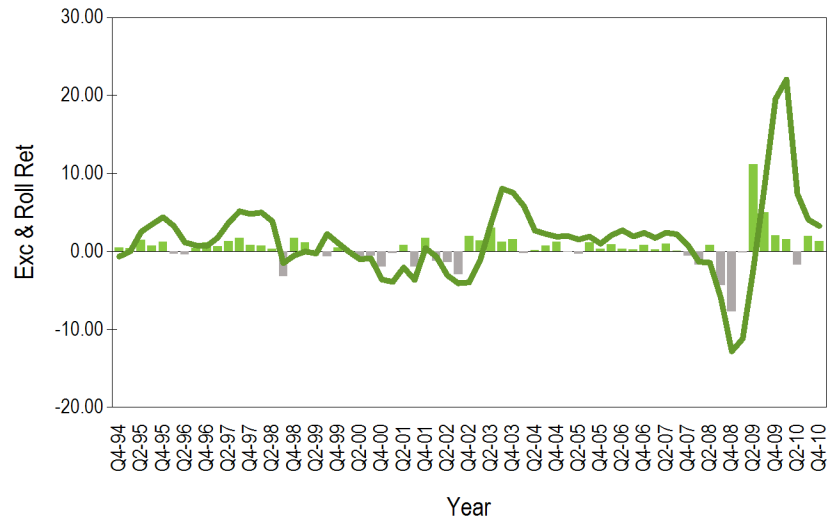


- Total Intl Equity Composite
- ◆ MSCI EAFE
- 68% Confidence Interval
- Mercer Instl Intl Equity (manager)

Total Fixed Income Composite

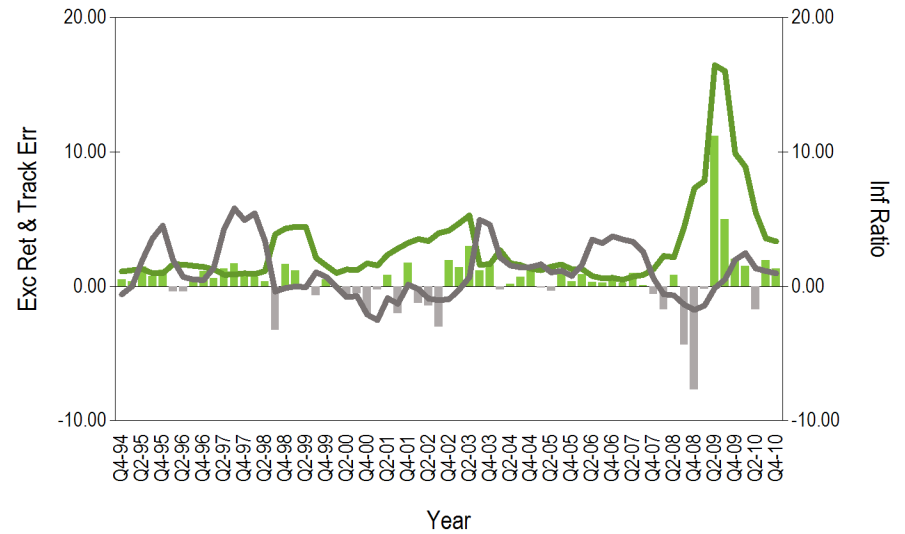
Performance and Risk

Excess Performance
16 Years 3 Months Ending December 31, 2010



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

Tracking Error and Information Ratio
16 Years 3 Months Ending December 31, 2010

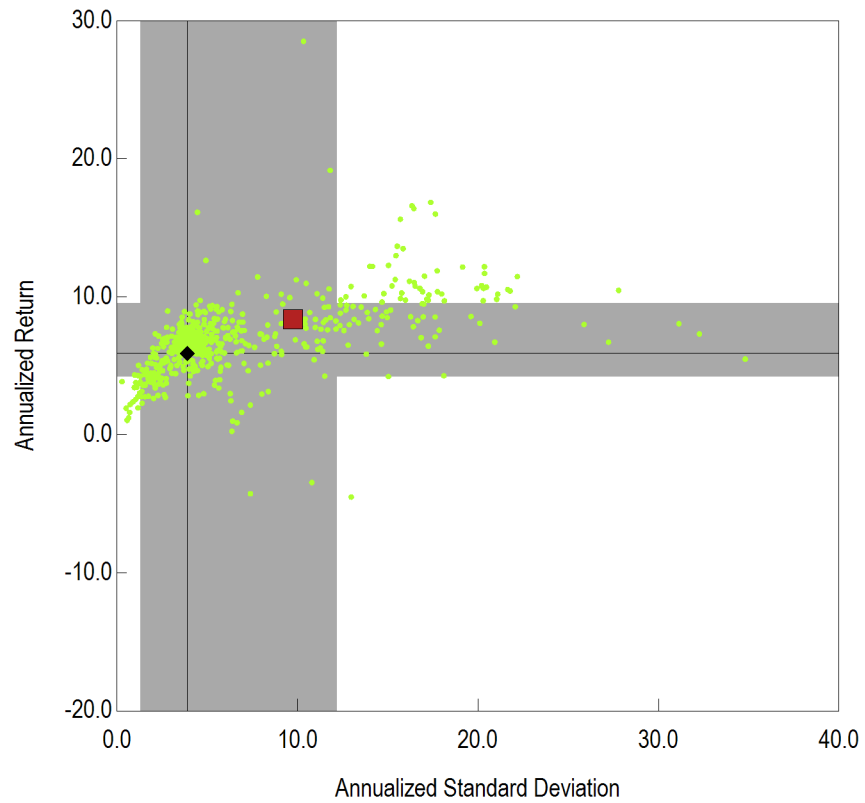


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. Barclays Capital Aggregate
- Rolling 1 Year Information Ratio vs. Barclays Capital Aggregate

