

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
JULY 22, 2004

Chairman Judith L. Schwank called the meeting to order at 11:00 a.m. Attending were Sandy Graffius, Secretary, Nelson H. Long, CPA Treasurer and members and Thomas W. Gajewski, Sr. and Mark C. Scott. The following staff attended: William Dennis, County Administrator; Christine Sadler, Esq., Assistant County Solicitor; Judith Lumis, Office of the County Controller; Sharon Fleischer and Shane Keller of Human Resources.

The minutes of the June 17, 2004 meeting were approved on motion by Ms. Graffius and second by Mr. Scott.

The Board received the following communications:

Correspondence:

Income and Expense Statements for May 2004 & June 2004

McGlenn Capital Management, Inc. Report to Clients – 3<sup>rd</sup> Quarter 2004

MTB Group of Funds Prospectus Supplement, President's Message and Annual Report – April 30, 2004

Portfolio Review June 30, 2004 from Pzena Investment Management, LLC and Quarterly Report to Clients for Second Quarter 2004

*Perform* Ideas & Information from Turner Investment Partners, Second Quarter 2004

Brokerage commission reports for all investment accounts

Bank statements

June, 2004, statement from M & T Trust Company for accounts 77062 (cash); 9554168005 (McGlenn equities); 77065 (McGlenn fixed); 1551134028 (Emerald); 75518 (Cohen, Klingenstein); 75119 (Turner); 76982 (Templeton); 79316 (Vanguard) and 1003440 (Pzena)

June, 2004, statement from Wachovia for checking account 210000020087.

Commission recapture statement for May 2004 from BNY Brokerage, Inc. (\$3,945.51)

Commissions paid to Lynch Jones & Ryan by Emerald Advisers, Inc. for the month ending June 30, 2004

Commissions report as of June 30, 2004 from SEI Investments for Franklin Templeton Investments

Commissions report for June 2004 from Pzena Investment Management

Solicitations:

General

Adjusters International

Lerach, Coughlin, Stoia & Robbins, LLP

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
JULY 22, 2004

Savitz Benefits Advisory

Conferences

Annual Employee Benefits Conference, September 17 – 22,  
2004, New Orleans, LA

Old business

The Board ratified and confirmed the disbursements as listed on the minutes of the June 17, 2004 meeting of the Berks County Employee's Retirement Fund Board on motion by Ms. Graffius and second by Mr. Long.

New business

The Board approved the employee requests to buy-back years of service on motion by Mr. Gajewski and second by Ms. Graffius:

Nancy Alexander to buy-back 17 years of part-time service at \$14,484.36

Harold Boyer to buy-back 4 years of military service at \$5,025.90

Margaret M. Glass to buy-back 3 years of leave of absence time at \$7,141.05

Susan Specht to buy-back 1 year from worker's compensation at \$8,028.12

The Board authorized disbursements as listed, on motion by Mr. Gajewski, second by Mr. Long pending review by the Secretary and County Administrator and to be ratified at the July meeting.

Annuities and refunds for July, 2004:

Annuities	\$392,439.02
Refunds	316,695.64
Total	\$709,134.66

\$2,513 to Hay Group for actuarial services and expenses for the month of June 2004

\$11,250 to Consulting Group, Smith Barney for consulting service April 1 through June 30, 2004

\$15,901.94 to Emerald Advisers, Inc. for investment counseling fees for April 1 through June 30, 2004

\$83,716 to McGlenn Capital Management, Inc. for advisory fee for the quarter ended June 30, 2004 (Equity \$44,322; Fixed \$39,394)

\$28,068.11 to Pzena Investment Management, LLC for investment management fees for April 1 through June 30, 2004

\$13,870.64 to Turner Investment Partners, Inc. for investment advisory fees for the quarter ending June 30, 2004

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
JULY 22, 2004

\$37.30 to Reading Eagle Company for legal notice of cancellation of workshop scheduled for July 9, 2004.

Citizen comment from the floor:

Mr. Gajewski noted that Robert Logan was present and had concerns regarding pension policies. Mr. Gajewski thanked him for his interest in the Fund.

Mr. Long asked if for new information on the pension obligation bond issue? Mr. Gajewski responded that information would be sent to the Board and that it would then be up to the Board to act or not act on the proposal.

Mr. Scott said he felt the taxpayers wanted a tax increase because by issuing pension obligation bonds it would spread the burden over a longer period of time. Ms. Graffius said she felt the taxpayers aren't questioning the investment into equity but the issue of borrowing \$60 million.

Ms. Schwank said Mr. Lundquist presented positive and negative sides of the bonding issue for consideration and that borrowing to fund a gap is what she thought intimidated taxpayers.

Mr. Scott said historically the amount of interest earned in the market is related to the amount of risk taken.

Mr. Gajewski said that until the un-funded future liability is fully funded the Board was putting small amounts into investments at a time.

Mr. Logan commented publicly about the risk he saw the Fund take in the market place. He said historically equities outperform. The bull market of the 1990's were followed by a bear market. If the bull market lasted 10-15 years the bear market might last more than a few years. He added that if a new bull market starts a new bear market would follow. He beseeched the Board to look at the risk he sees the Fund taking in the market and questioned if the Fund could afford the adverse performance a bear market might have on the Fund.

Mr. Long asked Mr. Logan that if the Board were to put all of the Fund's assets into treasury bills which earn approximately 2 percent how would the Fund earn the actuarial assumed rate of return of 7 ½ percent interest? Mr. Logan responded that he proposed putting all assets into treasury bills and re-evaluating where to allocate for a more secure stance. Mr. Logan added that by September 30 he felt the Board should have a quantitative plan on how to attach possible changes in political leadership. He said historically the first 2 years of a change in presidency are the "bad financial" years and the Board should look at what can be done to prevent losses.

The meeting adjourned at 11:45 a.m.