

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
OCTOBER 20, 2005

Commissioner Judith Schwank called the meeting to order at 11:15 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; William Dennis, County Administrator; Suzanne Baer, Pension Coordinator, and Judi Lumis, Office of Controller.

The minutes of the September 22, 2005 meeting were approved on motion by Mr. Scott and second by Ms. Graffius.

The Board received the following communications:

Correspondence:

Letter from Internal Revenue Service advising penalty will be abated (removed) in full

Letter from Cohen Klingenstein & Marks Inc. announcing Sheila Hartnett-Devlin as a new member of their senior management team and Report on Market Conditions Report

Copy of letter from Commissioner Gajewski addressed to Mr. Gleason, V. P., Smith Barney Consulting Group

Claim Confirmation Notice from Fifth Third Bancorp Securities Litigation

Letter from Schneider Capital Management enclosing copy of SCM's Form ADV Part 2

BNY Brokerage Plan Summary Statement for August 2005

Lynch, Jones & Ryan, Inc. Trading Summary for January 1, 2005 through August 31, 2005 and Monthly Newsletter

Pzena Investment Management Commission Report for September 2005

SEI Investments 2005 Commission Statement as of Trade Date Sept. 30, 2005

Turner Investment Partners Schedules of Investment Performance Statistics for period ending December 31, 2004

Bank statements

September 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)

September 2005, statement from Wachovia for checking account 210000020087.

Solicitations:

General

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West Chester Capital Partners, LP, West Chester, Pa.  
Abel/Noser Corp, New York, New York  
Lerach Coughlin Stoia Geller Rudman & Robbins/  
Philadelphia, Pa.

Conferences

Fourth Annual Valuation of Hard-to-Value Securities and  
Portfolios, November 7-8, 2005 in New York City, N.Y.

Fund of Funds Forum, November 14-16, 2005 in Midtown  
Manhattan, N.Y.

Mid-Sized Pension Management Conference, January 29-  
February 1, 2006 in Orlando, Florida

The 24<sup>th</sup> Annual REIP 2006, February 5-7, 2006 in  
Phoenix, Arizona

Currency Management Forum 2005, December 8, 2005 in  
New York, New York

Old business:

Ms. Lumis spoke with Mr. Delisio, from the retirement office of Montgomery County. Mr. Delisio said Montgomery County's Investment Plan is similar to Berks County's Plan. Ms. Schwank also spoke with Mr. Delisio and was advised that Montgomery County has a watch list of different funds. The watch list is put on their agenda and they follow through with problems as they are detected.

Mr. Long spoke with Garrett Page, Treasurer of Montgomery County, and was told that John Spagnola was Montgomery County's Investment Adviser. Mr. Long scheduled a meeting with Mr. Spagnola for October 21, 2005. Mr. Long invited the Board to attend the meeting. Ms. Baer said Mr. Spagnola was interviewed back in 1999 when Ms. Lutz of Smith Barney was selected as consultant for the Retirement Board.

Ms. Schwank asked the Board if it wanted to review the Investment Policy and Objectives from Montgomery County and distributed copies to the Board.

Ms. Graffius said she would also like to look at Montgomery County's Policy however, would abstain from making any recommendation at the current time.

Mr. Scott asked what the specific complaints were regarding the Fund Managers and Consultant. He said the Fund had not suffered losses any greater than most County Plans.

Ms. Schwank said if changes were to be made to the Fund's policy they should be decided by year-end. She added that the Board might not be taking a proactive approach to its performance. Mr. Gajewski said he was concerned about the way the Fund is being serviced.

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Mr. Long suggested the Board look at the RFP that was done five or six years ago. Ms. Baer said the RFP should be updated since some of the firms may no longer be in business. Mr. Gajewski asked if the RFP specified the allocation of assets? Ms. Baer said she was new to the Retirement Fund at the time, but did not think the Fund had a diversification plan.

Ms. Schwank asked that each Board member review Montgomery County's Investment Policy before the next Board meeting. Ms. Schwank asked that a copy of the Investment Policy be sent to Ms. Lutz at Smith Barney for her review. The Board would discuss the differences between Berks and Montgomery's Policies and make suggestions at the next meeting.

New Business:

The State Senate is allowing County Retirement Fund Boards to adopt a new class. This would allow the Fund to drop the class down to 140<sup>th</sup> or 150<sup>th</sup> class retroactively. The Board would have until December 31, 2006 to make the decision. Ms. Baer said by dropping one or two classes the County would be enhancing the benefits paid out to future retirees and thereby increase future liabilities.

Ms. Baer said currently when an employee severs from the County a letter is mailed to them asking what they want to do with their pension contributions. If the person is able to vest she sends them a specific letter. If they do not respond, the money continues to accrue interest. Under new IRS regulations, if they fail to respond and do not designate if they want to cash out their pension or roll it into another Fund and the value exceeds \$1000.00, the County must set up an IRA for the pensioner through a County elected institution. The County has the burden of appointing someone to be the IRA carrier for the County. Congress has adopted this and as of January, 2006 pension refunds must be handled in this way. Ms. Schwank requested that Ms. Baer look into how much money is involved. Ms. Baer said she would prepare a spreadsheet showing how much money is currently being held in the Fund. Ms. Baer said the notices that go out to pensioners would be required to specify what would happen to their money if they do not respond.

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

Paula M. Freiwald to buy-back 5 years of military time at \$20,635.14

John S. Falter to buy back nearly 4 years of military time at \$14,934.32

Dennis R. Neiman to buy back nearly 4 years of military time at \$14,043.52

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

Annuities and refunds for September, 2005

Annuities      \$481,984.29

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Refunds	\$248,980.98
Total	\$730,965.27

\$6,750.00 to Hay Group for Actuarial services and expenses for the fourth quarter  
(October-December) of 2005

Meeting adjourned at 12:00 p.m.