

**Employees' Retirement System
of Milwaukee County**

Monthly Report

October 31, 2010



Market Values

October 31, 2010

Asset Class	Market Values	Allocation	Target
Total Fixed Income	\$569,531,130	31.0%	32.0%
Total U.S. Equity	\$445,117,119	24.3%	23.0%
Total International Equity	\$355,479,288	19.4%	18.0%
Total Long/Short Equity	\$185,380,512	10.1%	10.0%
Total Real Estate	\$92,373,905	5.0%	7.0%
Total Infrastructure	\$128,118,622	7.0%	7.0%
Total Private Equity	\$21,998,501	1.2%	3.0%
Total Cash/Cash Equivalents	<u>\$36,309,580</u>	<u>2.0%</u>	<u>0.0%</u>
TOTAL PORTFOLIO	<u>\$1,834,308,657</u>	<u>100.0%</u>	<u>100.0%</u>

Current Asset Allocation vs. Policy

Asset Class	% of Assets	Target	Difference	Target Range	
Fixed Income	31.0%	32.0%	-1.0%	Old	22% - 42%
				New	27% - 37%
Domestic Equity	24.3%	23.0%	1.3%	Old	15% - 31%
				New	13% - 33%
International Equity	19.4%	18.0%	1.4%	Old	9% - 27%
				New	13% - 23%
Long/Short Equity	10.1%	10.0%	0.1%	Old	7% - 13%
				New	5% - 15%
Real Estate	5.0%	7.0%	-2.0%	Old	2% - 12%
				New	4% - 10%
Infrastructure	7.0%	7.0%	0.0%	Old	4% - 10%
				New	5% - 9%
Private Equity	1.2%	3.0%	-1.8%	Old	1% - 5%
				New	1% - 5%
Cash/Other	<u>2.0%</u>	<u>0.0%</u>	2.0%		0% - 5%
TOTAL	100.0%	100.0%			

Market Values

October 31, 2010

Asset Class	Investment Manager	Market Values	Allocation	Target
Core Fixed Income	J.P. Morgan	\$302,300,360	16.5%	16.0%
Core Fixed Income	Mellon Capital - Non Lending	<u>\$267,230,770</u>	<u>14.6%</u>	<u>16.0%</u>
Total Fixed Income		\$569,531,130	31.0%	32.0%
Large-Cap Core Equity	Mellon Capital - Non Lending	\$106,690,415	5.8%	6.0%
Large-Cap Value Equity	Boston Partners	\$129,914,653	7.1%	7.0%
Mid-Cap Growth Equity	Artisan Partners	\$55,706,884	3.0%	2.5%
Mid-Cap Growth Equity	Reinhart Partners	\$49,589,147	2.7%	2.5%
Small-Cap Value Equity	AQR	\$50,044,386	2.7%	2.5%
Small-Cap Value Equity	Fiduciary Management	\$49,564,556	2.7%	2.5%
Cash Securitization	Cash Equity Overlay	<u>\$3,607,078</u>	<u>0.2%</u>	---
Total U.S. Equity		\$445,117,119	24.3%	23.0%
International Core	Barings	\$115,394,801	6.3%	6.0%
International Value	GMO Large Cap Value	\$111,221,976	6.1%	6.0%
International Small Core	GMO Intl Small Companies	\$64,878,929	3.5%	3.0%
Emerging Markets	Barings	<u>\$63,983,582</u>	<u>3.5%</u>	<u>3.0%</u>
Total International Equity		\$355,479,288	19.4%	18.0%
Long/Short Equity	ABS Global	\$94,467,689	5.2%	5.0%
Long/Short Equity	K2 Advisors	<u>\$90,912,823</u>	<u>5.0%</u>	<u>5.0%</u>
Total Long/Short Equity		\$185,380,512	10.1%	10.0%
Real Estate REIT	ING Clarion	\$17,373,905	0.9%	0.0%
Real Estate - Core	Morgan Stanley	\$75,000,000	4.1%	---
Real Estate - Core	UBS	\$0	0.0%	---
Real Estate - Core	American Realty	<u>\$0</u>	<u>0.0%</u>	---
Total Real Estate		\$92,373,905	5.0%	7.0%
Infrastructure - Core	IFM	\$68,118,622	3.7%	3.5%
Infrastructure - Core	JP Morgan	<u>\$60,000,000</u>	<u>3.3%</u>	<u>3.5%</u>
Total Infrastructure		\$128,118,622	7.0%	7.0%
Private Equity FoFs Diversified	Progress	\$307,661	0.0%	---
Private Equity FoFs Diversified	Adams Street 2005	\$6,306,122	0.3%	---
Private Equity FoFs Diversified	Adams Street 2009	\$3,155,694	0.2%	---
Private Equity FoFs Diversified	Brinson 1998	\$331,723	0.0%	---
Private Equity FoFs Diversified	Brinson 1999	\$619,515	0.0%	---
Private Equity FoFs Diversified	Brinson 2000	\$1,728,821	0.1%	---
Private Equity FoFs Diversified	Brinson 2001	\$3,538,616	0.2%	---
Private Equity FoFs Diversified	Brinson 2002	\$2,016,935	0.1%	---
Private Equity FoFs Diversified	Brinson 2003	\$1,740,896	0.1%	---
Private Equity FoFs Diversified	Brinson 2004	\$2,145,441	0.1%	---
Private Equity - Direct	Separate Account - Old	\$5,200	0.0%	---
Private Equity - Direct	Separate Account - New	<u>\$101,877</u>	<u>0.0%</u>	---
Total Private Equity		\$21,998,501	1.2%	3.0%
Cash Short-Term	Transition Account	\$0	0.0%	---
Cash Short-Term	General Cash	\$23,558,672	1.3%	---
Cash Short-Term	Cash Overlay	<u>\$12,750,908</u>	<u>0.7%</u>	---
Total Cash Equivalents		\$36,309,580	2.0%	0.0%
TOTAL PORTFOLIO		<u>\$1,834,308,657</u>	<u>100.0%</u>	<u>100.0%</u>

