

Second Quarter 2008

Board Report

City of Milwaukee

Employees' Retirement System

MERCER



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GUY CARPENTER OLIVER WYMAN

Consulting. Outsourcing. Investments.

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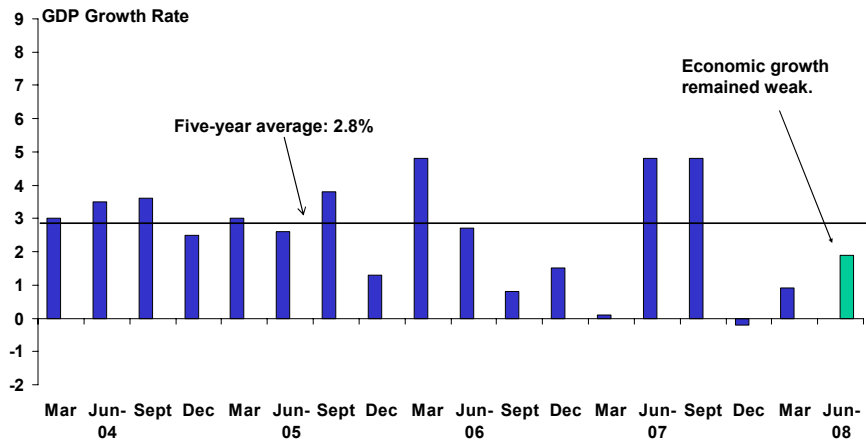
Market Environment

Economic Environment

For Periods Ending June 2008

Economic Profile

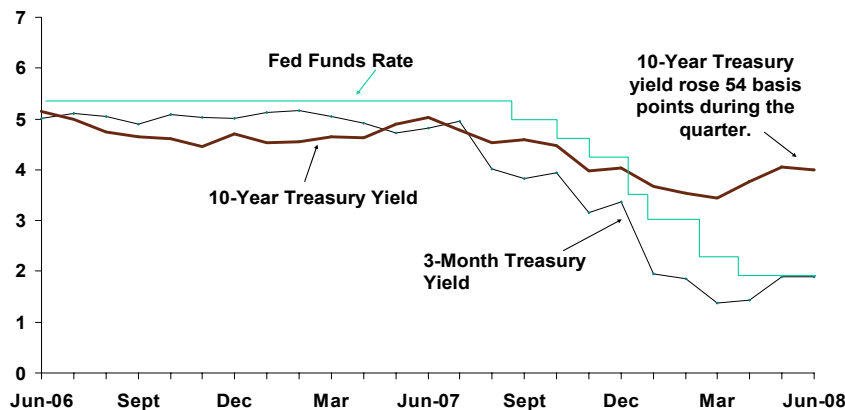
GDP Growth Rate



- Economic growth remained sluggish amid the deepening housing recession, credit contraction, weak business spending, and rising inflation. The initial government estimate of second-quarter GDP growth was 1.9%.
- The labor market remained weak, with job losses reported for the sixth consecutive month in June. The unemployment rate rose to 5.5%.
- Consumer confidence dropped to a 16-year low in June amid concerns over a weak job market and rising food and fuel prices. Retail sales picked up in May as households received tax rebate checks, but barely budged in June as consumers remained cautious.
- The housing market remained bleak as June home foreclosures, up 53% from a year ago, reached record levels and home prices continued to fall.

Interest Rates and Inflation

Treasury Yields



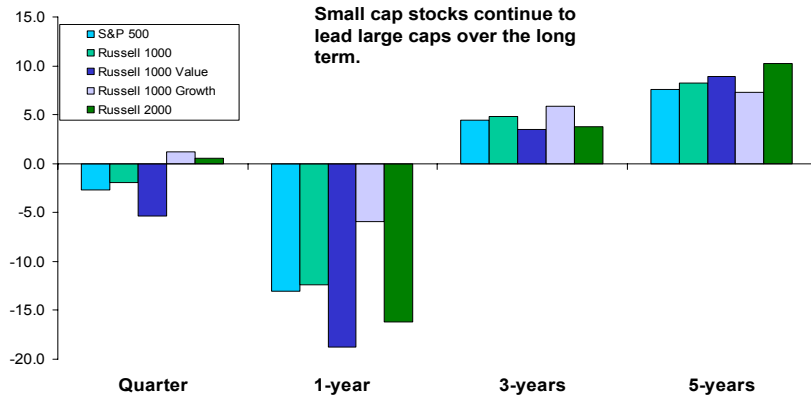
- In April, the Fed lowered short-term rates for the seventh time since last September, bringing the federal funds rate to 2.0%. The Fed left the target rate unchanged in June, citing inflation risks.
- The yield curve flattened during the quarter as the 2-year Treasury yield rose 101 basis points to 2.63% and the 10-year Treasury yield rose 54 basis points to 3.99%. The 2- to 10-year yield slope narrowed by 47 basis points.
- Over the quarter, the 3-month T-bill yield increased 52 basis points to 1.90%, while the yield on 30-year Treasuries rose 23 basis points to 4.53%.
- Consumer prices surged 1.1% in June and increased 4.9% on a year-over-year basis. Core CPI, up 2.4% from a year ago, remained contained.

Equity Market Performance

For Periods Ending June 2008

Domestic Equity Market Performance

Market Index Performance



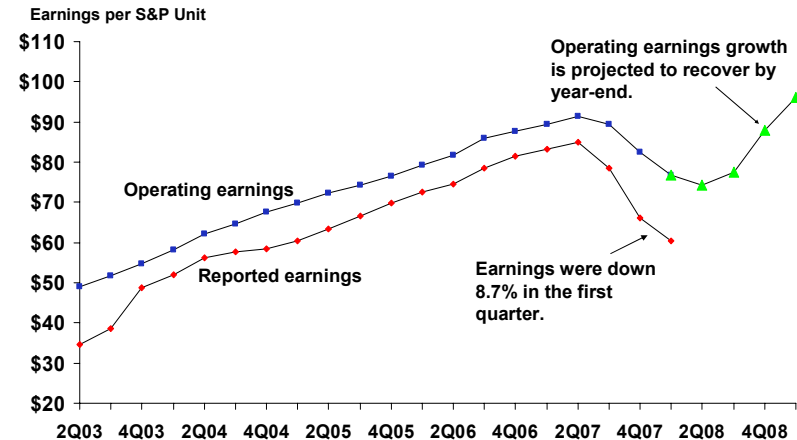
- The stock market posted gains in April and May, but fell sharply in June, as higher oil prices renewed inflation concerns. The S&P 500 Index was down 2.7% for the quarter, while the Russell 1000 Index lost 1.9%.
- Small cap stocks, up 0.6%, outperformed large cap stocks, but trailed mid cap stocks, which gained 2.7%.
- Growth outperformed value across all market capitalizations during the quarter. Large cap growth stocks were up 1.2%, while large cap value stocks lost 5.3%. Mid cap growth stocks, up 4.7%, were the strongest performers.
- Energy, utilities, and materials were the strongest-performing sectors, gaining 19.2%, 8.0%, and 5.8% respectively. Financials, down 16.9%, posted the weakest results.

Russell 1000 Sector Returns

Sector	Qtr Return	Weight
Energy	19.2	15.7
Materials	5.8	4.5
Consumer Discretionary	-8.1	8.6
Consumer Staples	-5.4	9.8
Health Care	-1.1	11.6
Financials	-16.9	14.2
Information Technology	3.2	16.5
Telecommunication Services	-2.6	3.2
Utilities	8.0	4.4
Industrials	-8.0	11.5

Source: Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services. Russell indices are trademarks/service marks of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.

S&P 500 Trailing 4-Quarter Earnings per Unit



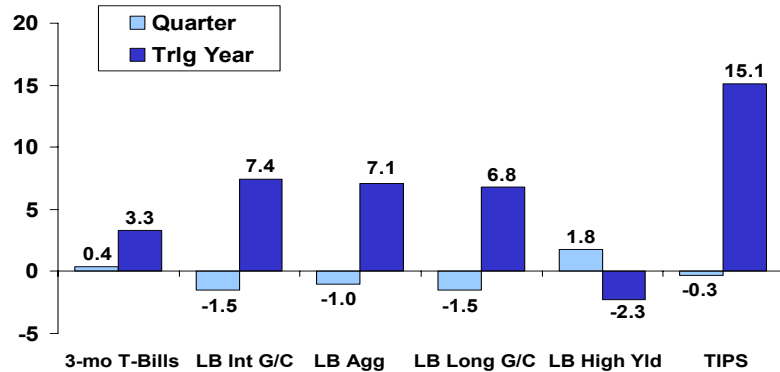
Source: Standard & Poor's

Fixed Income Market Performance

For Periods Ending June 2008

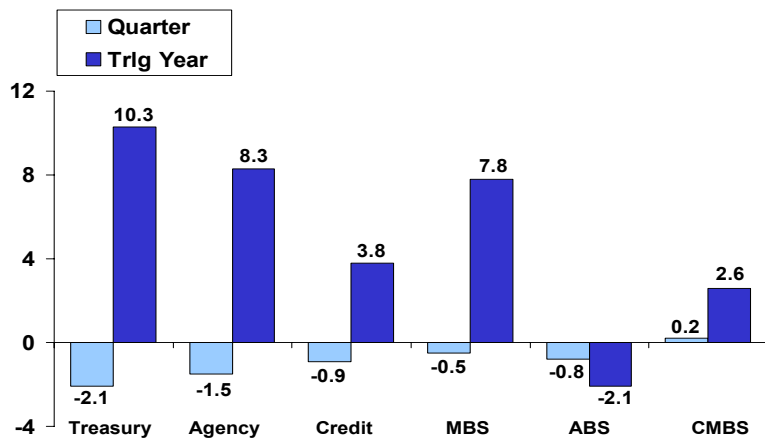
Fixed Income Market Performance

Performance by Maturity and Sector

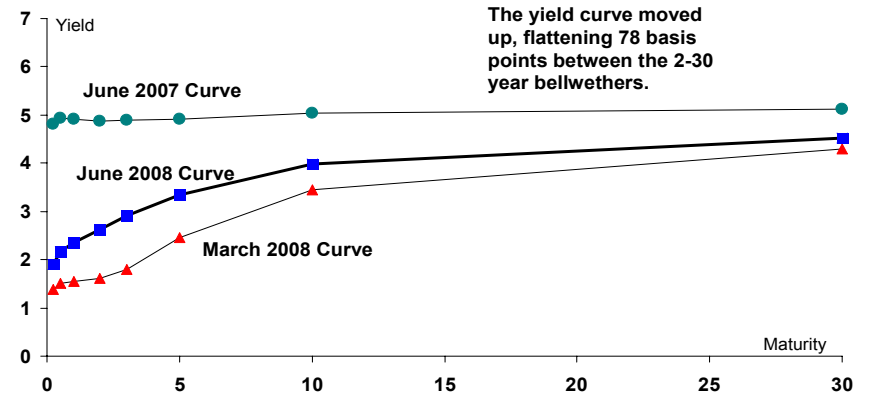


- Investment-grade bonds posted losses during the quarter as weakness in the financials sector and high inflation rattled the market. The Lehman Brothers Aggregate Bond Index fell 1.0%.
- Treasuries, down 2.1% for the quarter, underperformed all spread sectors as rates rose across the yield curve.
- The Lehman Brothers Credit Index lost 0.9% during the quarter. In general, long-term bonds outperformed intermediate-term maturity issues. Lower-rated bonds outperformed high-quality issues as Baa-rated bonds gained 0.1%, while Aaa-rated issues fell 2.0%. On average, credit spreads narrowed 26 basis points during the quarter.
- The Lehman Brothers MBS Index was down 0.5% for the quarter. ABS issues gave up 0.8%, while CMBS issues managed a 0.2% gain.

