

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
AUGUST 18, 2004

Chairman Judith L. Schwank called the meeting to order at 10:10 a.m. Attending were Sandy Graffius, Secretary, Nelson H. Long, CPA Treasurer and member and Thomas W. Gajewski, Sr. The following staff attended: Alan Miller, Esq., County Solicitor; William Dennis, County Administrator; Judith Lumis, Office of the County Controller; and Sharon Fleischer of Human Resources. Also attending were Dianne M. Lutz, CIMA, Vice President, and Richard Gleason, First Vice President of Consulting Group, Smith Barney, Inc. and Craig Maxwell, CFP and Heather Waddell, CIMA of Franklin Templeton Investments.

The minutes of the July 22, 2004 meeting were approved on motion by Ms. Graffius and second by Mr. Long.

The minutes of the June 17, 2004 meeting were amended under citizen comment from the floor, sixth paragraph, second sentence to read "He said he has collected information and is meeting with individual members of the Board to offer insight, information and ideas." The sentence previously read "inside information and ideas" on motion by Ms. Graffius and second by Mr. Gajewski.

The Board received the following communications:

Presentations:

Mr. Gleason said the market has seen the first rise in interest rates. Mr. Gleason said he did not believe we would see clear market signals until after the election.

Ms. Lutz said that as of July 31, 2004, total aggregate fund performance over the past five years is up 1.18 percent per year versus the benchmark of 1.34 percent per year. The trailing one year return is 11.26 percent versus the benchmark of 9.72 percent with 67 percent in equities, 31 percent in fixed and 2 percent in cash. As of July 31, 2004, the Fund totaled \$166,420,901.

Fund	Benchmark	Actual performance for the month ended July 31, 2004
Cohen, Klingenstein	-5.65 percent	-5.99 percent
Emerald Advisers	-8.98 percent	-10.48 percent
McGlinn – Equities	-1.41 percent	-4.31 percent
McGlinn – Fixed	+0.84 percent	+0.85 percent
Pzena	-4.03 percent	-3.52 percent
Templeton	-3.24 percent	-2.91 percent
Turner	-5.65 percent	-6.45 percent
Vanguard S&P 500 Index	-3.31 percent	-2.96 percent
Cash	+0.11 percent	+0.18 percent

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Mr. Maxwell said Franklin Templeton is Global bottom-up investor with over \$122.9 billion under management.

Ms. Waddell said there are three investment professionals who are focused on our portfolio. She added that the process has not changed since the Board hired the firm. She said Franklin's search starts with individual companies.

Correspondence:

Income and Expense Statements for July, 2004

Portfolio Holdings and Quarterly Review from Cohen Klingenstein & Marks

2004 2nd Quarter Market & Economic Commentary and Quarterly Update as of June 30, 2004 from Emerald Advisers, Inc.

Account Summaries as of June 30, 2004 from McGlenn Capital Management, Inc.

Chief Executive Officer's Letter and Portfolio Appraisal as of June 30, 2004 from Templeton Private Client Group

Complimentary copies of 2004 Editions of the S&P MidCap 400 and S&P 500 Index Directories from Standard & Poor's

LJR News Update July 2004 from Lynch, Jones & Ryan, Inc.

Bank statements

July, 2004, statement from M & T Trust Company for accounts 77062 (cash); 9554168005 (McGlenn equities); 77065 (McGlenn fixed); 1551134028 (Emerald); 75518 (Cohen, Klingenstein); 75119 (Turner); 76982 (Templeton); 79316 (Vanguard) and 1003440 (Pzena)

July, 2004, statement from Wachovia for checking account 210000020087.

Commission recapture statements for June and July 2004 from BNY Brokerage, Inc. (\$6,730.)

Commission recapture statement for January 1 through June 30, 2004 from Lynch, Jones & Ryan, Inc. (\$6,501)

Commission recapture statement as of July 30, 2004 from SEI Investments (\$1,082)

Commissions paid to Lynch, Jones & Ryan by Emerald Advisers, Inc. for the month ending July 30, 2004

Commissions report as of July 30, 2004 from SEI Investments for Franklin Templeton Investments

Commissions report for July 2004 from Pzena Investment Management

Solicitations:

General

Opus Investment Management

Old business

Ms. Lutz said that the consensus of the Retirement Board indicated there were two front-runners McDonnell Investment management, LLC, Oak Brook, IL for intermediate fixed asset management and Schneider Capital Management, Wayne, PA for large cap value equity as a result of the manager interviews held in July and August. Ms. Lutz distributed information comparing McGlenn Capital Management to the above managers.

Ms. Lutz also distributed an updated due diligence report on McGlenn Capital Management, Inc. which showed that the assets under management declined since the last update. Ms. Lutz added that the Fund's portfolio is 23 percent of the fixed asset portfolio; 10 percent of the total assets under management; and 8 percent of the total equities of McGlenn Capital Management, Inc.

Mr. Long expressed concern that there is one fixed asset professional and that the Fund is nearly one quarter of McGlenn's fixed asset portfolio.

14R-04 Mr. Long moved, seconded by Mr. Gajewski, to terminate the agreement with McGlenn Capital Management, Inc. to manage intermediate fixed income assets effective after assignment of the portfolio to the Board's designated new manager. The motion passed unanimously.

15R-04 Mr. Long moved, seconded by Mr. Gajewski, to retain McDonnell Investment Management, LLC to manage fixed income assets effective upon assignment of such assets from McGlenn Capital Management, Inc. The motion passed unanimously.

Ms. Lutz said the Board had an opportunity to meet with a great selection of large cap value equity managers and that Schneider Capital Management, according to the consensus of the Retirement Board, stood out among the other three managers interviewed as a result of the manager interviews held in August.

Mr. Gleason said the initial process of interviewing the managers was to look at what managers are available. He added that what often happens is that during the process you see a firm you want to hire.

Mr. Gajewski said he reviewed the performance and noted a substantially higher rate of return for Schneider Capital Management.

16R-04 Ms. Graffius moved, seconded by Mr. Gajewski, to terminate the agreement with McGlenn Capital Management, Inc. to manage large value equity assets effective upon assignment of the portfolio to the Board's designated new manager. The motion passed unanimously.

17R-04 Ms. Graffius moved, seconded by Mr. Gajewski, to retain Schneider Capital Management to manage large value equity assets effective upon transfer of such assets from McGlenn Capital Management, Inc. The motion passed unanimously.

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The Board authorized disbursements on motion by Mr. Long and second by Ms. Graffius.

Annuities and refunds for August, 2004:

Annuities	\$402,431.57
Refunds	342,178.34
Total	\$744,609.91

\$2,513 to Hay Group for actuarial services and expenses for the month of August, 2004

\$21,368.36 to Cohen, Klingenstein & Marks, Inc. for investment counseling, second quarter, 2004

\$31,898.83 to Templeton Franklin Investment Services, Inc. for investment advisory fees for the quarter ended June 30, 2004

\$11,396.17 to M&T Investment Group for custodial fees for the period April 1 through June 30, 2004

\$250 to M&T Investment Group for trustee services of the Vanguard Institutional Index Fund

\$48.40 to Reading Eagle Company for legal notice of workshop scheduled for August 5, 2004.

Citizen comment from the floor

The meeting adjourned at 10:40 a.m.