

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
AUGUST 16, 2006

Commissioner Thomas Gajewski called the meeting to order at 10:10 a.m. Attending were Mark Hanson for Sandy Graffius, Secretary, Nelson Long, Treasurer and member Mark Scott. The following County staff attended: Alan Miller, Solicitor; and Suzanne Baer, Pension Coordinator, Office of the Controller. Dianne M. Lutz, CIMA, First Vice President of Consulting Group Smith Barney, Inc., Stephen Darby, Managing Director of Schneider Capital Management, and Mike Malinowski, Engle-Hambright & Davis, Inc. also attended.

Approval of minutes of the July 20, 2006 meeting was postponed until next meeting.

The Board received the following communications:

Presentation:

Smith Barney, Inc., Second Quarter Review: Ms. Lutz said the foreign markets are continuing to do well and that the allocations to international have been increasing over the past three quarters.

Ms. Lutz said one issue the Board may want to discuss at a future workshop is fixed income and the limitation in intermediate term and determine if an expansion should be allowed.

Ms. Lutz said looking at a trailing one year the Fund has returned 8.15%, outperforming all bench marks. Since the start of calendar year 1998 the Fund has also stayed ahead of its target benchmark, which is 65% S&P 500, 30% Intermediate Government Credit and 5% T bills. The actual Fund allocation at the end of June, 2006 was 70% equity and the balance in fixed income and cash.

| FUND | BENCHMARK | PERFORMANCE SUMMARY TABLE YTD 6/30/06 |
|---------------------------|-----------|---|
| Total Fund | 1.84% | 3.21% |
| Vanguard S&P500 Index | 2.71% | 2.71% |
| Emerald Account | 6.07% | 11.24% |
| Templeton Portfolio | 10.16% | 8.81% |
| Pzena | 7.68% | 3.21% |
| Schneider Capital | 6.54% | 8.87% |
| McDonnell Fixed Income | -0.18% | -0.08% |

Ms. Lutz said the third quarter report will include the performance for the three new managers, Chase Investment Counsel, Rigel Investment

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Advisory and Westfield Capital Management, who replaced Cohen, Klingenstein & Marks and Turner Investment Partners.

Schneider Capital Management Corp.: Mr. Darby commented that there have no changes in the overall status of Schneider Capital Management Corp. or its investment personnel. Mr. Schneider, the founder of the firm, continues to make all the investment decisions for the Fund's portfolio. Mr. Schneider is supported by a team of six fundamental research analysts. There are a total of twenty-two employees centrally located in their King of Prussia headquarters. At the end of June they had total assets under management of \$4.7 billion. Mr. Darby said that although Schneider manages only value stocks there is a high degree of confidence that in the next six to nine months growth stocks will outperform value stocks. He said the value is in growth stocks at the current time after the growth styles underperformance over the last six years.

Mr. Darby said that Schneider Capital Management Corp. would be categorized as a deep value investor, looking for stock that is performing below their potential earnings power in anticipation of an earnings rebound.

Correspondence:

Dresdner Bank transaction confirmations and Allianz Dresdner Daily fund Chase Investment Counsel quarterly review and performance update for period ended June 30, 2006

Rigel Capital, LLC Portfolio Appraisal, June 30, 2006

Lynch, Jones & Ryan, Inc. trading summary January 1, 2006 through June 31, 2006

McDonnell Investment Management, LLC's Investment Report for the period ending June 30, 2006 and letters dated June 23 and June 30, 2006 regarding trades executed through their global correspondent network.

Pzena Investment Management. LLC Portfolio Review for period March 31, 2006 through June 30, 2006 and Quarterly Report to clients

SEI Investment Inc. 2006 Commission Statement as of Trade Date July 31, 2006, Statement of Account for period July 1, 2006 through July 31, 2006 and Trade Confirmations, trade dates July 26, 2006 and July 28, 2006

Templeton Portfolio Advisors Quarterly report as of June 30, 2006

Emerald Advisers, Inc. Commission Recapture Activity Month ending July 31, 2006, Broker: Lynch, Jones & Ryan, Inc.

Acknowledgment from Veritas Securities Litigation of Proof of Claim, advising claim is ineligible for compensation

Bank statements

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July, 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)

July, 2006, statement from Wachovia for checking account 210000020087.

Solicitations:

General

Pitcairn Investment Management, Jenkintown, Pa.

Mastholm Asset Management, LLC,

Genesis Marketing Group, Inc., Hinsdale, IL.