Performance by Issuer



Treasury Yield Curves

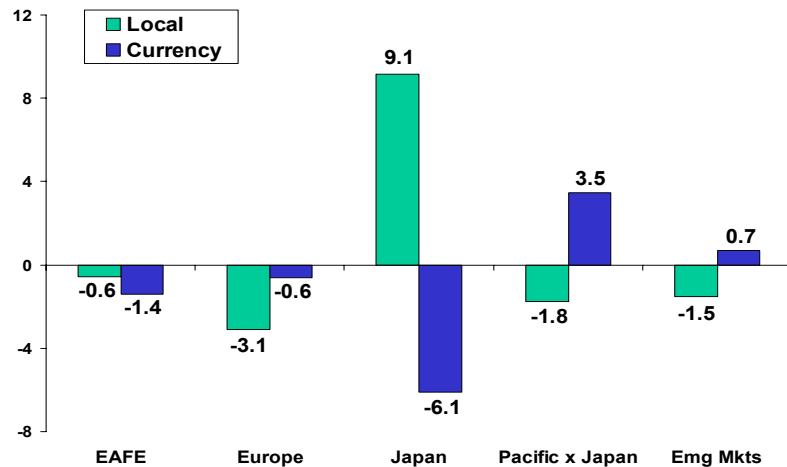


Other Markets

For Periods Ending June 2008

International Equity Market Performance

Regional Performance for the Quarter



- Most international equity markets posted losses during the quarter as the MSCI EAFE Index fell 1.9% in dollar terms. In local currency terms, the Index was down 0.6%.
- Performance varied widely across the Pacific region, which gained 2.2% for the quarter. Australia and Japan were up 4.3% and 2.5%, while Hong Kong and New Zealand fell 3.9% and 14.3% respectively.
- The European region suffered widespread losses, declining 3.7% during the quarter. Germany was down 1.8%, while the U.K. and France lost 0.8% and 3.2% respectively.
- The emerging markets, down 0.8%, saw mixed results across regions. EM Latin America and EM Europe were the strongest-performing regions, gaining 11.0% and 7.3% respectively. The EM Asia region posted the weakest results, losing 9.1%.

Other Asset Classes

High Yield Bonds

- High yield bonds outperformed investment-grade issues as the Lehman Brothers High Yield Bond Index advanced 1.8% during the quarter. The average yield spread versus Treasuries widened 72 basis points during the quarter.
- Long-term bonds underperformed intermediate-term issues. By quality, Caa-rated issues performed best, gaining 4.3%.

Real Estate

- Equity REITs, as measured by the FTSE NAREIT Index, lost 4.9% during the quarter.
- The latest data available for the private real estate market showed a first-quarter gain of 1.6% for the NCREIF Property Index.

Inflation Indexed Bonds

- Treasury Inflation Protected Securities (TIPS) were down 0.3% for the quarter, outperforming Treasuries by 182 basis points.

Commodities

- The S&P GSCI Index soared 28.7% during the quarter. Energy, up 37.5%, was the top-performing sector, followed by agriculture, which gained 8.6%.

International Bonds

- The Citigroup Non-U.S. Government Bond Index fell 4.7% in U.S. dollar terms during the quarter as all countries except Australia and Poland lost ground.
- The Lehman Brothers Emerging Markets Index edged down 0.4% during the quarter.

Market Returns Summary

For Periods Ending June 2008

Market Returns (%) for Periods Ending June 30, 2008

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	-2.7	-11.9	-13.1	4.4	7.6	2.9
	Russell 1000 Value	-5.3	-13.6	-18.8	3.5	8.9	4.9
	Russell 1000 Growth	1.2	-9.1	-6.0	5.9	7.3	1.0
	Russell MidCap	2.7	-7.6	-11.2	6.8	13.1	8.1
	Russell MidCap Value	0.1	-8.6	-17.1	5.0	13.0	8.5
	Russell MidCap Growth	4.7	-6.8	-6.4	8.2	12.3	5.6
	Russell 2000	0.6	-9.4	-16.2	3.8	10.3	5.5
	Russell 2000 Value	-3.6	-9.8	-21.6	1.4	10.0	7.5
	Russell 2000 Growth	4.5	-8.9	-10.8	6.1	10.4	2.8
	Russell 3000	-1.7	-11.1	-12.7	4.7	8.4	3.5
	<i>Mercer Large Cap Value Equity Peer Group median</i>	-3.1	-11.6	-15.5	5.1	10.0	6.5
	<i>Mercer Large Cap Growth Equity Peer Group median</i>	1.8	-9.1	-3.8	7.3	9.2	4.6
	<i>Mercer Small Cap Value Equity Peer Group median</i>	-0.6	-8.0	-18.9	3.9	11.8	9.4
	<i>Mercer Small Cap Growth Equity Peer Group median</i>	4.5	-10.3	-11.1	6.2	10.9	7.3
Fixed Income	Citigroup 3-Month T-Bill	0.4	1.1	3.3	4.1	3.1	3.5
	Lehman Brothers Int. Gov't/Credit	-1.5	1.4	7.4	4.3	3.5	5.6
	Lehman Brothers Gov't/Credit	-1.5	1.0	7.2	3.8	3.6	5.7
	Lehman Brothers Aggregate	-1.0	1.1	7.1	4.1	3.9	5.7
	Lehman Brothers Intermediate Government	-1.8	2.2	9.2	4.8	3.6	5.4
	Lehman Brothers Long Gov't/Credit	-1.5	-0.7	6.8	2.2	4.0	6.3
	Lehman Brothers Mortgages	-0.5	1.9	7.8	4.8	4.6	5.8
	Lehman Brothers TIPS	-0.3	4.9	15.1	5.6	6.0	8.0
	Lehman Brothers High Yield	1.8	-1.3	-2.3	4.5	6.9	4.9
	<i>Mercer Core Fixed Income Peer Group median**</i>	-0.8	0.6	5.9	4.0	4.0	5.8
International	MSCI EAFE	-1.9	-10.6	-10.2	13.3	17.2	6.2
	MSCI Emerging Markets	-0.8	-11.6	4.9	27.5	30.2	15.5
	Citigroup Non-US Gov't Bond	-4.7	5.7	18.7	6.7	7.1	6.7
	Citigroup Non-US Gov't Bond - Hedged	-2.4	-0.3	4.6	3.0	3.5	5.1
	<i>Mercer International Equity Universe median**</i>	-1.2	-10.1	-8.2	14.9	18.0	8.1
Miscellaneous	NCREIF Property Index***	1.6	4.9	13.6	16.8	15.1	12.6
	FTSE NAREIT	-4.9	-3.6	-13.6	5.0	14.3	10.6
	Merrill Lynch Inv. Grade Convertible	2.7	0.7	3.2	6.8	5.4	4.8
	Goldman Sachs Commodity Index	28.7	41.4	76.0	19.7	21.3	15.5
Inflation	CPI	1.9	2.7	4.9	3.9	3.5	2.9

Index at 3/31/08	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	12,262.89	2,279.10	1,322.70	687.97	13,332.01
Index at 6/30/08	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	11,350.01	2,292.98	1,280.00	689.66	13,073.54

* Annualized

** Preliminary

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

Mercer

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

For Second Quarter 2008

Domestic Equity - Largest Positive & Negative Contributors to S&P 500 For Periods Ending June 30, 2008

S&P 500 Quarterly Return = -2.73%

25 Largest Positive Contributors

Stock	Return (%)	End of Quart Weight	Cap Rank
CHEVRON CORPORATION COM	16.89%	1.88%	3
CONOCOPHILLIPS	24.48%	1.34%	9
SCHLUMBERGER LIMITED COM STK	23.07%	1.18%	12
APPLE INC	16.68%	1.36%	8
EXXON MOBIL CORP	4.67%	4.28%	1
GOOGLE INC CL A	19.51%	1.12%	14
WEATHERFORD INTERNATIONAL LTD	36.86%	0.31%	80
OCCIDENTAL PETE CORP COM	23.25%	0.68%	28
UNION PAC CORP COM	20.78%	0.36%	65
NATIONAL OILWELL VARCO INC	51.97%	0.34%	71
HALLIBURTON CO COM	35.19%	0.43%	51
ANHEUSER BUSCH COS INC COM	31.67%	0.41%	55
HESS CORP	43.22%	0.33%	75
PEABODY ENERGY CORP COM	72.79%	0.22%	119
CHESAPEAKE ENERGY CORP COM	43.09%	0.29%	89
WAL MART STORES INC COM	7.12%	1.20%	11
SCHERING PLOUGH CORP COM	37.12%	0.29%	88
WYETH COM	15.57%	0.59%	33
MONSANTO CO NEW COM	13.57%	0.64%	31
FREEMONT MCMORAN COPPER & GOLD	22.26%	0.41%	54
SPRINT NEXTEL CORP COM SER 1	42.00%	0.25%	104
CONSOL ENERGY INC COM	62.57%	0.19%	140
DEVON ENERGY CORP NEW COM	15.33%	0.49%	42
UNITED STATES STEEL CORP	45.86%	0.20%	133
APACHE CORP COM	15.18%	0.43%	50

25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
GENERAL ELEC CO COM	-27.05%	2.43%	2
BANK OF AMERICA CORP	-35.35%	0.97%	18
AMERICAN INTL GROUP INC COM	-38.36%	0.65%	30
JPMORGAN CHASE & CO COM	-19.48%	1.08%	15
PROCTER & GAMBLE CO COM	-12.70%	1.70%	5
AT & T INC COM	-11.13%	1.83%	4
CITIGROUP INC COM	-20.61%	0.83%	23
WACHOVIA CORP NEW COM	-41.58%	0.30%	83
PFIZER INC COM STK USD	-15.15%	1.08%	16
COCA COLA CO COM	-13.98%	0.95%	20
WELLS FARGO & CO NEW COM	-17.47%	0.72%	27
PEPSICO INC COM	-11.34%	0.92%	22
LEHMAN BROS HLDGS INC COM	-47.13%	0.13%	206
UNITED PARCEL SVC INC CL B	-15.28%	0.57%	35
YAHOO INC	-28.59%	0.26%	100
MORGAN STANLEY	-20.63%	0.36%	63
UNITEDHEALTH GROUP INC COM	-23.60%	0.29%	86
MERRILL LYNCH & CO INC	-21.54%	0.29%	90
NEWS CORPORATION CL A	-19.79%	0.32%	79
PRUDENTIAL FINL INC	-23.65%	0.24%	109
HOME DEPOT INC COM	-15.46%	0.36%	64
US BANCORP DEL COM NEW	-12.50%	0.44%	49
FANNIE MAE	-24.96%	0.19%	139
AMERICAN EXPRESS CO COM	-13.52%	0.40%	57
UNITED TECHNOLOGIES CORP COM	-9.94%	0.55%	36

Data Source: Compustat

Report Date: July 19, 2008

Executive Summary

Total Fund

At the end of June, the Total Fund was valued at \$4.7 billion, a decrease of approximately \$100 million compared to the end of the previous quarter. The Domestic Equity segment of the Plan represented 43.2% of the Total Fund, the International Equity component accounted for 19.7% of the Plan, the Fixed Income portion of the Fund comprised 28.4% of the Plan, and the Real Estate portfolio represented 8.4% of the Fund's assets. At the end of the quarter, the Domestic Equity and International Equity components of the Plan held underweight positions relative to the target guidelines while the Fixed Income and Real Estate segments of the Plan stood at above-policy allocations.

