

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
FEBRUARY 15, 2006

Commissioner Judith Schwank called the meeting to order at 10:09 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 and Mark Hanson, Office of the Controller. Dianne M. Lutz, CIMA, First Vice President, and Richard Gleason, Sr. Vice President of Consulting Group Smith Barney, Inc. and Eric Kleppe, CFA, Director of Turner Investment Partners, also attended.

The minutes of the January 18, 2006 meeting were approved on motion by Ms. Graffius and second by Mr. Gajewski.

The Board received the following communications:

Presentations:

SMITH BARNEY, INC. Ms. Lutz said the tentative dates for the large cap growth manager interviews are March 21st and 22nd, 2006. A proposed agenda was given to the Board for their approval. Completed Request For Information (RFI) have been received from each large cap growth equity manager scheduled to appear, and they will be distributed to the Board members prior to the workshop.

As a follow up to the Board's request for their current equity managers to indicate whether they have any unreported material financial disclosures, all investment managers responded they had no additional information. Furthermore, led by Pzena the investment managers reminded the Board that they are prohibited legally by the SCC from disclosing information of a material nature which has not been publicly disclosed. Disclosing information to the Berks County Retirement Board in advance of public disclosure would be an example of providing insider information and is prohibited by law. Emerald Advisers Inc. reported that the departure of Scott Rehr was not disclosed in their RFI because he was not a portfolio manager. Other managers responded that their updates were accurate and complete.

TURNER INVESTMENT PARTNERS: Mr. Kleppe said Turner's policy is to continue to be put the clients first, consistency of investment discipline and commitment to values. Turner has 93 employees; 80 of which are owners of the firm, including Bob and Mark Turner who are majority owners of the corporation. Mr. Kleppe said Turner's total equity assets under management are approximately \$18.3 billion compared to last year, which was \$14 billion. Approximately 18% of their business or \$3.5 billion is public fund asset. Mr. Kleppe said the minimum market capitalization of stock that they will buy under the large cap growth strategy for the Berks County Retirement Fund portfolio is about \$10 billion.

Mr. Gajewski said that in the last six-year period, Turner has lost approximately one million dollars for the Fund. Mr. Gajewski asked why the Board should remain with a manager who continues to lose money. Mr. Kleppe said this strategy is designed to give the Fund exposure to large cap growth styles. Turner has not changed their process of identifying attractive stocks in that space and remains disciplined in what they are doing. Over a long period of time, Turner has provided a positive return and outperformed the growth benchmark in this

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strategy. He continued to say that the last 5 years have been particularly difficult for large growth equity managers.

Mr. Gajewski said the Fund's actuarial assumption is 7.5% and asked how to reconcile the loss with that expectation. Mr. Kleppe said going forward the return assumption could be met in a period of five to ten years.

Correspondence:

Cohen Klingenstein Marks Inc. portfolio holdings as of December 31, 2005, Quarterly Review and Market Conditions

Lynch, Jones & Ryan, Inc. Trading Summary January 1, 2005 through December 31, 2005

McDonnell Investment Management, LLC Investment Report for period ending December 31, 2005 with letter announcing online access of account statements

Pzena Investment Management Investment Portfolio Summary for period September 30, 2005 through December 30, 2005, and Quarterly Report to Clients

SEI Investments 2006 Commission Statement as of Trade Date January 31, 2006 and Statement period December 31 through January 31, 2006

Templeton Portfolio Advisors Portfolio Quarterly Report as of December 31, 2005

MTB'S President's Message and Semi Annual Report – October 31, 2005

Bank statements

January, 2006, 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)

January 2006, statement from Wachovia for checking account 210000020087.

Solicitations:

General:

Mastholm Asset Management, LLC, Deerfield, Illinois

Conferences:

The 12th Annual Beneficial Owners' Summit on Domestic and International Securities Lending & Repo, February 5-8, 2006, Scottsdale, Arizona

Mid-sized Pension Management Conference, May 7-10, 2006, Boston, Massachusetts

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11th Annual Public Funds Summit, April 2-5, 2006, Las Vegas, Nevada

The 6th Annual World Series of Exchange Traded Funds, March 30-31, 2006, Key Biscayne, Florida

Old Business:

Following a discussion, Mr. Scott moved, second by Ms. Graffius to recommend to the Board of Commissioners that the General Fund reimburse the Berks County Employee's Retirement Fund the amount of \$54,968 (as verified by Judi Lumis of the Controller's Office) to cover total costs incurred as a result of the December 2005 equity asset sales transacted to realize capital gains and bump up year-end total Fund book value. Motion carried with one no vote from Mr. Gajewski.

Ms. Lumis completed an analysis that indicates there is a definite benefit using the trade date statement over the settlement date statement. Using the trade date will reduce the ARC payment by 1.35 million dollars. Ms. Lutz said that M&T Bank would continue to send both trade date and settlement date statement formats to the Controller's office

Ms. Graffius said the contract for the Securities Lending and Repurchase Agreement had been signed. Mr. Santoro of Dresdner Bank sent notification that the start up phase of the program would begin within the next few days. Ms. Graffius will also be notified prior to trading. Letters and program guidelines relative to the sales/recalls of securities were forwarded to the investment managers.

Ms. Schwank asked if the information had been received that is needed by Hay Group to continue their calculations. Ms. Lumis said that Craig Stott, of Human Resources Department was working on the demographics and had made it a priority. Ms. Lumis said she was setting February 28, 2006 as the deadline to get the information to Hay Group.

New Business:

The Board authorized the disbursements on motion by Mr. Scott and second by Ms. Graffius. Motion carried. Mr. Gajewski wanted it noted that the Turner is being paid \$16,900 and that the Fund had lost \$1 million through them over a period of six years.

Annuities and refunds for February, 2006

Annuities	\$ 633,194.13
Refunds	\$2,502,512.81
Total	\$3,135,706.94

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\$6,750.00 to Hay Group for Actuarial services and expenses for first quarter (April-June) of 2005

\$25,488.51 to Cohen Klingenstein & Marks, Investment Counseling, fourth quarter, 2005

\$19,825.35 to Emerald Advisors Inc., Investment Counseling fees for period of October 1, 2005 through December 31, 2005

\$41,173.89 to Franklin Templeton Investment for Investment Advisory Fees for quarter ended December 31, 2005

\$32,165.43 to Pzena Investment Management, LLC Custodial Management from October 1, 2005 through December 31, 2005

\$25,326.95 to M&T Investment Custodian fees for period ending January 15, 2006

\$290.00 to M&T Investment Group for Vanguard Account for period ending January 15, 2006

\$27,390.13 to McDonnell Investments Management, LLC for management of assets October 1, 2005 through December 31, 2005

\$56,988.00 to Schneider Capital Management quarterly management fee for period October 1, 2005 through December 31, 2005

\$11,250.00 to Smith Barney Inc. for consulting services October 1, 2005 through December 31, 2005

\$16,903.06 to Turner Investment Partners for management fee for quarter ending December 31, 2005

Citizen comment from the floor. Mr. Frank Shurr asked if there had been any decision regarding a Cost of Living Adjustment (COLA). Ms. Schwank said a letter had been received from Hay Group that indicated the cost of granting a (COLA). A copy of the letter was not available, however the cost was recalled to be \$5.46 million. Ms. Schwank asked if there was any other contribution that could be made other than granting a COLA retroactively. Ms Lumis said there was but it would have to come from the General Fund as a lump sum payment. The Board agreed that no decision could be made until the final report was received from the Hay Group.

Meeting adjourned at 11:39 p.m.