

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
NOVEMBER 16, 2005

Commissioner Judith Schwank called the meeting to order at 11:13 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 Judi Lumis, Office of Controller and Dianne M. Lutz, CIMA, First Vice President, and Richard Gleason, Sr. Vice President of Consulting Group Smith Barney, Inc., Wayne Palladino, and Michel Hanigin Directors of Client & Portfolio Services Pzena Investment Management, LLC. Mark Lundquist, Financial Consultant to the County of Berks, also attended.

The minutes of the October 20, 2005 meeting were approved on motion by Ms. Graffius and second by Mr. Gajewski.

The Board received the following communications:

Presentations:

PZENA INVESTMENT MANAGEMENT, LLC: Mr. Palladino said Pzena is a classic value investment firm mandated to construct concentrated portfolios of 30 to 40 stocks of the best value opportunities. Mr. Palladino said currently the firm is able to buy value stock roughly at a fifty percent discount to the entire market. He said even though valuations have narrowed in the market place he still feels value is a good place to be.

Mr. Palladino said for the period of June 30, 2005 through October 31, 2005 the total portfolio return is ahead versus the index. He said Pzena has been with Berks County slightly over 2 years and has been able to add value by out-performing the index.

SMITH BARNEY, INC: Mr. Gleason said the best place to be year to date is emerging markets. The Fund is getting exposure through Templeton with 10% of its portfolio currently in emerging markets. Templeton's allowable maximum emerging markets allocation is 25% of their portfolio.

Ms. Lutz said the Fund is up 3.07 per year versus the benchmark of 1.45 from 9/2000 through 9/2005. Ms. Lutz also reviewed historical performance prior to their coming on board as consultant in January 1999. She said years such as 1998, when the total Fund returned 5.46% vs the bench mark which at the time returned 19.02%, clearly shows the Fund lacked equity style diversification. At a time when growth was significantly outperforming value, the Fund was concentrated in value with limited or no growth exposure.

Ms. Lutz noted the Annual Required Contributions have been included in their report as well as the annual County contributions from 1999. Ms. Lutz said Hank Stiehl from Hay Group could develop the history of the contributions, if it were not available through the Treasurer's office, and would be included in the report if requested by the Board.

The actual allocation as of September 2005 was 68% equity, 29% fixed and 3% in cash. Ms. Lutz said every time money is added or taken out for distribution, the

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allocation is kept in line and rebalanced. The estimated total fund value at the close of business November 15, 2005 was \$192,697,011.

FUND	BENCHMARK	ACTUAL PERFORMANCE YEAR TO DATE
Total Fund	2.27percent	3.23 percent
Turner Investments	2.23 percent	2.80 percent
Cohen, Klingenstein	2.23 percent	-3.59 percent
Vanguard S&P500 Index	2.75 percent	2.76 percent
Emerald Account	2.51 percent	5.60 percent
Templeton Portfolio	9.08 percent	10.06 percent
Pzena	6.74 percent	8.29 percent
Schneider Capital	5.71 percent	3.01 percent
McDonnell Fixed Income	1.05 percent	1.17 percent

Mr. Gleason said that when Smith Barney became Fund Manager they were concerned that the Fund did not have the diversification between growth and value. He said the returns of value verses growth are very dramatic; however, the Fund has a rebalancing policy and can take advantage of the cycles. Mr. Gleason said Smith Barney does a style check to make sure a growth manager is really growth and returns are consistent with growth. Rebalancing only works with style purity.

Mr. Gleason briefly explained an Asset Classes List he distributed and said he would be prepared to discuss the different asset classes in detail at the next Retirement Fund Workshop if requested by the Board.

Correspondence:

Letter from Hay Group Re: Estimated Pension Costs for 2006 Budget estimating the Annual Required Contribution for 2006 at \$9,590,000

Cohen Klingenstein & Marks Portfolio Holdings as of September 30, 2005, Quarterly Review and Market Conditions

Lynch, Jones & Ryan, Inc. Trading Summary for January 1, 2005 through September 3, 2005 and News Update, October 2005

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McDonnell Investment Management, LLC Investment Report for period ending September 30, 2005 and letter announcing availability of on line access of account statements

Pzena Investment Management Portfolio Review for period June 30, 2005 through September 30, 2005, Commissions Report for October 2005 and Quarterly Report to Clients

SEI Investments 2005 Commission Statement as of Trade Date October 31, 2005

Templeton Portfolio Advisors Portfolio Quarterly Report as of September 30, 2005 and letter regarding restatement of the performance results reported in portfolio of January 2001

Letter from Turner Investment Partners announcing David J. Honald, Jr. as a security analyst/portfolio manager

Bank statements

October 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)

October 2005, statement from Wachovia for checking account 210000020087.

