



MILWAUKEE COUNTY

Employees' Retirement System of Milwaukee County

Monthly Update

February 29, 2012

Investment Manager Status Report

<u>Investment Manager</u>	<u>Asset Class</u>	<u>Benchmark</u>	<u>Status</u>	<u>Date</u>	<u>Reason</u>
J.P. Morgan	Core Fixed Income	BarCap Aggregate	In-Compliance		
Mellon Capital	Core Fixed Income	BarCap Aggregate	In-Compliance		
Mellon Capital	Large-Cap Core Equity	S&P 500	In-Compliance		
Boston Partners	Large-Cap Value Equity	Russell 1000 Value	In-Compliance		
Artisan Partners	Mid-Cap Growth Equity	Russell MidCap Growth	In-Compliance		
AQR	Small-Cap Value Equity	Russell 2000 Value	In-Compliance		
Fiduciary Management	Small-Cap Value Equity	Russell 2000 Value	In-Compliance		
Barings	International Core	MSCI EAFE	In-Compliance		
GMO Large Cap Value	International Value	MSCI EAFE	Alert	Nov-10	Performance
GMO Intl Small Companies	International Small Core	Citigroup ex. US <\$2 Billion	In-Compliance		
Barings	Emerging Markets	MSCI Emerging Markets	Alert	Mar-11	Investment Professional Turnover
ABS	Long/Short Equity	HFRX Hedged Equity	Alert	Jan-12	Ownership Changes
K2	Long/Short Equity	HFRX Hedged Equity	In-Compliance		
Morgan Stanley	Real Estate Core	NCREIF - ODCE	Alert	Oct-11	Investment Professional Turnover
American Realty	Real Estate Core	NCREIF - ODCE	Alert	Nov-11	Investment Professional Turnover
UBS	Real Estate Core	NCREIF - ODCE	In-Compliance		
IFM	Infrastructure	CPI + 4%	In-Compliance		
J.P. Morgan	Infrastructure	CPI + 4%	In-Compliance		
Adams Street	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance		

Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

In-Compliance – The investment manager states it is acting in accordance with the Investment Policy Guidelines.

Alert – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.

On Notice – The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.

Termination – The Trustees have decided to terminate the investment manager. The investment manager is notified and transition plans are in place.

Market Values

February 29, 2012

Asset Class	Investment Manager	Market Values	Allocation	Target
Core Fixed Income	J.P. Morgan	\$323,074,642	18.3%	
Core Fixed Income	Mellon Capital - Non Lending	<u>\$159,595,762</u>	<u>9.0%</u>	
Total Fixed Income		\$482,670,404	27.3%	29.0%
Large-Cap Core Equity	Mellon Capital - Non Lending	\$111,253,120	6.3%	6.0%
Large-Cap Value Equity	Boston Partners	\$133,045,796	7.5%	7.0%
Mid-Cap Growth Equity	Artisan Partners	\$50,731,907	2.9%	2.5%
Mid-Cap Growth Equity	iShares Mid-Cap Growth	\$40,285,499	2.3%	2.5%
Small-Cap Value Equity	AQR	\$43,097,131	2.4%	2.5%
Small-Cap Value Equity	Fiduciary Management	\$49,459,570	2.8%	2.5%
Cash Securitization	Cash Equity Overlay	<u>\$5,468,756</u>	<u>0.3%</u>	---
Total U.S. Equity		\$433,341,779	24.5%	23.0%
International Large Cap	Barings	\$119,644,183	6.8%	6.0%
International Large Cap	GMO	\$95,103,003	5.4%	6.0%
International Small Cap	GMO	\$67,103,982	3.8%	3.0%
Emerging Markets	Barings	<u>\$60,479,390</u>	<u>3.4%</u>	<u>3.0%</u>
Total International Equity		\$342,330,558	19.3%	18.0%
Hedged Equity	ABS	\$93,413,363	5.3%	5.0%
Hedged Equity	K2	<u>\$88,767,608</u>	<u>5.0%</u>	<u>5.0%</u>
Total Hedged Equity		\$182,180,971	10.3%	10.0%
Real Estate Core	Morgan Stanley	\$87,178,303	4.9%	---
Real Estate Core	American Realty	\$27,008,521	1.5%	---
Real Estate Core	Trumbull Property Fund	<u>\$15,000,000</u>	<u>0.8%</u>	---
Total Real Estate		\$129,186,824	7.3%	7.0%
Infrastructure	IFM	\$72,361,543	4.1%	3.5%
Infrastructure	JP Morgan	<u>\$59,254,582</u>	<u>3.3%</u>	<u>3.5%</u>
Total Infrastructure		\$131,616,125	7.4%	7.0%
Private Equity FoFs Diversified	Progress	\$20,444	0.0%	---
Private Equity FoFs Diversified	Adams Street 2005	\$6,995,676 ¹	0.4%	---
Private Equity FoFs Diversified	Adams Street 2009	\$9,181,586 ²	0.5%	---
Private Equity FoFs Diversified	Brinson 1998	\$2,034,591	0.1%	---
Private Equity FoFs Diversified	Brinson 2001	\$8,011,518	0.5%	---
Private Equity - Direct	Separate Account - New	\$9,220	0.0%	---
Total Private Equity		\$26,253,035	1.5%	6.0%
Total Cash Equivalents		\$41,957,457	2.4%	0.0%
TOTAL PORTFOLIO		<u>\$1,769,537,153</u>	<u>100.0%</u>	<u>100.0%</u>