Over the second quarter, the Total Plan returned -1.2%, in line with the Reference Index and lagging the peer universe median by 50 basis points. Manager selection within Fixed Income and International Equity helped performance while manager selection within U.S. Equity had negative effect on returns. Over the trailing one-year period, the Plan has underperformed its benchmark and peer group. The Fund has outperformed the reference index over the three- and five-year periods.

Domestic Equity

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

The second quarter of 2008 witnessed further weakening of the U.S. economy. A rise in the unemployment rate, significant declines in housing prices, oil reaching new highs, and further financial write-downs left investors shaken during the quarter. However, economic stimulus payments and increased international demand for U.S. goods due to the weak dollar may help the economy stay afloat. The advance estimate of annualized second-quarter GDP growth was 1.9%, following 0.9% growth in the first quarter. The Federal Open Market Committee cut the Federal Funds Target Rate from 2.25% to 2.00% in April, then made no change in June.

Consumer prices rose at an annual rate of 7.9% during the second quarter and 5.0% over the past 12 months as measured by the Consumer Price Index. Excluding volatile food and energy prices, the measure rose at an annual rate of 2.5% during the quarter and 2.4% over the past 12 months. The Producer Price Index for finished goods increased 9.2% over the past 12 months, a notable climb from last year (3.3% in June 2007). The Federal Reserve Board reported that preliminary production capacity utilization was 79.9% at the end of June, a decrease of 0.6% from the revised March number and 1.1% below the average for the period 1972 – 2007. The unemployment rate rose to 5.5% from 5.1% at the end of the first quarter. The Consumer Confidence Index continued to plummet and sits at the fifth-lowest reading ever recorded.

Financial institutions and investment banks made more write-downs related to the sub-prime and credit crisis. Oil prices continued their sharp ascent, reaching over \$140/barrel in June. After stabilizing in the first quarter, the housing market, as measured by the National Association of Home Builders/Wells Fargo Housing Market Index, matched its all-time low in June. Home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, declined 15.3% annually through April. Treasury yields shifted upward during the quarter as 3-month Treasury yields advanced from 1.38% at the end of March to 1.90% at the end of June. Ten-year Treasury yields increased from 3.45% in March to 3.99% at the end of the quarter.

Despite poor performance during June, domestic markets fared better in the second quarter than in the first quarter. The large cap domestic equity market, as measured by the Russell 1000 Index, declined 1.9% in the second quarter. Soaring energy prices helped the energy (+19.2%) sector outperform. Meanwhile, the financial services (-16.9%) and consumer discretionary (-8.1%) sectors posted significant declines. Small cap stocks, as measured by the Russell 2000 Index, outperformed their larger counterparts and advanced 0.6% during the second quarter. Growth outperformed value in both the large and small cap markets during the quarter.

The Domestic Equity segment of the Plan returned -2.1%, lagging the Russell 3000 Index by 40 basis points and underperforming the Mercer U.S. Equity Universe median by 250 basis points over the second quarter. The Domestic Equity Composite trailed the reference index over the one- and three-year periods while outperforming the benchmark over the five-year term. Since inception, the component lagged the Russell 3000 Index by 20 basis points. Among the Domestic Equity managers, BGI and Earnest Partners outperformed their comparative measures while Turner, AllianceBernstein, DFA and Artisan trailed their respective benchmarks over the quarter.

The Northern Trust Equity Index strategy returned -2.6% over the second quarter, leading the S&P 500 Index by 10 basis points. Over the longer term periods measured, Northern Trust has approximated its benchmark.

The BGI Alpha Tilts strategy posted -0.1%, outperforming the Russell 1000 Index by 180 basis points and leading the peer group median by 80 basis points over the second quarter. The portfolio has underperformed its comparative measures over the trailing one-, three- and five-year periods. Since inception, BGI outperformed its benchmark by 40 basis points. The portfolio benefited from stock selection within the energy reserves & production and mining & metals sectors. Stock selection within the drugs and biotechnology sectors hampered returns. The holdings of Noble Energy and Massey Energy aided returns while overweight positions in Biogen Idec and Owens Illinois hurt performance over the quarter.

Turner returned -1.9% over the second quarter, trailing the Russell 1000 Growth Index by 310 basis points while ranking at the 89th percentile of the peer universe. The strategy has underperformed the benchmark over the longer term periods analyzed. The strategy benefited from securities selection within the technology, integrated oils and autos & transportation sectors. An underweight exposure and stock selection within the other energy sector detracted from returns. Holdings within the consumer discretionary and utilities sectors hampered performance over the quarter. Top ten portfolio contributors included Google Inc. (consumer discretionary & services), Apple Inc. (technology) and Broadcom Corp. (technology) while Coca Cola Co. (consumer staples), Deere & Co. (producer durables) and Cisco Systems inc. (technology) underperformed.

Over the second quarter, AllianceBernstein posted -6.6%, lagging the Russell 1000 Value Index and the peer universe median by 130 basis points and 350 basis points, respectively. The portfolio has underperformed its reference index over the one-, three- and five-year periods. AllianceBernstein trailed the benchmark since inception. An overweight exposure to the integrated oils sector, combined with stock selection within the consumer staples sector aided performance. Conversely, securities selection within the financial services sector was the biggest detractor over the quarter. An underweight exposure to the utilities sector and stock selection within the autos & transportation and consumer discretionary sectors also hampered returns. Top portfolio contributors included the holdings of ConocoPhillips (energy), General Electric (capital equipment) and Sprint Nextel (utilities) while positions in American International Group (finance), Freddie Mac (finance) and General Motors (consumer cyclicals) detracted from returns.

EARNEST advanced 4.8% over the second quarter, leading the Russell Midcap Index by 210 basis points while lagging the peer group median by 30 basis points. Over the one- and three-year periods, the strategy outperformed its benchmark and universe median. Stock selection within the producer durables and autos & transportation sectors aided returns. An underweight exposure and stock selection within the financial services sector bolstered performance over the quarter. Conversely, holdings within the consumer discretionary and materials & processing sectors detracted from returns. Investments in Chesapeake Energy (energy), Cummins Inc. (industrials) and Pioneer Natural Resources (energy) contributed positively to performance. The holdings of International Game Technology (consumer discretionary), Coventry Health Care (health care) and D. R. Horton (consumer discretionary) detracted from returns.

DFA posted -5.9% over the quarter, trailing the Russell 2000 Value Index by 240 basis points and lagging the Mercer US Equity Small Cap Value Universe median by 530 basis points. Over the one year, the strategy underperformed the reference index. DFA outpaced the benchmark over the three- and five-year terms. Since inception, the Small Cap Value manager outperformed the Russell 2000 Value Index by 290 basis points. Positive for performance were the strategy's overweight exposure to the other energy sector and stock selection within the health care sector. An underweight allocation and securities selection within the materials & processing sector detracted from performance as did stock selection within the producer durables and autos & transportation sectors. Individual portfolio contributors included the top ten holdings of Comstock Resources Inc. (other energy), Encore Acquisition Co. (other energy) and Whiting Pete Corp. (other energy). Positions in Applied Industrial Technologies (producer durables), El Paso Electric Co. (utilities) and MPS Group Inc. (consumer discretionary & services) detracted from performance.

Over the second quarter, Artisan returned -4.3% and underperformed the Russell 2000 Growth Index by 880 basis points while ranking at the bottom of the peer group universe. The strategy has underperformed its comparative measures over all longer term periods measured. Stock selection within the health care sector and positions in ArthroCare Corp. (health care), Commvault Systems Inc. (technology) and Wright Medical Group (health care) aided performance over the quarter. Stock selection and an overweight allocation to the autos & transportation sector hampered returns. An underweight exposure and securities selection within the other energy sector detracted from performance. Stock selection within the producer durables and consumer discretionary sectors hampered returns as well. Individual portfolio detractors included the top ten holdings of Geo Group Inc. (consumer discretionary & services), Euronet Worldwide Inc. (financial services) and K V Pharmaceutical Co. (health care).

International

(Brandes, William Blair, DFA)

International equity markets fell 1.9% in U.S. dollar terms as measured by the MSCI EAFE Index. In local currency terms, the Index declined 0.6%, as the dollar experienced a modest rebound against other developed-country currencies. Belgium and Ireland were the weakest performers in the second quarter amongst developed markets, losing 18.7% and 17.5% in U.S. dollar terms, respectively. Norway and Canada outperformed other developed markets, returning 14.4% and 11.2% in U.S. dollar terms, respectively. Emerging markets outpaced their developed counterparts during the second quarter, declining 0.8% in U.S. dollar terms as measured by the MSCI EM Index. Pakistan (-26.5%) and the Philippines (-24.8%) experienced the most significant declines in U.S. dollar terms during the second quarter, while Argentina (+35.4%) and Brazil (+18.4%) posted positive results.

The International Equity Composite returned -1.6% over the second quarter, leading the MSCI EAFE Index by 30 basis points and ranking at the 57th percentile of the peer universe. The segment has outperformed its benchmark over the one-year, three-year, five-year and since inception periods.