Annualized Performance (Gross of Fees)

October 31, 2010

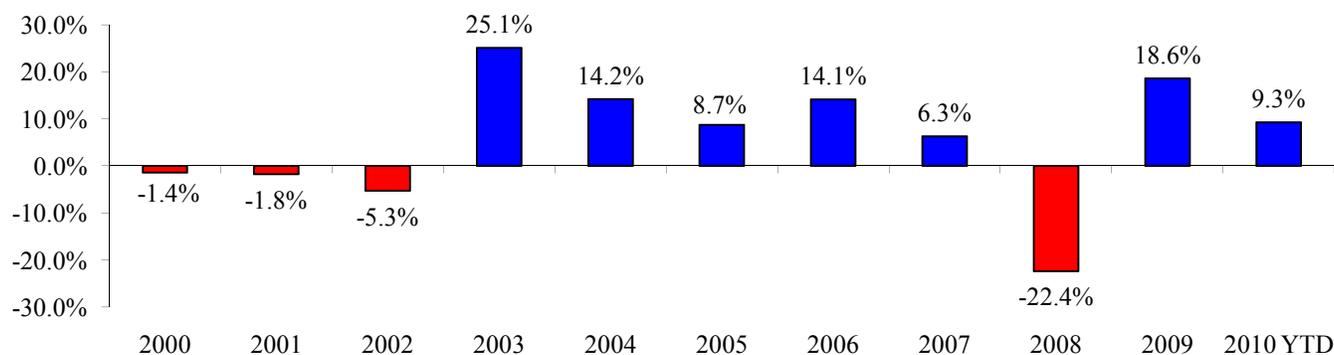
	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Total Fund Composite	2.1%	9.3%	13.4%	14.5%	-0.8%	2.5%	4.9%	6.9%	5.7%
Benchmark									
Policy Benchmark ¹	2.2%	8.7%	12.7%	14.5%	-1.5%	2.0%	4.5%	6.0%	4.5%
Actuarial Rate of Return	---	---	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Fixed Income Composite	0.4%	8.7%	9.4%	15.4%	7.8%	7.4%	7.2%	6.8%	7.8%
Benchmark									
BarCap Aggregate	0.4%	8.3%	8.0%	10.9%	7.2%	6.8%	6.5%	5.5%	6.4%
Total Domestic Equity Composite	3.7%	10.5%	20.3%	17.2%	-4.1%	0.4%	3.3%	5.9%	2.5%
Benchmark									
Wilshire 5000	3.9%	9.1%	18.3%	14.5%	-5.9%	-1.0%	2.3%	4.5%	0.9%
Total International Equity Composite	3.9%	8.9%	13.4%	19.5%	-8.6%	-3.6%	-0.1%	3.2%	3.1%
Benchmark									
MSCI ACWI ex. U.S.	3.4%	7.6%	13.1%	23.5%	-7.6%	1.2%	6.2%	10.0%	5.5%
Total Long/Short Equity Composite	1.9%	---	---	---	---	---	---	---	---
Benchmark									
HFRX Hedged Equity	1.6%	3.4%	6.4%	5.9%	-5.8%	-1.8%	0.5%	0.9%	3.0%
Wilshire 5000	3.9%	9.1%	18.3%	14.5%	-5.9%	-1.0%	2.3%	4.5%	0.9%
MSCI ACWI	3.6%	7.8%	14.7%	19.0%	-7.1%	0.0%	4.2%	7.1%	2.7%
Total Real Estate Composite	0.6%	10.3%	17.1%	18.2%	-7.1%	-5.1%	2.6%	8.8%	10.6%
Benchmark									
Wilshire NAREIT	4.7%	24.7%	42.8%	19.6%	-5.0%	-3.6%	3.3%	8.8%	11.4%
NFI ODCE (Net)	---	4.6%	2.0%	-17.9%	-13.0%	-6.4%	-2.3%	2.3%	3.4%
Total Infrastructure Composite²	1.0%	---	---	---	---	---	---	---	---
Benchmark									
CPI + 4%	0.3%	3.9%	4.9%	4.4%	5.5%	6.0%	5.9%	6.4%	6.3%

