EMPLOYEES' RETIREMENT SYSTEM

of the County of Milwaukee

2006 Annual Report of the Pension Board

as of December 31, 2006

901 North 9th Street, Room 210-C
Milwaukee, Wisconsin 53233
Telephone: 278-4207

EMPLOYEE'S RETIREMENT SYSTEM

Milwaukee County

July 18, 2007

Retirement System Members:

We are pleased to present the 2006 Annual Report of your Pension Board. As can be seen, the Retirement System experienced another successful year with an increase in net assets available for pension benefits as the stock market continued its rebound from the lows reported during the years of 2000 through 2002. Contributions and net investment income exceeded pension benefits and administrative expenses by $98.4 million. Total assets at the end of the year exceeded $1.65 billion. For further detailed information regarding the performance of the pension fund, please see the management discussion, financial statements and footnotes that follow.

The description of the Employees' Retirement System, included in this report, highlights major plan provisions. County ordinances, labor agreements, Pension Board rules and the Governmental Accounting Standards Board prevail over the contents of this report. If you have any questions, please call the Retirement System office at (414) 278-4145.

Members considering retirement within the next few years are reminded to watch for announcements from the County for retirement information programs. Please call the Retirement Division at 278-4208 for further information regarding these programs. If you are interested in meeting with a retirement counselor to discuss retirement, please schedule an appointment by calling (414) 278-4189.

Several options are available to members who retire or otherwise leave County service. Before terminating employment, you should become fully informed of the various opportunities so you can make the best choice for your situation.

Each year, Milwaukee County distributes benefit statements reflecting balances as of the end of the previous year. Remember to keep your beneficiary designations current by informing the Retirement System Office of any changes. Retired members should also notify the Retirement System Office in writing of any changes in residence or address so that your benefit payments and year-end 1099R statements are properly mailed.

This year the Pension Board will require all new retired members to sign up for direct deposit of their benefits. Please join with us in this effort to reduce costs and increase the efficiencies of the delivery of your retirement benefits.

Sincerely,

The Pension Board

COURTHOUSE, ROOM 210-C • 901 NORTH 9TH STREET • MILWAUKEE, WI 53233 • (414) 278-4207

VirchowKrause &company

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Members of the Pension
Board of the Employees' Retirement
System of the County of Milwaukee:

We have audited the accompanying statements of plan net assets of the Employees' Retirement System of the County of Milwaukee (the "Retirement System") as of December 31, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Retirement System as of December 31, 2006 and 2005, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 and 4 and the schedules of funding progress, employee contributions, and notes to required supplementary information on pages 16 – 17 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the 2006 and 2005 information which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The ten-year historical trend and related information on pages 18 - 19 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
August 3, 2007

Management's Discussion and Analysis
(In Thousands of Dollars)

Management is please to provide this overview and analysis of the financial activities of the Employees' Retirement System of the County of Milwaukee ("ERS", or the "Retirement System") for the year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

- Plan net assets for ERS increased $98,419 in 2006 versus 2005, $9,665 in 2005 versus 2004 and $56,662 in 2004 versus 2003. The increases were due in large part to the continued improvement in market conditions.
- Cash and short-term investments fluctuate considerably from year to year. The amount for 2006 of $17,664 is near the median while the amounts for 2005 and 2004 were near the lower end of normal.
- Receivables increased $29,398 for the period shown due to an increase of $29,474 in sales of securities pending settlement and an increase of $2,598 in pension contribution receivable from Milwaukee County. Those increases were offset by a decrease of ($2,436) in the receivable for foreign exchange contracts and other miscellaneous receivables of ($238). The difference between 2005 and 2004 was due mainly to a partial prepayment of the 2004 lump-sum contribution in 2004. Normally all of the lump-sum contribution for a year is paid in the year following the close of the year.
- Investments, at fair value, increased $50,424 for the period shown as a result of the improvement in the securities market.
- Other assets increased $44,815 for the period shown due largely to an increase of $42,529 in securities lending – collateral. The remaining increase of $2,286 represents funds spent on the development and implementation of a new pension software system. It is anticipated that the new software will become operational in 2008.
- Other liabilities decreased ($16,126) for the period shown due primarily to a decrease of ($14,853) in purchases of securities pending settlement and ($2,469) in the payable for foreign exchange contracts. The decreases were offset by an increase in accounts payable of $780, an amount due the OBRA retirement plan of $356 and other miscellaneous payables of $60.
- The rate of return on total assets of the pension fund, net of investment expenses, was 13.5%, 8.3% and 12.9% for the years ended December 31, 2006, 2005 and 2004, respectively
- There was an increase of $11,108 in total additions for the period shown. This was due to an increase of $18,983 in investment income offset by a reduction of $7,875 in employer and employee pension contributions.
- Benefit payments decreased $30,639 during the period shown due to a reduction in retirements in 2006 and 2005 versus 2004 and a corresponding reduction of $45,619 in lump-sum payments. This was offset by a $14,980 increase in monthly pension benefits.
- As of December 31, 2006, 2005 and 2004, the funding ratio (actuarial value of the assets divided by the actuarial accrued liability) for the plan was 79.0%, 76.2% and 79.9%, respectively. The funding ratio gives an indication of how well the liabilities of the pension plan are funded. The higher the funding ratio the better the plan is funded. The ratio improved in 2006 after declining for several years. Investment losses, revisions in the plan benefits, large pension payouts and underpayment of pension annual required contributions caused the ratio to decline.

The Board of Trustees of ERS has the responsibility for the overall performance of the Pension Fund. The Board's principal means to achieve this goal is by (a) determining an asset allocation policy which is expected to provide the long-term rate of return sufficient to fund benefits while minimizing the risk of loss through diversification (b) selecting an appropriate number of investment managers to manage the assets within an asset class and monitoring the performance of such investment managers relative to specified benchmarks, and (c) implementing cost containment measures intended to reduce the investment fees and costs associated with investing the Fund's assets. The Board is the fiduciary of the Fund and is responsible for carrying out the investment functions solely in the interest of the members and benefit recipients.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Retirement System's financial statements. The financial section is comprised of four components: (1) financial statements, (2) notes to the financial statements, (3) required supplementary information, and (4) other supplementary schedules.

