Commissioner Judith L. Schwank called the meeting to order at 10:12 a.m. Attending were Sandy Graffius, Secretary; Nelson H. Long, Treasurer; and members Thomas W. Gajewski, Sr. and Mark C. Scott. The following County staff attended: Alan Miller, County Solicitor. Frank Shurr, representing the Advisory Council; Dianne Lutz, First Vice President of Consulting Group Smith Barney, Inc.; James W. Pittinger, Managing Director and Michael Kamradt, Executive Managing Director of McDonnell Investment; Amy Roe, Vice President, Relationship Manager and Joe Madison, Government Banker, M&T Bank; Joseph Santoro, Director, Desdner Bank also attended.

The minutes of the July 21, 2005 meeting were approved on a motion by Mr. Scott and second by Ms. Schwank.

The Board received the following communications:

Presentation:

Ms. Lutz said there was little change in the capital markets' performance the first half of the year. She said large and small value was ahead of large and small growth. Ms. Lutz said the active managers continued to out perform the benchmark and the Fund was moving in a positive direction. The 2005 ARC was updated and appeared on the report at $8,612,680 and the updated actuarial calculated rate of return at the end of 2004 was +10.61 percent.

Total un-audited dollars at close of business August 16, 2005 was $190,619,717. An allocation was made to the Fund in July of $638,000 and was split evenly between the two large growth managers, Cohen, Klingenstein & Marks and Turner. Contributions are scheduled to continue to be added monthly.

Mr. Gajewski said the Fund was growing not only because of the performance of the managers but due to the substantial contributions made to the Fund by the County and its employees. He also questioned what the amount the County had contributed to the Fund in addition to the Annual Required Contribution (ARC). Ms. Lutz said the 2005 Actuarial Report indicated the County contributed $1,000,000 in 1999, $627,000 in 2000 and $306,000 in 2001 in addition to the ARC contributions. Ms. Lutz said Smith Barney Consulting Group would include this additional contribution information in future reports.

Mr. Kamradt said McDonnell Investment is a fixed income firm approaching $9.4 billion in assets and continues to grow. Mr. Kamradt said the primary risk in a bond portfolio is interest rate. McDonnell Investment does not believe a bond manager can add value by trying to time the market; they keep the duration very close to the benchmark 's duration.

Mr. Scott asked if McDonnell was committed to avoiding investment in long-term bonds and if we were limited to intermediate term bonds. Ms. Lutz said the last time the policy statement was reviewed; the theory was that risk should be taken on the Equity side where more significant returns can be generated. Ms. Lutz said that what McDonnell discussed was what had happened to the long end of the market relative to short- term rates. They are limited to intermediate term because the strategy is to use fixed income as a way to pay benefits and keep the overall portfolio returns more consistent and less volatile. Mr. Kamradt said if the rates go up as much as 100 basis points the portfolio would still have a positive return. If rates go down 50 basis the portfolio should produce an approximate 6% annual return. Mr. Kamradt felt the portfolio was structured well for the environment.

Mr. Pittinger spoke to the Board regarding the investing in non-dollar bonds. He said that if the Board decided the volatility was worth going into non-dollar bonds McDonnell was comfortable with the way the investment policy was written. Mr. Pittinger said that what makes up the return of U.S. bonds is coupon and interest rate changes. In non-dollar bonds, the additional component is currency fluctuation. Non-dollars bonds combined with U.S. bonds create a portfolio that has a slightly higher volatility than a U.S. bond portfolio but offers a slightly higher return. The main benefit from an investment in non-dollar bonds along with U.S. bonds is to create a more diversified portfolio with additional return potential.

Ms. Lutz asked Ms. Roe if there would be any issues or changes in these custodial fees associated with investment in non-dollar bond. Ms. Roe said there was a different pricing structure for international securities based on the country that the trades would be settled and said that M&T uses a sub-custodian and has the capacity to handle international settlements. Ms. Roe said she would forward pricing information to the Board.

Ms. Schwank said the Board would discuss this matter further at the next Board meeting.

Ms. Roe said she and Mr. Madison, M&T's government banker, were present to discuss Securities Lending. Ms. Roe said Securities Lending would add value to their customers. Ms. Roe said Dresdner Bank has a tremendous product, which is structured in a prudent manner and was well managed.

Mr. Santoro said Dresdner Bank is an investment bank providing Securities Lending on a non-custodial basis. Securities lending is an investment practice, which uses an agent like Dresdner Bank to lend securities through credit brokers and dealers on Wall Street. Mr. Santoro said this would generate a substantial amount of incremental income and protect the portfolio from loss. Mr. Santoro said some of their customers include Florida State, Ohio Public Employees and State of Maryland. Mr. Santoro said that 82% of all the stocks in the mutual fund industry are involved in security fund lending.