Total Fixed Income Composite

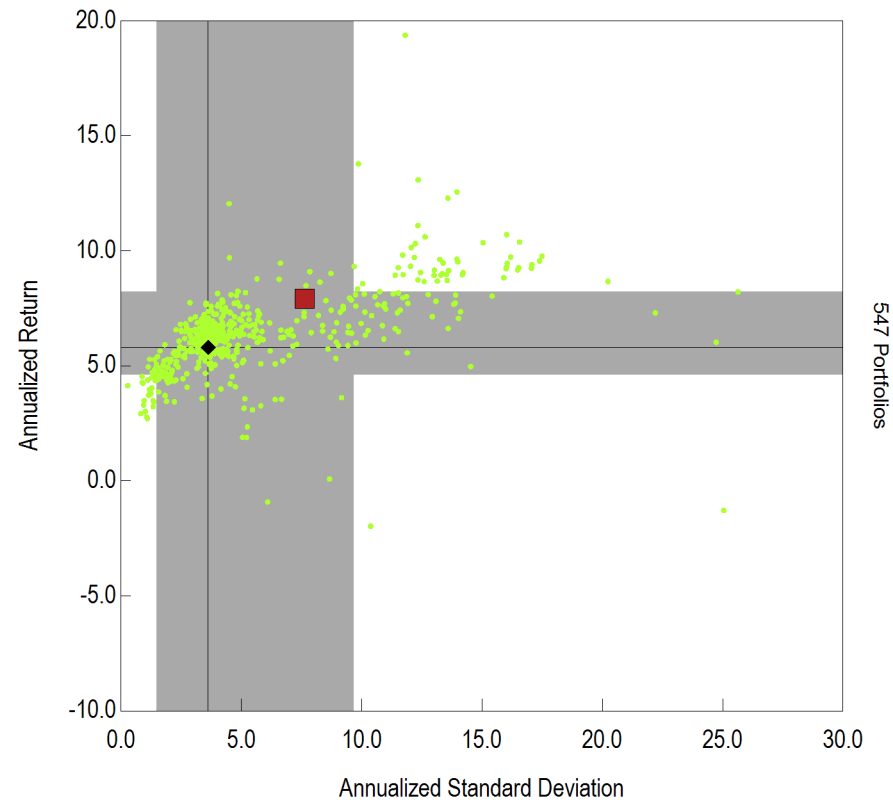
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2010



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

Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2010

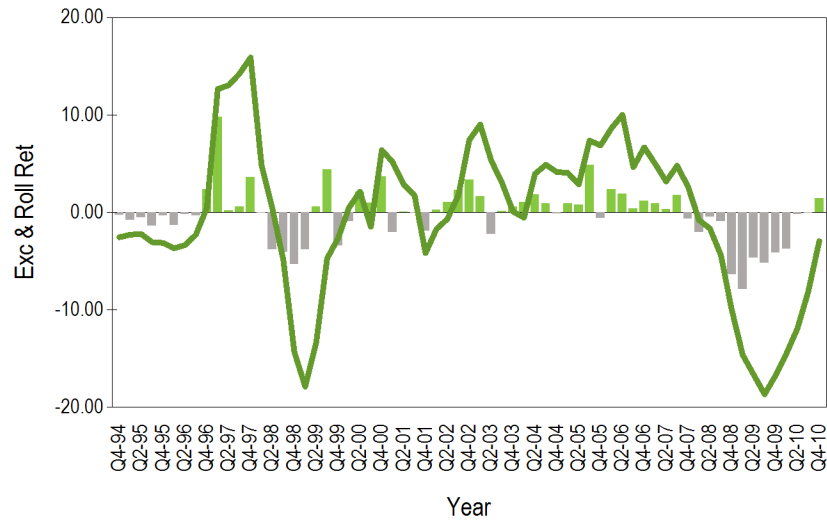


- Total Fixed Income Composite
- ◆ Barclays Capital Aggregate
- 68% Confidence Interval
- Mercer Instl US Fixed Combined (manager)