Solicitations:

General

Bellwether Consulting LLC, Montclair, New Jersey

Alliance Bernstein, New York, New York

Eaton Vance Management, Boston, Ma.

JPMorgan Account Statement for period October 1, 2005 through October 31, 2005

Schiffrin & Barroway, LLP, Radnor, Penna.

Conferences

An Investor's Conference on Transforming the Oil Juggernaut, End 2/06, venue and location to be announced

Old business:

Ms. Schwank said she spoke with Dianne Lutz regarding having a workshop to discuss the Fund's Investment Policy and Objectives Statement and the potential pension obligation bond and other issues pending before the Board. The Board agreed to hold a Retirement Fund Workshop on November 30, 2005.

New Business:

Mr. Gleason said Pension Asset Sale is normally a one-time opportunity with an accounting risk. From an investment standpoint it is a relatively easy procedure. He said it is an accounting actuarial issue more than an investment issue. Mr. Gleason said the Board should be aware that if takes advantage of harvesting gains, there is a risk of raising the cost basis to the point that, if there is a subsequent negative year, it will make the negative look worse. Ms. Lutz said M&T Bank charges \$10.00 per transaction, \$10.00 to sell and \$10.00 to buy it back. There are also transaction costs for each sale. The range of cents per share trading cost spans from Schneider trading at five cents per share to Cohen Klingenstein and Marks, Templeton and Turner trading at three cents per share. Ms. Lutz said that, with the rebalancing currently in place and the diversification of investment styles, cash flow to and from the various investment managers is resulting in managers buying low and selling high. As an asset class gets over priced, it is sold and gains are realized.

Mr. Lundquist said if the Board made the decision to go forward with the Pension Asset Sale, the Board would need to give direction to Smith Barney regarding the goals that are to be accomplished. Mr. Lundquist said the Annual Required Contribution (ARC) for 2005 is projected to be about \$2.1 to \$2.2 million more than it would have been if the gains had been completely flushed out. He said locking in the gains could save the County approximately \$2 million in the ARC payment. Ms. Graffius and Mr. Lundquist both agreed this would not harm the Pension but would help with the ARC.

Motion was made by Mr. Scott and seconded by Mr. Gajewski to direct the consultant to notify the investment managers of the County's plan to lock in capital gains by year end. Motion carried.

The Board approved the 2006 Meeting Schedule/Schedule of Presenters as submitted on motion by Mr. Scott and second by Ms. Graffius.

Mr. Gajewski requested the Board look into if employees who buy back time can be required to pay interest at least to the rate of return that the pension earns.

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

Aldona Goletz to buy back just almost 12 months of military time at \$14,973.42.

Dianne L. Dachowski to buy back service time of almost one year previously refunded at \$40,428.78

William David McGuire to buy back 3 years of military time at \$16,562.14

The Board authorized the disbursements on motion by Mr. Scott and second by Ms.

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Graffius. Motion carried.

Annuities and refunds for October, 2005

Annuities	\$482,615.70
Refunds	\$145,477.18
Total	\$628,092.88

\$19,020.74 to Emerald Advisers Inc. Investment Counseling fee for June 1, 2005 through September 30, 2005

40,203.96 to Franklin Templeton Investments Investment Advisory Fees for Quarter ended September 30, 2005

\$270.00 to M&T Investment Group for trustee services for Vanguard for period ending October 15, 2005

\$22,594.93 to M&T Investment Group for custodial fees for period ending October 15, 2005

\$54,627.88 to McDonnell Investment, LLC. For Management of Assets for period July 1, 2005 through September 30, 2005

\$31,906.24 to Pzena Investment Management, LLC for management of assets from July 1, 2005 through September 30, 2005

\$56,241.00 to Schneider Capital Management for Quarter Management Fee for period July 1, 2005 through September 30, 2005

\$11,250.00 to Smith Barney Consulting Group Consulting Services for July 1, 2005 through September 30, 2005

\$16,225.02 to Turner Investment Partners Management Fee for Quarter ending September 30, 2005

Citizen comment from the floor.

Meeting adjourned at 12:05 p.m.