Financial Statements. There are two financial statements presented for the plan. The Statement of Plan Net Assets as of December 31, 2006 and 2005 indicates the net assets available to pay future benefits and gives a snapshot of the financial assets available for pension benefits at a particular point in time. The Statement of Changes in Net Plan Assets for the year ended December 31, 2006 and 2005 provides a view of the additions and deductions to the plan for the years presented.

Notes to financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

(In Thousands of Dollars)

Required supplementary information. The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer Contributions and related notes concerning the funded status of the plan. These schedules provide historical trend information, which contributes to understanding the changes in the funded status of the plan over time.

Other supplementary schedules. The additional schedules (Ten-Year Historical Trend Information, Net Fund Assets, Actual County Contributions, Active Membership Statistics, Retirements and Survivors) are presented for the purpose of additional analysis.

COMPARATIVE FINANCIAL STATEMENTS

Retirement System's Net Assets	12/31/06	12/31/05	12/31/04	Difference '04 to '06	% Change
Assets					
Cash and short-term investments	$17,664	$8,704	$7,814	$9,850	126.1%
Receivables	68,533	47,340	39,135	29,398	75.1%
Investments, at fair value	1,575,742	1,514,478	1,525,318	50,424	3.3%
Other assets	155,955	126,947	111,140	44,815	40.3%
Total Assets	1,817,894	1,697,469	1,683,407	134,487	8.0%
Liabilities					
Security lending obligations	153,669	126,947	111,140	42,529	38.3%
Other liabilities	6,029	10,745	22,155	(16,126)	(72.8%)
Total Liabilities	159,698	137,692	133,295	26,403	19.8%
Net assets available for benefits	$1,658,196	$1,559,777	$1,550,112	$108,084	7.0%

Retirement System's Changes in Net Assets	2006	2005	2004	Difference '04 to '06	% Change
Additions					
Employer contributions	$27,435	$35,415	$35,143	($7,708)	(21.9%)
Member contributions	545	360	712	(167)	(23.4%)
Investment income	203,505	124,391	184,521	18,983	10.3%
Total Additions	231,485	160,166	220,376	11,108	5.0%
Deductions					
Benefit payments	(130,730)	(148,307)	(161,369)	30,639	(19.0%)
Administrative expenses	(2,322)	(2,157)	(2,190)	(132)	6.0%
Withdrawals	(14)	(37)	(155)	141	(91.2%)
Total deductions	(133,066)	(150,501)	(163,714)	30,648	(18.7%)
Changes in net assets available for benefits	98,419	9,665	56,662	41,756	73.7%
New assets held in trust for pension benefits:					
Beginning of year	1,559,777	1,550,112	1,493,450	66,328	4.4%
End of year	$1,658,196	$1,559,777	$1,550,112	$108,084	7.0%

Requests for financial information:

The financial report is designed to provide the Board of Trustees, our membership, taxpayers, investment managers and creditors with a general overview of ERS finances and to demonstrate ERS's accountability for the funds under its stewardship. Please address any questions about this report or requests for additional financial information to:

Milwaukee County ERS
901 N. 9th Street Room 210-C
Milwaukee, WI 53233

STATEMENTS OF PLAN NET ASSETS

	December 31, 2006	December 31, 2005
ASSETS:		
CASH AND CASH EQUIVALENTS	$ 17,663,749	$ 8,704,242
RECEIVABLES		
Due from sale of investments	32,247,645	1,434,880
County of Milwaukee	27,864,524	35,738,239
Accrued interest and dividends	6,545,991	6,244,920
Miscellaneous receivables	1,174,763	939,163
Receivable for foreign exchange contracts	699,610	2,983,139
TOTAL RECEIVABLES	68,532,533	47,340,341
INVESTMENTS AT FAIR VALUE		
Domestic common and preferred stocks	551,978,255	570,614,993
Corporate bonds and convertible debentures	457,393,409	460,757,437
International common and preferred stocks	322,691,519	264,187,426
Real estate investment trusts	78,466,092	59,303,759
US Government and state obligations	54,586,349	58,112,905
Federal agency and mortgage-backed certificates	52,817,050	46,207,868
International fixed income	34,507,543	35,200,314
Venture capital	23,302,233	20,093,802
TOTAL INVESTMENTS	1,575,742,450	1,514,478,504
OTHER ASSETS		
Software development costs	2,285,552	-
Securities lending - collateral (See Note 5)	153,669,195	126,947,004
	155,954,747	126,947,004
TOTAL ASSETS	1,817,893,479	1,697,470,091
LIABILITIES:		
Securities lending - collateral (See Note 5)	153,669,195	126,947,004
Miscellaneous payables	3,251,973	2,881,038
Payable to OBRA Retirement Plan	1,260,931	1,090,405
Payable for securities purchased	797,830	3,762,917
Payable for foreign exchange contracts	717,751	3,011,236
TOTAL LIABILITIES	159,697,680	137,692,600
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$1,658,195,799	$1,559,777,491

(A schedule of funding progress is presented on page 16)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	Year Ended December 31, 2006	Year Ended December 31, 2005
ADDITIONS:		
CONTRIBUTIONS		
County of Milwaukee	$ 27,435,154	$ 35,415,185
Plan participants	545,258	360,283
	27,980,412	35,775,468
INVESTMENT INCOME		
Net appreciation in fair value	173,518,439	96,870,929
Interest and dividends	33,341,386	30,461,069
Security lending income	6,834,982	4,139,684
Other income	662,683	878,615
Total investment income	214,357,490	132,350,297
Less: Securities lending rebates and fees	(6,552,561)	(3,821,549)
Investment expense	(4,300,731)	(4,137,513)
Net investment income	203,504,198	124,391,235
TOTAL ADDITIONS	231,484,610	160,166,703
DEDUCTIONS:		
Benefits paid to retirees and beneficiaries	(130,730,539)	(148,307,335)
Administrative expenses	(2,322,192)	(2,157,303)
Withdrawal of membership accounts	(13,571)	(36,963)
TOTAL DEDUCTIONS	(133,066,302)	(150,501,601)
NET CHANGE IN PLAN NET ASSETS:	98,418,308	9,665,102
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,559,777,491	1,550,112,389
End of year	$1,658,195,799	$1,559,777,491

The accompanying notes are an integral part of these financial statements.