Total Real Estate Composite

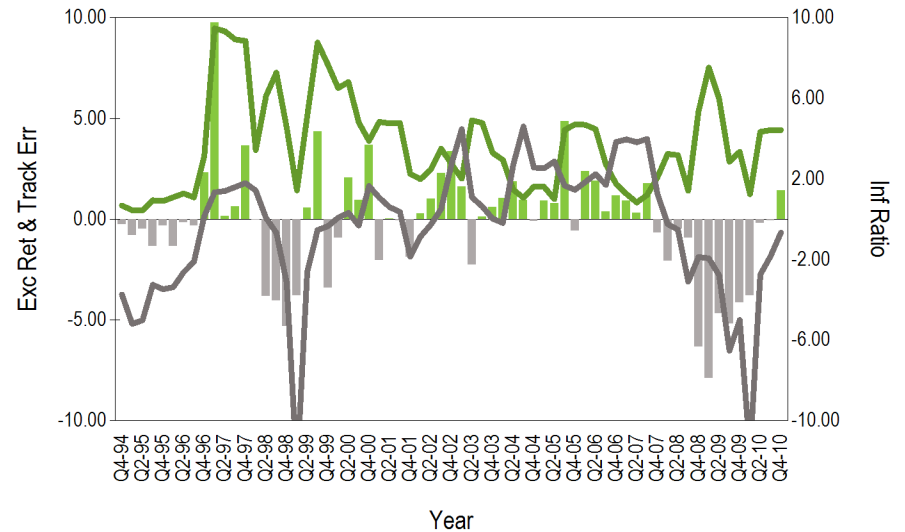
Performance and Risk

Excess Performance
16 Years 3 Months Ending December 31, 2010



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

Tracking Error and Information Ratio
16 Years 3 Months Ending December 31, 2010

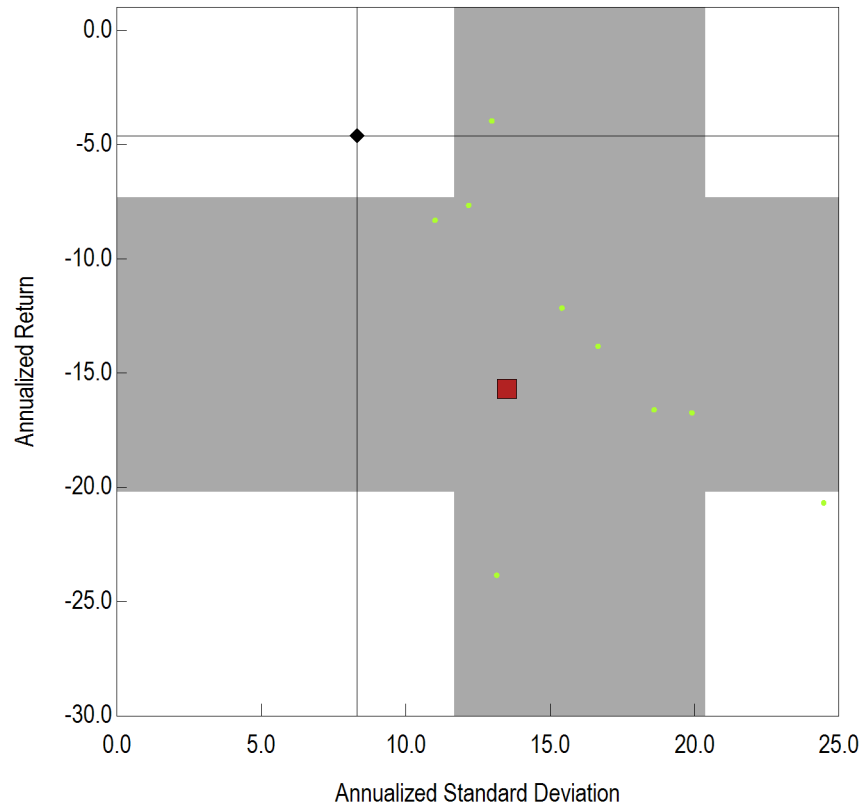


- Quarterly Out Performance
- Quarterly Under Performance
- Rolling 1 Year Tracking Error vs. NCREIF Property (1 Qtr in Arrears)
- Rolling 1 Year Information Ratio vs. NCREIF Property (1 Qtr in Arrears)

