

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
DECEMBER 15, 2004

Chairman Judith L. Schwank called the meeting to order at 10:12 a.m. Attending were Sandy Graffius, Secretary and member Mark C. Scott. The following County staff attended: Alan Miller, Esq., County Solicitor and Shane Keller of Human Resources. Also attending were Richard Gleason, First Vice President, and Dianne M. Lutz, CIMA, Vice President, of Consulting Group, Smith Barney, Inc.; Wayne A. Palladino, Principal and Director of Client & Portfolio Services for Pzena Investment Management, LLC.

The minutes of the November 17, 2004 meeting were approved on motion by Ms. Graffius and second by Mr. Scott.

The Board received the following communications:

Presentations:

Mr. Palladino said the Berks County portfolio consists of 30 to 40 stocks. The companies are good companies with temporary issues but have long-term earning power. He added that the portfolio does not mirror the benchmark, but is under-weighted in certain areas such as energy and utilities and over-weighted in financials and health care.

Mr. Palladino said Pzena limits the assets under management per equity investment discipline and has set a limit set of \$5 billion for the small-mid cap value equity product in which Berks County is invested. That limit was reached this summer and the product was closed to new investors in September 2004. Rebalancing of existing investors is permitted, but new investors are not permitted into the product.

Mr. Gleason said that it is favorable to invest with a firm that is willing to close a product. He added Schneider Capital Management is limiting contributions to its large value equity product, in which Berks County is invested, by raising the minimum required investment to \$50 million effective January 1, 2005.

Mr. Gleason said that year to date the best place to be was in REITS with emerging markets next followed by small cap value. The worst place to be was small cap growth.

Mr. Gleason said that the political environment has calmed down, providing there are no new crises the performance should be on track with the anticipated rates of return.

Ms. Lutz said that as of November 30, 2004, the trailing one year return is 11.53 percent versus the benchmark of 9.38 percent with 67 percent in equities, 30 percent in fixed and 3 percent in cash. As of November 30, 2004, the Fund totaled \$178,510,621. Ms. Lutz added that as of December 14, 2004 the Fund totaled 181,255,124.

Fund	Benchmark	Actual performance for the month ended November 30, 2004
Cohen, Klingenstein	3.44 percent	3.61 percent

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Emerald Advisers	8.45 percent	8.04 percent
McDonnell	-0.91 percent	-0.79 percent
Pzena	8.18 percent	7.38 percent
Schneider	5.06 percent	8.09 percent
Templeton	6.83 percent	6.68 percent
Turner	3.44 percent	4.66 percent
Vanguard S&P 500 Index	4.05 percent	4.04 percent
Cash	0.15 percent	0.15 percent

Ms. Lutz estimated that as of December 14, 2004, the year to date return for the Fund is in excess 7.5 percent interest, which slightly surpasses the actuarial assumed rate of return.

Ms. Lutz said she, Richard Gleason and Jeff Herb met with John Thompson and Ken Mertz of Emerald Advisers on December 20, 2004. Emerald has continued to bring in new business and now has more assets under management than ever. Also Emerald reported that there have been no staff changes within the investment management team.

Ms. Lutz said that at last month's meeting the Board discussed looking into global bonds. Ms. Lutz said she followed up with McDonnell and they will draw up something, which Ms. Lutz would forward to the Board.

Correspondence:

1. Statement of Income and Expenses as of November 30, 2004
2. 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 - \$3,873,035; for 90% - \$3,206,191
3. 2004 Annual Survey of Locally Administered Public-Employee Retirement Systems
4. Third Quarter 2004 Performance Results and Market & Economic Commentary from Emerald Advisers, Inc.
5. Letter from M&T Investment Group confirming tax-exempt status for dividends and interest earned on Canadian securities held by the Fund
6. Supplement dated November 15, 2004 to the Combined Retail Prospectus and Combined Institutional Prospectus dated August 31, 2004 and the Combined Retain Statement of Additional Information and the Combined Institutional Statement of Additional Information dated August 31, 2004

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7. *LJR News Update*, November 2004
8. Bank statements
 - a) November, 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)
 - b) November, 2004, statement from Wachovia for checking account 210000020087.
9. Commission report for November 2004 from Pzena Investment Management
10. Commission recapture statement for October 2004 from BNY Brokerage, Inc., year to date, (\$7,613.70)
11. Commission recapture statement for January 1 through October 31, 2004 from Lynch, Jones & Ryan, Inc. (\$43,339)
12. Commission recapture statement as of September 30, 2004 from SEI Investments (\$445)
13. Solicitations:
 - a) General
 - (1) Benchmark Financial Services, Inc., Center for Investment Management Investigations
 - (2) Gabriel, Roeder, Smith & Company
 - (3) Iridian Asset Management, LLC
 - (4) The PFM Group.

Old business:

Purchasing sent out Requests For Proposals for Actuarial Valuation Services. A pre-proposal conference is scheduled for Monday, December 20, 2004; proposals are due January 11, 2005; opening is scheduled for January 12, 2005.

New business:

The Board discussed setting the rate for employee contributions to the Fund. The current interest rate is 5.5 percent. The Board requested more information and directed the secretary to contact the actuary for more information.

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

Annuities and refunds for December 2004:

Annuities	\$419,028.45
Refunds	68,451.77
Total	\$487,480.22

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

Citizen comment from the floor

The meeting recessed at 11:12 a.m. until Thursday December 23, 2004 immediately following the Commissioners' meeting to contact the actuary (Hay Group) for information regarding the interest rate paid on employee contributions to the Fund.

Chairman Judith L. Schwank reconvened the meeting of December 15, 2004 at 11:15 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; William Dennis, County Administrator; Mark Hanson, Chief Deputy Controller and Judith Lumis, Office of the Controller, Beth Schiepan, Director of Human Resources.

The Board discussed the interest rate for employee contributions to the Fund. Ms. Schwank moved, seconded by Mr. Scott, to reduce the interest rate for employee contributions to the Fund to 4.5 percent for 2005. The motion passed.