¹Commitment \$10mm

²Commitment \$30mm

Current Asset Allocation vs. Policy

Asset Class	% of Assets	Policy Target	Difference	Target Range
Fixed Income	27.3%	29.0%	-1.7%	24% - 34%
Domestic Equity	24.5%	23.0%	1.5%	13% - 33%
International Equity	19.3%	18.0%	1.3%	8% - 28%
Hedge Funds	10.3%	10.0%	0.3%	7% - 13%
Real Estate	7.3%	7.0%	0.3%	4% - 10%
Infrastructure	7.4%	7.0%	0.4%	4% - 10%
Private Equity	1.5%	6.0%	-4.5%	3% - 9%
Cash/Other	<u>2.4%</u>	<u>0.0%</u>	<u>2.4%</u>	<u>0% - 5%</u>
TOTAL	100.0%	100.0%		

Prepared by Marquette Associates, Inc.

Annualized Total Fund Performance (Gross of Fees)

February 29, 2012

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Total Fund Composite	2.2%	5.6%	3.7%	9.4%	15.3%	3.4%	2.8%	5.3%	7.1%
Benchmark									
Policy Benchmark ¹	2.5%	6.0%	5.1%	10.4%	17.5%	3.9%	3.2%	5.2%	6.3%
Actuarial Rate of Return	---	---	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Fixed Income Composite	0.1%	1.0%	8.0%	6.8%	10.4%	6.8%	6.6%	6.2%	7.2%
Benchmark									
BarCap Aggregate	0.0%	0.9%	8.4%	6.6%	7.5%	6.1%	6.4%	5.7%	5.7%
Total Domestic Equity Composite	4.1%	10.3%	3.1%	14.1%	27.4%	4.7%	2.9%	5.4%	5.9%
Benchmark									
Wilshire 5000	4.2%	9.4%	4.4%	13.9%	26.4%	3.4%	1.9%	4.5%	5.1%
Total International Equity Composite	4.7%	11.8%	-5.1%	7.6%	19.2%	-3.7%	-3.7%	0.5%	3.6%
Benchmark									
MSCI ACWI ex US	5.7%	12.8%	-5.7%	7.1%	23.3%	-2.2%	-0.3%	5.3%	8.5%
Total Hedged Equity Composite	1.8%	4.6%	-0.8%	3.4%	---	---	---	---	---
Benchmark									
HFRX Hedged Equity	1.4%	3.5%	-16.3%	-4.1%	1.6%	-5.9%	-4.7%	-1.4%	0.7%
Russell 3000	4.2%	9.5%	4.5%	13.9%	26.5%	3.4%	1.8%	4.4%	4.8%
Total Real Estate Composite	---	---	13.3%	17.1%	34.4%	4.0%	-2.4%	6.7%	10.7%
Benchmark									
Custom Benchmark ²	---	---	12.4%	18.9%	37.7%	1.7%	-3.1%	5.5%	10.6%
NFI ODCE	---	---	12.4%	15.5%	0.9%	-4.7%	-1.4%	3.7%	5.3%
Total Infrastructure Composite	0.5%	1.1%	6.6%	---	---	---	---	---	---
Benchmark									
CPI + 4%	0.3%	0.9%	6.5%	6.3%	6.3%	5.7%	6.2%	6.4%	6.5%

¹ As of 9/30/2011, the Policy Benchmark consists of 36% BarCap Aggregate, 39% Wilshire 5000, 18% MSCI ACWI ex US, and 7% NFI ODCE. Prior to 9/30/2011, the Policy Benchmark consisted of 39% BarCap Aggregate, 36% Wilshire 5000, 18% MSCI ACWI ex US, and 7% NFI ODCE. Prior to 6/30/2010, the Policy Benchmark consisted of 35% BarCap Aggregate, 7% BarCap High Yield, 14% Wilshire 4500, 20% S&P 500, 16% MSCI EAFE, 4% MSCI World ex US, 1% 91 Day T-Bills, and 3% S&P Global REIT.

