

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
FEBRUARY 21, 2007

Commissioner Judith Schwank called the meeting to order at 10:10 a.m. Attending were Sandy Graffius, Secretary, Nelson Long, Treasurer and member Mark Scott. The following County staff attended: Christine Sadler, First Assistant County Solicitor, Suzanne Baer, Pension Coordinator and Judith Lumis, Office of the Controller. Michael W. Shone, President, Peirce Park Group, John Thompson, Senior Vice President and David Volpe, Co-Portfolio Manager, Emerald Mid Cap Growth Product, Emerald Advisers, Inc. and Craig Maxwell, CFP, Vice President, Regional Director, and Heather Waddell, CFA, Vice President Portfolio Manager, Templeton Portfolio Advisors also attended.

The minutes of the January 18, 2007 meeting were approved on motion by Mr. Long and second by Ms. Graffius.

The Board received the following communications:

Presentations:

Emerald Advisers Inc.: Mr. Thompson said there were no substantial changes in Emerald last year and the same management team remains in place. Emerald has fourteen analysts, 5 portfolio managers and 19 investment professionals who look for good small and mid cap opportunities. Mr. Thompson said Emerald finished 2006 with approximately \$2.6 billion in assets and of that a vast majority of that was small cap growth.

Mr. Shone said he suggested that Emerald speak to the Board regarding their mid-growth product. Small growth, as an overall asset class, has more volatility than mid-growth.

Mr. Volpe explained that small growth is 2 billion market cap. Emerald's mid cap has a 2 to 15 billion market range. Mr. Volpe said some studies indicate that a mid cap product captures 86% of the returns of small cap but only 37% of the risk. Mr. Volpe said the mid cap's process and philosophy are nearly the same. Last year Emerald's mid cap return was approximately 18 percent versus the bench mark of 10.6 percent.

Franklin Templeton Investments: Ms. Waddell said Templeton remains long term value, bottom up in its approach. The asset class has done very well and kept pace with the benchmark; however, its goal is to beat the bench mark. Templeton took profits from companies they felt were over valued and possibly the profits were taken too early. Ms. Waddell said in a longer term the Fund should do well because the profits were put in opportunities that Templeton saw as undervalued but that would do well over the long term.

Ms. Waddell said Templeton found opportunities in every sector which provides diversified portfolio. Mr. Maxwell said that Franklin Templeton is an all cap manager and includes the whole universe of emerging markets.

Ms. Lumis said that the Fund paid taxes on foreign investments in 2006 totaling \$93,000. She asked if Templeton or the Fund's custodian was responsible to seek exemptions. Mr. Maxwell said the custodian would be

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responsible and he could recommend firms that the custodian could use to evaluate the situation.

Pierce Park Group: Mr. Shone said last quarter the equity markets were very strong and that large cap stock was up 6.7% and up 15.8% for the year. Mr. Shone said large cap had been expected to outperform small cap; however small cap stock out-performed large cap stock. International stocks continued to do exceedingly well.

Mr. Shone said value has consistently outperformed growth in every time horizon. Mr. Shone said while both value and growth should be in a portfolio, he recommends a tilt toward value due to higher returns and less volatility.

Mr. Shone discussed future steps to be taken including:

- Rebalance
- Asset Mix Decision
- Investment Policy Statement
- Switch Emerald to Mid Growth
- Implement Value Tilt

The Board agreed to schedule a workshop on March 8, 2007, 1:30 p.m.

Correspondence:

Letter with authorizing signatures from Consulting Group Smith Barney acknowledging completion of their investment management consulting relationship with Berks County Employee's Retirement Fund effective close of business January 31, 2007 recognizing their decision not to participate in the Retirement Board's most recent Request for Proposal process. Also included were 15 copies of the 4<sup>th</sup> Quarter 2006 Report covering performance of the Fund ending December 31, 2006.

Letter from Hay Group in accordance with Act 293 of 1972 enclosing Form PC293C, the 2006 Actuarial Valuation Report: Pension Plan with Defined Benefits. (Form PC293C completed and sent to Commonwealth of Pa. on 2/12/2007)

Copy of Mr. Long's letter to Salomon Smith Barney Inc. thanking Dianne Lutz for her professionalism and excellent service to the Berks County Employee's Retirement Fund.

Copy of letter addressed to Debra Ferraina, M&T Bank from Gina Scavetta, Franklin Templeton which enclosed a check for \$359.97 representing proportionate share of the distribution from the SEC Specialist Settlement Fund.

Commissioners' Resolution No. 31-07 confirming the 2/21/06 transfer of funds from the General Fund to the Retirement Fund in the amount of \$55,968.02 for reimbursement of the Retirement Fund's transactional fees and expenses and including \$1,000.00 Benefit contribution to the Fund.

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Letter from Westfield Capital Management attaching fourth quarter report of ballots voted on behalf of Berks County Employee's Retirement Fund by Westfield Capital Management

SEI Investments, Trade Confirmations and Daily Brokerage Activity, December 30 – January 31, 2007

Peirce Park Group review of Market Environment, 4<sup>th</sup> Quarter 2006 and letter attaching the Pennsylvania County Retirement Plan Database.

