

**Employees' Retirement System
of Milwaukee County**

Monthly Report

January 31, 2009



Investment Manager Status Report

<u>Investment Manager</u>	<u>Asset Class</u>	<u>Benchmark</u>	<u>Status</u>	<u>Reason</u>
J.P. Morgan	Core Fixed Income	BarCap Aggregate	In-Compliance	
Loomis	Core Fixed Income	BarCap Aggregate	In-Compliance	
Mellon Capital	Core Fixed Income	BarCap Aggregate	In-Compliance	
Loomis	High Yield Fixed Income	BarCap High Yield	In-Compliance	
Mellon Capital	Large-Cap Core Equity	S&P 500	In-Compliance	
Boston Partners	Large-Cap Value Equity	Russell 1000 Value	In-Compliance	
Mellon Capital	Large-Cap Growth Equity	Russell 1000 Growth	In-Compliance	
Earnest Partners	Mid-Cap Core Equity	Russell MidCap	In-Compliance	
Reinhart Partners	Mid-Cap Core Equity	Russell MidCap	In-Compliance	
Artisan Partners	Mid-Cap Value Equity	Russell MidCap Value	In-Compliance	
Artisan Partners	Mid-Cap Growth Equity	Russell MidCap Growth	In-Compliance	
AQR	Small-Cap Value Equity	Russell 2000 Value	In-Compliance	
Westfield	Small-Cap Growth Equity	Russell 2000 Growth	In-Compliance	
Baring	International Core	MSCI EAFE	In-Compliance	
Capital Guardian	International Small Core	Citigroup ex. US <\$2 Billion	In-Compliance	
GMO Emerging Markets	Emerging Markets	MSCI Emerging Markets	In-Compliance	
GMO Large Cap Value	International Value	MSCI EAFE	In-Compliance	
ING Clarion	Real Estate REIT	NAREIT Equity	In-Compliance	
Progress	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Adams Street - New	Private Equity FoFs Diversified	VE All Private Equity	In-Compliance	
Adams Street - Old	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

January 31, 2009

Asset Class	Investment Manager	Market Values	Allocation	Target
Core Fixed Income	J.P. Morgan	\$111,329,921	9.7%	11.0%
Core Fixed Income	Mellon Capital	\$300,048,091	26.2%	12.0%
Core Fixed Income	Loomis	\$84,867,570	7.4%	12.0%
High Yield Fixed Income	Loomis	<u>\$92,025,580</u>	<u>8.0%</u>	<u>7.0%</u>
Total Fixed Income		\$588,271,162	51.5%	42.0%
Large-Cap Core Equity	Mellon Capital	\$61,896,404	5.4%	6.0%
Large-Cap Value Equity	Boston Partners	\$78,124,572	6.8%	9.0%
Large-Cap Growth Equity	Mellon Capital	\$47,480,263	4.2%	6.0%
Mid-Cap Core Equity	Reinhart Partners	\$13,814,068	1.2%	1.5%
Mid-Cap Core Equity	Earnest Partners	\$13,727,112	1.2%	1.5%
Mid-Cap Value Equity	Artisan Partners	\$14,877,663	1.3%	1.5%
Mid-Cap Growth Equity	Artisan Partners	\$14,287,595	1.2%	1.5%
Small-Cap Value Equity	AQR	\$21,341,883	1.9%	2.5%
Small-Cap Growth Equity	Westfield	<u>\$24,681,603</u>	<u>2.2%</u>	<u>2.5%</u>
Total U.S. Equity		\$290,231,163	25.4%	32.0%
International Core	Baring	\$53,587,190	4.7%	5.0%
International Value	GMO Large Cap Value	\$71,788,227	6.3%	5.0%
International Small Core	Capital Guardian	\$27,262,695	2.4%	5.0%
Emerging Markets	GMO Emerging Markets	<u>\$1,861,053</u>	<u>0.2%</u>	<u>5.0%</u>
Total International Equity		\$154,499,165	13.5%	20.0%
Real Estate REIT	ING Clarion	<u>\$28,700,252</u>	<u>2.5%</u>	<u>3.0%</u>
Total Real Estate		\$28,700,252	2.5%	3.0%
Private Equity FoFs Diversified	Progress	\$471,713 ¹	0.0%	---
Private Equity FoFs Diversified	Adams Street - New	<u>\$32,369,305</u> ¹	<u>2.8%</u>	---
Total Private Equity		\$32,841,018	2.9%	3.0%
Cash Short-Term	Active Reserve	\$35,836,670	3.1%	---
Cash Short-Term	Cash	<u>\$12,884,801</u>	<u>1.1%</u>	---
Total Cash Equivalents		\$48,721,471	4.3%	0.0%
TOTAL PORTFOLIO		<u>\$1,143,264,231</u>	<u>100.0%</u>	<u>100.0%</u>