² As of 9/30/2010, the Custom Real Estate Benchmark consists of 100% NFI ODCE. As of 3/31/08, the Custom Benchmark consisted of 100% S&P Developed Property Index. Prior to 3/31/08, the Custom Real Estate Benchmark consisted of 100% MSCI US REIT Index.

Signifies Outperformance of Benchmark

Annualized Investment Manager Performance (Gross of Fees)

February 29, 2012

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Fixed Income - Core									
J.P. Morgan	0.2%	1.1%	7.8%	6.6%	8.2%	6.3%	6.6%	---	---
Mellon Capital	0.0%	0.9%	8.3%	6.6%	7.4%	6.1%	6.4%	5.7%	5.7%
Benchmarks									
BarCap Aggregate	0.0%	0.9%	8.4%	6.6%	7.5%	6.1%	6.4%	5.7%	5.7%
Large-Cap Core Equity									
Mellon Capital	4.3%	9.0%	5.1%	13.4%	25.5%	2.9%	1.6%	4.0%	4.2%
Benchmarks									
S&P 500	4.3%	9.0%	5.1%	13.5%	25.6%	2.9%	1.6%	4.0%	4.2%
Large-Cap Value Equity									
Boston Partners	4.9%	10.4%	4.6%	12.6%	26.1%	4.4%	2.7%	6.1%	6.5%
Benchmarks									
Russell 1000 Value	4.0%	7.9%	2.2%	11.7%	25.0%	0.7%	-1.1%	2.9%	4.8%
Mid-Cap Growth Equity									
Artisan Partners	6.3%	17.7%	11.6%	24.6%	37.6%	10.9%	10.2%	10.6%	9.8%
iShares Mid-Cap Growth	4.5%	---	---	---	---	---	---	---	---
Benchmarks									
Russell MidCap Growth	4.5%	12.0%	3.8%	17.6%	32.2%	5.8%	4.1%	6.7%	7.5%
Small-Cap Value Equity									
AQR	1.1%	8.5%	-3.6%	11.6%	31.6%	4.0%	0.1%	---	---
Fiduciary Management	2.1%	6.6%	-2.0%	12.4%	---	---	---	---	---
Benchmarks									
Russell 2000 Value	1.5%	8.2%	-2.7%	12.0%	27.7%	4.3%	-0.4%	3.8%	7.0%
International Large-Cap Equity									
¹ Barings	5.4%	12.8%	-1.0%	8.7%	19.1%	-3.2%	---	---	---
¹ GMO	3.5%	7.7%	-9.5%	4.6%	16.4%	-4.8%	-4.1%	2.1%	7.8%
Benchmarks									
MSCI EAFE	5.8%	11.4%	-7.0%	5.9%	20.3%	-3.4%	-2.5%	3.4%	6.8%
International Small-Cap Equity									
¹ GMO	4.5%	11.5%	-8.1%	9.8%	---	---	---	---	---
Benchmarks									
Citigroup ex. US <\$2 Billion	6.5%	16.5%	-6.7%	9.3%	29.9%	0.5%	1.3%	7.1%	12.7%
Emerging Markets Equity									
¹ Barings	5.5%	17.1%	-2.2%	8.1%	---	---	---	---	---
Benchmarks									
MSCI EM	6.0%	18.1%	0.2%	10.2%	32.7%	0.7%	6.5%	12.0%	15.5%

Annualized Investment Manager Performance (Gross of Fees)

February 29, 2012

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Hedged Equity									
¹ ABS	1.7%	4.0%	0.3%	4.0%	---	---	---	---	---
¹ K2	1.9%	5.4%	-2.0%	---	---	---	---	---	---
Benchmarks									
HFRX Hedged Equity	1.4%	3.5%	-16.3%	-4.1%	1.6%	-5.9%	-4.7%	-1.4%	0.7%
Russell 3000	4.2%	9.5%	4.5%	13.9%	26.5%	3.4%	1.8%	4.4%	4.8%
Real Estate									
² Morgan Stanley	---	---	17.7%	---	---	---	---	---	---
² American Realty	---	---	15.0%	---	---	---	---	---	---
² Trumbull Property Fund	---	---	---	---	---	---	---	---	---
Benchmarks									
NCREIF - ODCE	---	---	12.4%	15.5%	0.9%	-4.7%	-1.4%	3.7%	5.3%
Infrastructure									
¹ IFM	0.8%	2.0%	6.8%	---	---	---	---	---	---
^{1,2} JP Morgan	---	---	5.9%	---	---	---	---	---	---
Benchmarks									
CPI + 4%	0.3%	0.9%	6.5%	6.3%	6.3%	5.7%	6.2%	6.4%	6.5%

Signifies Outperformance of Benchmark

¹ Performance reported is net of fees.

