

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
DECEMBER 21, 2005

Commissioner Judith Schwank called the meeting to order at 10:03 a.m. Attending were Sandy Graffius, Secretary, Nelson Long, Treasurer and members Thomas Gajewski, and Mark Scott. The following County staff attended: Alan Miller, Solicitor; Suzanne Baer, Pension Coordinator, and Judi Lumis, Office of the Controller and Dianne M. Lutz, CIMA, First Vice President, and Richard Gleason, Sr. Vice President of Consulting Group Smith Barney, Inc., Stephen Darby, Managing Director, Schneider Capital Management. Mark Lundquist, Financial Consultant to the County of Berks, also attended.

The minutes of the November 16, 2005 meeting were approved on motion by Ms. Graffius and second by Mr. Long. Mr. Gajewski abstained because he had not reviewed the minutes.

The Board received the following communications:

Presentations:

SMITH BARNEY, INC.: Mr. Gleason said the best place to be last month was emerging markets. Corporate spending had increased. He said the Fund has the appropriate mix between growth and value. Ms. Lutz said the managers are outperforming their benchmark since inception.

FUND	BENCHMARK	ACTUAL PERFORMANCE YEAR TO DATE THROUGH 11/30/05
Total Fund	3.65%	4.14%
Turner Investments	5.60%	6.14%
Cohen, Klingenstein	5.60%	0.27%
Vanguard S&P500 Index	4.85%	4.88%
Emerald Account	4.30%	9.40%
Templeton Portfolio	8.49%	8.31%
Pzena	7.84%	9.43%
Schneider Capital	6.41%	2.41%
McDonnell Fixed Income	.93%	1.35%

Mr. Gajewski asked what could be done in order for the Fund to achieve the 7.5% benchmark. Mr. Gleason and Ms. Lutz agreed that the Fund should continue with the current allocation and stay on top of the managers.

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Mr. Gleason said a good market environment is needed to add to returns. Ms. Lutz said the current numbers indicate that the Fund is outperforming the market.

Ms. Schwank requested that Smith Barney take a closer look at the growth managers' performance. Ms. Lutz said she would compare the managers with their peer group and present the information at the next Board meeting.

Mr. Long made a motion; seconded by Ms. Graffius, to prepare a Request for Proposal (RFP) and return ten to fifteen managers. From that group five managers would be selected to interview. The Board voted to accept the motion with Mr. Gajewski voting present.

The Board said at the January meeting a workshop would be scheduled.

The Board questioned the statistics provided on Vanguard. Ms. Lutz said she would have the numbers audited to inception.

SCHNEIDER CAPITAL MANAGEMENT: Mr. Darby said Schneider currently has 39 clients and are managing \$4 billion in domestic value equities. Mr. Darby said Schneider's objective is to outperform the benchmark.

Correspondence:

Letter from Hay Group in compliance with Act No. 96; section 30(b) listing the funding requirements for cost-of-living increase for retirees. For 100% change in CPI - \$5,428,806; for 85% - \$4,225,016

Letters from Commonwealth of Pennsylvania, Treasurer Dept. advising the possibility of entitlement of fiduciary funds being held by the Commonwealth's Bureau of Unclaimed Property.

Letter from Jack Linton stating his opinion relevant to the proposed sale of certain assets of the County pension fund and immediate repurchase of the same assets.

Letter from Dianne Lutz updating Retirement Fund Board on status of the investment managers and their scheduled realization of capital gains and subsequent portfolio repurchase

Cohen Klingenstein & Marks Market Conditions

Lynch, Jones & Ryan, Inc. Trading Summary for January 1, 2005 through October 31, 2005 and News Update, November 2005

Pzena Investment Management Commissions Report for November 2005

SEI Investments 2005 Commission Statement as of Trade Date Nov. 30, 2005

Turner Investment Partners 4th quarter newsletter

Bank statements

November 2005, statement from M & T Trust Company for accounts 77062 (cash); 1551134028 (Emerald); 75518 (Cohen, Klingenstein); 75519 (Turner); 76982 (Templeton); 79316

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(Vanguard) 77065 (McDonnell-fixed), 9554168005 (Scheider) and 1003440 (Pzena)

November 2005, statement from Wachovia for checking account 210000020087.

