

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
DECEMBER 20, 2006

Commissioner Judith Schwank called the meeting to order at 10:24 a.m. Attending were Sandy Graffius, Secretary and members Thomas Gajewski and Mark Scott. The following County staff attended: Alan Miller, Solicitor, Suzanne Baer, Pension Coordinator and Judith Lumis, Office of the Controller. Richard Gleason, Sr. Vice President and Dianne M. Lutz, CIMA, First Vice President of Consulting Group Smith Barney, Inc. and James Pittinger, Marketing Director and Michael Kamradt, Chief Investment Officer, McDonnell Investment Management, LLC and Michael Kemp, citizen, also attended.

The minutes of the October 19, 2006 and November 15, 2006 meetings were approved on motion by Ms. Graffius and second by Ms. Schwank.

The Board received the following communications:

Presentations:

Smith Barney, Inc: Mr. Gleason said that year 2006 was a classic example why it is good to have an asset allocation and stick with it. Mr. Gleason reviewed the asset class returns for year to date November 30, 2006 and the best place to be was REITS up 37.2%, followed by emerging markets up 26.86% and EAFE up 22.5%.

Mr. Gleason said high yield bonds are up 10.65% and that normally when high yield bonds are doing well the economy is not going to roll over. He said this might be considered good for the US economy; it may be slowing but not going into recession.

Ms. Schwank asked Mr. Gleason if it was too late to consider the real estate market. Mr. Gleason said if the economy slows up and prices start coming down, it would be a good time to consider adding real estate to the plan.

Ms. Lutz said year to date through November 30, 2006, the Fund was up 11.90 % versus the bench mark of 10.75%; and, for the trailing five years, from November 30, 2001 thru November 30, 2006, the Fund was up 8.13% versus the benchmark of 5.65% and the accrual assumed rate of return for the Fund of 7.5% annually.

Ms. Lutz said the current asset allocation at the end of November 2006 was 71% equities with the balance invested with fixed income and cash.

FUND	BENCHMARK	PERFORMANCE SUMMARY TABLE ENDING 11/30/06
Total Fund	10.75%	11.90%
Emerald Sep. Account	13.62%	14.34%
Pzena	18.87%	15.57%

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Schneider Capital	19.53%	22.69%
Templeton Portfolio	22.49%	21.59%
Vanguard S&P500 Index	14.21%	14.18%
McDonnell Fixed Income	4.50%	4.64%
Chase Investments	n/a%	n/a*
Rigel Capital, LLC	n/a	n/a*
Westfield Capital	n/a%	n/a*

*Managers hired June 30, 2006. No year-to-date performance is available.

Ms. Lutz said the Commission Recapture and Securities Lending have provided the Fund additional cash flow. Ms. Lumis said so far this year the proceeds from commission recapture equaled \$57, 476; securities lending totaled \$30,495; and \$43,618 were received as a result of the custodial management of class action lawsuits pertaining to securities held in the Fund over time.

McDonnell Investment Management, LLC: Mr. Pittinger said as of September 30, 2006 McDonnell Investment Management, LLC. (McDonnell) had \$11.4 billion assets under management. Mr. Pittinger said as the firm grew, they increased their staff from 55 to 78. The firm recently added two new portfolio managers and two research managers.

Mr. Kamradt said one the McDonnell's objectives was to produce returns consistent with the benchmark. The portfolio's year-to-date total rate of return as of November 30, 2006 is 4.64% verses the benchmark of 4.5% and since inception 7.1% verses the benchmark of 6.6%.

Mr. Kamradt spoke to the Board about three popular opportunistic sectors that could possibly improve returns without changing the asset allocation of the portfolio. These include:

1. Commercial Mortgage Backed Securities-
2. Non-Dollar Sovereign Fixed Income
3. "BB Rated" Corporates

Mr. Pittinger said they would work with the financial consultants to develop the materials to be part of a Retirement Fund workshop to further discuss these options.