(1) Description of Retirement System –

The following brief description of the provisions of the Employees' Retirement System of the County of Milwaukee ("ERS" or the "Retirement System") is provided for financial statement purposes only. Participants should refer to Section 201.24 of the General Ordinances of Milwaukee County and their respective bargaining agreement for more complete information.

The County of Milwaukee (the "County") created the Retirement System, a single-employer plan, to encourage qualified personnel to enter and remain in the service of the County by providing for a system of retirement, disability and death benefits to or on behalf of its employees. Chapter 201 of the Laws of Wisconsin for 1937 mandated the County to create the Retirement System as a separate legal entity. The County did so by passing Section 201.24 of the General Ordinance of Milwaukee County. The authority to manage and control the Retirement System is vested in the Pension Board. The Pension Board consists of nine members – three members appointed by the County Executive (subject to confirmation by the County Board of Supervisors), three employee members elected by the employee participants, two members appointed by the County Board chairperson and one retiree-elected member.

	As of December 31	
Participants –	**2006**	**2005**
Retiree and beneficiaries currently receiving benefits	7,299	7,275
Vested and terminated employees not yet receiving benefits	1,404	1,399
Current employees	4,898	5,056
Total participants	13,601	13,730

Contributions –

The Retirement System is substantially noncontributory. However, participants meeting certain criteria have the option to contribute to membership accounts. In addition, the County contributes to membership accounts of most employee participants enrolled prior to 1971. Member account balances are as follows:

	As of December 31	
	2006	**2005**
Membership accounts –		
Participants and County contributed	$ 4,339,753	$ 4,479,292
Voluntary savings accounts	1,152,214	943,656

Contributions due from the County to the Retirement System consist of amounts sufficient to fund the annual normal cost and interest on and amortization of the unfunded or overfunded actuarial accrued liability. A substantial portion of the current year's contribution is paid to the Retirement System in the following year.

The County makes contributions to the Retirement System based upon the Annual Required Contribution (ARC) and legal requirements, at the discretion of the County Board. An actuary hired by the Pension Board establishes the ARC. Data used in the determination of the ARC is based upon the prior fiscal year's demographics. The actual contribution made to the pension plans is set during the County's budget process and may differ from the ARC as a result of changes in plan provisions implemented subsequent to establishment of the ARC and budgetary restraints. During the year, the Retirement System accrues those contributions that the County has included in its current year's budget. For 2006 and 2005, the County contribution recorded by the Retirement System was $25,203,042 and $2,192,755 less than the ARC for 2006 and 2005, respectively.

Benefits –

The normal retirement benefit is a monthly pension for the life of the participant beginning at normal retirement age. For deputy sheriff participants with less than 15 years of service, the normal retirement age is 57 or age 55 and 15 years of service. For all other participants the normal retirement age is 60, although some labor agreements require a minimum of 5 years creditable service at age 60. Active participants are also eligible to retire when their age added to their years of service equals 75. The County Ordinance and Labor Agreements require an employee to be a member prior to a stated date in order to qualify for the "rule of 75". The normal retirement benefit payable to a participant whose membership began prior to January 1, 1982, is equal to 2.5% for deputy sheriffs and elected officials, and 2% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefits payable for a participant whose membership began after January 1, 1982 is as follows: 2.5% for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff ECPs and DA investigators hired before July 1, 1995; 2% for deputy sheriffs, deputy sheriff lieutenants, deputy sheriff ECPs and DA investigators hired after June 30, 1995; 2% for elected officials; 2% for firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's five-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service. Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2% of the benefit paid for the first full month of retirement. The maximum benefit, excluding any post-retirement increases, payable to a participant cannot exceed 80% of the participant's final average monthly salary.

As of January 1, 2001, certain plan changes became effective, except for represented deputy sheriffs. These changes are noted below:

- The County will pay the accrued sick allowance in full upon retirement for those participants hired prior to January 1, 1994. Previously, a member received both a cash payment from the County and pension service credit for a portion of the accrued sick allowance. The full payout of the sick allowance has subsequently been amended to a partial payout with various effective dates and payout percentages for the non-represented employees and each of the unions, but no service credit is granted.

- A bonus of 7.5% per year, up to a maximum of 25%, is added to the final average salary for those employees whose membership in the Employee's Retirement System began before January 1, 1982, or July 1, 1995 for a non-represented deputy sheriff.

- All service credit earned after January 1, 2001 is credited with an additional .5% multiplier for those employees whose membership in the Employee's Retirement System began after December 31, 1981, or June 30, 1995 for a non-represented Deputy Sheriff. Also, for each year of pension service earned after January 1, 2001, eight (8) years of service earned prior to January 1, 2001 is credited with an additional .5% multiplier.

- A "back drop" payment option was established that permits an employee to receive a lump-sum cash payment and a monthly pension benefit upon retirement. The lump-sum cash payment is the total of the monthly pension benefits, adjusted for COLA increases, that a member would be entitled to from a prior date (back drop date) to the date that the member terminates employment plus compounded interest. The back drop date must be at least one year prior to the termination date and the member must have been eligible to retire as of that date. The member will be entitled to a COLA adjusted monthly pension benefit based on the back drop date once the member terminates employment.

- A participant is vested upon attaining 5 years of creditable pension service.

The following changes were made effective as of the stated dates:

- Non-represented employees and elected officials hired on or after March 15, 2002 are not eligible to receive the back drop pension benefit. Employees represented by a labor agreement must also be hired prior to the date specified in the labor agreement to be eligible to receive the the back drop benefit.

- Individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier.

- Effective January 1, 2003, the pension benefit for employees who became members after December 31, 1981 shall be based upon a final average salary equal to the three highest consecutive years of earnings instead of the five highest consecutive years of earnings, except for represented sheriffs.

A participant who meets the requirements for an accidental or ordinary disability benefit is entitled to an amount equal to the normal retirement benefit, but not less than 60% of a participant's final average salary for accidental disability. Fifteen years of credited service is required to apply for ordinary disability.

A represented deputy sheriff whose membership began prior to January 1, 1982 is vested upon attaining six years of creditable pension service. A represented deputy sheriff whose membership began after December 31, 1981 is vested upon attaining ten years of creditable pension service.

