

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
SEPTEMBER 22, 2005

Commissioner Judith L. Schwank called the meeting to order at 10:50 a.m. Attending were Sandy Graffius, Secretary; Nelson H. Long, Treasurer; and member Thomas W. Gajewski, Sr. The following County staff attended: Christine M. Sadler, Assistant Solicitor; William E. Dennis, County Administrator; Robert Patrizio, Budget Director; Judi Lumis, Controller's Office, Mark Lundquist, Financial Consultant to the County of Berks, also attended.

The minutes of the August 17, 2005 meeting were approved on motion by Mr. Gajewski and second by Ms. Graffius.

The Board received the following communications:

Correspondence:

Statement of Income and Expenses for July and August 2005

Letter from Internal Revenue Service acknowledging Interest and Penalty Appeal

Letter from Eric S. Kleppe, Turner Investment Partners regarding trading error

Letter from Congressman Tim Holden regarding abatement of penalty and interest

BNY Brokerage Plan Summary Statement for July, 2005

Lynch, Jones & Ryan, Inc. Trading Summary for January 1, 2005 through July 30, 2005

Pzena Investment Management, LLC Commissions Report for August 2005

SEI Investments 2005 Commission Statement as of Trade date August 31, 2005

Vanguard U.S. Stock Index Funds dated June 30, 2005

Market Conditions report from Cohen Klingenstein & Marks

Quarterly Economic Report from MTB Investment Advisors

Turner Investment Partners 3rd quarter newsletter

Bank statements

August 2005, statement from M & T Trust Company for accounts 77062 (cash); 1551134028 (Emerald); 75518 (Cohen, Klingenstein); 75519 (Turner); 76982 (Templeton); 79316 (Vanguard) 77065 (McDonnell-fixed), 9554168005 (Scheider) and 1003440 (Pzena)

August 2005, statement from Wachovia for checking account 210000020087.

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Solicitations:

General

National Penn Investors Trust Company

JP Morgan Account Statement for period of August 1  
through 31, 2005

Conferences

Fifth Annual European World Series of Exchange Traded  
Funds, November 3-4, 2005 in Amsterdam, Netherlands

Third Annual European Fixed Income Summit, November  
3-4, 2005 in Amsterdam, Netherlands

Fourth Annual Fund of Funds Forum, November 14-16,  
2005 in Midtown Manhattan, NY

Old business:

Ms. Schwank said at the last meeting, the Board discussed a cost of living adjustment (COLA) for retirees. Ms. Baer said Hank Stiehl, of Hay Group, told her a cost of living increase was based on the consumer price index and that information for 2006 would not be available until closer to the end of this year. The COLA is calculated from the increase in the consumer price index since the last time a COLA was granted. Ms. Schwank said the Board could not take any action on this matter until after December 31, 2005 and that more consideration would be given to a possible COLA for 2006.

Ms. Graffius said the current contract with Hay Group allows up to 150 pension quotes at no additional cost. She said it was estimated that by the end of the year there might be as many as 300 quotes completed. The Board is required to pay \$30.00 for each quote in excess of the contracted 150. Ms. Graffius wanted the Board to be aware of the potential cost.

New Business:

Ms. Schwank said the Investment Policy and Objectives (Policy) had been a topic of discussion for some time. A copy of the Policy was given to members of the Board for their review. Ms Lutz from Smith Barney was notified that the Policy would be on the agenda; however, it was mutually agreed upon that the Board could speak more freely if she was not present at the meeting.

Ms. Schwank said the Board could assemble ideas, possibly put out a request for proposal (RFP) or talk to other consultants about revising the Policy.

Mr. Gajewski said he sent a letter to Richard Gleason of Smith Barney requesting answers to some specific questions. Mr. Gajewski added that the Board must work with someone with the expertise to help draft a comprehensive RFP and to define what areas the Policy should address.

Mr. Lundquist said that before the Board drafts a RFP it must first determine what current policies and guidelines are in place. He said there should be clear

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investment polices and guidelines for the managers to know and follow. Mr. Lundquist said he did not know if the Board should be actively involved in the management or maintenance of investment products.