² Quarterly valued. Monthly performance not available.

Estimated Annual Investment Management Fees
based on February 29, 2012 reported Market Values

Asset Class	Investment Manager	Fee Schedule	Expense Ratio & Estimated Annual Fee ¹	Industry Average ²
Core Fixed Income	J.P. Morgan	0.20% on the first \$100 million 0.15% on the Balance	0.17% \$534,612	0.24%
Core Fixed Income Large-Cap Core Equity	Mellon Capital - Non Lending	0.04% on the first \$200 million 0.02% on the Balance	0.03% \$94,170	0.08%
Large-Cap Value Equity	Boston Partners	0.40% on the first \$15 million 0.30% on the next \$25 million 0.20% on the next \$25 million 0.15% on the next \$35 million 0.10% on the Balance	0.25% \$215,597	0.51%
Mid-Cap Growth Equity	Artisan Partners	0.80% on the first \$50 million 0.60% on the next \$50 million 0.50% on the Balance	0.80% \$404,391	0.68%
Mid-Cap Growth Equity	iShares Mid-Cap Growth	0.25% on the Balance	0.25% \$100,714	0.78%
Small-Cap Value Equity	AQR	1.00% on the first \$25 million 0.85% on the next \$50 million 0.75% on the Balance	0.94% \$403,826	0.95%
Small-Cap Value Equity	Fiduciary Management	0.70% on the first \$10 million 0.65% on the next \$40 million 0.60% on the next \$25 million 0.50% on the Balance	0.66% \$326,487	0.95%
International Large Cap	Barings	0.75% on the Balance	0.75% \$897,331	0.68%
International Large Cap	GMO	0.67% on the Balance	0.67% \$637,190	1.04%
International Small Cap	GMO	0.75% on the Balance	0.75% \$503,280	1.04%
Emerging Markets	Barings	0.75% on the Balance	0.75% \$453,595	0.92%
Hedged Equity	ABS	0.85% on the Balance *redemptions quarterly with 45 days notice	0.85% \$794,014	1.37%
Hedged Equity	K2	0.90% on the Balance *redemptions quarterly with 91 days notice	0.90% \$798,908	1.37%
Real Estate Core	Morgan Stanley	0.90% on the Balance	0.90% \$784,605	1.03%
Real Estate Core	American Realty	0.95% on the Balance	0.95% \$256,581	1.03%
Real Estate Core	Trumbull Property Fund	0.955% on the first \$10 million 0.825% on the next \$15 million 0.805% on the next \$25 million 0.79% on the next \$50 million 0.67% on the next \$150 million 0.60% on the Balance	0.91% \$136,750	1.03%

Estimated Annual Investment Management Fees
based on February 29, 2012 reported Market Values

Infrastructure	IFM	1.25% on the first \$250 million 1.15% on the next \$250 million 1.00% on the Balance (two year hard lock)³ Performance Fee: 20% of return above 8% on a rolling three year basis (begins 12/31/11)	1.25% \$904,519	1.80%
Infrastructure	JP Morgan	2.00% on the Balance (six year soft lock, no performance fee)³	2.00% \$1,185,092	1.80%
Private Equity	Adams Street	0.90% on the Balance until 2016 *based on \$40mm commitment	0.59% \$236,277	1.11%
Cash Overlay	BNY Beta Management	0.025% on the notional value	0.025% \$12,912	N/A
Total Investment Management Fees			0.55% \$9,680,851	0.69%
Custodian	BNY Mellon (Custodian)	\$50,000 Flat Annual Fee	\$50,000	
Total Fund			0.55% \$9,730,851	

¹ Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.

² Source: 2010 Marquette Associates Investment Management Fee Study.

³ Hard Lock-Up - investors can withdraw 2.5% per quarter, free of charge during lock-up period. Soft Lock-Up - investors can withdraw semi-annually with a 6% redemption fee charged during lock-up period (4% to the Fund and 2% to the manager).