Hammond Associates, St. Louis, MO

Conference

Middle Atlantic Public Employee Retirement Systems
Forum, Gaithersburg, MD, September 21-22, 2006

Old Business:

Mr. Long said he would contact National Penn Bank to obtain a contract from them in their capacity as the provider for the IRA rollover accounts of severed employees who have \$250.00 or more in pension assets and failed to respond to written requests for disbursements of the assets. The contract would be reviewed by Mr. Miller.

Following a discussion the Board agreed to advertise the names of those severed employees who have failed to respond to written requested for disbursement of assets on a annual basis. The Board instructed Ms. Baer to do a publication now and then begin the annual publication in January of 2007.

The Board discussed the Commercial Insurance Proposal for Fiduciary Liability introduced by Mike Malinowski at its July meeting. Mr. Malinowski responded to some questions from the Board. An aspect of the policy that was clarified was the deductible of \$25,000 which would apply once per action and would be split between the Board members named in the action.

Mr. Malinowski also said that he had received a premium quote for comparable coverage from Philadelphia Insurance Company and found their quotes were significantly higher than those of St. Paul's Travelers Insurance Company.

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New Business:

Mr. Long moved, seconded by Mr. Hanson, to approve the buy back request of Debra Wengert, approximately 7 months at \$1,388.57. Motion carried.

Mr. Long moved, seconded by Mr. Scott to approve the buy back request of Pamela Barnhardt, time previously refunded at \$23,252.46. Motion carried.

The Board authorized the disbursements on motion by Mr. Scott and second by Mr. Long once they have been satisfactorily reviewed by the office of the Controller. Motion carried

Annuities and refunds for August, 2006

| | |
|-----------|--------------|
| Annuities | \$572,302.63 |
| Refunds | \$189,364.80 |
| Total | \$761,667.43 |

\$250.00 to M&T Investment Group for Custodian fees period ending 7/15/2006

\$22,324.23 to M&T Investment Group for Custodian fees for period 4/1/2006 through June 30, 2006

\$4,739.00 to Chase Investment Counsel for Management Fees for period June 7, 2006 through June 30, 2006

\$21,572.19 to Emerald Advisory Inc. for Investment Counseling Fees for period of April 1, 2006 through June 30, 2006

\$44,766.23 to Franklin Templeton Investments for Investment Advisory fees for quarter ended June 30, 2006

\$27,374.30 to McDonnell Investment Management, LLC for Management of Assets April 1, 2006 through June 30, 2006

\$33,014.32 to Pzena Investment Management, LLC for Management Fees April 1, 2006 through June 30, 2006

\$5,060.14 to Rigel Capital, LLC for Management fees through June 30, 2006

\$60,765.00 to Schneider Capital Management Quarterly Management Fee for period April 1, 2006 through June 30, 2006

\$3,755.50 to Hay Group for 2006 Benefit Statement

\$3,824.16 to Westfield Capital Management for Management Fee through June 30, 2006

Citizen comment from the floor.

Mr. Shurr addressed the Board on behalf of the County's retirees to request a cost of living adjustment. Mr. Scott responded that at this time he does not favor a cost of living adjustment. No motion was made.

Meeting recessed at 11:42 a.m.

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Commissioner Judith Schwank reconvened the August 16, 2006 meeting of the Berks County Employee's Retirement Fund Board on August 22, 2006 at 12:28 p.m. Attending were Sandy Graffius, Secretary, Nelson Long, Treasurer and members Thomas Gajewski and Mark Scott. The following County staff attended: Alan Miller, Solicitor; and Suzanne Baer, Pension Coordinator, Office of the Controller. Also attending was Michael Malinowski, Engle-Hambright & Davies, Inc.

Following discussion it was moved by Mr. Long and seconded by Mr. Gajewski :

1R-06 Authorize execution of an insurance application to bind coverage with St. Paul/Traveller's Insurance Company to provide fiduciary liability coverage to the Berks County Employees' Retirement Fund Board and its members in an aggregate amount of five million dollars (\$5,000,000.00) for an annual premium of thirty thousand nine hundred fifty one dollars (\$30,951.00) with such premium being paid from the Retirement Fund assets.

The revised minutes of the July 20, 2006 meeting were approved on motion by Ms. Graffius and second by Ms. Schwank. Mr. Long and Mr. Gajewski abstained because they were not present for meeting..

Meeting adjourned at 12:45 p.m.