

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
APRIL 21, 2004

Chairman Judith L. Schwank called the meeting to order at 10:11 a.m. Attending were Sandy Graffius, Secretary and member Thomas W. Gajewski, Sr. The following staff attended: Alan S. Miller, Esq., County Solicitor and Sharon Fleischer of Human Resources. Richard Gleason, Senior Vice President and Dianne M. Lutz, CIMA, First Vice- President, Consulting Group, Smith Barney and Lisa A. Lukasiewicz of Turner Investment Partners, Inc. also attended.

The minutes of the March 18, 2004 meeting were approved on motion by Mr. Gajewski, second by Ms. Graffius.

The Board received the following communications:

Presentations:

Mr. Gleason said that on the equity side REITS led the performance last quarter, second emerging markets and third was small value. On the bond side the performance is low in anticipation of rising interest rates. Mr. Gleason said that just because interest rates rise does not mean that stock performance will decrease.

Mr. Gleason said the aggregate total Fund was up 2.47 percent last quarter versus the benchmark of 1.86 percent. As of March 31, 2004, the Fund totaled \$169,721,857 with 67 percent in equities, 32 percent in fixed income and 1 percent in cash.

Fund	Benchmark	Actual performance for the quarter ended March 31, 2004
Cohen, Klingenstein	0.78 percent	2.36 percent
Emerald Advisers	5.59 percent	0.69 percent
McGlinn – Equities	3.02 percent	2.33 percent
McGlinn – Fixed	2.48 percent	2.38 percent
Pzena	6.18 percent	5.93 percent
Templeton	4.34 percent	3.49 percent
Turner	0.78 percent	1.82 percent
Vanguard S&P 500 Index	1.70 percent	1.68 percent
Cash	0.24 percent	0.23 percent

Ms. Lutz distributed a comparison of the responses received from the various managers to the RFP for intermediate fixed assets and large value equity.

Ms. Lutz said four responses were received for large value equity from Cambiar Investors, Cooke & Bieler, L.P., Hotchkis and Wiley Capital Management, L.L.C. and Schneider Capital Management.

Ms. Lutz said responses were received from five fixed asset managers. Some changes have taken place in two firms and she is removing them from consideration. Mr. Gleason added that all of the firms for consideration are specialized and strictly manage fixed assets. The three firms remaining for consideration are Allegiance Capital, McDonnell Investment Management, LLC and The Swarthmore Group, Inc. Banc One is being dropped because it had some strategy changes and wants to buy more exotic investments. Seix Investment Advisors is being dropped because it is being acquired by Sun Trust Banks, Inc. RFP's were also sent to Robert Wert of Wachovia Securities and Greg Kreitz of Merrill Lynch and both firms graciously opted not to respond to the RFP. Mr. Gleason said the search started with 1,500 firms and was whittled down to 41 and from there a short list was taken.

Ms. Lutz said that approximately half of the total assets of the Fund are with McGlenn Capital Management, Inc. Mr. Gleason said he selected firms that were not too large to give proper consideration to a fund of this size.

Ms. Graffius moved, seconded by Mr. Gajewski, to hold two workshops; one to interview intermediate fixed income managers and one to interview large value equity managers. The motion passed.

Ms. Graffius moved, seconded by Mr. Gajewski, to hold a workshop with Norm Pickering on the Report on Actuarial Valuation Including Determination of County Annual Required Contribution for 2004 from Hay Group. The motion passed.

Ms. Lukasiewicz said that the first quarter of 2004 has been very good for Turner Investment Partners, Inc. both in returns and new assets under management. Turner gained over \$1 billion in institutional investments. Most of the new clients added have been public pension funds.

Ms. Lukasiewicz said that some of the changes that have taken place at Turner are their back to basics approach focusing on institutional investments and on growth with core companies. Twelve of the Turner funds have spun off into specialized funds and self-advised funds. Turner maintained its mutual funds that mirror its institutional composites including the large cap growth portfolio. Steve Kneely who was one of the founding partners at Turner left to take over one of the spin off funds and is focusing on growing the asset base in Australia. He maintained his equity interest but is no longer involved with the day-to-day operations of the firm. Three new analysts have been hired this year and Turner is looking to hire two additional analysts. Three team members focus on an individual sector.