Correspondence:

Dresdner Bank transaction confirmations and Allianz Dresdner Daily fund

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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 - \$7,152,405; for 90% - \$5,706,101.

Letter from WorldCom Victim Trust and check for the first distribution for 2% of the eligible loss amount in the amount of \$10,863.28. Additional distribution likely to be equal or greater in size, to be finalized sometime in first half of 2007. (Part of M&T pursuit of class action lawsuits)

Chase Investment Counsel Commission Recapture Broker Commissions from November 1 through November 30, 2006, letter dated November 29, 2006 with invitation to their 34th Annual Client Conference, May 3 -5, 2007 and Form ADV Part 2

Lynch, Jones & Ryan, Inc. Trading Summary January 1, 2006 through October 31, 2006 and Commission Recapture Activity for month ending November 30, 2006 and News Update, November, 2006

Pzena Investment Management Commissions Report for November 2006 and booklet "The Search for Value".

SEI Investments, Trade Confirmations and Statement of Account November 1 through November 30, 2006,

Berks County Employees' Retirement Fund Statement of Income and expenses for the period ending November 30, 2006

Bank statements

November, 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)

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

Solicitations:

General

Colliers Lanard & Axilbund, Philadelphia, Pa.

Hammond Associates, St. Louis, Mo.

Genesis Marketing Group, Inc., Hinsdale, Il.

Conferences

Mid-Sized Pension Management Conference, March 11-14, 2007, San Francisco, Ca.

Alpha-Bets 2007, February 12-13, 2007, Midtown Manhattan, NYC, N.Y.

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Old Business:

Mr. Scott moved, seconded by Ms. Graffius to approve the Proposed Berks County Employee's Retirement Fund Board Meeting and Presentation Schedule for 2007.

Ms. Lutz said the realization of capital gains has been completed. Approximately \$12,923,776 in capital gains was realized thru the selling and repurchasing process. Ms. Lutz said she spoke to Hank Stiehl of Hay Group who said that using the cost value of assets of \$209,259,513 would reduce the estimated 2007 Annual Required Contributions (ARC) to approximately \$7.6 million. Ms. Lutz said M&T Trust would do a complete evaluation on the costs associated with the asset sale and Ms. Lumis would verify the numbers. Ms. Lutz said the final cost for the asset sale amount would not be known until early February. Ms. Lutz suggested the Board may want to hold off on realizing the capital gain on the Van Guard S&P 500 Index fund this year. This was confirmed with her conversation of Hank Stiehl with the reasoning being that, if too much gain is realized in this calendar year the book value could potential be so high that there is no cushion against negative market performance in future year(s).

Ms. Lumis said the ARC was paid in full in November and no additional county contributions are needed to be made prior to December 31, 2006. However, in order to cover distributions out of the Fund, a cash disbursement will need to be taken from the McDonnell Fixed Income account prior to year end.

New Business:

Mr. Gajewski moved, second by Ms. Graffius to keep the rate of interest for employee contributions to the Fund at 4.5 percent for calendar year 2007. Motion carried. It was noted that Mr. Long told Ms. Graffius prior to the meeting he would support the rate of interest being raised to 5.5% for calendar year 2007.

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

Dianne L. Dachowski increase previously approved payroll deduction from \$50.00 bi-weekly to \$125.00 bi-weekly for the total amount of \$40,428.8 previously refunded.

Woodrow J. Leach to buy-back 3 years of military service at \$13,357.08.

Annuities and refunds for December, 2006

Annuities	\$261,752.76
Refunds	\$581,114.69
Total	\$842,867.45

Citizen comment from the floor.

Mr. Kemp addressed the Board on a Cost of Living Adjustment (COLA). Following a discussion, the Board agreed that in accordance with ACT 96, a

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COLA would have to be given retroactively and could not be granted at the current time.

Meeting adjourned at 12:17 p.m.