Total Real Estate Composite

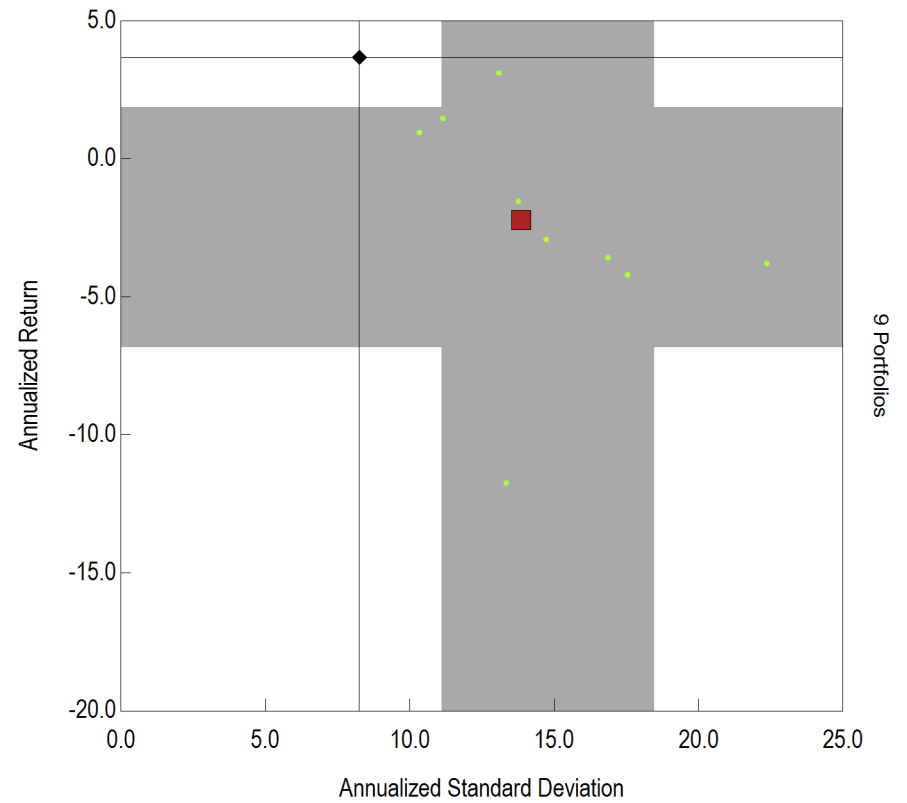
Performance and Risk

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 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 December 31, 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	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$4,296,542,047¹	100.0%	7.0%	19	14.1%	32	-0.7%	76	3.9%	78	9.8%	Nov-78
<i>Total Fund Current Allocation Reference Index</i>			6.1%	42	11.6%	80	-0.5%	69	4.0%	78	--	Nov-78
<i>Total Fund Interim Reference Index</i>			6.1%	42	11.6%	80	-0.5%	73	3.9%	79	--	Nov-78
<i>CPI + 4%</i>			1.3%	94	5.5%	98	5.4%	1	6.2%	3	7.7%	Nov-78
<i>Public Funds >\$1B Median</i>			5.8%		13.4%		0.4%		4.5%		--	Nov-78
Total Domestic Equity Composite	\$1,490,167,383	34.7%	13.2%	45	19.1%	53	-2.4%	74	2.0%	84	10.1%	Dec-87
<i>Russell 3000</i>			11.6%	63	16.9%	62	-2.0%	70	2.7%	74	10.0%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			12.7%		19.7%		-0.2%		4.4%		11.6%	Dec-87
Northern Trust Global	\$355,996,683	8.3%	10.8%	75	15.2%	72	-3.0%	80	2.2%	81	2.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			10.8%	75	15.1%	73	-2.9%	78	2.3%	80	2.6%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			12.7%		19.7%		-0.2%		4.4%		6.5%	Jun-98
BlackRock R1000 Alpha Tilts	\$183,411,143	4.3%	11.0%	43	12.4%	79	-3.6%	82	0.8%	96	3.9%	Apr-02
<i>Russell 1000</i>			11.2%	37	16.1%	28	-2.4%	55	2.6%	65	4.3%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			10.9%		14.7%		-2.2%		3.1%		--	Apr-02
Turner Investment Partners	\$236,775,353	5.5%	14.2%	11	19.5%	22	-6.7%	95	0.2%	98	5.0%	Jul-02
<i>Russell 1000 Growth</i>			11.8%	56	16.7%	47	-0.5%	35	3.8%	51	6.4%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			12.0%		16.2%		-1.2%		3.8%		--	Jul-02
AllianceBernstein L.P.	\$226,315,865	5.3%	11.8%	24	13.4%	66	-8.1%	99	-1.5%	99	6.7%	Jul-96
<i>Russell 1000 Value</i>			10.5%	53	15.5%	32	-4.4%	79	1.3%	77	7.7%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			10.7%		14.3%		-2.7%		2.6%		--	Jul-96
Earnest Partners LLC	\$149,417,088	3.5%	13.6%	36	27.5%	21	3.0%	38	5.8%	43	7.9%	Apr-05
<i>Russell Mid Cap</i>			13.1%	49	25.5%	37	1.1%	64	4.7%	63	7.0%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			13.0%		24.2%		1.9%		5.2%		--	Apr-05

¹ Includes cash.

Note: The Total Fund Current Allocation Reference Index consists of: 33% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World and 7% NCREIF Property (1Qtr in Arrears).

The Total Fund Interim Reference Index consists of: 31% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World, 7% NCREIF Property (1Qtr in Arrears) and 2% Russell 3000 + 3% lag.

Mercer Investment Consulting, Inc.

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	\$240,750,753	5.6%	19.4%	9	34.6%	10	5.0%	53	5.3%	68	12.7%	Sep-96
<i>Russell 2000 Value</i>			15.4%	60	24.5%	74	2.2%	82	3.5%	84	9.6%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			16.1%		27.1%		5.3%		6.3%		12.3%	Sep-96
Allianz Global Investors Capital	\$97,500,498	2.3%	11.5%	97	--	--	--	--	--	--	9.9%	Mar-10
<i>Russell 2000 Growth</i>			17.1%	49	29.1%	46	2.2%	40	5.3%	51	20.0%	Mar-10
<i>Mercer Instl US Equity Small Cap Growth Median</i>			17.0%		28.7%		1.0%		5.3%		19.9%	Mar-10
Total Global Equity Composite	\$443,068,414	10.3%	8.3%	64	--	--	--	--	--	--	7.2%	Mar-10
<i>MSCI The World Index</i>			9.0%	53	11.8%	64	-4.9%	65	2.4%	81	8.3%	Mar-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		9.5%	Mar-10
Grantham Mayo Van Otterloo	\$223,457,595	5.2%	8.2%	65	--	--	--	--	--	--	7.1%	Mar-10
<i>MSCI The World Index</i>			9.0%	53	11.8%	64	-4.9%	65	2.4%	81	8.3%	Mar-10
<i>MSCI The World Value</i>			7.8%	71	9.0%	80	-6.3%	80	1.3%	92	5.5%	Mar-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		9.5%	Mar-10
T. Rowe Price	\$219,610,818	5.1%	8.3%	63	--	--	--	--	--	--	25.4%	Jun-10
<i>MSCI AC World</i>			8.7%	57	12.7%	55	-4.3%	59	3.4%	66	24.3%	Jun-10
<i>MSCI The World Growth</i>			10.1%	26	14.5%	37	-3.5%	49	3.5%	65	26.4%	Jun-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		24.2%	Jun-10
Total Intl Equity Composite	\$967,285,416	22.5%	7.2%	63	14.2%	33	-5.0%	51	4.5%	49	7.6%	Apr-96
<i>MSCI EAFE</i>			6.6%	77	7.8%	84	-7.0%	75	2.5%	83	4.4%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Apr-96
Brandes Investment Partners	\$372,256,967	8.7%	4.5%	97	5.3%	94	-6.4%	68	3.3%	70	9.7%	Jan-98
<i>MSCI EAFE</i>			6.6%	77	7.8%	84	-7.0%	75	2.5%	83	4.5%	Jan-98
<i>MSCI EAFE Value</i>			5.3%	93	3.2%	98	-8.1%	85	1.4%	91	5.7%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Jan-98