Brandes returned -2.2% over the quarter, leading the MSCI EAFE-Value Index by 190 basis points and lagging the peer group median by 90 basis points. The manager has mixed results against its benchmarks over the longer term periods analyzed. Positions within the pharmaceuticals sector and investments in Japan aided performance over the quarter while holdings within the financials sector detracted from returns. Securities selection in France and the United Kingdom hampered performance. Individual stocks which helped returns included Eletrobras (utilities), Infineon Technologies (information technology) and Seven & I Holdings (consumer staples). The holdings of Swiss Reinsurance Company (financials), Tekefuji Corp. (financials) and Unilever (consumer staples) detracted from performance.

William Blair posted -0.5%, leading the MSCI All Country World Ex. US Index by 40 basis points and outpacing the peer group median by 80 basis points over the second quarter. The strategy outperformed the reference index over the trailing one- and three-year periods and lagged the benchmark on since inception basis. Positions within the materials, industrials and telecommunication services sectors bolstered returns while investments within the health care and utilities sectors detracted from performance. On country level, holdings in Italy, Spain and Singapore contributed positively while positions in Greece and Hong Kong detracted from returns.

DFA International Small Cap Value returned -5.0% over the quarter, leading the EAFE Small Cap Price Index 50 basis points and ranking at the 89th percentile of the peer group. The strategy has outperformed the reference index over the one-year and since inception periods. An overweight exposure and stock selection within the materials sector aided performance. Securities selection within the industrials and information technology sectors helped returns as well. Conversely, holdings within the consumer discretionary, consumer staples and energy sectors detracted from returns. Top portfolio contributors included Nokian Renkaat (autos & transportation), New Hope Corp. (other energy) and Dana Petroleum (other energy). The holdings of Intertek Group (consumer discretionary & services) and Stadaarzneimittelag (health care) underperformed.

Fixed Income

(BGI, Loomis, Reams)

The fixed income market declined 1.0% during the second quarter, as measured by the Lehman Brothers Aggregate Bond Index, which was the largest quarterly decline since the second quarter of 2004. Longer-term issues returned -1.5% as measured by the Lehman Brothers Government/Credit Long Index. Corporate bonds, as measured by the Lehman Brothers U.S. Corporate Bond Index, declined 0.7%. A reversal from the recent flight to quality over the past six months, lower-quality issues outperformed higher-quality issues. The Lehman US High Yield Index returned 1.8% for the quarter which was primarily due to 4.3% gain in April. Mortgages, as measured by the Lehman Brothers Mortgage-Backed Securities Index, returned -0.5% during the quarter, while Treasuries, as measured by the Lehman Brothers Treasury Bond Index, declined 2.1% during the quarter.

The Domestic Fixed Income Composite returned -0.2% over the quarter, leading the Lehman Brothers Aggregate Bond Index by 80 basis points and outperforming the peer group median by 50 basis points. The segment underperformed the reference index over the one-year period and outpaced the benchmark over the three-year, five-year and since inception periods.

The BGI fixed income strategy approximated the Lehman Bros. Intermediate Aggregate Bond Index return of -1.0% over the second quarter. The passive strategy has approximated the return of the reference index over the longer term periods measured.

Reams returned -1.1% over the second quarter, trailing both the Lehman Brothers Aggregate Bond Index and the peer group median by 10 basis points and 50 basis points, respectively. The strategy underperformed the reference index over the one-year period, outperformed over the three- and five-year terms and approximated the return of the benchmark on since inception basis. The duration strategy of the portfolio aided returns while its yield curve positioning detracted from performance. An overweight exposure to the CMBS sector, government related and investment grade holdings contributed positively over the quarter. The strategy was hurt by its mortgage-backed and high yield securities.

Loomis advanced 0.9% over the quarter, leading the reference index by 190 basis points and outpacing the peer group median by 150 basis points. The strategy lagged its benchmark over the trailing one-year period and outperformed over the three-year, five-year and since inception periods. The strategy benefited from sovereign issues and emerging market debt holdings. On the sector level, communications holdings were top performers over the quarter. Non-U.S. denominated securities helped performance as well.

Manager Comments

AllianceBernstein

As Bernstein has done in the past, the firm made some changes to the Investment Policy Group (IPG) that manages the US value equity strategies. But rather than just adding new portfolio managers, Bernstein has changed the structure from having only large cap portfolio managers on the IPG to including members of the small cap and long/short teams. By having only one IPG for the all the domestic value strategies, the team will have the ability to consider input from all sides of the domestic equity market. This is sensible as the US equity markets do have commonalities among the cap ranges. The new structure will allow the CIO's of US Large Cap Value to make portfolio decisions with the benefit of more direct insight into other areas of the market.

In addition to the structure of the IPG, Bernstein also changed its composition. Previously, quantitative analysts, client portfolio managers, and economists served on the IPG. Now, even though the team still has the support from these resources, only professionals that are responsible for stock selection are on the IPG. The removal of these ancillary roles from the IPG is not significant and the addition of other stock pickers is more beneficial to the stock selection process.

David Yuen was added to the team as the Director of Research for US equities. Yuen had been the Director of Research for the Emerging Markets team previous to this change. Although Yuen has been more focused on the emerging markets, he has been with Bernstein for a number of years and is very knowledgeable of the Bernstein way of conducting research. His role will consist mainly of marshalling the resources within the research team to ensure that the goals and objectives of the US equity team are met. John Mahedy had been serving in this role in addition to being co-CIO of US Large Cap Value. Mahedy will retain his co-CIO role. The addition of Yuen to the team is a positive move as it will relieve Mahedy of the administrative burdens of the research director role and add an experienced researcher in Yuen to the decision-making team.

Artisan

Mercer is proposing a slight downgrade to the rating on Artisan's Small Cap Growth strategy from A(P) to A- due to the retirement of portfolio manager Carlene Ziegler. While Mercer remains confident in the remaining team members and the process, Mercer believes the loss of Ziegler's considerable experience and investment acumen leaves the team slightly under-resourced. The team is reallocating research responsibilities and there is little spare research capacity within the three-person team. While there are no plans to add additional resources, Mercer would like to see the firm hire another experienced analyst before reassigning its highest rating to the strategy.

BGI

BGI had awful performance in 2007, especially in the US, but this type of underperformance is not unprecedented as BGI suffered similar return patterns in the 1998/1999 period. The firm attributes the underperformance to two separate market environments in recent years. From the summer of 2006 through the summer of 2007, investors' risk appetites were high, leading them to ignore both earnings quality and value. Then, in August 2007, the liquidity crisis led to a broad based sell-off across all regions, with the US being the hardest hit. During these periods, BGI's value and quality factors simultaneously underperformed. Having both sets of factors underperform is not common for BGI as it has only occurred in 12 months in the last nine years. Five of those months were in the August 2006 through September 2007 period.

While the factors currently in use by BGI have not been rewarded by the recent market environment, it has not caused the team to abandon its philosophy and approach to quantitative management. Having a consistent process should lead to long-term outperformance, but will expose the strategies to bouts of short-term underperformance. Mercer appreciates BGI having a consistent process as long as it does not deter the team from efforts to enhance upon it. So far, Mercer has not found that to be the case.

As the result of the performance issues, BGI conducted several studies to find weaknesses in the model. What the team found was that the factors that underperformed the most were those that were common to many other quantitative managers. With that insight, the research team has been focusing on the use of proprietary factors. Some recent efforts include hiring Richard Sloan, an academic who first wrote about accruals, and raising the commitment to proprietary data gathering.

Mercer continues to have confidence in BGI's research efforts and its quantitative process. As one of the largest quantitative money managers, BGI devotes significant resources to enhancing its models and has the ability to attract some of the top minds in the field. Research efforts continue to be thorough and forward looking.

Brandes

In May, Mercer held an update meeting on Brandes' global and non-US equity capabilities. Though recent performance has been weak, there is no cause for alarm. Brandes continues to pursue the same Graham-and-Dodd style of investing that it always has; it has simply gone through a period when it has been positioned mainly in out-of-favor industries and sectors. That single-minded, utterly focused discipline sets the firm apart, for better or worse. Again, Mercer remind clients not to evaluate Brandes on short-term performance.

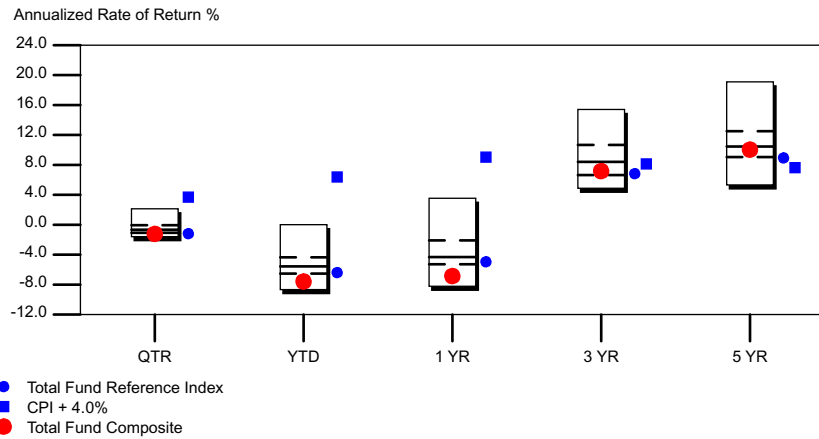
As noted earlier, Mercer is less concerned about capacity than in previous meetings. Brandes has witnessed some client defections as its strategies have generally underperformed the relevant benchmarks. Mercer is comfortable with, yet continue to monitor, the firm's policies towards asset growth.