Mr. Santoro said this was a highly regulated business. He said when they lend a security on behalf of their customer the securities are collateralized at 102% of the total value of the loan. The dealer would request a market rate of return for their cash collateral; however, Dresner would negotiate to pay the dealer below market rate of return on their cash collateral and the agent would invest the cash at the asset side to produce a profit. Profits would be divided on a 60/40 basis. Mr. Long asked if there was any risk involved. Mr. Santoro said there are two risks. One of the risks would be if the broker who is borrowing the securities does not return them. To help minimize that risk the bank has a credit group, that is separate from the Securities Lending Department, of over 100 employees that monitor the broker community on a daily basis, marking the market on a daily basis, and value the securities every day to make sure there is adequate collateral. If the broker/dealer goes out of business they will use the cash collateral to purchase replacement securities. The bank would be responsible and guarantee the securities of any exposure if market had gone up a significant amount. The other risk is a bad investment of the collateral. Again, they have a credit group to analyze all the potential investments that are made. They limit the investment of cash collateral to a SEC registered AAA rated money market fund.

Ms. Schwank thanked Mr. Santoro for the presentation. She added that due to time constraints and the fact that several of the Board members had taken leave of the meeting, more discussion would be necessary at a later time.

Correspondence:

BNY Brokerage Plan Summary Statement for June, 2005 and letter stating the acquisition of Lynch, Jones & Ryan, Inc. closed on July 1, 2005 and LJR will operate as a wholly-owed subsidiary of BNY Brokerage

Cohen Klingenstein & Marks Inc. Statement of portfolio holdings as of June 30, 2005 and Quarterly Review

Lynch, Jones & Ryan, Inc. Trading Summary for January 1, 2005 through June 30, 2005

McDonnell Investment Management, LLC Investment Report for the period ending June 30, 2005 and letter announcing online access of account statements

Pzena Investment Management, LLC Portfolio Review for period March 31, 2005 to June 30, 2005, Commissions Report for July, 2005 and Quarterly Report to Clients

SEI Investments 2005 Commission Statement as of Trade date July 31, 2005

Templeton Portfolio Advisors Portfolio Quarterly Report as of June 30, 2005

Letter from IRS stating they will contact us within 90 days regarding our appeal.

Market Conditions report from Cohen Klingenstein & Marks

Letter from Vanguard regarding their new policies implemented after close of business on September 30, 2005

Bank statements

July, 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)

July 2005, statement from Wachovia for checking account 210000020087.

Solicitations:

General

Sterling Capital Management LLC

C.S. McKee Investment Managers

Iridian Asset Management LLC

Conferences

Investment Management for Institutional Investors, November 13-16, 2005 in San Francisco, California

Mid-Sized Pension Management Conference, October 23-26, 2005 in Chicago, Il.

Old business:

Ms. Schwank said she reviewed the letter from St. Paul Travelers Insurance Company that denied the County's claim for the penalty and interest cost under the Errors & Omission Clause of the policy.

Ms. Graffius said she received correspondence from Congressmen Holden, Pitts, Dent and Gerlach that they have interceded on behalf of the Board's request for Abatement of Penalty and Interest filed with the IRS.

New Business:

Ms. Graffius said she received notice that the Fund purchased Worldcom stock between April 29, 1999 and February 26, 2002, and to have the Pension Plan
1R-05 named in a class action a Victim Trust Proof of Claim Form must be signed. Mr. Miller prepared a formal resolution that would allow Ms. Graffius to sign this form on behalf of the Board. Mr. Scott moved, seconded by Ms. Graffius to adopt the resolution to allow Ms. Graffius as secretary to sign the claim form.

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

Jan (Watts) LaRoche, over 3 years of service at $1,894.08

Ms. Graffius moved to authorize the disbursement as listed pending the review of some invoices by Judi Lumis, seconded by Mr. Scott. Motion carried.

Annuities and refunds for August, 2005

Annuities	$521,498.83
Refunds	$ 47,155.49
Total	$568,654.32

$17,821.89 to Emerald Advisers Inc for investment counseling fees for period of April 1, 2005 to June 30, 2005

$36,434.63 to Franklin Templeton Investments for investment advisory fees for the quarter ended June 30, 2005

$6,750.00 to Hay Group for Actuarial services and expenses for the third quarter (July-September) of 2005

$19,561.39 to M&T Investment Group for custodial services for period ending July 15, 2005

$250.00 to M&T Investment Group for trustee services for period ending July 15, 2005

$14,811.28 to Turner Investment Partners for management fee for quarter ending July 30, 2005

$30,822.58 to Pzena Investment Management LLC for Management fees for period April 1, 2005 through June 30, 2005

$23,852.78 to Cohen Klingenstein & Marks for Investment Counseling, second quarter, 2005

Ms. Schwank asked when the last cost of living adjustment (COLA) was approved for the retirees. Ms. Baer said it had been five years since the last COLA and that Hay Group sends the Board a letter outlining the cost of issuing a COLA at the end of each year for the next year. For 2005, the cost for a COLA would have been nearly $4 million. The letter from Hay Group with 2006 numbers would be received by the end of this year. Ms. Schwank said a full discussion was needed and asked for copies of the 2005 numbers and requested that this matter be put on the agenda when that information has been reviewed.

Mr. Shurr said he recently received several calls from pensioners regarding a COLA and asked how close the Board was to granting a COLA. Ms. Schwank said the Board would look into the cost and hold a discussion when the information needed to make a decision had been received and reviewed. Ms. Baer asked if she should contact Hay Group to see if they could expedite the figures for 2006. Ms. Schwank requested Ms. Baer contact Hay Group regarding the cost of granting a COLA for 2006.

Meeting adjourned at 11:45 p.m.