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
William Blair & Company	\$471,139,101	11.0%	8.0%	43	20.4%	7	-5.2%	52	5.0%	42	9.1%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			7.3%	63	11.6%	52	-4.6%	46	5.3%	36	10.1%	Nov-03
<i>MSCI EAFE Growth</i>			7.9%	44	12.2%	46	-5.9%	62	3.5%	67	7.5%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Nov-03
Dimensional Fund Advisors Inc.	\$123,889,348	2.9%	12.7%	44	18.9%	87	-0.6%	44	--	--	2.2%	Mar-06
<i>MSCI EAFE Small Cap Price Index</i>			11.5%	66	19.4%	83	-4.1%	81	0.7%	98	-1.3%	Mar-06
<i>MSCI EAFE Small Cap</i>			11.8%	60	22.4%	66	-1.4%	46	3.2%	87	1.2%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			12.5%		23.5%		-1.8%		6.8%		4.4%	Mar-06
Total Fixed Income Composite	\$1,132,447,182¹	26.4%	0.0%	32	9.8%	30	8.4%	20	7.9%	15	8.8%	Dec-87
<i>Barclays Capital Aggregate</i>			-1.3%	79	6.5%	69	5.9%	71	5.8%	70	7.3%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			-0.5%		7.5%		6.7%		6.4%		7.6%	Dec-87
BlackRock Intermediate Agg	\$313,092,842	7.3%	-0.7%	22	6.3%	58	6.0%	70	5.9%	71	6.0%	Jun-99
<i>Barclays Capital Int Aggregate</i>			-0.8%	23	6.1%	72	5.8%	83	5.8%	78	5.9%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			-1.2%		6.5%		6.4%		6.2%		6.2%	Jun-99
Reams Asset Management	\$296,998,752	6.9%	-0.8%	79	9.0%	58	9.2%	13	8.0%	17	6.9%	Dec-01
<i>Barclays Capital Aggregate</i>			-1.3%	98	6.5%	99	5.9%	82	5.8%	82	5.6%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.5%		9.1%		7.4%		6.7%		6.6%	Dec-01
Loomis, Sayles & Company, L.P.	\$522,355,589	12.2%	0.9%	9	12.5%	12	8.6%	27	8.6%	10	10.1%	Nov-87
<i>Barclays Capital Aggregate</i>			-1.3%	98	6.5%	99	5.9%	82	5.8%	82	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.5%		9.1%		7.4%		6.7%		--	Nov-87
Total Private Equity	\$6,721,871	0.2%	4.5%	--	--	--	--	--	--	--	-1.4%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10
Abbott Capital Management	\$839,076	0.0%	0.0%	--	--	--	--	--	--	--	-55.2%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10

¹ Excludes \$24.9 million in cash.

Total Plan

Performance Summary - Gross of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Mesirow Financial	\$5,882,795	0.1%	4.9%	--	--	--	--	--	--	--	2.6%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10
Total Real Estate Composite	\$231,991,002	5.4%	5.3%	58	2.9%	91	-15.7%	59	-2.2%	44	5.1%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			3.9%	71	5.8%	90	-4.6%	3	3.7%	1	6.9%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			5.8%		18.4%		-13.8%		-2.9%		--	May-86
Real Estate	\$231,991,002	5.4%	5.3%	58	2.9%	91	-15.7%	59	-2.2%	44	5.1%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			3.9%	71	5.8%	90	-4.6%	3	3.7%	1	6.9%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			5.8%		18.4%		-13.8%		-2.9%		--	May-86
Transition Account	\$3,921	0.0%	--	--	--	--	--	--	--	--	--	Mar-10