Board Report

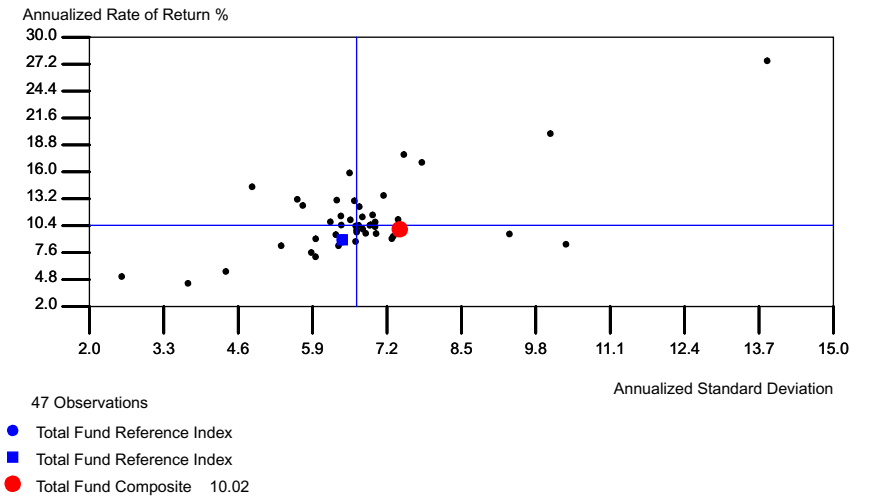
City of Milwaukee Employees' Retirement System

Total Fund

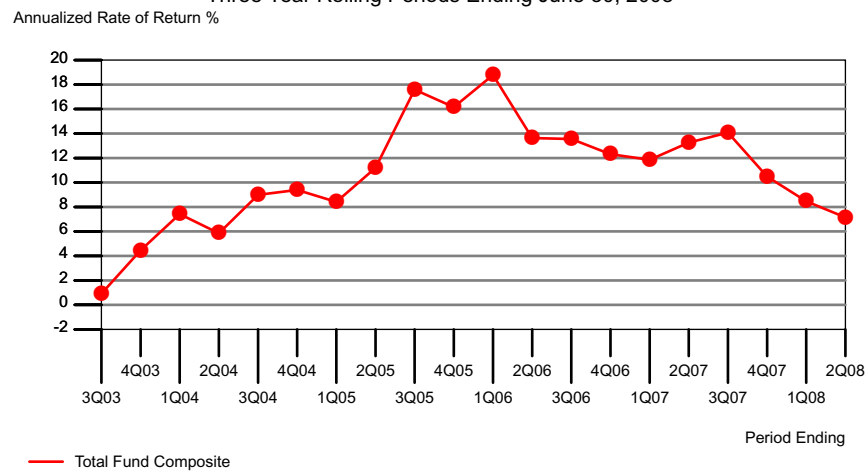
Total Funds Billion Dollar - Public
Periods Ending June 30, 2008



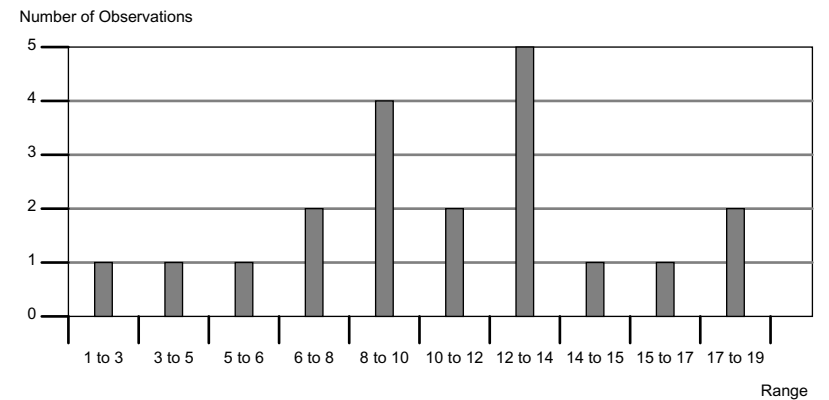
Total Funds Billion Dollar - Public
Five Years Ending June 30, 2008



Annualized Return
Three Year Rolling Periods Ending June 30, 2008

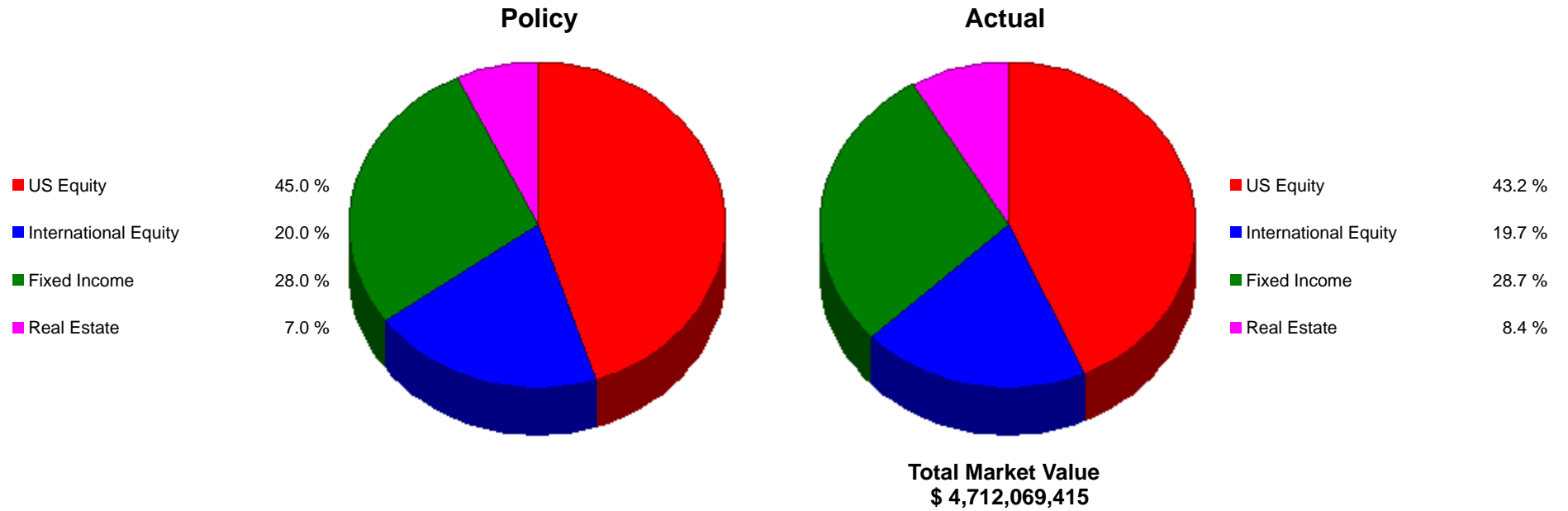


Distribution of 3 Year Annualized Quarterly Returns
Five Years Ending June 30, 2008

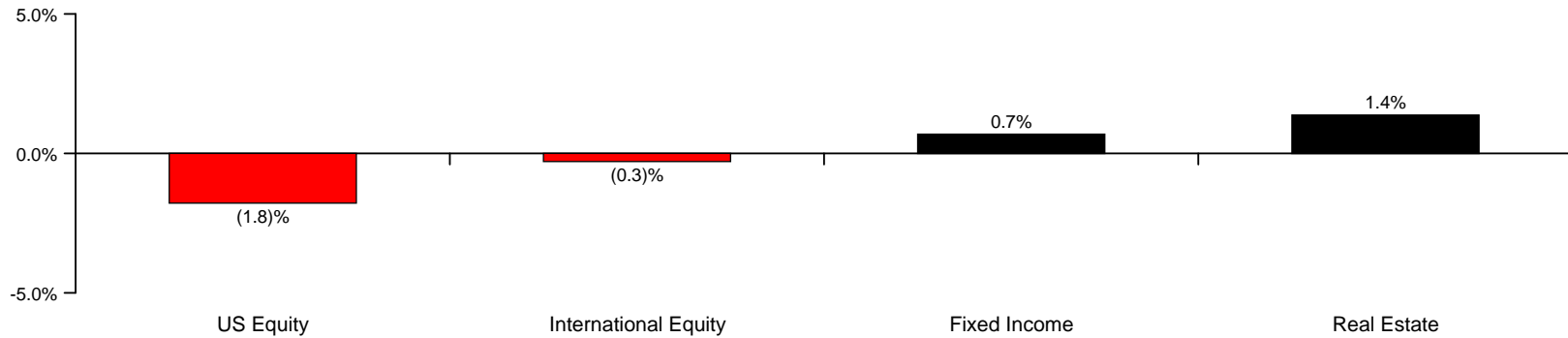


City of Milwaukee Employees' Retirement System

Asset Allocation
As of June 30, 2008



Asset Allocation vs. Policy

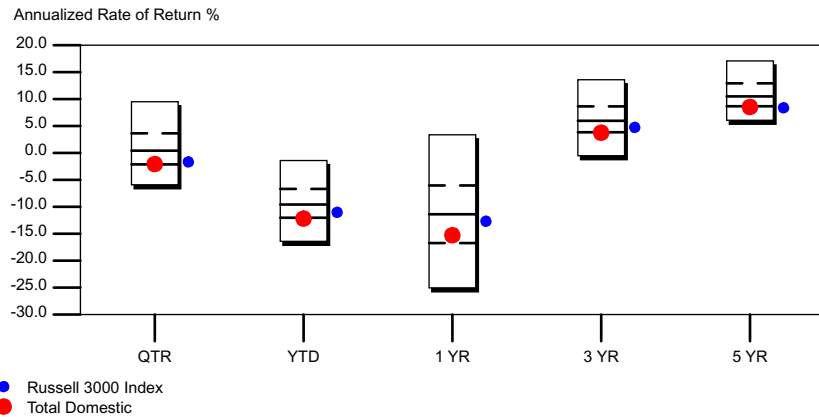


Numbers may not add due to rounding

City of Milwaukee Employees' Retirement System

Domestic Equity

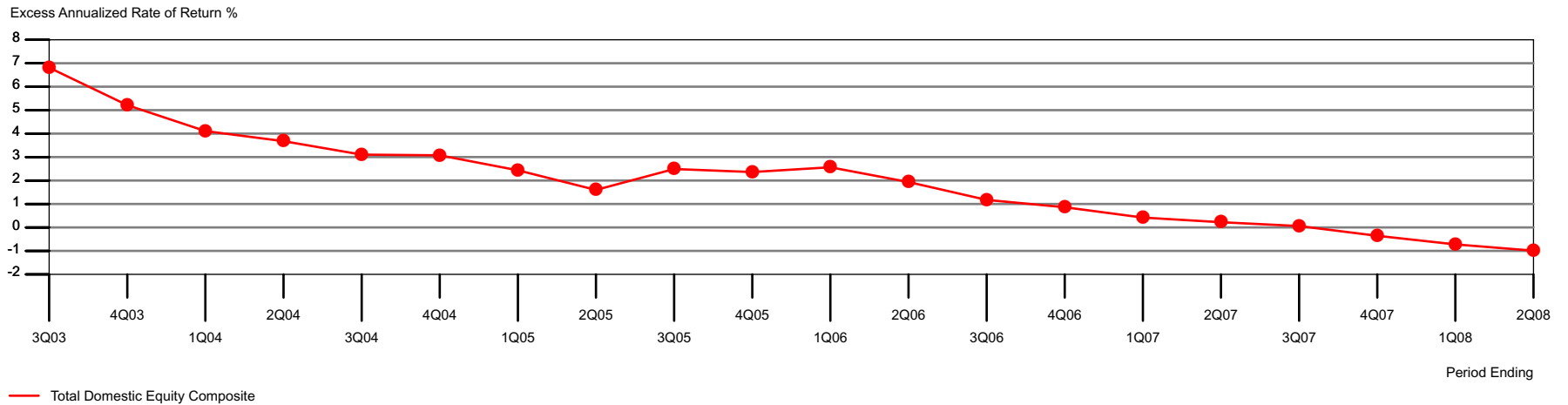
Mercer US Equity Combined Universe
Periods Ending June 30, 2008



Performance Results
Periods Ending June 30, 2008

	<u>Current</u> <u>Quarter</u>	<u>YTD</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>
Total Domestic Eq	(2.08)	(12.19)	(15.31)	3.74	8.51
RUSSELL 3000	(1.69)	(11.05)	(12.69)	4.73	8.37
Difference	(0.39)	(1.15)	(2.62)	(0.99)	0.13