¹ As of 9/30/08

Current Asset Allocation vs. Policy

Asset Class	% of Assets	Policy Target	Difference	Target Range
Fixed Income	51.5%	42.0%	9.5%	37%-47%
Domestic Equity	25.4%	32.0%	-6.6%	33%-43%
International Equity	13.5%	20.0%	-6.5%	15%-25%
Real Estate	2.5%	3.0%	-0.5%	0%-8%
Private Equity	2.9%	3.0%	-0.1%	0%-8%
Cash/Other	<u>4.3%</u>	<u>0.0%</u>	4.3%	
TOTAL	100.0%	100.0%		

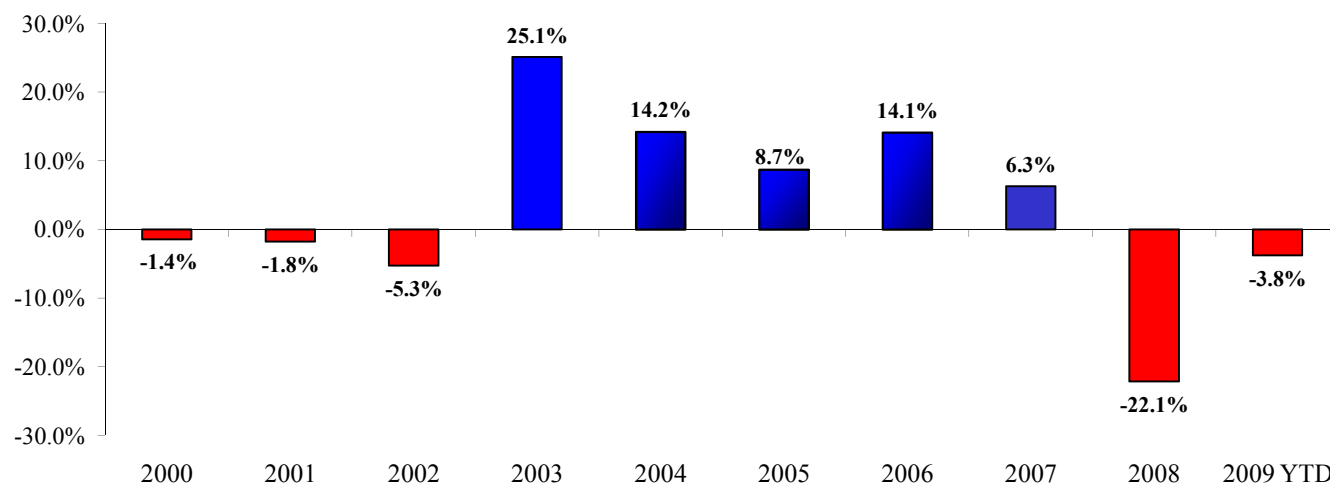
Annualized Performance (Gross of Fees)

January 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Total Fund Composite	-3.8%	-3.8%	-22.4%	-11.4%	-4.2%	0.0%	2.0%	4.4%	4.1%
Benchmark									
Policy Benchmark ¹	-5.0%	-5.0%	-25.7%	-13.0%	-5.3%	-1.6%	0.3%	2.5%	2.1%
Actuarial Rate of Return	---	---	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Fixed Income Composite	0.4%	0.4%	-2.3%	2.5%	3.7%	3.5%	4.1%	6.0%	6.0%
Benchmark									
BarCap Aggregate	-0.9%	-0.9%	2.6%	5.7%	5.2%	4.3%	4.3%	5.1%	5.5%
Total Domestic Equity Composite	-7.3%	-7.3%	-37.3%	-22.0%	-11.9%	-5.7%	-2.8%	-0.9%	-0.4%
Benchmark									
Wilshire 5000	-8.1%	-8.1%	-38.7%	-22.8%	-12.0%	-6.3%	-3.8%	-1.6%	-1.8%
Total International Equity Composite	-8.5%	-8.5%	-33.7%	-18.1%	-9.1%	-3.9%	-1.1%	2.1%	2.4%
Benchmark									
MSCI EAFE	-9.8%	-9.8%	-43.4%	-24.5%	-11.8%	-4.1%	-0.3%	3.1%	0.2%
Total Real Estate Composite	-11.9%	-11.9%	-44.5%	-35.1%	-16.0%	-5.6%	-1.3%	4.8%	7.0%
Benchmark									
NAREIT Equity	-17.3%	-17.3%	-48.0%	-36.7%	-18.3%	-8.0%	-3.7%	3.0%	5.6%
Total Private Equity Composite	---	---	---	---	---	---	---	---	---
Benchmark									
VE All Private Equity	---	---	---	---	---	---	---	---	---