Most participants are immediately vested upon attaining age 60. A vested participant is eligible for a deferred pension beginning as of the member's normal retirement date.

A participant who is 55 years of age and has 15 years of credited service may elect to receive early reduced retirement benefits. The participant would be entitled to a benefit equal to the normal retirement benefit with a lifetime reduction of 5% for each year prior to the normal retirement date that benefits begin to be paid.

Upon the death of an employee participant and usually after one year of service, which varies by labor agreement, a spouse with one dependent child, as defined in the Ordinance, will receive 40% of the deceased participant's salary, reduced by an amount equal to Social Security benefits payable to the spouse. An additional 10% of salary, reduced by Social Security benefits, is paid for each dependent child. The total benefit, if there are more than five eligible children, generally cannot exceed 90% of the prior salary level. The total benefit includes Social Security benefits. Upon attaining age 60, the spouse will receive 50% of the normal retirement benefit based upon service projected to age 60 of the employee participant. If there is no spouse or child, the death benefit payable to a designated beneficiary is equal to 50% of the deceased participant's final average salary, but not to exceed $2,000. Deputy sheriffs are covered by special provisions if their death occurs as a result of an accident in actual performance of duty.

A participant who attains eligibility for normal retirement benefit may elect a protective survivorship option of 100% or 50% (discussed below). In the absence of an election, a surviving spouse will be paid a survivorship pension of 100%. For a survivorship pension to be paid to a designated beneficiary, other than a surviving spouse, the participant must file an election in writing on a form prescribed by the Pension Board.

Currently, employee participants may choose between several options when retiring. The available options are:

- Maximum This option is a pension benefit that is payable over the life of the participant and ceases upon the participant's death;
- Membership Account Refund This option is an actuarially reduced pension benefit that ceases upon the death of the participant. This option, however, guarantees that the participant will receive the total balance in his/her Membership Account as of the retirement date. The Membership Account balance is reduced each month by an actuarial determined amount. Any balance remaining upon the participant's death will be paid to the participant's beneficiary. Generally, only participants hired prior to 1971 have a Membership Account and, therefore, are the only employees eligible for this option;
- 25% This option is an actuarially reduced pension benefit that is payable over the life of the participant. Upon the participant's death, 25% of the pension benefit is payable over the life of a named beneficiary, if living;
- 50% This option is an actuarially reduced pension benefit that is payable over the life of the participant. Upon the participant's death, 50% of the pension benefit is payable over the life of a named beneficiary, if living;
- 75% This option is an actuarially reduced pension benefit that is payable over the life of the participant. Upon the participant's death, 75% of the pension benefit is payable over the life of a named beneficiary, if living;
- 100% This option is an actuarially reduced pension benefit that is payable over the life of the participant. Upon the participant's death, 100% of the pension benefit is payable over the life of a named beneficiary, if living;
- 10-Year Certain This option is an actuarially reduced pension benefit payable over the life of the participant but is guaranteed for a period of 10 years, in the event that the participant should die within 10 years after the retirement date.
- Board Discretion This option is at the discretion of the Pension Board and is the payment of a benefit in a form other than those set forth above provided that payments in such other form are the actuarial equivalent of the benefit otherwise payable. The Pension Board assesses a participant an administrative charge each calculation performed under this option.

Benefits of $130.7 million and $148.3 million were paid in 2006 and 2005, respectively, including periodic pension benefit payments of $125.2 million and $122.6 million, respectively, and back drop lump-sum pension benefit payments of $5.5 million and $25.7 million in 2006 and 2005, respectively.

(2) Summary of Significant Accounting Policies:

New Accounting Pronouncements –

In fiscal year 2005, the Retirement System implemented Governmental Accounting Standards Board ("GASB") Statement No. 40, "Deposit and Investment Risk Disclosures" (an amendment of GASB No. 3). GASB 40 modifies and expands disclosure requirements for deposits and investments. In accordance with GASB 40, deposit and investment risk disclosures are required for interest rate risk, credit risk, concentration of credit risk, custodial credit risk and foreign currency risk. The new requirements are effective for fiscal periods beginning after June 15, 2004.

Basis of Accounting –

The accompanying financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred.

Investments –

Investments, primarily stocks, bonds, certain government loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the Retirement System's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method.

A summary of investments at cost is as follows:

	As of December 31	
	2006	2005
Domestic common and preferred stocks	$ 444,920,083	$ 484,539,247
Corporate bonds and convertible debentures	424,038,834	437,546,882
International common and preferred stocks	251,987,550	169,004,703
Federal agency and mortgage backed certificates	53,598,289	47,181,885
International fixed income	29,083,622	30,880,903
US Government and state obligations	54,500,055	58,856,368
Real estate investment trusts	51,110,931	44,817,722
Venture capital	26,269,992	26,417,074
Cash and cash equivalents	17,587,478	8,715,671
Total investments at cost	$1,353,096,834	$1,307,960,455

Valuation of International Securities –

Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Expenses –

Administrative expenses incurred by the County related to the Retirement System are payable by the Retirement System to the County. Such expenses totaled $988,048 and $972,805 in 2006 and 2005, respectively.

Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Income taxes –

The Internal Revenue Service ruled on July 23, 2001, that the Plan was in compliance with Section 401(a) of the Internal Revenue Code (IRC), and, therefore, is a tax-qualified plan. The Retirement System has been subsequently amended. Management believes that the Plan continues to be in compliance with the IRC and maintains its tax-qualified status.

(4) Contributions Required and Contributions Made –

The Retirement System's funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Aggregate Entry Age Normal method of funding. The Retirement System also uses the level percentage of payroll method to amortize the unfunded liability over a 30 year period in 2006. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

County contributions totaling $27,435,154 and $35,415,185 were recorded in 2006 and 2005, respectively. The 2006 and 2005 contributions were less than the total Actuarial Required Contribution (ARC) using the Aggregate Entry Age Normal method of funding with normal cost computed as a level percentage of pay. See the Schedule of Employer Contributions in the Required Supplementary Information. The County's contributions to the Retirement System were 12.3% and 15.7% of annual covered payroll for 2006 and 2005, respectively.