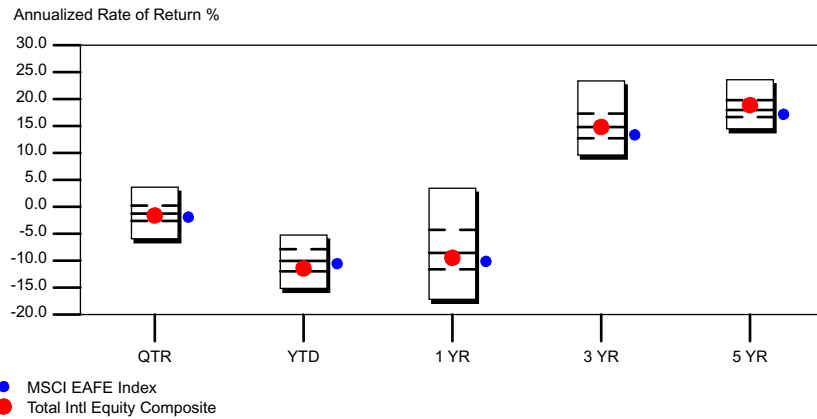
Excess Return
Three Year Rolling Periods Ending June 30, 2008



City of Milwaukee Employees' Retirement System

International Equity

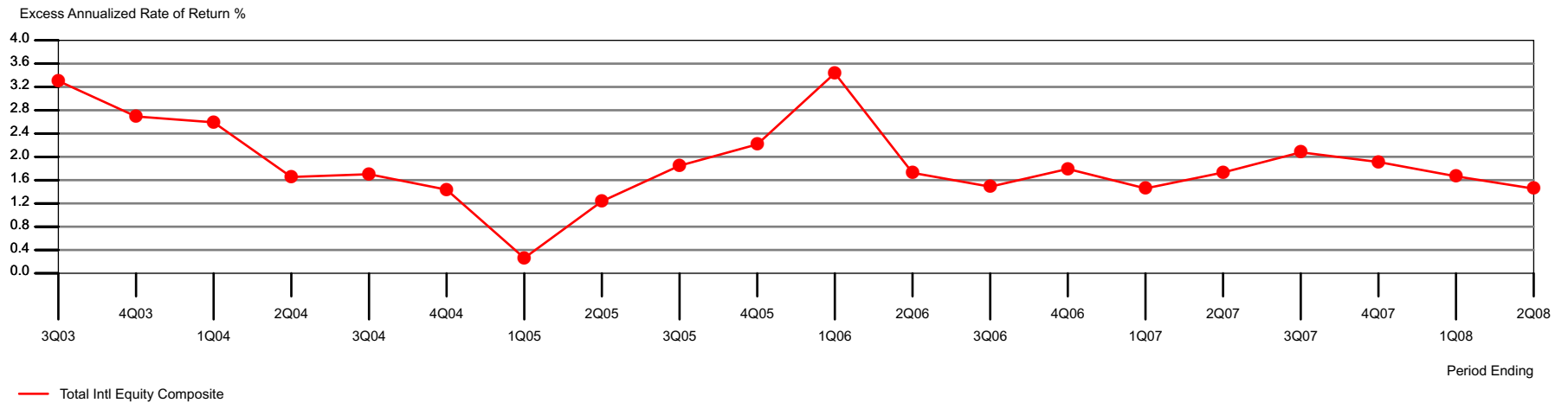
Mercer Intl Equity Universe
Periods Ending June 30, 2008



Performance Results
Periods Ending June 30, 2008

	<u>Current</u> <u>Quarter</u>	<u>YTD</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>
Tot Intl Eq	(1.65)	(11.45)	(9.49)	14.80	18.85
MSCI EAFE	(1.93)	(10.58)	(10.15)	13.34	17.16
Difference	0.28	(0.87)	0.66	1.45	1.69

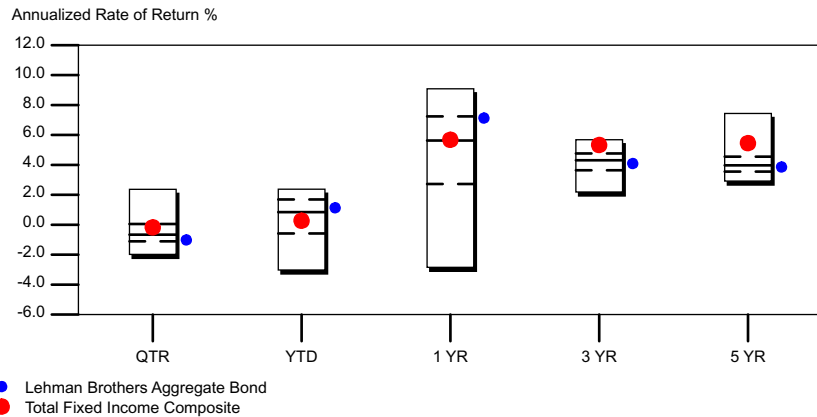
Excess Return
Three Year Rolling Periods Ending June 30, 2008



City of Milwaukee Employees' Retirement System

Fixed Income

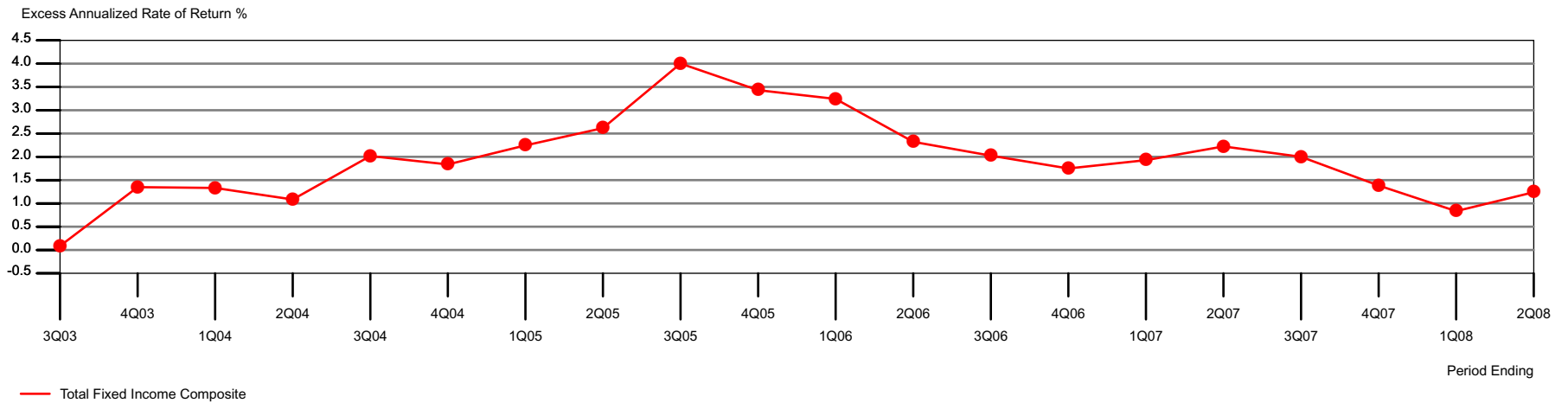
Mercer US Fixed Combined Universe
Periods Ending June 30, 2008



Performance Results
Periods Ending June 30, 2008

	<u>Current</u> <u>Quarter</u>	<u>YTD</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>
Total Fixed Inc	(0.18)	0.26	5.67	5.33	5.45
LB AGGREGATE	(1.02)	1.13	7.12	4.09	3.85
Difference	0.84	(0.86)	(1.45)	1.24	1.60

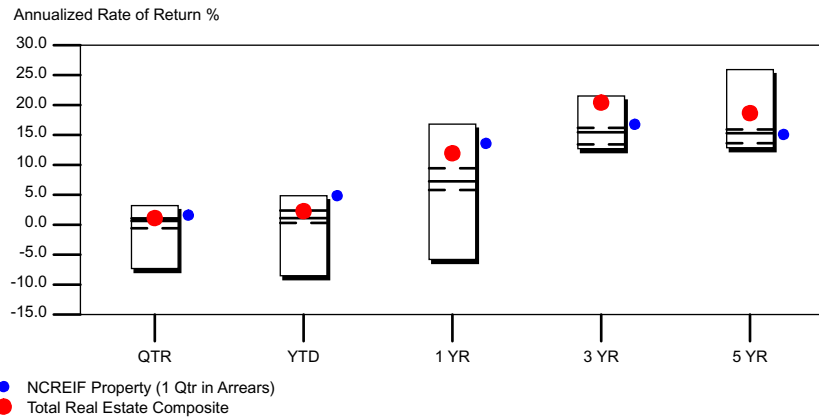
Excess Return
Three Year Rolling Periods Ending June 30, 2008



City of Milwaukee Employees' Retirement System

Real Estate

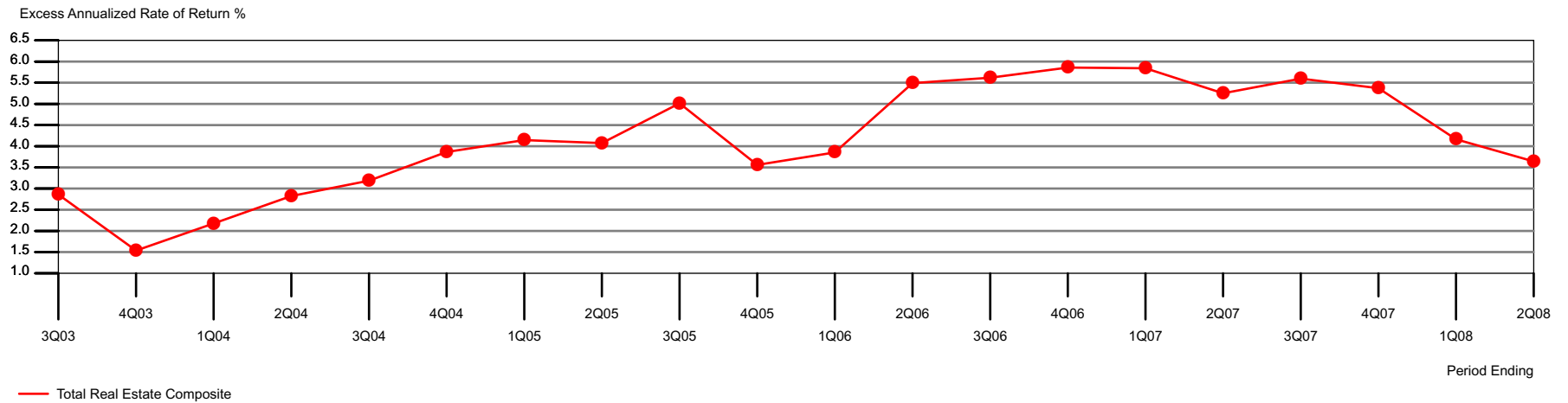
Mercer US Real Estate Open End Universe
Periods Ending June 30, 2008