¹From April 1, 2008 through Present: the benchmark Index consists of: 20% S&P 500 Index, 14% Wilshire 4500 Index, 16% EAFE Index, 4% MSCI World Ex US Small Cap Index, 35% Lehman Brothers Aggregate Bond Index, 7% Merrill Lynch High-Yield Master Index, 1% 90-Day Treasury Bills, and 3% S&P/Citigroup World Property Index.

Fiscal Year Performance



Annualized Performance (Gross of Fees)

January 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Fixed Income - Core									
J.P. Morgan	-0.3%	-0.3%	2.0%	5.5%	5.2%	---	---	---	---
Mellon Capital	-0.8%	-0.8%	3.0%	5.9%	5.4%	4.5%	4.4%	5.2%	5.6%
Loomis	-1.0%	-1.0%	-9.3%	-0.8%	1.6%	1.9%	3.0%	6.0%	6.3%
Benchmarks									
BarCap Aggregate	-0.9%	-0.9%	2.6%	5.7%	5.2%	4.3%	4.3%	5.1%	5.5%
Fixed Income - High Yield									
Loomis	6.8%	6.8%	-16.6%	-8.1%	-2.6%	-0.7%	1.5%	6.0%	5.9%
Benchmarks									
BarCap High Yield	6.0%	6.0%	-20.7%	-11.2%	-4.3%	-2.1%	0.0%	3.7%	2.6%
Large-Cap Core Equity									
Mellon Capital	-8.4%	-8.4%	-38.6%	-22.5%	-11.7%	-6.6%	-4.2%	-2.5%	-2.6%
Benchmarks									
S&P 500	-8.4%	-8.4%	-38.6%	-22.6%	-11.8%	-6.7%	-4.2%	-2.6%	-2.7%
Large-Cap Value Equity									
Boston Partners	-8.3%	-8.3%	-35.2%	-20.2%	-9.3%	-3.1%	-0.1%	4.7%	3.3%
Benchmarks									
Russell 1000 Value	-11.5%	-11.5%	-41.8%	-25.8%	-13.1%	-7.2%	-3.5%	-0.9%	0.1%
Large-Cap Growth Equity									
Mellon Capital	-4.8%	-4.8%	-36.5%	-20.0%	-11.1%	-6.1%	-4.7%	-3.8%	-5.3%
Benchmarks									
Russell 1000 Growth	-4.8%	-4.8%	-36.4%	-20.1%	-11.1%	-6.1%	-4.8%	-3.8%	-5.3%
Mid-Cap Core Equity									
Reinhart Partners	-3.6%	-3.6%	-36.6%	-21.7%	-10.2%	---	---	---	---
Earnest Partners	-5.4%	-5.4%	-40.4%	-22.9%	-13.6%	-6.1%	---	---	---
Benchmarks									
Russell MidCap	-7.4%	-7.4%	-42.0%	-25.6%	-14.4%	-6.6%	-2.8%	0.8%	2.4%
Mid-Cap Value Equity									
Artisan Partners	-7.6%	-7.6%	---	---	---	---	---	---	---
Benchmarks									
Russell MidCap Value	-10.3%	-10.3%	-42.2%	-27.4%	-14.4%	-6.8%	-2.4%	1.7%	3.6%
Mid-Cap Growth Equity									
Artisan Partners	-4.4%	-4.4%	-39.7%	-19.2%	-11.3%	-4.4%	-2.1%	0.0%	---
Benchmarks									
Russell MidCap Growth	-4.5%	-4.5%	-42.2%	-24.4%	-14.8%	-6.8%	-3.9%	-1.4%	-0.9%
Small-Cap Value Equity									
AQR	-14.2%	-14.2%	-42.1%	-29.0%	---	---	---	---	---
Benchmarks									
Russell 2000 Value	-14.3%	-14.3%	-36.5%	-26.4%	-14.4%	-7.3%	-3.4%	1.5%	4.7%
Small-Cap Growth Equity									
Westfield	-3.3%	-3.3%	-33.8%	-19.1%	-12.2%	-4.6%	-2.7%	1.2%	---
Benchmarks									
Russell 2000 Growth	-7.6%	-7.6%	-37.5%	-22.8%	-14.4%	-6.9%	-4.9%	-1.8%	-2.0%