¹ As of 6/30/2009, the Policy Benchmark consists of 39% BarCap Aggregate, 36% Wilshire 500, 18% MSCI ACWI ex US, and 7% NCREIF ODCE. Prior to 6/30/2009, 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 World Property.

² Quarterly valued. Monthly change in performance results from currency fluctuation not the appraised value of assets.

Signifies Outperformance of Benchmark

Fiscal Review



Annualized Performance (Gross of Fees)

October 31, 2010

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Fixed Income - Core									
J.P. Morgan	0.4%	7.9%	8.2%	11.9%	7.6%	7.1%	6.9%	---	---
¹ Mellon Capital	0.4%	8.4%	7.9%	10.8%	7.3%	6.8%	6.5%	5.6%	6.4%
Benchmarks									
BarCap Aggregate	0.4%	8.3%	8.0%	10.9%	7.2%	6.8%	6.5%	5.5%	6.4%
Large-Cap Core Equity									
¹ Mellon Capital	3.8%	7.7%	16.3%	13.1%	-6.5%	-1.6%	1.8%	3.8%	0.03%
Benchmarks									
S&P 500	3.8%	7.8%	16.5%	13.1%	-6.5%	-1.6%	1.7%	3.8%	-0.02%
Large-Cap Value Equity									
Boston Partners	3.9%	7.0%	14.2%	12.6%	-4.5%	0.2%	3.8%	7.3%	5.4%
Benchmarks									
Russell 1000 Value	3.0%	7.6%	15.7%	10.1%	-8.5%	-4.0%	0.6%	4.2%	2.6%
Mid-Cap Growth Equity									
Artisan Partners	3.9%	21.2%	34.1%	30.8%	-0.2%	7.4%	8.6%	9.5%	5.2%
Reinhart Partners	3.2%	12.3%	23.3%	21.3%	-4.2%	1.0%	5.3%	---	---
Benchmarks									
Russell MidCap Growth	3.9%	15.2%	28.0%	25.2%	-3.5%	1.9%	4.3%	6.5%	0.2%
Small-Cap Value Equity									
AQR	3.8%	14.0%	27.1%	17.8%	-2.4%	-1.7%	---	---	---
Fiduciary Management	3.0%	11.5%	24.8%	---	---	---	---	---	---
Benchmarks									
Russell 2000 Value	3.9%	12.1%	24.4%	12.6%	-4.1%	-2.6%	2.0%	5.7%	8.2%
International Large-Cap Equity									
¹ Barings	3.8%	6.9%	12.6%	20.2%	-9.4%	---	---	---	---
¹ GMO Large Cap Value	3.7%	5.3%	8.1%	12.9%	-10.6%	-3.0%	2.4%	7.6%	7.3%
Benchmarks									
MSCI EAFE	3.6%	5.1%	8.8%	18.2%	-9.2%	-1.5%	3.8%	7.9%	3.6%
International Small-Cap Equity									
¹ GMO Intl Small Companies	4.4%	11.7%	13.0%	---	---	---	---	---	---
Benchmarks									
Citigroup ex. US <\$2 Billion	3.5%	16.8%	24.5%	32.2%	-4.9%	2.2%	6.1%	9.9%	9.2%
Emerging Markets Equity									
¹ Barings	4.2%	15.5%	25.7%	---	---	---	---	---	---
Benchmarks									
MSCI Emerging Markets	2.9%	14.3%	23.9%	42.8%	-3.7%	10.7%	15.3%	18.4%	15.0%
Long/Short Equity									
¹ K2	2.0%	---	---	---	---	---	---	---	---
¹ ABS	1.8%	---	---	---	---	---	---	---	---
Benchmarks									
HFRX Hedged Equity	1.6%	3.4%	6.4%	5.9%	-5.8%	-1.8%	0.5%	0.9%	3.0%
Wilshire 5000	3.9%	9.1%	18.3%	14.5%	-5.9%	-1.0%	2.3%	4.5%	0.9%