Total Plan

Performance Summary - Net of Fees

Total Plan Performance

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Total Fund	\$4,296,542,047¹	100.0%	6.9%	21	13.8%	42	-0.9%	83	3.7%	83	9.3%	Nov-78
<i>Total Fund Current Allocation Reference Index</i>			6.1%	42	11.6%	80	-0.5%	69	4.0%	78	--	Nov-78
<i>Total Fund Interim Reference Index</i>			6.1%	42	11.6%	80	-0.5%	73	3.9%	79	--	Nov-78
<i>CPI + 4%</i>			1.3%	94	5.5%	98	5.4%	1	6.2%	3	7.7%	Nov-78
<i>Public Funds >\$1B Median</i>			5.8%		13.4%		0.4%		4.5%		--	Nov-78
Total Domestic Equity Composite	\$1,490,167,383	34.7%	13.1%	46	18.8%	54	-2.6%	76	1.7%	88	9.9%	Dec-87
<i>Russell 3000</i>			11.6%	63	16.9%	62	-2.0%	70	2.7%	74	10.0%	Dec-87
<i>Mercer Instl US Equity Combined Median</i>			12.7%		19.7%		-0.2%		4.4%		11.6%	Dec-87
Northern Trust Global	\$355,996,683	8.3%	10.8%	75	15.1%	72	-3.0%	80	2.2%	82	2.6%	Jun-98
<i>S&P 500 Index (Total Return)</i>			10.8%	75	15.1%	73	-2.9%	78	2.3%	80	2.6%	Jun-98
<i>Mercer Instl US Equity Combined Median</i>			12.7%		19.7%		-0.2%		4.4%		6.5%	Jun-98
BlackRock R1000 Alpha Tilts	\$183,411,143	4.3%	11.0%	44	12.3%	80	-3.6%	83	0.7%	96	3.7%	Apr-02
<i>Russell 1000</i>			11.2%	37	16.1%	28	-2.4%	55	2.6%	65	4.3%	Apr-02
<i>Mercer Instl US Equity Large Cap Core Median</i>			10.9%		14.7%		-2.2%		3.1%		--	Apr-02
Turner Investment Partners	\$236,775,353	5.5%	14.1%	13	19.1%	24	-7.1%	96	-0.1%	98	4.6%	Jul-02
<i>Russell 1000 Growth</i>			11.8%	56	16.7%	47	-0.5%	35	3.8%	51	6.4%	Jul-02
<i>Mercer Instl US Equity Large Cap Growth Median</i>			12.0%		16.2%		-1.2%		3.8%		--	Jul-02
AllianceBernstein L.P.	\$226,315,865	5.3%	11.7%	27	12.9%	73	-8.5%	99	-1.9%	99	6.1%	Jul-96
<i>Russell 1000 Value</i>			10.5%	53	15.5%	32	-4.4%	79	1.3%	77	7.7%	Jul-96
<i>Mercer Instl US Equity Large Cap Value Median</i>			10.7%		14.3%		-2.7%		2.6%		--	Jul-96
Earnest Partners LLC	\$149,417,088	3.5%	13.4%	38	27.0%	26	2.5%	43	5.3%	50	7.3%	Apr-05
<i>Russell Mid Cap</i>			13.1%	49	25.5%	37	1.1%	64	4.7%	63	7.0%	Apr-05
<i>Mercer Instl US Equity Mid Cap Core Median</i>			13.0%		24.2%		1.9%		5.2%		--	Apr-05

¹ Includes cash.

Note: The Total Fund Current Allocation Reference Index consists of: 33% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World and 7% NCREIF Property (1Qtr in Arrears).

The Total Fund Interim Reference Index consists of: 31% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World, 7% NCREIF Property (1Qtr in Arrears) and 2% Russell 3000 + 3% lag.

Mercer Investment Consulting, Inc.

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Dimensional Fund Advisors Inc.	\$240,750,753	5.6%	19.3%	10	34.4%	10	4.8%	55	5.0%	70	12.4%	Sep-96
<i>Russell 2000 Value</i>			15.4%	60	24.5%	74	2.2%	82	3.5%	84	9.6%	Sep-96
<i>Mercer Instl US Equity Small Cap Value Median</i>			16.1%		27.1%		5.3%		6.3%		12.3%	Sep-96
Allianz Global Investors Capital	\$97,500,498	2.3%	11.4%	98	--	--	--	--	--	--	9.3%	Mar-10
<i>Russell 2000 Growth</i>			17.1%	49	29.1%	46	2.2%	40	5.3%	51	20.0%	Mar-10
<i>Mercer Instl US Equity Small Cap Growth Median</i>			17.0%		28.7%		1.0%		5.3%		19.9%	Mar-10
Total Global Equity Composite	\$443,068,414	10.3%	8.1%	66	--	--	--	--	--	--	7.0%	Mar-10
<i>MSCI The World Index</i>			9.0%	53	11.8%	64	-4.9%	65	2.4%	81	8.3%	Mar-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		9.5%	Mar-10
Grantham Mayo Van Otterloo	\$223,457,595	5.2%	8.1%	66	--	--	--	--	--	--	6.9%	Mar-10
<i>MSCI The World Index</i>			9.0%	53	11.8%	64	-4.9%	65	2.4%	81	8.3%	Mar-10
<i>MSCI The World Value</i>			7.8%	71	9.0%	80	-6.3%	80	1.3%	92	5.5%	Mar-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		9.5%	Mar-10
T. Rowe Price	\$219,610,818	5.1%	8.2%	66	--	--	--	--	--	--	25.1%	Jun-10
<i>MSCI AC World</i>			8.7%	57	12.7%	55	-4.3%	59	3.4%	66	24.3%	Jun-10
<i>MSCI The World Growth</i>			10.1%	26	14.5%	37	-3.5%	49	3.5%	65	26.4%	Jun-10
<i>Mercer Instl Global Equity Median</i>			9.1%		13.0%		-3.6%		4.2%		24.2%	Jun-10
Total Intl Equity Composite	\$967,285,416	22.5%	7.1%	66	13.6%	36	-5.5%	55	4.0%	57	7.2%	Apr-96
<i>MSCI EAFE</i>			6.6%	77	7.8%	84	-7.0%	75	2.5%	83	4.4%	Apr-96
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Apr-96
Brandes Investment Partners	\$372,256,967	8.7%	4.4%	98	4.8%	95	-6.8%	73	2.9%	76	9.2%	Jan-98
<i>MSCI EAFE</i>			6.6%	77	7.8%	84	-7.0%	75	2.5%	83	4.5%	Jan-98
<i>MSCI EAFE Value</i>			5.3%	93	3.2%	98	-8.1%	85	1.4%	91	5.7%	Jan-98
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Jan-98