Chase Investment Counsel quarterly review and performance update for period ended December 31, 2006 and monthly commission recapture broker transaction report for January 2007.

Emerald Advisers, Inc. Commission Recapture Activity month ending January 31, 2007

McDonnell Investment Management, LLC Investment Report for the period ending December 31, 2006 and letter offering online access to account statements.

Pzena Investment Management, LLC Portfolio Summary for period September 29, 2006 thru December 29, 2006 and Quarterly report to Clients

Rigel Capital, LLC Portfolio Appraisal for period ending December 31, 2006

Templeton Portfolio Advisors Quarterly Report as of December 31, 2006

Lynch, Jones & Ryan, Inc. Trading Summary January 1, 2006 thru December 31, 2006 and Trading Summary January 1, 2007 thru January 31, 2007.

SEI Investments, Trade Confirmations and Daily Brokerage Activity, December 30 – January 31, 2007

Bank statements

January, 2007, statement from M & T Trust Company for accounts 77062 (cash); 1551134028 (Emerald); 2002696 (Chase), 2002697 (Rigel), 2002698 (Westfield); 76982 (Templeton); 79316 (Vanguard) 77065 (McDonnell-fixed), 9554168005 (Scheider) and 1003440 (Pzena)

January, 2007, statement from Wachovia for checking account 210000020087.

Solicitations:

General

Biondo Investment Advisors, LLC "Viewpoint", Milford, PA.

Prudential Financial, "Pension Reform and Heightened Fiduciary Scrutiny-Time for Tough Decisions", Newark, NJ

Alpine Woods Capital Investors, LLC, Purchase, NY.

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Mastholm Asset Management, LLC "View from the Mast,"  
Deerfield, IL.

Fischer Financial Services, Inc. "Fourth Quarter, 2006 Review",  
Harrisburg, PA.

Tyler Technologies, Falmouth, Me

Conferences

Alpha Bets 2007, February 12-13, 2007, Manhattan, NYC, NY

Old Business: Nothing reported.

New Business:

Mr. Long moved, second by Ms. Graffius to purchasing 2007 Employee Pension Benefits Statements from Hay Group at \$1.75 per statement

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

Annuities and refunds for February, 2006

Annuities	\$588,625.31
Refunds	\$300,379.98
Total	\$889,005.29

\$29,525.09 to M&T Investment Group Custodial services, period ending January 15, 2007

\$250.00 to M&T Investment Group for Van Guard Institution Index Fund, period ending January 15, 2007

\$21,836.66 to Emerald Advisers, Inc. for investment counseling fees for period of October 1, 2006 thru December 31, 2006

\$36,795.37 to Pzena Investment Management, LLC for management fees October 1, 2006 thru December 31, 2006

\$68,210.00 to Schneider Capital Management for quarterly management fees, October 1, 2006 thru December 31, 2006

\$17,330.26 to Westfield Capital Management for management fees, October 26, 2006 thru December 31, 2006

\$3,750.00 final payment to Consulting Group Smith Barney for consulting services January 1, 2007 thru January 31, 2007

\$51,273.88 to Franklin Templeton Investments for advisory fees quarter ended December 31, 2006

\$28,157.20 to McDonnell Investment for Management of Assets October 1, 2006 thru December 31, 2006

Citizen comment from the floor.

Meeting adjourned at 12:01 p.m.

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BERKS COUNTY EMPLOYEE'S RETIREMENT FUND WORKSHOP MINUTES  
March 8, 2007

Commissioner Judith Schwank called the workshop to order at 1:05 p.m. Attending were Sandy Graffius, Secretary, Nelson Long, Treasurer and members Thomas Gajewski and Mark Scott. The follow County staff attended: William Dennis, County Administrator, Robert Patrizio, County Budget Director, Mark Hanson and Judith Lumis, Office of the Controller. Michael W. Shone, President and Lee Martin Peirce Park Group also attended.

Mr. Shone did a historic review of the managers using Smith Barney's Performance Analysis for 4<sup>th</sup> Quarter, 2006 and provided his observations and recommendations for change to the Board.

Following discussion; two motions were passed:

Mr. Long moved, seconded by Ms. Graffius, to move all the money invested in the S&P 500 Institutional Index Fund. An initial investment of \$15 million moved to the Van Guard Short Term Bond Fund; \$6 million to Van Guard Intermediate Index Bond Fund and the balance of approximately \$36 million into the Van Guard Value Index Fund. Motion carried with Mr. Gajewski abstaining.

Mr. Scott moved, second by Ms. Graffius to move the Fund's investment in Emerald Advisers, Inc. from small cap to mid cap. Motion carried with Mr. Gajewski abstaining.

Following a discussion, the Board decided to request McDonnell Investment Management LLC attend the May 16<sup>th</sup> Retirement Board meeting to give its presentation and discuss expanding its mandate. Schneider Capital Management Corp. would be requested to move their presentation to the August 15<sup>th</sup> meeting.

Workshop adjourned at 3:15 p.m.