

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES
JANUARY 18, 2006

Commissioner Judith Schwank called the meeting to order at 10:06 a.m. Attending were Sandy Graffius, Secretary, Nelson Long, Treasurer and members Thomas Gajewski, and Mark Scott. The following County staff attended: Christine Sadler, Asst. Solicitor on behalf of 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 Mark Lundquist, Financial Consultant to the County of Berks, also attended.

The minutes of the December 21, 2005 meeting were approved on motion by Ms. Graffius and second by Mr. Gajewski.

The Board received the following communications:

Presentations:

SMITH BARNEY, INC.: Mr. Gleason said the best place to be last month was emerging equity markets up 34.54% for calendar year 2005, followed by international equity up 13.54% and then Russell mid-cap up 12.65%.

Ms. Lutz said for trailing returns from 12/31/00 through 12/31/05 the total Fund was up 4.20% annually, outperforming the benchmark, which was up 2.58% annually.

FUND	BENCHMARK	ACTUAL PERFORMANCE YEAR TO DATE THROUGH 12/31/05
Total Fund	3.82%	5.06%
Turner Investments	5.27%	5.55%
Cohen, Klingenstein	5.27%	-0.49%
Vanguard S&P500 Index	4.89%	4.90
Emerald Account	4.15%	9.47%
Templeton Portfolio	13.53%	12.71%
Pzena	7.73%	9.38%
Schneider Capital	7.04%	4.80%
McDonnell Fixed Income	1.57%	1.70%

The actual asset allocation at December 31, 2005 year was 69% equity, 28% fixed income and 3% cash.

The total equity allocation at the year-end was \$142,513,306. All asset and style allocations are within their established ranges.

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The Board reviewed the performance of the large growth managers Cohen, Klingenstein & Marks, Inc. and Turner Investment Partners, Inc. along with their peer group for the period October 1998 through September 2005.

Motion made by Mr. Gajewski, second by Mr. Long, to interview seven large growth managers including Turner Investment Partners, Inc. and Cohen, Klingenstein & Marks, Inc. for consideration and possible change.

The Board agreed the interviews should be scheduled after the February Board meeting, hopefully before the end of March.

Correspondence:

Lynch, Jones & Ryan, Inc. (LJR) Trading Summary for January 1, 2005 through November 30, 2005 and letter detailing how LJR's commission recapture program will be reported starting in 2006

Pzena Investment Management Commissions Report for December 2005

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

Correspondence received from Hay Group:

Information needed to Update Member list for 2006
Actuarial Valuation

Date for 2006 Actuarial Valuation

Cohen Klingenstein & Marks Market Conditions

Letter from Franklin Templeton Investments advising of claims filing service

Turner Investment Partners newsletter

Bank statements

December 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)

December 2005, statement from Wachovia for checking account 210000020087.

Solicitations:

General:

Bellwether Consulting, LLC, Montclair, New Jersey
Mastholm Asset Management LLC, Deerfield, Illinois
JPMorgan, Dallas, Texas

Conferences:

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The 5th Annual Stars & Stripes 2006 National Public
Employees' Retirement Fund Summit, April 2-4, 2006,
Key West, Florida

The Second Annual Papers Forum, April 18-20, 2006,
Harrisburg, Pennsylvania

Old Business:

CAPITAL GAINS PROJECT: MS. Lutz said M&T Bank prepared a letter detailing the transaction settlement costs incurred with M&T Bank per manager, as well as the individual managers trading cost, net of commission recapture. M&T Bank covered all the trading activity from December 22, 2005 through December 30, 2005. The estimated cost for reimbursement by the General Fund to the Retirement Fund is \$54,999.91. (Judy Lumis from the Controller's Office will be verifying M&T Bank's calculations.)

Ms. Lutz reviewed the estimate of the year-end market value of the Fund verses portfolio costs (or book value) of the Fund in a trade date basis verses a settlement date basis. Ms. Lutz said that historically the Hay Group had been using the settlement date version of statements to perform their year-end calculations. She also stated that Hank Stiel from Hay Group indicated he had no preference whether trade or settlement date data are used for actuarial purposes. Ms. Lutz said the data that she was providing had not been verified. Judy Lumis will verify all of these values including settlement verses trade date calculations prior to providing her finds to Hay Group for their calculations.

Ms. Lutz said the information stated in the M&T Bank statements was not verified, however she would forward all the information including the Trade Date Statement to Ms. Lumis for comparison and verification.

Motion made by Mr. Long, second by Mr. Gajewski, to use whatever statement format is most beneficial for purposes of the actuarial calculations for 2005.
Motion carried.

PENSION OBLIGATION BOND: Mr. Lundquist suggested the Board defer discussion of the Pension Obligation Bond until the March Board meeting. He suggested that prior to March's meeting, there be a discussion with the Reading Eagle's Editorial staff, a public session with member of the pension fund and that the Pension Board focus on a solid investment strategy.

Mr. Lundquist said he would meet with the County's Budget Director, Robert Patrizio, and Smith Barney in preparation for March's meeting. Mr. Lundquist said he would discuss the possibilities of a Pension Obligation Bond and a Cost of Living Adjustment (COLA) with Hay Group.

RETIREMENT FUND PENSION SOFTWARE: MS. Baer said that Hay Group was waiting for payroll transfer data from Human Resources and Information Systems. Ms Schwank said she would speak to Mr. Dennis and make this a priority. Ms. Baer said she expected to have the software installed on her desktop by March and available for release by the end of September.

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SECURITIES LENDING: Ms. Lutz said prior to the Board meeting there were three areas of concern regarding the draft Agency Securities Lending and Repurchase Agreement with Dresdner Bank that were resolved through communications with Solicitor Alan Miller. The issues were:

- It was decided to leave New York as governing state for the Agreement (instead of changing it to Pa.) since New York is the hub of the securities industry.
- It was verified that the list of approved counter-parties is updated and forwarded to clients continually as new entities are added.
- Section 19 of the Agreement was amended to allow the Berks County Employees Retirement Fund to immediately terminate this agreement instead of providing a thirty-day notice.

New Business:

Motion by Mr. Scott, second by Ms. Graffius, to request the Board of Commissioners approve the funds to cover prepayment of the ARC for the first six month period of 2006 to be paid on an as needed basis.

It was moved by Mr. Long and second by Ms. Graffius to purchase the 2006 Employee Pension Benefit Statements from Hay Group at \$1.75 per statement. Motion carried.

The Board authorized the disbursements related to recapture on motion by Mr. Scott and second by Mr. Long. Motion carried.

Annuities and refunds for January, 2006

Annuities	\$670,509.01
Refunds	\$ 62,749.21
Total	\$733,258.22

Citizen comment from the floor. None.

Meeting adjourned at 12:05 p.m.