The 2006 and 2005 contributions reflected in the accompanying statements were actuarially determined as of January 1, 2005 and 2004. These amounts were included in the County's 2006 and 2005 budgets. The Retirement System's financial statements as of December 31, 2006 and 2005 reflected the unpaid portion of the 2006 and 2005 contributions as a contribution receivable.

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% and 8.5%, compounded annually in 2006 and 2005, respectively (b) projected payroll growth increases averaging 3.5% and 5.5% per year compounded annually in 2006 and 2005, respectively, attributed to inflation, seniority and merit, and (c) post-retirement benefit increases of 2.0% per year for both 2006 and 2005.

(5) Deposit and Investment Risk Disclosure –

As provided by state legislative act and County Ordinance, the Retirement System's Board has exclusive control and management responsibility of the Retirement System's funds and full power to invest the funds. In exercising its fiduciary responsibility, the Board is governed by the "prudent person" rule in establishing investment policy. The "prudent person" rule requires the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income as well as the probable safety of the principal. The Board has adopted a Statement of Investment Policy to formally document investment objectives and responsibilities. This policy establishes guidelines for permissible investments of the Retirement System. The Retirement System's investments are subject to various risks. Among them are credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

Concentration of Credit Risk –

Concentration of credit risk is a risk of loss that may be attributed to the magnitude of the Retirement System's investment in a single issuer, generally inivestments in any one issuer that represents five (5) percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this definition. The Retirement System has no investments in one issuer other than U.S. Government securities and mutual funds that exceed five (5) percent of the total investments.

Credit Risk –

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Services (Moody's), Standard and Poor (S & P) and Fitch Ratings (Fitch's). With the exception of the Loomis Sayles - High Yield and the MCM Aggregate Bond portfolios, bonds purchased and owned in each portfolio must have a minimum quality rating of Baa3 (Moody's) or BBB- (S & P or Fitch's). The average quality of each portfolio must be A or better. For Loomis Sayles - High Yield, bonds must have a minimum quality rating of B3 (Moody's) or B- (S & P or Fitch's) at the time of purchase. The fixed income securities for the MCM Aggregate Bond portfolio should have a minimum quality rating of A, with the exception of 15% of the portfolio which may have a minimum quality rating of BBB. The average credit quality ratings of investments in fixed income securities by nationally recognized statistical rating agencies as of December 31, 2006 are as follows: (amounts are in thousands of dollars)

Average Quality Ratings *	Fair Value
AAA	$30,552
AA1	3,543
AA2	1,991
AA3	1,902
A1	5,846
A2	50,601
A3	9,787
BAA1	8,746
BAA2	31,402
BAA3	17,321
BA1	19,718
BA2	22,263
BA3	14,685
B1	20,008
B2	7,126
B3	13,269
CAA1	8,898
CAA2	1,085
NR	4,486
Total Credit Risk Fixed Income Securities	**$273,229**
U.S. Government and Agencies	107,403
Mutual Funds (Not Rated)	218,673
Total Investment in fixed income	**$599,305**

* This represents the average rating of the Moody's, S & P and Fitch's rating services. The rating symbols are those used by Moody's.

The Loomis Sayles High Yield portfolio holds all investments with a rating less than Baa3, except for the following securities that have an average rating of Ba1

- securities in the amount of $783,814 and $210,797 held by the Loomis Sayles Investment Grade portfolio.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, the Retirement System will not be able to recover the value of its deposits, investments or securities. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Retirement System's name and are held by the counterparty.

No formal policy exists on custodial risk. However, substantially all assets of the Retirement Syatem are held in its name. Repurchase agreements held by the Retirement System are essentially collateralized overnight loans, with the securities held by Wells Fargo, the counterparty, as collateral. These securities are held by Wells Fargo but not in the name of the Retirement System. As of December 31, 2006, the underlying collateral for the Retirement System's repurchase agreements in the amount of $2,874,709 was exposed to custodial risk as it was held outside the name of the trust.

As of December 31, 2006, all deposits with banks are fully insured by the Federal Depository Insurance Corporation or the State Deposit Guarantee Fund.

The following table presents the Retirement System's total cash, deposits and cash equivalents as of December 31,2006: (amounts are in thousands of dollars)

Schedule of Cash and Cash Equivalent Investments

	Carrying Value	Bank Balance
Cash held by various investment managers	$6	$6
Deposits with banks	8	458
Foreign currency	3,214	3,214
Repurchase agreement	-	2,875
Money market deposits	14,436	14,436
Total Deposits	**$17,664**	**$20,989**

The difference between the carrying value and bank balances are due to outstanding checks and deposits not yet processed by the bank. Deposits in excess of a predetermined amount are maintained in overnight repurchase agreements and transferred to a bank checking account as checks are presented for payment.

Foreign Currency Risk –

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or deposit.

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. Its exposure to foreign currency as of December 31, 2006 is as follows: (amounts are in thousands of dollars)

Currency Unit	Equity Incl Private Equity	Fixed Income Incl Conv Deb	Total
Austrailian Dollar	$2,093	$ 668	$2,761
Brazilian Real	-	1,319	1,319
British Pound Sterling	12,980	-	12,980
Canadian Dollar	5,255	3,880	9,135
Danish Krone	391	-	391
Euro Currency Unit	28,075	-	28,075
Hong Kong Dollar	2,164	-	2,164
Japanese Yen	23,659	-	23,659
Mexican New Peso	-	2,804	2,804
Norwegian Krone	504	988	1,492
S. African Comm Rand	1,053	-	1,053
Singapore Dollar	1,106	2,218	3,324
South Korean Won	1,025	1,605	2,630
Swedish Krona	1,041	475	1,516
Swiss Franc	7,914	-	7,914
Thailand Baht	-	1,985	1,985
Totals	**$87,260**	**$15,942**	**$103,202**

Interest Rate Risk –

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. The Option-Adjusted Duration method of measuring duration takes into effect the embedded options on cash flows.

The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing exposure to losses arising from increasing interest rates with the exception of the cash equivalent portfolio. The investment policy limits the duration of individual securities held in the cash equivalent portfolio to 2.5 years. In addition, the duration of the entire cash equivalent portfolio should be between 1 and 2 years.