Performance Results
Periods Ending June 30, 2008

	<u>Current</u> <u>Quarter</u>	<u>YTD</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>
Total Real Estate	1.11	2.27	11.93	20.40	18.63
NCREIF Property	1.60	4.86	13.58	16.76	15.08
Difference	(0.49)	(2.58)	(1.65)	3.64	3.55

Excess Return
Three Year Rolling Periods Ending June 30, 2008



Performance

City of Milwaukee Employees' Retirement System
Performance Summary
Period Ending June 30, 2008

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
Total Fund Composite	\$ 4,714.0	100.0 %	(1.2)%	88	(7.6)%	92	(6.9)%	91	7.2 %	68	10.0 %	59	10.5 %
Total Fund Composite-Net			(1.2)	88	(7.6)	92	(7.0)	92	6.9	70	9.8	63	9.9
<i>Rank vs. Total Funds Billion Dollar - Public</i>													
<i>Total Funds Billion Dollar - Public Med</i>			(0.7)		(5.6)		(4.3)		8.4		10.4		--
<i>Total Fund Reference Index</i>			(1.2)		(6.4)		(5.0)		6.8		8.9		--
<i>CPI + 4.0%</i>			3.7		6.4		9.0		8.1		7.6		8.1
Total Domestic Equity Composite	2,036.4	43.2	(2.1)	75	(12.2)	76	(15.3)	69	3.7	76	8.5	77	11.1
Total Domestic Equity Composite-Net			(2.1)	75	(12.3)	77	(15.5)	70	3.4	78	8.2	80	10.9
<i>Rank vs. Mercer US Equity Combined Universe</i>													
<i>Mercer US Equity Combined Universe Med</i>			0.4		(9.6)		(11.4)		6.0		10.5		--
<i>Russell 3000 Index</i>			(1.7)		(11.0)		(12.7)		4.7		8.4		11.3
Total Intl Equity Composite	928.6	19.7	(1.6)	57	(11.5)	70	(9.5)	58	14.8	50	18.9	36	9.6
Total Intl Equity Composite-Net			(1.8)	59	(11.6)	72	(9.9)	60	14.3	57	18.3	43	9.2
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i>Mercer Intl Equity Universe Med</i>			(1.3)		(10.0)		(8.6)		14.8		18.0		--
<i>MSCI EAFE Index</i>			(1.9)		(10.6)		(10.1)		13.3		17.2		6.6
Total Fixed Income Composite*	1,337.3	28.4	(0.2)	30	0.3	61	5.7	49	5.3	8	5.5	16	8.6
Total Fixed Income Composite-Net			(0.2)	31	0.2	62	5.6	50	5.2	9	5.4	17	8.5
<i>Rank vs. Mercer US Fixed Combined Universe</i>													
<i>Mercer US Fixed Combined Universe Med</i>			(0.7)		0.8		5.6		4.3		4.0		--
<i>Lehman Brothers Aggregate Bond</i>			(1.0)		1.1		7.1		4.1		3.9		7.5
Total Real Estate Composite	394.8	8.4	1.1	24	2.3	29	11.9	14	20.4	7	18.6	9	8.2
Total Real Estate Composite-Net			0.8	40	1.7	40	10.3	22	17.9	15	16.4	19	6.7
<i>Rank vs. Mercer US Real Estate Open End Universe</i>													
<i>Mercer US Real Estate Open End Universe Med</i>			0.6		1.1		7.3		15.5		15.3		--
<i>NCREIF Property (1 Qtr in Arrears)</i>			1.6		4.9		13.6		16.8		15.1		10.4

*Excludes cash equivalents

City of Milwaukee Employees' Retirement System

Performance Summary

Period Ending June 30, 2008

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
Index Equity													
Northern Trust Global	\$ 381.6	8.1 %	(2.6) %	79	(11.9) %	74	(13.2) %	59	4.4 %	68	7.6 %	86	10.5 %
Northern Trust Global-Net			(2.6)	79	(11.9)	74	(13.2)	59	4.4	69	7.6	87	10.5
<i>Rank vs. Mercer US Equity Combined Universe</i>													
<i> Mercer US Equity Combined Universe Med</i>			0.4		(9.6)		(11.4)		6.0		10.5		--
<i> S&P 500 - Total Return Index</i>			(2.7)		(11.9)		(13.1)		4.4		7.6		10.4
Large Cap Core Equity													
Barclays Global Inv N.A. R1000 Alpha Tilts	597.5	12.7	(0.1)	36	(9.4)	35	(13.9)	76	4.2	78	8.1	70	5.7
Barclays Global Inv N.A. R1000 Alpha Tilts-Net			(0.1)	36	(9.4)	35	(14.0)	77	4.0	82	7.9	73	5.4
<i>Rank vs. Mercer US Equity Large Cap Core Universe</i>													
<i> Mercer US Equity Large Cap Core Universe Med</i>			(0.9)		(10.4)		(11.2)		5.6		9.0		--
<i> Russell 1000 Index</i>			(1.9)		(11.2)		(12.4)		4.8		8.2		5.3
Large Cap Growth Equity													
Turner Investment Partners	269.2	5.7	(1.9)	89	(18.3)	97	(9.7)	84	3.1	92	5.6	94	7.3
Turner Investment Partners-Net			(2.0)	89	(18.4)	97	(10.0)	85	2.8	95	5.3	95	7.0
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>													
<i> Mercer US Equity Large Cap Growth Universe Med</i>			1.8		(9.1)		(3.8)		7.3		9.2		--
<i> Russell 1000 Growth Index</i>			1.2		(9.1)		(6.0)		5.9		7.3		7.7
Large Cap Value Equity													
AllianceBernstein L.P.	250.8	5.3	(6.6)	87	(17.1)	91	(22.8)	87	2.1	83	7.8	81	8.7
AllianceBernstein L.P.-Net			(6.7)	88	(17.3)	92	(23.2)	88	1.6	85	7.2	85	8.2
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>													
<i> Mercer US Equity Large Cap Value Universe Med</i>			(3.1)		(11.6)		(15.5)		5.1		10.0		--
<i> Russell 1000 Value Index</i>			(5.3)		(13.6)		(18.8)		3.5		8.9		9.3
Mid Cap Core Equity													
Earnest Partners LLC	211.1	4.5	4.8	52	(2.3)	13	(2.8)	20	8.6	33	--		10.6
Earnest Partners LLC-Net			4.6	53	(2.5)	20	(3.3)	22	8.0	40	--		10.0
<i>Rank vs. Mercer US Equity Mid Cap Core Universe</i>													
<i> Mercer US Equity Mid Cap Core Universe Med</i>			5.1		(4.9)		(9.7)		7.2		12.8		--
<i> Russell Midcap Index</i>			2.7		(7.6)		(11.2)		6.8		13.1		9.0

City of Milwaukee Employees' Retirement System
Performance Summary
Period Ending June 30, 2008

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
Small Cap Value Equity													
Dimensional Fund Advisors Inc.	\$ 240.6	5.1 %	(5.9) %	92	(12.2) %	83	(25.5) %	84	1.8 %	65	13.0 %	35	13.0 %
Dimensional Fund Advisors Inc.-Net			(5.9)	92	(12.3)	83	(25.7)	85	1.5	71	12.6	41	12.6
<i>Rank vs. Mercer US Equity Small Cap Value Universe</i>													
<i> Mercer US Equity Small Cap Value Universe Med</i>			(0.6)		(8.0)		(18.9)		3.9		11.8		--
<i> Russell 2000 Value Index</i>			(3.5)		(9.8)		(21.6)		1.4		10.0		10.1
Small Cap Growth Equity													
Artisan Partners Limited Ptrn	85.6	1.8	(4.3)	100	(17.8)	92	(21.3)	91	(0.3)	95	8.4	80	10.2
Artisan Partners Limited Ptrn-Net			(4.5)	100	(18.2)	93	(22.0)	93	(1.2)	97	7.5	93	9.2
<i>Rank vs. Mercer US Equity Small Cap Growth Universe</i>													
<i> Mercer US Equity Small Cap Growth Universe Med</i>			4.5		(10.3)		(11.1)		6.2		10.9		--
<i> Russell 2000 Growth Index</i>			4.5		(8.9)		(10.8)		6.1		10.4		11.3
International Equity													
Brandes Investment Partners	364.2	7.7	(2.2)	68	(13.5)	90	(13.9)	86	12.7	75	19.1	34	12.7
Brandes Investment Partners-Net			(2.3)	70	(13.6)	90	(14.3)	88	12.2	80	18.6	40	12.3
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i> Mercer Intl Equity Universe Med</i>			(1.3)		(10.0)		(8.6)		14.8		18.0		--
<i> MSCI EAFE Index</i>			(1.9)		(10.6)		(10.1)		13.3		17.2		7.1
<i> MSCI EAFE-Value Index</i>			(4.1)		(13.3)		(16.1)		11.5		17.6		8.7
William Blair & Company	470.7	10.0	(0.5)	36	(10.5)	57	(4.2)	25	17.0	30	--		15.6
William Blair & Company-Net			(0.6)	38	(10.6)	59	(4.6)	27	16.5	35	--		15.1
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i> Mercer Intl Equity Universe Med</i>			(1.3)		(10.0)		(8.6)		14.8		18.0		--
<i> MSCI All Country World Ex United States Index</i>			(0.9)		(9.8)		(6.2)		16.2		19.4		17.0
<i> MSCI EAFE-Growth Index</i>			0.3		(7.8)		(4.1)		15.1		16.6		14.6
Dimensional Fund Advisors Inc.	93.8	2.0	(5.0)	89	(8.3)	36	(16.9)	65	--		--		1.7
Dimensional Fund Advisors Inc.-Net			(5.1)	90	(8.6)	42	(17.5)	68	--		--		1.0
<i>Rank vs. Mercer Intl Equity Small Cap Universe</i>													
<i> Mercer Intl Equity Small Cap Universe Med</i>			(2.1)		(9.5)		(14.8)		15.9		23.5		--
<i> MSCI EAFE Small Cap Price Index</i>			(5.5)		(11.9)		(20.5)		7.3		16.6		(4.8)
<i> MSCI EAFE Small Cap Net Index</i>			(4.5)		(10.5)		(18.6)		9.4		18.9		(2.9)

City of Milwaukee Employees' Retirement System
Performance Summary
Period Ending June 30, 2008