MSCI ACWI	3.6%	7.8%	14.7%	19.0%	-7.1%	0.0%	4.2%	7.1%	2.7%

Annualized Performance (Gross of Fees)

October 31, 2010

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Real Estate - Equity									
ING Clarion	3.2%	13.0%	20.1%	19.7%	-6.3%	-4.5%	3.1%	9.2%	11.1%
Morgan Stanley	---	---	---	---	---	---	---	---	---
Benchmarks									
Wilshire NAREIT	4.7%	24.7%	42.8%	19.6%	-5.0%	-3.6%	3.3%	8.8%	11.4%
NFI ODCE (Net)	---	4.6%	2.0%	-17.9%	-13.0%	-6.4%	-2.3%	2.3%	3.4%
Infrastructure									
^{1,2} IFM	1.0%	---	---	---	---	---	---	---	---
J.P. Morgan	---	---	---	---	---	---	---	---	---
Benchmarks									
CPI + 4%	0.3%	3.9%	4.9%	4.4%	5.5%	6.0%	5.9%	6.4%	6.3%

Signifies Outperformance of Benchmark.

¹ Performance reported is net of fees.

² Quarterly valued. Monthly change in performance results from currency fluctuation not the appraised value of assets.

Estimated Annual Investment Management Fees
based on October 31, 2010 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% \$503,451	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% \$114,784	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	0.78% \$434,241	0.68%
Mid-Cap Growth Equity	Reinhart Partners	0.60% on the first \$25 million 0.50% on the next \$25 million 0.40% on the Balance	0.55% \$272,946	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	0.92% \$462,877	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% \$327,170	0.95%
International Core	Barings	0.75% on the Balance	0.75% \$865,461	0.68%
Emerging Markets	Barings	0.75% on the Balance	0.75% \$479,877	0.92%
International Value	GMO Large Cap Value	0.67% on the Balance	0.67% \$745,187	1.04%
International Small Core	GMO Intl Small Companies	0.75% on the Balance	0.75% \$486,592	1.04%
Long/Short Equity	ABS Global	0.85% on the Balance	0.85% \$802,975	1.37%
Long/Short Equity	K2 Advisors	0.90% on the Balance	0.90% \$818,215	1.37%
Real Estate REIT	ING Clarion	0.65% on the first \$50 million 0.60% on the next \$50 million 0.55% on the next \$50 million 0.50% on the next \$50 million 0.45% on the next \$50 million 0.40% on the Balance	0.65% \$112,930	0.70%
Real Estate - Core	Morgan Stanley	0.90% on the Balance	0.90% \$675,000	1.03%
Infrastructure	IFM	1.25% on the first \$250 million 1.15% on the next \$250 million 1.00% on the Balance	1.25% \$851,483	1.80%
Infrastructure	J.P. Morgan	2.00% on the Balance	2.00% \$1,200,000	1.80%
Cash Overlay	BNY Beta Management	0.025% on the notional value	0.025% \$9,979	
Total Investment Management Fees			0.51% \$9,378,766	0.67%