Ms. Schwank said she believes the Board must make some changes and asked Mr. Lundquist to help. Mr. Lundquist said a strong consultant that reports back to the Board monthly is key to managing the Fund Managers. He agreed to review the information discussed and work with Mr. Long, the solicitor's office and investment attorneys to review the current Policy and evaluate if any changes should be made. He said he would give his findings and recommendations to the Board within the next 2 to 3 weeks. Mr. Lundquist said the Fund's returns are consistent with others across the State. He added that the Fund is solid, however, he understood the Board was focusing in on how to improve the process to be more responsive and provide information in a clearer format. Mr. Lundquist said he reviewed the Fund and questioned how often the consultant worked with the Fund managers. If the Fund managers did not fear they might be replaced or challenged they might not place a high priority on their performance.

Mr. Gajewski said there were two Fund managers who showed negative returns over a five-year period and the Board had gone to the consultant to request those Fund managers be replaced. Mr. Gajewski said the consultant should be looking out for the Fund and did not remember the Board suggesting the consultant move away from those Fund managers.

Ms. Schwank and Mr. Long agreed there had been other investment products for further diversification over the years that the Board had suggested and that the consultant did not pursue.

Robert Logan, citizen, said he had some concerns regarding the Policy for some time. He said the Fund should have people overseeing it who are responsible and would execute the policies in place.

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

Pamela S. Guinther, buy-back service time previously refunded, over 4 years of service at \$24,422.13

Joyce L. Keffer (formerly Jacobs), buying back part-time service time, 1 year at \$480.02

Ms. Graffius said that Ms. Lumis performed the reconciliation of the checking account and noted money was accumulating in the account. Ms. Lumis suggested that the amount of \$12,402.47 be transferred from the checking account to the investment account, leaving a balance of \$1,000.00 in the checking account. Mr. Gajewski moved, seconded by Mr. Long to keep the balance of the checking account at \$1,000.00. Motion carried.

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

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Annuities and refunds for September, 2005

Annuities	\$531,099.93
Refunds	\$323,950.05
Total	\$855,049.98

\$17,821.89 to Emerald Advisers Inc for investment counseling fees for period of April 1, 2005 to June 30, 2005

\$36,434.63 to Franklin Templeton Investments for investment advisory fees for the quarter ended June 30, 2005

\$6,750.00 to Hay Group for Actuarial services and expenses for the third quarter (July-September) of 2005

\$19,561.39 to M&T Investment Group for custodial services for period ending July 15, 2005

\$250.00 to M&T Investment Group for trustee services for period ending July 15, 2005

\$14,811.28 to Turner Investment Partners for management fee for quarter ending July 30, 2005

\$30,822.58 to Pzena Investment Management LLC for Management fees for period April 1, 2005 through June 30, 2005

\$23,852.78 to Cohen Klingenstein & Marks for Investment Counseling, second quarter, 2005

Ms. Lumis presented the Berks County Employee's Retirement Fund Statement of Income and Expenses for period ending August 31, 2005 to the Board. Ms. Lumis said the statement included a 13-month trend of activities by advisor. Ms. Lumis said the report did not include any analysis or ratios, however she would include that information in future reports if requested.

Mr. Patrizio suggested the report cover a twelve-month period and that one column show year-to-date, which would include January 1 through August 31 and another column that showed the prior 12 months.

Mr. Long said he would like the report to indicate what the balance was at the beginning of the twelve months and at the end of the twelve-months with the report including what impacted the difference. Mr. Long did not feel that buy-backs and county contributions were income through the Fund. The income through the Fund would be everything else shown on the report. He wanted to see a subtotal with the two categories separated.

Mr. Gajewski asked if the cash allocation received by the separate advisors was a combination of the employer and employee monies. Mr. Long said it is the excess of what came in through the ARC payments and employee contributions verses what was paid in annuities and refunds.

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Mr. Patrizio asked what the total accumulated deduction were at the end of last year, the amount of the member contributions and the pick-up contributions for everyone who opted for the Voluntary Severance Program (VSP). Mr. Patrizio said he would see that the Board members receive a copy of the VSP schedule so the payoff could be planned. For those retiring, the schedule would show what their contributions were as of December 31, 2004, what the interest has been and what they could potentially receive in a lump sum. It is totaled and divided by years of service. Mr. Patrizio asked Ms. Baer to provide him with a list of the retirees and what options they are taking so the County can get an idea of the amount of money needed. He said money is put in the Pension fund for these types of payoffs. He said the condition would be to use profits of the plan and not add general fund money in to cover it.

Meeting adjourned at 12:00 p.m.