Solicitations:

General

Fischer Financial Services, Inc., Harrisburg, Pa.

GE Commercial Finance, Scottsdale, Arizona

Iridian Asset Management LLC, Westport, Connecticut

JPMorgan Account Statement for period November 1, 2005 through November 30, 31, 2005

Conferences

2006 Investment Advisors' Exchange Traded Funds Summit, January 30-31, 2006, San Francisco, California

Super Bowl of Indexing, December 4-7, 2005, Scottsdale, Arizona

Health and Welfare Plan Management, March 5-8, 2006, Orlando, Florida

The Art of Retirement Plan Management, March 12-15, 2005, San Francisco, California

The World Series of Exchange Traded Funds, March 30-31, 2006, Key Biscayne, Florida

Old business:

2R-05

After a discussion the Board ratified the motion made at the Retirement Fund workshop held on November 30, 2005. Mr. Miller prepared a formal resolution directing the Berks County Employee's Retirement Fund consultant Smith Barney to instruct all Retirement Fund equity managers, except Vanguard, to sell any and all security positions with gains of fifty thousand dollars or more. Each investment manager shall reinvest proceeds from such sales on or before December 30, 2005 in accordance with their respective investment disciplines and that all costs resulting from sales and repurchases net of commission recapture shall be reimbursed by the Berks County General Fund. Mr. Scott moved, seconded by Ms. Graffius to approve the resolution. Motion carried.

Ms. Lutz said she would contact the managers to estimate of the projected costs, which would result from the sale and repurchase the securities.

Mr. Scott moved, seconded by Mr. Gajewski, to ratify motion to hire Dresdner Bank as securities lending agent for Retirement Fund, made at the workshop held November 30, 2005. Motion carried.

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Ms. Baer said she spoke with Hank Stiehl from Hay Group regarding charging interest on employee buybacks. Mr. Stiehl referred her to Act 96 of Pension Law as cited in Purdon's, which gives no allowance or method for assessing interest for employee buybacks.

New Business:

Mr. Gajewski moved, second by Mr. Scott to set the rate of interest for employee contributions to the Fund at 4.5 percent for calendar year 2006. Motion carried with Mr. Long voting no stating he wanted it raised to 5.5%

Scott moved, seconded by Ms. Graffius, to approve the employee buy back requests as listed. Motion carried.

Sharon Oxenreider to buy back nearly one year of service at \$2,098.50, previously refunded

The Board authorized the disbursements on motion by Mr. Scott and second by Mr. Gajewski. Motion carried.

Annuities and refunds for October, 2005

Annuities	\$491,286.23
Refunds	\$351,993.39
Total	\$843,279.62

\$46.20 to Reading Eagle Company for publication of Legal Notice of Retirement Fund Workshop held on November 30, 2005

\$23,985.11 to Cohen Klingenstein & Marks for Investment Counseling, Third Quarter, 2005

Ms Lumis said that the current procedure for employees on military leave is to credit their pension accounts at the end of each year for interest calculation purposes. The contributions do not have to be made until they return to the County. If the employee does not return to the County upon discharge, these contributions cannot be returned. Currently there are approximately ten employees on military leave. The Board agreed to continue with the current procedure for the year 2005; but would revisit the issue in 2006. Ms. Schwank asked Ms. Lumis to prepare a written outline of the information and present it to the Board for future discussion.

Citizen comment from the floor.

Mr. Frank Shurr asked the Board if they had come to a decision regarding a cost of living adjustment (COLA) for 2006. The Board said that at the present time, the funds are not available and a decision has not yet been made as to whether or not give the retirees a COLA. Ms. Schwank said that other factors are still pending that might impact the eventual decision on a COLA for 2006.

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Meeting adjourned at 12:05 p.m.