

BERKS COUNTY EMPLOYEE'S RETIREMENT FUND MINUTES  
MARCH 18, 2004

Chairman Judith L. Schwank called the meeting to order at 11:13 a.m. Attending were Sandy Graffius, Secretary, Nelson H. Long, Treasurer and members Thomas W. Gajewski, Sr. and Mark C. Scott. The following staff attended: William Dennis, County Administrator; Alan S. Miller, Esq., County Solicitor and Christine Sadler, Assistant County Solicitor; Sharon Fleischer of Human Resources; and Judi Lumis, Controller's Office. Dianne M. Lutz and Jeffrey Herb of Consulting Group, Smith Barney also attended.

The minutes of the February 18, 2004 meeting were approved on motion by Ms. Graffius, second by Mr. Scott.

The Board received the following communications on motion by Mr. Scott, second by Ms. Graffius:

Correspondence:

Final Statement of Income and Expenses for December 2003, January 2004 and February 2004

Letter from Hay Group regarding Kerry L. Heckman. Received by the Board in error and stricken from the agenda.

Performance results, and 2003 Year-End Market & Economic Commentary from Emerald Advisers, Inc.

Letter from Turner Investment Partners, Inc. regarding their "Back to Basics" strategic direction.

Asset-capacity study for Turner's stock portfolios for the first quarter 2004 from Turner Investment Partners, Inc.

Letter from Franklin Templeton Investments Private Client Group regarding the ongoing mutual fund industry investigation as it pertains to Franklin Resources, Inc.

Annual Reports of December 31, 2003 for the Vanguard Institutional Index Fund

Quarterly Economic Report for Winter 2003-2004 from MTB Investment Advisors

Notice from SEI Investment Distribution Co. that they are changing clearing firms

Bank statements

February, 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)

February, 2004, statement from Wachovia for checking accounts 210000020087.

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Commission recapture statement for January 1 - 31, 2004, from Lynch, Jones & Ryan, Inc. (\$529)

Commission recapture statement for January and February 2004 from BNY Brokerage, Inc. (\$1,913.28)

Commission recapture statement from SEI Investments as of February 27, 2004, (\$0)

Commission recapture activity report for February 2004, from Lynch Jones and Ryan on Emerald Advisers, Inc.

Commissions report for February 2004 from Pzena Investment Management

Solicitations:

General

CS McKee

Hanover Square Associates, LLC

Iridian Asset Management LLC

Tyler Technologies, Inc. Munis Division

Old business

The Board reviewed the workshop held March 11, 2004. Ms. Lutz said that the one outstanding item of the workshop was for the consultant to hold a due diligence meeting with McGlenn Capital Management, Inc. The meeting with Mike McGlenn was held March 17, 2004. Ms. Lutz said they discussed the assets under management and the steady decline of assets under management by the firm. The majority of the recent decline was attributed to a major client restructuring its portfolio. Ms. Lutz said Mr. McGlenn addressed his response to the questionnaire regarding the dollar amount of assets under management. Mr. McGlenn said that through human error they used a previous questionnaire from 1999, which asked for the number of accounts under management and did not request the dollars associated with those accounts. Ms. Lutz verified that the page of the questionnaire used for McGlenn's response was taken from the 1999 form. Mr. McGlenn was concerned with the firm's credibility and wanted the Board to be aware of the mix up with the questionnaires. Ms. Lutz said that Mr. McGlenn and other primaries are interested in assuming one hundred percent equity ownership of the firm and buying it back from Wachovia. Ms. Lutz said firms who are under equity ownership typically perform better and are more attractive. With the assets under management being down it makes it more possible for a change of ownership. Ms. Lutz said that the next six to nine months would be a strong indicator as to whether a buyout will take place. Mr. Herb said that given the current level of assets under management the only way for McGlenn to attract new investment professionals would be to offer equity ownership.

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Ms. Lutz said that currently McGlinn has one fixed income management professional and that the overall portfolio management staff has the ability to cover fixed assets should the need arise.

Ms. Lutz said she told Mr. McGlinn that she wants to be notified if they gain or lose accounts. Ms. Lutz said that the Berks County Employee's Retirement Fund is one of McGlinn's five largest non-taxable investors.

Ms. Lutz said that as a back-up plan the Board could have a list of managers ready to interview to replace McGlinn for intermediate fixed assets and large value equity management.

Mr. Gajewski said, "he has seen enough" and is ready to end the relationship with McGlinn. Ms. Schwank polled the remaining Board members. Ms. Graffius said she is not in favor of eliminating McGlinn at this time. Mr. Scott said that relationship with McGlinn dates back more than thirty years. He added that McGlinn is the only locally operated manager for the Fund and has had superior performance. Mr. Long said he has concerns since the Fund is approximately nine percent of McGlinn's assets under management and that McGlinn has almost fifty percent of the Retirement Fund's assets under their management. He wants to do a RFP to see what other managers are out there. Ms. Schwank said she feels a threshold should be set for managers that the Fund cannot make up more than a certain percentage of their total assets under management.

Mr. Gajewski moved, seconded by Mr. Long, to seek RFP's for investment management services for intermediate fixed assets and large value equity. The motion passed with Mr. Scott voting against the motion and Ms. Graffius abstaining. Ms. Lutz said the responses to the RFP would be distributed prior to the Board prior to the next meeting.

The Board authorized disbursements as listed, on motion by Ms. Graffius, second by Mr. Long.

Annuities and refunds for March, 2004:

Annuities	\$389,847.37
Refunds	186,467.70
<b>Total</b>	<b>\$576,315.07</b>

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

\$66.90 to Reading Eagle Company for the legal notice of annual meeting dates

\$39.15 to Reading Eagle Company for the legal notice of the workshop on March 11, 2004

The meeting adjourned at 11:35 a.m.