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

² Source: 2010 Marquette Associates Investment Management Fee Study.

Glossary

Alpha measures nonsystematic return, or the return of the manager that cannot be attributed to the market. It can be thought of as how the manager performed if the market has no gain or loss. Marquette calculates alpha as the annualized y-intercept of the best fit line based on the ordinary least squares regression, using the market's quarterly return less the risk-free rate as the independent variable and the manager's quarterly return less the risk-free rate as the dependent variable. Marquette uses the 90-day T-Bill returns as the risk-free rate.

Beta measures the volatility of the manager. It is a measure of systematic risk, or the manager return attributable to market movements. A beta equal to 1.0 indicates a volatility level equivalent to the market. Higher betas are associated with higher volatility levels, while lower betas are associated with lower volatility levels. Marquette calculates beta as the covariance (correlation of two assets multiplied by their standard deviation) divided by the variance (standard deviation squared) of the market.

Credit Ratings are a method of evaluating the possibility of default by a bond issuer. Marquette uses ratings issued by Moody's Investors Service with the following ratings:

Aaa	Highest Quality
Aa	High Grade, High Quality
A	Upper Medium Grade
Baa	Medium Grade
Ba	Non-Investment Grade
B	Speculative
Caa	Poor to Default
Ca	Highest Speculation
C	May Be in Default

Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

Equity yield measures the annual return of the portfolio attributable to dividends. It is determined by dividing the total amount of annual dividends per total shares by the average market price of the total stocks in the portfolio.

Market capitalization is the value of a corporation as determined by the market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share.

Modified Duration is the ratio of Macaulay duration to $(1 + y)$, where y = the bond yield. Modified duration is inversely related to the approximate percentage change in price for a given change in yield.

Net of Fees calculations are an estimate of the performance of the total fund and individual managers after taking into account management fees. The estimate is calculated by subtracting the current estimated annual expense ratio from the historical gross of fee returns.

Price-to-Book Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Book ratios. The ratio is calculated by dividing the price of a stock by the book value of the company. Low Price/Book ratios are associated with value stocks and vice versa

Glossary

Price-to-Earnings Ratio is a measure of relative value measuring the weighted average of the individual portfolio's Price/Earnings ratios. The ratio is calculated by dividing the price of a stock by the last twelve months' earnings of the company. Low Price/Earnings ratios are associated with value stocks and vice versa.

R-Squared measures how closely the manager's returns track the benchmark. The closer the R-squared statistic is to 1.0, the more closely related the manager's returns are to the benchmark. A higher R-squared also increases the reliability of alpha and beta.

Sharpe Ratio measures the excess return per unit of risk. The higher the ratio, the more efficient the manager. It is the average return of the manager minus the risk-free rate, divided by the standard deviation of the differences of the two return streams.

Trading Effect assesses the total performance caused by cash flows into and out of the portfolio, in addition to all purchases and sales of securities during the quarter. This effect is calculated by subtracting the buy and hold equity return of the portfolio from the actual equity return of the portfolio for the quarter.

Yield to Worst is computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

Due to current market conditions, there is general uncertainty regarding credit pricing which has resulted in significant differences between pricing sources. Marquette Associates, Inc. utilizes pricing sources it believes to be reliable; however, we can make no assurances as to their accuracy.

The sources of information used in this report are believed to be reliable. Marquette has not independently verified all of the information contained herein.

This report has been prepared and presented in compliance with the IMCA Performance Reporting Standards. It meets the mandatory requirements of those standards. IMCA has not been involved with the preparation or review of the report.