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
William Blair & Company	\$471,139,101	11.0%	7.9%	44	19.9%	9	-5.6%	56	4.5%	49	8.6%	Nov-03
<i>MSCI AC World ex USA (Gross)</i>			7.3%	63	11.6%	52	-4.6%	46	5.3%	36	10.1%	Nov-03
<i>MSCI EAFE Growth</i>			7.9%	44	12.2%	46	-5.9%	62	3.5%	67	7.5%	Nov-03
<i>Mercer Instl Intl Equity Median</i>			7.7%		11.7%		-5.0%		4.3%		--	Nov-03
Dimensional Fund Advisors Inc.	\$123,889,348	2.9%	12.5%	49	18.1%	90	-1.3%	46	--	--	1.5%	Mar-06
<i>MSCI EAFE Small Cap Price Index</i>			11.5%	66	19.4%	83	-4.1%	81	0.7%	98	-1.3%	Mar-06
<i>MSCI EAFE Small Cap</i>			11.8%	60	22.4%	66	-1.4%	46	3.2%	87	1.2%	Mar-06
<i>Mercer Instl Intl Equity Small Cap Median</i>			12.5%		23.5%		-1.8%		6.8%		4.4%	Mar-06
Total Fixed Income Composite	\$1,132,447,182	26.4%	0.0%	33	9.7%	30	8.3%	21	7.8%	15	8.7%	Dec-87
<i>Barclays Capital Aggregate</i>			-1.3%	79	6.5%	69	5.9%	71	5.8%	70	7.3%	Dec-87
<i>Mercer Instl US Fixed Combined Median</i>			-0.5%		7.5%		6.7%		6.4%		7.6%	Dec-87
BlackRock Intermediate Agg	\$313,092,842	7.3%	-0.7%	22	6.3%	59	6.0%	71	5.9%	73	6.0%	Jun-99
<i>Barclays Capital Int Aggregate</i>			-0.8%	23	6.1%	72	5.8%	83	5.8%	78	5.9%	Jun-99
<i>Mercer Instl US Fixed Intermediate Median</i>			-1.2%		6.5%		6.4%		6.2%		6.2%	Jun-99
Reams Asset Management	\$296,998,752	6.9%	-0.8%	79	8.8%	63	9.0%	18	7.9%	18	6.7%	Dec-01
<i>Barclays Capital Aggregate</i>			-1.3%	98	6.5%	99	5.9%	82	5.8%	82	5.6%	Dec-01
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.5%		9.1%		7.4%		6.7%		6.6%	Dec-01
Loomis, Sayles & Company, L.P.	\$522,355,589	12.2%	0.9%	10	12.3%	12	8.4%	29	8.5%	11	10.0%	Nov-87
<i>Barclays Capital Aggregate</i>			-1.3%	98	6.5%	99	5.9%	82	5.8%	82	7.4%	Nov-87
<i>Mercer Instl US Fixed Core Opportunistic Median</i>			-0.5%		9.1%		7.4%		6.7%		--	Nov-87
Total Private Equity	\$6,721,871	0.2%	4.5%	--	--	--	--	--	--	--	-1.4%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10
Abbott Capital Management	\$839,076	0.0%	0.0%	--	--	--	--	--	--	--	-55.2%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10

¹ Excludes \$24.9 million in cash.

Total Plan

Performance Summary - Net of Fees

Name	Current Market Value	Current Allocation	Ending December 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Mesirow Financial	\$5,882,795	0.1%	4.9%	--	--	--	--	--	--	--	2.6%	Jun-10
<i>RUSSELL 3000 (ON A QUARTER LAG) + 3%</i>			12.2%	--	14.0%	--	-3.6%	--	3.9%	--	6.6%	Jun-10
Total Real Estate Composite	\$231,991,002	5.4%	4.9%	63	1.3%	91	-16.7%	67	-3.7%	67	3.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			3.9%	71	5.8%	90	-4.6%	3	3.7%	1	6.9%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			5.8%		18.4%		-13.8%		-2.9%		--	May-86
Real Estate	\$231,991,002	5.4%	4.9%	63	1.3%	91	-16.7%	67	-3.7%	67	3.7%	May-86
<i>NCREIF Property (1 Qtr in Arrears)</i>			3.9%	71	5.8%	90	-4.6%	3	3.7%	1	6.9%	May-86
<i>Mercer Instl US Real Estate Open End Median</i>			5.8%		18.4%		-13.8%		-2.9%		--	May-86
Transition Account	\$3,921	0.0%	--	--	--	--	--	--	--	--	--	Mar-10

Appendix

Notes Specific to City of Milwaukee Employees' Retirement System

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

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

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

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

Beginning July 1st, 2008, the Total Fund Reference Index was 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, 2010, the Total Fund performance will be compared to two Total Fund Reference Indices to reflect the implementation of the approved current interim asset allocation. Both indices' historical allocation prior to October 1st is the same.