Annualized Performance (Gross of Fees)

January 31, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
International Large-Cap Equity									
Baring	-5.7%	-5.7%	-41.1%	---	---	---	---	---	---
GMO Large Cap Value	-12.1%	-12.1%	-41.5%	-23.4%	-11.1%	-3.7%	0.8%	6.4%	4.3%
Benchmarks									
MSCI EAFE	-9.8%	-9.8%	-43.4%	-24.5%	-11.8%	-4.1%	-0.5%	3.1%	0.2%
International Small-Cap Equity									
Capital Guardian	-3.6%	-3.6%	-50.1%	-30.4%	-17.5%	-4.0%	0.9%	6.7%	3.9%
Benchmarks									
Citigroup ex. US <\$2 Billion	---	---	---	---	---	---	---	---	---
International Emerging Markets Equity									
GMO Emerging Markets	-7.8%	-7.8%	---	---	---	---	---	---	---
Benchmarks									
MSCI Emerging Markets	---	---	---	---	---	---	---	---	---
Real Estate - Equity									
ING Clarion	-11.9%	-11.9%	-44.5%	-35.1%	-16.0%	-5.6%	-1.3%	4.8%	7.0%
Benchmarks									
NAREIT Equity	-17.3%	-17.3%	-48.0%	-36.7%	-18.3%	-8.0%	-3.7%	3.0%	5.6%

Signifies Outperformance or In-Line Performance of Benchmark

Estimated Annual Investment Management Fees

based on January 31, 2009 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	0.19% \$216,995	0.27%
Core Fixed Income	Mellon Capital	0.05% on the first \$50 million	0.03%	0.06%
Large-Cap Core Equity		0.04% on the next \$50 million	\$106,885	
Large-Cap Growth Equity		0.02% on the next \$400 million		
Core Fixed Income	Loomis	0.20% on the first \$10 million 0.10% on the Balance	0.11% \$94,868	0.27%
High Yield Fixed Income	Loomis	0.20% on the first \$10 million 0.10% on the Balance	0.11% \$102,026	0.48%
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 Core Equity	Reinhart Partners	0.60% on the first \$25 million 0.50% on the next \$25 million 0.40% on the Balance	0.60% \$82,884	0.73%
Mid-Cap Core Equity	Earnest Partners	1.00% on the first \$10 million 0.75% on the next \$15 million 0.60% on the next \$25 million 0.50% on the Balance	0.93% \$127,953	0.73%
Mid-Cap Value Equity	Artisan Partners	0.80% on the first \$50 million 0.60% on the next \$50 million 0.50% on the Balance	0.80% \$119,021	0.72%
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% \$114,301	0.80%
Small-Cap Value Equity	AQR	1.00% on the first \$100 million 0.80% on the Balance	1.00% \$213,419	0.94%
Small-Cap Growth Equity	Westfield	1.00% on the first \$25 million 0.75% on the next \$50 million 0.60% on the Balance	1.00% \$246,816	0.98%
International Core	Baring	0.75% on the Balance	0.75% \$401,904	0.73%
International Value	GMO Large Cap Value	0.59% on the Balance	0.59% \$423,551	0.73%
International Small Core	Capital Guardian	0.70% on the first \$25 million 0.75% on the next \$25 million 0.425% on the next \$200 million 0.375% on the Balance	0.70% \$191,970	0.95%
Emerging Markets	GMO Emerging Markets	1.09% on the Balance	1.09% \$20,285	1.00%
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% \$186,552	0.72%

Total Investment Management Fees			0.25%	0.40%
			\$2,865,026	
Custodian	BNY Mellon	\$50,000 Annual Fee	0.01%	
			\$50,000	
Total Fund			0.25%	
			\$2,915,026	

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

² Source: 2005 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.

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.