As of December 31,2006, the Retirement System had the following Option-Adjusted Durations for the fixed income investments: (amounts are in thousands of dollars)

Fixed Income Sector	Fair Value	Option-Adjusted Duration (in years)
Asset Backed Securities	$7,955	2.71
CM Backed Securities	4,501	4.19
CMO Corporate	11,430	2.41
CMO Government Agencies	18,365	4.78
Corporate	168,175	6.29
Government	63,101	5.88
Health Care	2,714	1.80
Information Technology	6,313	1.31
Other	107,967	0.08
U.S. Gov't Mortgages	22,758	3.78
U.S. Private Placements	12,902	7.30
Non U.S.	15,581	3.21
Other *	222,305	N/A
Totals	**$664,067**	

* Includes $218,673 invested in bond mutual funds for which the duration was not available.

Security Lending –

The Retirement System participates in a security-lending program for the lending of corporate bonds, equity and government securities to qualified brokers. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The net investment income earned on collateral is divided between the custodian, as a fee for its services under the program, and the Retirement System, according to agreed upon rates. For 2006 and 2005, the net investment income realized from security lending was $282,421 and $318,135, respectively.

Securities loaned and the collateral held were as follows: (amounts are in thousands of dollars)

	As of December 31	
	2006	2005
Fair Value of Securities Loaned:	$154,351	$126,529
Fair Value of Collateral:	$159,323	$130,135
Percentage Collateral to Securities Loaned:	103.22%	102.85%

The collateral received from security lending transactions are recorded as assets at quoted fair value of the financial statement date. The Retirement System records an identical amount as a liability, representing the obligation of the Retirement System to return the collateral at the time the borrower of the Retirement System's securities returns those securities.

The collateral received from securities lending transactions includes cash of $153,669 and $126,947 and U.S. Treasury securities of $5,654 and $3,188 for the years ended December 31, 2006 and 2005, respectively. Under the terms of the securities lending agreement, the Retirement System has the right to sell or pledge the cash collateral. The non-cash collateral in the amount of $5,654 and $3,188 for the years ended December 31, 2006 and 2005, respectively, is controlled by the custodian and, correspondingly, is not reflected in the Statement of Net Assets Available for Plan Benefits.

At year-end, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes the borrowers exceed the amounts the borrowers owe the Retirement System. The contract with the Retirement System's custodian requires it to indemnify the Retirement System if a borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fails to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan.

(6) Financial Instruments With Off-Balance Sheet Risks –

A currency forward is a contractual agreement between two parties to pay or receive amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are entered into with the foreign exchange department of a bank located in a major money market. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuations. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Retirement System records the amount receivable or payable at fair value, with the unrealized gain or loss reported as a component of net appreciation in fair value.

Unrealized losses on forward foreign exchange contracts at year-end were $18,140 and $28,097 for 2006 and 2005, respectively. At year-end, the Retirement System holds forward foreign exchange contracts in the Euro-currency, Japanese yen, Australian dollars and Canadian dollars primarily.

(7) Commitments and Contingencies –

The Retirement System is involved in litigation and certain other disputes arising during the normal course of operations. Management does not believe the settlement of such matters will have a material impact on the Retirement System's financial statements.

(8) OBRA 1990 Retirement System of the County of Milwaukee –

The County established the OBRA 1990 Retirement System of the County of Milwaukee (OBRA) to cover seasonal and certain temporary employees who are not enrolled in the Retirement System. Assets of the OBRA are commingled for investment purposes with the assets of the Retirement System. As the assets of the

Retirement System are legally available to pay benefits of either the ERS or OBRA and all assets have been commingled, the Retirement System is considered a single plan for financial reporting purposes. Net assets identified for OBRA benefits as of December 31, 2006 and 2005, were as follows:

	(Unaudited)	
	2006	**2005**
Assets		
Cash	$ 654	$406
Contributions receivable from County	462,000	365,000
Assets held by Retirement System	805,242	724,999
Total assets	**$1,267,896**	**$1,090,405**
Liabilities		
Taxes payable	$ 6,965	-
Total liabilities	6,965	-
Net assets available for benefits	**$1,260,931**	**$1,090,405**

Changes in net assets available for benefits for OBRA for the years ended December 31, 2006 and 2005, were as follows:

	(Unaudited)	
	2006	**2005**
Contributions from County	$462,000	$365,000
Investment income	117,675	108,300
Investment and administrative expenses	(300,185)	(276,403)
Benefits paid	(108,964)	(50,465)
Net increase in assets available for benefits	**$170,526**	**$146,432**

As of December 31, 2006 and 2005, respectively, there were 9,643 and 9,477 participants with vested benefits in OBRA. The actuarial accrued liability of OBRA at December 31, 2006 and 2005, was $3,842,625 and $3,530,352, respectively, leaving net assets available less than the actuarial accrued liability of ($2,581,694) and ($2,439,947), respectively. These amounts are not reflected in the required supplementary information tables that follow the notes to the financial statements.

Required Supplementary Information

Schedule of Funding Progress
(in thousands of dollars)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability– AAL (b)	Funded ratio (a/b)	(Overfunded) Unfunded AAL– (UAAL) (b-a)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
12/31/06	$1,525,532	$1,931,220	79.0%	$405,688	$223,005	181.9%
12/31/05	1,454,302	1,909,321	76.2%	455,019	225,722	201.6%
12/31/04	1,424,918	1,782,884	79.9%	357,966	209,796	170.6%
12/31/03	1,446,726	1,707,999	84.7%	261,273	233,478	111.9%
12/31/02	1,446,860	1,542,045	93.8%	95,185	234,679	40.6%
12/31/01	1,620,157	1,492,072	108.6%	(128,085)*	238,387	(53.7%)**

* These amounts represent actuarial value of assets in excess of actuarial accrued liabilities.
** These percentages represent the amount of overfunded actuarial assets as a percentage of payroll.

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids the analysis of the Retirement System's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, or the larger the percentage, if negative, the stronger the Retirement System.

