

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
NOVEMBER 17, 2004

Chairman Judith L. Schwank called the meeting to order at 10:03 a.m. Attending were Sandy Graffius, Secretary, Nelson H. Long, CPA, Treasurer and member Mark C. Scott. The following County staff attended: Alan Miller, Esq., County Solicitor; Judith Lumis and Mark Hanson, Chief Deputy Controller; and Beth Schiepan, Director, and Shane Keller of Human Resources. Also attending were Dianne M. Lutz, CIMA, Vice President, of Consulting Group, Smith Barney, Inc.; James W. Pittinger, Managing and Marketing Director and Michael P. Kamradt, Executive Managing Director and Chief Investment Officer of McDonnell Investment Management, LLC; and Stephen Darby, Managing Director – Client Services, and Faith M. Robinson, Managing Director – Marketing of Schneider Capital Management.

The minutes of the October 21, 2004 meeting were approved on motion by Ms. Graffius and second by Mr. Long.

The Board received the following communications:

Presentations:

Mr. Pittinger of McDonnell Investment Management, LLC said the firm currently has \$8 billion in fixed assets. They use four key investment strategies to select fixed assets: duration, sector emphasis, security selection and maturity structure.

Mr. Pittinger said that since inception (September 1, 2004) the Berks County Pension Fund portfolio is up 0.71 percent versus the benchmark of 0.69 percent. Since inception McDonnell has repositioned the portfolio into high quality spread products and moved away from Treasury bonds.

Mr. Pittinger said his strategy is to keep duration rates close to the benchmark and not pay serious attention to market interest rate forecasts.

Ms. Robinson of Schneider Capital Management said that since inception (September 1, 2004) the Berks County Pension Fund portfolio is up 3.3 percent versus the benchmark of 3.2 percent.

Ms. Robinson said Schneider identifies and purchases undervalued stocks based on stringent research and anticipates dynamic positive changes. When a stock hits a pre-determined price target it is sold. The portfolio focuses on companies whose pricing potential has not yet been reached.

Mr. Darby said Bombardier, Inc. is a Canadian stock purchased inadvertently for the portfolio that has its headquarters in Montreal and trades on the Canadian exchange in American currency. Mr. Darby said that procedures have been put into place that stocks traded solely on foreign exchanges cannot be purchased for the portfolio going forward. Mr. Darby said Schneider would take direction from the Board, be it hold or sell the stock. Furthermore, Schneider offered to make the Fund whole for any losses that might arise from the premature sale of stock. Mr. Scott asked Ms. Lutz for a recommendation. Ms. Lutz recommended that Schneider be permitted to hold the stock and that the Board consider taking a closer look at Schneider's investment performance for the Berks County Pension Fund versus other portfolios which allow Schneider to

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
 NOVEMBER 17, 2004

hold some percentage of foreign stocks. Mr. Scott moved, seconded by Mr. Long to authorize Schneider Capital Management to hold Bombardier, Inc. stock until such time as Schneider sees fit to sell. The motion passed.

Ms. Lutz said that as of October 31, 2004, the trailing one year return is 8.53 percent versus the benchmark of 7.51 percent with 66 percent in equities, 32 percent in fixed and 2 percent in cash. As of October 31, 2004, the Fund totaled \$172,103,430. Ms. Lutz added that as of November 16, 2004 the Fund totaled 177,265,564.

Fund	Benchmark	Actual performance for the month ended October 31, 2004
Cohen, Klingenstein	1.56 percent	4.40 percent
Emerald Advisers	2.43 percent	1.36 percent
McDonnell	0.67 percent	0.75 percent
Pzena	1.81 percent	-0.22 percent
Schneider	1.66 percent	2.37 percent
Templeton	3.41 percent	3.73 percent
Turner	1.56 percent	1.68 percent
Vanguard S&P 500 Index	1.53 percent	1.53 percent
Cash	0.12 percent	0.16 percent

Mr. Long and Ms. Schwank expressed concern that the high end of the target range for equity allocation is 75 percent. They wanted a close look at re-balancing should the equities under management near that figure. Ms. Lutz suggested the issue be revisited in December and again in January.

The Board discussed international bonds as a possible additional diversification. Ms. Lutz said she believed McDonnell managed accounts with international bonds and that she would check with them.

The Board briefly discussed Emerald Advisers' performance. Ms. Lutz said she would continue to monitor Emerald's performance.

Correspondence:

Statement of Income and Expenses as of October 31, 2004

Estimated Pension Costs for 2005 Budget (\$9,460,000) from Hay Group

Letter from M&T Investment Group regarding shares inherited by Schneider Capital Management in Medical Office Properties, Inc.

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
NOVEMBER 17, 2004

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

Investment Report for the period ending September 30, 2004 from McDonnell Investment Management, LLC

Schedule of Investment Performance Statistics for the period ended December 31, 2003 with Report of Independent Accountants from Turner Investment Partners, Inc.

Bank statements

October, 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)

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

Commission recapture activity report for the month ending October 31, 2004 for Emerald Advisers, Inc. from Lynch, Jones & Ryan, Inc./Instinet

Commissions report for October 2004 from Pzena Investment Management Solicitations:

General

Gabriel, Roeder, Smith & Company, Consultants & Actuaries

Conferences

Investment Outlook 2005, November, 23, 2004, Philadelphia, PA

New business:

The Board approved the 2005 Meeting Schedule/Schedule of Presenters as submitted on motion by Mr. Scott and second by Ms. Graffius.

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

Annuities and refunds for November, 2004:

Annuities	\$403,720.09
Refunds	132,608.13
Total	\$536,328.22

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

\$16,059.25 to M&T Investment Group for custodial fees for the period ending October 15, 2004

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
NOVEMBER 17, 2004

\$250 to M&T Investment Group for trustee fees for the Vanguard Institution Index Fund for the period ending October 15, 2004

\$20,486.61 to Cohen, Klingenstein & Marks, Inc. for investment counseling as of September 30, 2004

\$31,825.91 to Franklin Templeton Portfolio Advisors, Inc. for investment advisory fees for the quarter ended September 30, 2004

\$13,110.95 to Turner Investment Partners, Inc. for management fees for the quarter ending September 30, 2004.

Citizen comment from the floor

Ms. Schiepan received a request from the Teamsters for the last three years audit and actuarial reports for the Fund. Ms. Graffius said her staff would provide the information to Ms. Schiepan as soon as possible.

The meeting adjourned at 11:20 a.m.