- The Total Fund Current Allocation Reference Index consists of: 33% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World and 7% NCREIF Property (1Qtr in Arrears).
- The Total Fund Interim Reference Index consists of: 31% Russell 3000, 28% Barclays Capital Aggregate, 22% MSCI EAFE (net), 10% MSCI World, 7% NCREIF Property (1Qtr in Arrears) and 2% Russell 3000 + 3% lag.

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.

Appendix

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.

Appendix

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

<i>Manager</i>	<i>Inception Date</i>
Total Fund Composite	1Q1979
Total Domestic Equity Composite	1Q1988
Total 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 December 31, 2010
(Percent Return)**

Benchmark	10-Year Annualized Return
Total Fund Composite	5.4
Total Domestic Equity Composite	3.7
Total Global Equity Composite	NA
Total International Equity Composite	6.0
Total Fixed Income Composite	7.6
Total Private Equity Composite	NA
Total Real Estate Composite	5.4
Russell 3000 Index	2.2
S&P 500 Index	1.4
Russell 1000 Index	1.8
Russell 1000 Growth Index	0.0
Russell 1000 Value Index	3.3
Russell Mid Cap Index	6.5
Russell 2000 Value Index	8.4
Russell 2000 Growth Index	3.8
MSCI EAFE Index (net)	3.5
MSCI AC World Ex USA Index (gross)	6.0
MSCI EAFE Small Cap Price Index	7.2
Barclays Capital Intermediate Aggregate Bond	5.7
Barclays Capital Aggregate Bond	5.8

Mercer Manager Ratings as of December 31, 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 December 31, 2010
(Percent Return)**

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	10.8	10.8
BlackRock (Equity)	11.0	11.0
Turner	14.2	14.4 *
AllianceBernstein	11.8	11.8
EARNEST Partners	13.6	13.6
DFA	19.4	19.3
Allianz	11.5	11.5
GMO	8.2	8.2
T. Rowe Price	8.3	8.4
Brandes	4.5	4.5
William Blair	8.0	7.8 *
DFA Intl SC	12.7	12.5 *
BlackRock (Fixed Income)	-0.7	-0.7
Reams	-0.8	-0.9
Loomis	0.9	1.0

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

Fee Schedule

Manager Roster and Fee Schedule

as of December 31, 2010

Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
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	\$63,100	0.02%
BlackRock R1000 Alpha Tilts	NA*		--	--
Turner Investment Partners	0.33% of First \$300.0 Mil, 0.30% Thereafter		\$781,359	0.33%
AllianceBernstein L.P.	0.90% of First \$15.0 Mil, 0.50% of Next \$35.0 Mil, 0.40% Thereafter		\$1,015,263	0.45%
Earnest Partners LLC	0.54% of First \$175.0 Mil, 0.50% Thereafter		\$799,381	0.54%
Dimensional Fund Advisors Inc.	\$202,495 Quarterly*		\$809,980	0.34%
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		\$672,503	0.69%
Total Global Equity Composite				
Grantham Mayo Van Otterloo	\$188,139 Quarterly*		\$752,556	0.34%
T. Rowe Price	0.65% of First \$50.0 Mil, 0.60% of Next \$50.0 Mil, 0.55% of Next \$100.0 Mil, 0.50% Thereafter		\$1,273,054	0.58%

*Performance based fees.

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	\$1,552,899	0.42%
William Blair & Company	0.80% of First \$20.0 Mil, 0.60% of Next \$30.0 Mil, 0.50% of Next \$50.0 Mil, 0.45% of Next \$50.0 Mil, 0.40% of Next \$50.0 Mil, 0.30% Thereafter	\$0	\$1,828,417	0.39%
Dimensional Fund Advisors Inc.	0.71% of Assets	\$0	\$879,614	0.71%
Total Fixed Income Composite				
BlackRock Intermediate Agg	0.02% of Assets	\$0	\$62,619	0.02%
Reams Asset Management	0.15% of First \$300.0 Mil, 0.10% Thereafter		\$445,498	0.15%
Loomis, Sayles & Company, L.P.	0.20% of First \$100.0 Mil, 0.14% Thereafter		\$791,298	0.15%
Total Private Equity				
Abbott Capital Management	1.00% of First \$25.0 Mil, 0.90% of Next \$25.0 Mil, 0.75% of Next \$100.0 Mil, 0.50% Thereafter		\$8,391	1.00%
Mesirow Financial	0.73% of Assets		\$42,944	0.73%
Total Real Estate Composite				
Total Fund				
Real Estate	--		--	--
Transition Account	--		--	--
Investment Management Fee			\$11,778,877	0.27%

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Appendix

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

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

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Appendix

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