Schedule of Employer Contributions for the Year Ended December 31,

Fiscal Year	Annual Required Contribution (ARC)	Percentage Contributed
2006	$52,638,196	52.1%
2005	37,607,940	94.2%
2004	33,248,204	105.7%
2003	25,242,325	134.6%
2002	8,528,477	30.3%
2001	8,586,443	30.8%

Notes to Required Supplementary Information

(1) Description –

The historical trend information is presented as required supplementary information. This information is intended to help users assess the Retirement System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

(2) Actuarial Assumptions and Methods –

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of January 1, 2007, for the plan year ending December 31, 2006. The actuarial valuations consider the changes effective January 1, 2007. Additional information as of the latest actuarial valuation follows:

Valuation date	1/1/07
Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level percent of payroll, closed
Equivalent Single Amortization Period	21 years
Asset valuation method	5-year smoothing of difference between total expected return versus actual return
Actuarial Assumptions:	
Investment rate of return	8.0%
Projected payroll growth	3.5%
Mortality	Sex-distinct UP – 1994 Mortality Table (for healthy pensioners) RP 2000 Disabled Mortality Table (for disabled pensioners)

(3) Significant Factors Affecting Trends in Actuarial Information –

2007 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Changed disability assumption from assuming 100% of disabilities are Ordinary to 10% Ordinary and 90% Accidental for represented employees and 95% Ordinary and 5% Accidental for non-represented employees.
- Changed the backrop assumption from 70% of eligible employees that elect a backdrop with an average backdrop period of four years to 75% of eligible employees that elect a backdrop, where 75% are assumed to take the maximum period available to them and 25% take half the maximum period available.
- Increase annual compensation limit to $225,000
- Increase annual benefit limit to $180,000

2006 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Increase annual compensation limit to $220,000.
- Increase annual benefit limit to $175,000.
- Decrease in the discount rate to 8.0%.
- Increase in backrop utilization assumption from 50% to 70%.

2005 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Increase annual compensation limit to $210,000.
- Increase annual benefit limit to $170,000.

2004 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Increase annual compensation limit to $205,000.
- Increase annual benefit limit to $165,000.
- Decrease in discount rate to 8.5%.
- The amortization period for plan amendments, assumption changes and actuarial experience was changed from 20 years to 30 years. Future plan and assumption changes, as well as, actuarial gains and losses will be amortized over 30 years from the date established.
- Changed from smoothing unrealized gains or losses to smoothing difference between total expected return versus actual return.

2003 Changes in Plan Provisions or Actuarial Assumptions Since Prior Year –

- Beginning January 1, 2003, the pension benefit is based upon a final average salary equal to the three highest consecutive years of earnings for employees who became members of the Retirement System after December 31, 1981, except for represented deputy sheriff members.
- Assumption that 50 percent of eligible retirees will elect to receive both a backdrop payment option of 4 years and a monthly pension benefit upon retirement.

TEN-YEAR HISTORICAL TREND INFORMATION

REVENUES BY SOURCE AND EXPENSES BY TYPE

(Unaudited)

Revenues by Source

Fiscal Year	Participant Contributions	County Contributions(1)	Investment Income (Loss)(2)	Total
2006	$545,258	$27,435,154	$207,804,929	$235,785,341
2005	360,283	35,415,185	128,528,748	164,304,216
2004	711,322	35,143,178	188,633,703	224,488,203
2003	704,758	33,980,592	292,669,096	327,354,446
2002	436,682	2,579,984	(78,508,968)	(75,492,302)
2001	265,567	2,646,523	(28,309,035)	(25,396,945)
2000	180,729	629,279	(14,726,721)	(13,916,713)
1999	140,834	2,756,636	243,675,430	246,572,900
1998	156,915	10,816,807	120,415,049	131,388,771
1997	130,253	12,942,084	256,829,536	269,901,873

Expenses by Type

Fiscal Year	Benefits(3)	Investment and Administrative Expenses(4)	Withdrawals	Total
2006	$130,730,539	$6,622,923	$13,571	$137,367,033
2005	148,307,335	6,294,816	36,963	154,639,114
2004	161,368,700	6,302,951	154,522	167,826,173
2003	111,109,514	5,662,380	12,999	116,784,893
2002	118,078,160	5,301,678	30,230	123,410,068
2001	94,842,239	5,389,064	233,732	100,465,035
2000	85,664,789	5,320,195	257,600	91,242,584
1999	82,022,948	4,966,393	16,866	87,006,207
1998	79,261,523	4,913,214	50,504	84,225,241
1997	77,831,307	4,651,792	53,967	82,537,066

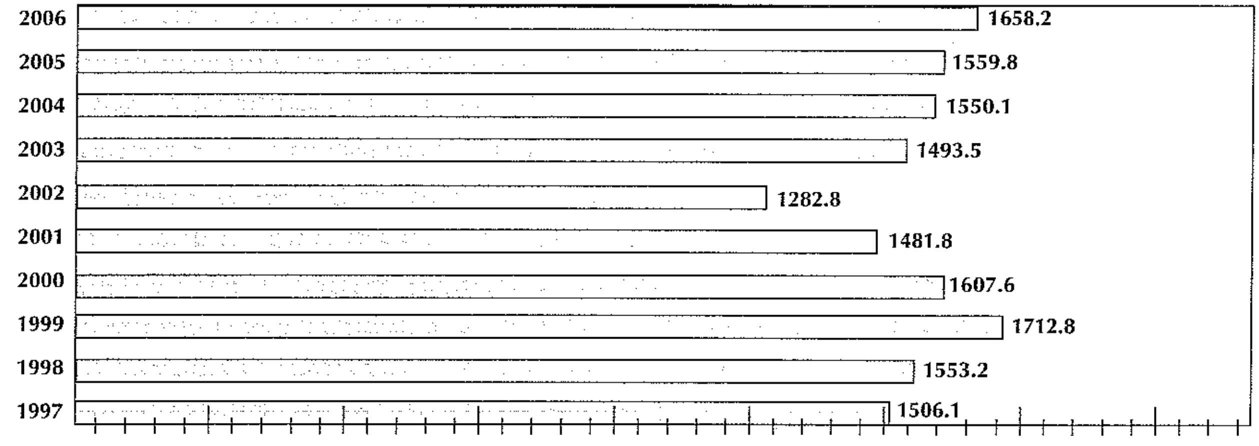
(1) Contributions were made based upon actuarially determined contribution requirements, as well as additional contributions made at the discretion of the County Board.

(2) Includes interest and dividends, net appreciation (depreciation) of fair value, net security lending income, and other income.