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
Fixed Income													
Barclays Global Inv N.A. Intermediate Agg	\$ 401.2	8.5 %	(1.0) %	48	1.4 %	55	7.3 %	44	4.4 %	50	3.9 %	31	5.9 %
Barclays Global Inv N.A. Intermediate Agg-Net			(1.0)	48	1.4	56	7.3	44	4.4	52	3.9	33	5.9
<i>Rank vs. Mercer US Fixed Intermediate Universe</i>													
<i>Mercer US Fixed Intermediate Universe Med</i>			(1.0)		1.5		7.0		4.4		3.7		--
<i>Lehman Bros. Intermediate Aggregate Bd Index</i>			(1.0)		1.4		7.2		4.3		3.8		5.8
Reams Asset Management	343.4	7.3	(1.1)	86	0.5	37	7.0	21	4.9	11	4.8	19	5.6
Reams Asset Management-Net			(1.1)	87	0.4	39	6.8	24	4.7	14	4.7	22	5.5
<i>Rank vs. Mercer US Fixed Core Opportunistic Universe</i>													
<i>Mercer US Fixed Core Opportunistic Universe Med</i>			(0.6)		0.2		4.6		3.9		4.2		--
<i>Lehman Brothers Aggregate Bond</i>			(1.0)		1.1		7.1		4.1		3.9		5.6
Loomis, Sayles & Company, L.P.	592.7	12.6	0.9	5	(0.6)	68	3.9	64	6.2	3	6.9	3	10.0
Loomis, Sayles & Company, L.P.-Net			0.9	5	(0.7)	70	3.8	68	6.1	4	6.8	3	9.9
<i>Rank vs. Mercer US Fixed Core Opportunistic Universe</i>													
<i>Mercer US Fixed Core Opportunistic Universe Med</i>			(0.6)		0.2		4.6		3.9		4.2		--
<i>Lehman Brothers Aggregate Bond</i>			(1.0)		1.1		7.1		4.1		3.9		7.5

City of Milwaukee Employees' Retirement System
 Performance Summary
 Period Ending June 30, 2008

	Market Value	% of Total Fund	Quarter	YTD	Annualized			Inception to Date
					1 Year	3 Years	5 Years	
Total Equity Composite	\$ 2,965.1	62.9 %	(1.9)%	(12.0)%	(13.5)%	6.7 %	11.2 %	5.5 %
Total Equity Composite-Net			(2.0)	(12.1)	(13.7)	6.4	10.9	5.1
<i>Russell 3000 Index</i>			(1.7)	(11.0)	(12.7)	4.7	8.4	2.1

ATTRIBUTION SUMMARY

City of Milwaukee

Total Fund

Period Ending June 30, 2008

	<u>Annualized</u>			
	<u>QTR</u>	<u>6 MO</u>	<u>1 YR</u>	<u>2 YR</u>
Portfolio Return	(1.2)	(7.5)	(6.7)	4.9
Policy Return	(1.2)	(6.4)	(5.0)	5.6
Net Management Effect	0.0	(1.1)	(1.8)	(0.6)
Allocation	(0.1)	0.0	(0.2)	0.0
Selection	0.1	(1.1)	(1.6)	(0.6)

Currency USD

Policy Benchmark is 45% Russell 3000, 20% MSCI EAFE, 28% LB Aggregate, 7% NCREIF (1Qtr in Arrears)

Mercer

ATTRIBUTION DETAIL

City of Milwaukee

Total Fund

3 Months Ending June 30, 2008

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	(1.2)	100.0	(1.2)	(0.1)	0.1	0.0
US Equity	43.8	(2.1)	45.0	(1.7)	0.0	(0.2)	(0.2)
Non-US Equity	20.1	(1.6)	20.0	(1.9)	0.0	0.1	0.0
Fixed Income	28.3	(0.1)	28.0	(1.0)	(0.1)	0.2	0.2
Real Estate	7.8	1.1	7.0	1.6	0.0	0.0	0.0
Other	---	---	---	---	0.0	0.0	0.0

Currency USD

Policy Benchmark is 45% Russell 3000, 20% MSCI EAFE, 28% LB Aggregate, 7% NCREIF (1Qtr in Arrears)

Mercer

ATTRIBUTION DETAIL

City of Milwaukee

Total Fund

6 Months Ending June 30, 2008

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	(7.5)	100.0	(6.4)	0.0	(1.1)	(1.1)
US Equity	43.8	(12.2)	45.0	(11.0)	0.0	(0.5)	(0.5)
Non-US Equity	20.1	(11.4)	20.0	(10.6)	0.0	(0.2)	(0.2)
Fixed Income	28.6	0.4	28.0	1.1	0.0	(0.2)	(0.3)
Real Estate	7.6	2.3	7.0	4.9	0.0	(0.2)	(0.1)
Other	---	---	---	---	0.0	0.0	0.0

Currency USD

Policy Benchmark is 45% Russell 3000, 20% MSCI EAFE, 28% LB Aggregate, 7% NCREIF (1Qtr in Arrears)

Mercer

ATTRIBUTION DETAIL

City of Milwaukee

Total Fund

Annualized 1 Year Ending June 30, 2008

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	(6.7)	100.0	(5.0)	(0.2)	(1.6)	(1.8)
US Equity	44.6	(15.3)	45.0	(12.7)	0.0	(1.3)	(1.3)
Non-US Equity	20.6	(9.5)	20.0	(10.1)	(0.1)	0.2	0.1
Fixed Income	27.8	5.8	28.0	7.1	(0.1)	(0.4)	(0.5)
Real Estate	7.0	11.9	7.0	13.6	0.0	(0.1)	(0.1)
Other	---	---	---	---	0.0	0.0	0.0

Currency USD

Policy Benchmark is 45% Russell 3000, 20% MSCI EAFE, 28% LB Aggregate, 7% NCREIF (1Qtr in Arrears)

Mercer

ATTRIBUTION DETAIL

City of Milwaukee

Total Fund

Annualized 2 Years Ending June 30, 2008

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	4.9	100.0	5.6	0.0	(0.6)	(0.6)
US Equity	45.8	0.1	45.0	2.4	0.0	(1.1)	(1.1)
Non-US Equity	20.5	8.7	20.0	7.0	0.0	0.3	0.3
Fixed Income	27.5	7.2	28.0	6.6	0.0	0.1	0.1
Real Estate	6.2	15.8	7.0	15.1	0.0	0.0	0.0
Other	---	---	---	---	0.0	0.0	0.0

Currency USD

Policy Benchmark is 45% Russell 3000, 20% MSCI EAFE, 28% LB Aggregate, 7% NCREIF (1Qtr in Arrears)

Mercer

Appendix

Notes Specific to City of Milwaukee Employees' Retirement System

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

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

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

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

Prior to 2001, the Real Estate Benchmark was CPI plus 600 basis points per year. Since January 1, 2001, the Real Estate Benchmark is the NCREIF Property Index.

Monthly returns were provided by Asset Strategies, through second quarter 2000. Beginning third quarter 2000, monthly returns and asset holdings were provided by Northern Trust and real estate asset values and returns were provided by Townsend.

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

Manager	Inception Date
Total Fund Composite	1Q1979
Total Domestic Equity Composite	1Q1988
Total International Equity Composite	3Q1996
Total Fixed Income Composite	1Q1988
Total Real Estate Composite	1Q1986
Northern Trust	3Q 1988
Barclays Global RUI Value Alpha Tilts	3Q 1996 — terminated during 2Q 2002
Barclays Global RUI Alpha Tilts	3Q 2002
Alliance (Bernstein)	4Q 1996
Brown Capital	3Q 1992 — terminated during 2Q 2005
Dimensional Fund Advisors SCV	4Q 1996
Turner Investment Partners	4Q 2002
Pilgrim Baxter	4Q 1992 — terminated during 4Q 2002
Artisan Partners	1Q 2003
Brandes	1Q 1998
Putnam	1Q 1998 — terminated during 4Q 2003
William Blair	1Q 2004
BGI LB Intermediate Aggregate	3Q 1999
Reams	1Q 2001
Loomis	1Q 1988
SWIB	4Q 1988 — removed during 2Q 2002
EARNEST Partners	2Q 2005
Dimension Fund Advisors Intl SC	3Q 2006

**Benchmark Performance
For the 10-Year Period Ended June 30, 2008
(Percent Return)**

Benchmark	10-Year Annualized Return
Total Fund Composite	6.7
Total Domestic Equity Composite	4.9
Total International Equity Composite	10.1
Total Fixed Income Composite	6.2
Total Real Estate Composite	13.9
Russell 3000 Index	3.5
S&P 500 Index	2.9
Russell 1000 Index	3.4
Russell 1000 Growth Index	1.0
Russell 1000 Value Index	4.9
Russell Midcap Index	8.1
Russell 2000 Value Index	7.5
Russell 2000 Growth Index	2.8
MSCI EAFE Index	6.2
MSCI AC World Ex US Index	7.7
MSCI EAFE Small Cap Price Index	7.1
Lehman Brothers Intermediate Aggregate Bond	5.6
Lehman Brothers Aggregate Bonds	5.7

Mercer Manager Ratings as of June 30, 2008

Manager	Mercer Rating
Northern Trust	N
Barclays Global RUI Alpha Tilts	A
Alliance (Bernstein)	A(T)
Turner Investment Partners	B
EARNEST Partners	B+
Dimensional Fund Advisors SCV	A-
Artisan Partners	A-
Brandes	A-(T)
William Blair	A(T)
Dimensional Fund Advisors Intl SCV	A-
BGI LB Intermediate Aggregate	A
Reams	B+ (T)
Loomis	B+ (T)

Information Ratios for the 5 Year Period Ended June 30, 2008

Manager	Information Ratio	Ranking
Total Fund Composite	0.9	----
Total Domestic Equity Composite	0.1	(71)
Total International Equity Composite	0.9	(18)
Total Fixed Income Composite	0.9	(18)
Total Real Estate Composite	----	----
Northern Trust	0.6	(47)
Barclays Global RUI Alpha Tilts	0.0	(69)
Alliance (Bernstein)	-0.4	(85)
Turner Investment Partners	-0.4	(92)
EARNEST Partners	1.0	(4)
Dimensional Fund Advisors SCV	0.7	(23)
Artisan Partners	-0.3	(80)
Brandes	0.5	(36)
William Blair	0.7	(24)
Dimensional Fund Advisors Intl SCV	1.6	(20)
BGI LB Intermediate Aggregate	0.9	(3)
Reams	1.2	(9)
Loomis	1.0	(13)

**Performance Reconciliation
For the Quarter Ended June 30, 2008
(Percent Return)**

Manager	Northern Trust Calculated Return	Manager Calculated Return
Northern Trust	-2.6	-2.6
BGI (Equity)	-0.1	-0.1
Turner	-1.9	-1.9
Bernstein	-6.6	-6.6
EARNEST Partners	4.8	4.8
DFA	-5.9	-5.9
Artisan Partners	-4.3	-4.3
Brandes	-2.2	-2.0
William Blair	-0.5	-0.8
DFA Intl SC	-5.0	-5.2
BGI (Fixed Income) ⁽¹⁾	-1.0	-1.0
Reams	-1.1	-0.9
Loomis	0.9	0.5

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

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