Mr. Gleason said he spoke with Steve Kneely and that his move was actually a good thing.

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Ms. Lukasiewicz said that 2003 was a very good year after the two previous years of horrible performance in growth. She added that even though 2002 was its worst performance year Turner added \$2 billion in new assets with \$1 billion coming from institutional investments and \$1 billion coming from existing clients rebalancing their accounts.

Ms. Lukasiewicz said she is looking forward to a good 2004 and possibly a shaky 2005 because of the rise in interest rates.

Correspondence:

Statement of Income and Expenses for March 2004

Report on Actuarial Valuation Including Determination of County Annual Required Contribution for 2004 from Hay Group. (Annual Required Contribution is \$7,501,938)

Consolidated Statement of Financial Condition as of December 31, 2003 from BNY Brokerage, Inc.

E-mail, Quarterly Update as of March 31, 2004 and 2004 1<sup>st</sup> Quarter Market & Economic Commentary from Emerald Advisers, Inc.

Report to Clients – 2<sup>nd</sup> Quarter 2004 from McGlinn Capital Management, Inc.

Portfolio Review as of March 31, 2004 from Pzena Investment Management, Inc., LLC

Broker Commission Reports for all accounts for January 1 through March 31, 2004 from M&T Bank

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

Quarterly Report to Clients from Pzena Investment for the First Quarter ended March 31, 2004

*Perform*, Ideas and Information from Turner Investment Partners for the first quarter 2004

Notice from McGlinn Capital Management, Inc. that no commissions were paid to Lynch, Jones & Ryan in the month of February 2004

Bank statements

March, 2004, statement from M&T Trust Company for accounts 77062 (cash); 9554168005 (McGlinn equities); 77065 (McGlinn fixed); 14541134028 (Emerald); 75518 (Cohen, Klingenstein); 75119 (Turner); 76982 (Templeton); 79316 (Vanguard) and 1003440 (Pzena)

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

Commission recapture statement for January 1 – February 29, 2004, from Lynch, Jones & Ryan, Inc. (\$2,168)

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Commission recapture statement for March 2004 from BNY Brokerage, Inc. (\$2,402.41)

Commission recapture statement from SEI Investments as of March 31, 2004 (\$3,403)

Commissions report for March from Emerald Advisers, Inc.

Commissions report for February 28 through March 26, 2004 from SEI Investments for Franklin Templeton Investments

Commissions report for March 2004 from Pzena Investment Management

Solicitations:

General

The PFM Group

Vantagepoint

Conferences

Health and Welfare Plan Management for Mid-Sized Employers June 6-9, 2004, Chicago, IL

3<sup>rd</sup> Annual Stars & Stripes Summit, 2004 National Public Employees' Retirement Funds Summit, July 18-20, 2004, Orlando, FL

Old business

Ms. Fleischer said the Pension Benefit Statements had been received from Hay Group and should be distributed to employees by the end of April.

The Board reaffirmed its motion of January 21, 2004, to prepare a request for proposal for actuarial services. Ms. Graffius said she would work on the RFP.

New business

The Board approved employee requests to buy back years of service on motion by Mr. Gajewski and second by Ms. Graffius

Suzanne Lorah, two years at \$947.83 (previously refunded)

Edward Lubas, two years of military time at \$6,068.72

Juan Estela, nearly four years at \$9,347.88

The Board authorized disbursements as listed, on motion by Mr. Gajewski, second by Ms. Graffius.

Annuities and refunds for April, 2004:

Annuities	\$388,055.92
Refunds	148,541.57
<b>Total</b>	<b>\$536,597.49</b>

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

\$11,250 to Consulting Group, Smith Barney for consulting services January 1 through March 31, 2004

\$16,204.85 to Emerald Advisers, Inc. for investment counseling fees for January 1 through March 31, 2004

\$83,025 to McGlenn Capital Management, Inc. for advisory fee for the quarter ended March 31, 2004 (Equity \$42,791; Fixed \$40,234)

\$27,096.72 to Pzena Investment Management, LLC for investment management for January 1, through March 31, 2004.

The meeting adjourned at 11:15 a.m.