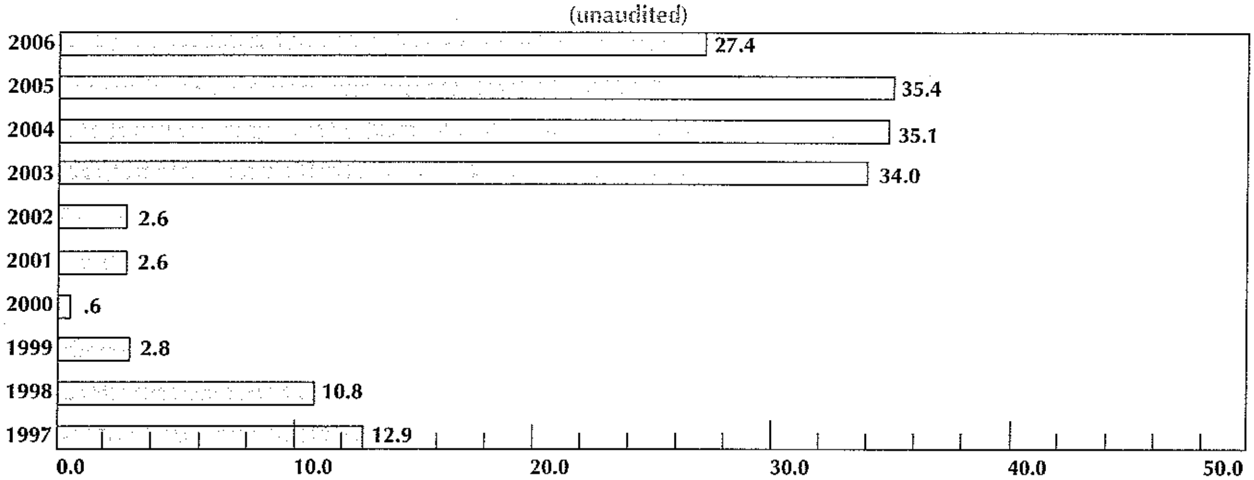
(3) Included in the benefits for years 2006, 2005, 2004, 2003 and 2002 are drop-back lump-sum payments in the amount of $5.5, $25.7, $51.0, $11.0 and $23.1 million, respectively.

(4) The increase in investment and administrative expenses of $1,971 during the past ten years is largely due to an increase in investment manager, custodial and cash management fees of $662. These fees increased primarily due to the growth in the size of the fund during the 10-year period. There were also significant increases in legal and corporate counsel fees of $463 due to litigation and various legal issues, salaries and wages of $337 due primarily to the increase in the cost of benefits, cost of fiduciary insurance of $337, actuarial costs of $138 primarily due to one-time costs incurred in 2006 as a result in the change in actuaries and outside consultants of $113 with most of the increase occurring in 2006 as a result of work being done on the installation of a new pension accounting software system, data and document cleansing in preparation to the conversion to the new software system and a new online document imaging system. All other expense experienced smaller increases that were offset by an increase of administrative expenses assessed to the OBRA retirement system.

NET FUND ASSETS
FAIR VALUES 2006-1997
(in millions of dollars)
(unaudited)



ACTUAL COUNTY CONTRIBUTIONS
(in millions of dollars)
(unaudited)



ACTIVE MEMBERSHIP STATISTICS (Unaudited)

	2006
Members as of January 1	6,455*
Changes During the Year:	
New enrollments	217
Rehires	16
Nonvested terminations	(161)
Retirements	(219)
Deaths in active service	(6)
Members as of December 31	6,302*

*This total includes vested inactive members.

RETIREMENTS AND SURVIVORS (Unaudited)

	Retirements Granted								Survivors & Benefi-ciaries	Total
	Maxi-mum Pension	Option								
		Refund	100%	75%	50%	25%	10-yr.	Other		
January 1, 2006	2,778	705	1,185	158	1,199	240	82	41	887	7,275
Changes During the Year:										
Adjustments (actuary)*	14	6	7	1	3	-	3	-	4	38
Reclassifications (ERS)**	(58)	(8)	(5)		(3)			2	72	-
Retirements	125	1	37	9	11	25	11	-	-	219
Pensioner deaths	(90)	(38)	(38)	(2)	(46)	(2)	(2)	(1)	(14)	(233)
December 31, 2006	2,769	666	1,186	166	1,164	263	94	42	949	7,299

*Adjustments as a result of reclassifications made to beginning balances by the actuary.
**Reclassifications by ERS to agree with the numbers produced by the actuary.

CONSULTANTS
as of December 31, 2006

Legal Advisors:

Milwaukee County
Corporation Counsel
William Domina

Reinhart, Boerner, Van Deuren s.c.
Milwaukee, Wisconsin

Foley & Lardner
Milwaukee, Wisconsin

Actuary:

Buck Consultants
Chicago, Illinois

Disbursing Agent:

County Treasurer

Custodian/Securities Agent:

Mellon Trust
Boston, Massachusetts

Medical Board:

Medical Associates

Investment Consultant:

William M. Mercer
Investment Consulting, Inc.
Chicago, Illinois

Cash Management Manager:

Mellon Trust
Boston, Massachusetts

Standish Mellon Asset Management
Woburn, Massachusetts

Venture Capital Investment Managers:

Adams Street Partners
Chicago, Illinois

Progress Investment Management Company
San Francisco, California

Equity Investment Managers:

AQR Capital Management, LLC
Greenwich, Connecticut

Artisan Partners
Milwaukee, Wisconsin

Boston Partners Asset Management, Inc.
Boston, Massachusetts

Earnest Partners, LLC
Atlanta, Georgia

Hotchkis & Wiley Capital Management
Los Angeles, California

Mellon Capital Management
Pittsburgh, Pennsylvania

Reinhart & Mahoney Capital Management
Mequon, Wisconsin

Westfield Capital Management Co., Inc.
Boston, Massachusetts

Fixed Income Investment Managers:

Loomis, Sayles & Company, Inc.
Boston, Massachusetts

JP Morgan Investment Management
New York, New York

Mellon Capital Management
Pittsburgh, Pennsylvania

International Investment Managers:

Capital Guardian Trust Company
Brea, California

Granthum, Mayo, Van Otterloo & Co.
Boston, Massachusetts

Real Estate Investment Trusts

ING Clarion Real Estate Securities
Radnor, Pennsylvania