

**Louisiana School Employees' Retirement System
Regular Board Meeting**

**Tuesday, August 9, 2005
8:30 a.m.**

The Board of Trustees of the Louisiana School Employees' Retirement System convened in the Board Room (Room 100) of the Louisiana School Employees' Retirement System's Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, opened the meeting at 8:37 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called.

Members Present: Mr. Larry Wilmer – Chairman, Ms. Betty Crain, Ms. Betty Jacobs, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce for Mr. John Kennedy – State Treasurer

Members Absent: Ms. Sylvia Myers, Representative Pete Schneider, Mr. Al Ater – Secretary of State, Senator D. A. "Butch" Gautreaux

Staff Present: Mr. Patrick Cospers – Director, Ms. Debra Dudley – Assistant Director, Ms. Julia LeBlanc – Chief Investment Officer, Mr. Warren Ponder – General Counsel, Ms. Judy Wright – Public Information Director 1, Ms. Jennifer Champagne – Administrative Assistant and Board Secretary

Also Present: Mr. Don Saxton – Segal Advisors, Inc., Ms. Joyce Anderson – Accountant Administrator II

MANAGER PERFORMANCE REVIEW

Mr. Saxton informed the Board that due to an emergency meeting Mr. Ranallo was unable to attend today's meeting, but that he would be able to provide the Manager Performance Review in Mr. Ranallo's absence. He noted that the second quarter was not an exciting quarter. The S&P was down .8% year to date and up 1.4% for the last quarter and the stock market returned a little over 6%. Of note was that over the last five years the small cap stocks, represented by the Russell 2000, performed very well. They've outperformed very significantly for the quarter, up 4 %, last year over 9%, and three years 13%. Over that same period of time there was a tremendous run in value stocks versus growth stocks. In the five-year number the Russell 1000 growth was down 10% while the Russell 1000 value was up 6%.

Mr. Saxton continued his report, which included growth index performance, the international stocks, the bond market, and the effects of interest rates on bond markets. He then provided a review of the asset allocation of the fund. He noted that the value of the assets went up \$21 million dollars and taking into consideration that \$15 million dollars was withdrawn to pay benefits, the total gains in the portfolio was \$36 million dollars.

Mr. Saxton noted that the fund returned 8.4%. The stock market was up 6.3% and the bond market was up 6.8%, but because of the exposure to small caps and international, the fund was able to augment the returns of the market and generate a return that was not only above our actuarial assumed rate, but nicely above the policy index and well ahead of inflation. He also noted that there were not a lot of funds that beat that total fund benchmark on a consistent basis.

Discussion was held on the funding level, asset allocations, how changes in the policy affect performance, and the addition of a real estate manager to the portfolio.

Mr. Wilmer noted that the Investment Managers of Evergreen/Tattersall were here for their presentation to the board. Consensus of the Board was that Mr. Saxton's report would be stopped at this point and continued after the presentations by the two investment managers.

INVESTMENT MANAGER REPORTS

EVERGREEN/TATTERSALL

Balaam T. Elliott, III – *Director, Client Management, Evergreen Investment Management Co.*

Thomas B. Burton, CFA – *Chief Compliance Officer, Senior Fixed Income Manager, Tattersall Advisory Group*

Mr. Elliott began the presentation by providing a brief overview of Evergreen/Tattersall. Evergreen Investments is the investment firm that is managing the System's money and Tattersall Advisory Group is an investment subsidiary of Evergreen Investments. Mr. Elliott noted that the company has been managing money for over 70 years, has over \$249 billion dollars in assets, and the average years of experience of their investment professionals is about 15 years.

INVESTMENT MANAGER REPORTS (CONT'D)

EVERGREEN/TATTERSALL (CONT'D)

The firm has a boutique structure where they allow all of their portfolio managers to manage money within certain disciplines, based on what they feel is best for their individual clients. Their investment centers are located in Boston, Charlotte, Jacksonville, London, Philadelphia, and the Tattersall Advisory group is located in Richmond.

Mr. Elliott then provided a corporate overview and noted that they had a major merger with South Trust during the course of this past year and that they incorporated a lot of those assets under the Evergreen/Tattersall and Tattersall Advisory Group. As a result of that merger they are now managing several hundred million more dollars in terms of their core fixed income products.

Mr. Elliott then briefly went over the Tattersall Advisory Group, their assets, professional staff, their styles, disciplines, team approach in managing money, and their performance profile.

A review of the asset allocation and portfolio summary indicated that at the end of June 30, 2005 the assets were \$107 million dollars and the allocation was roughly 98% in fixed income and a little over 2% in cash. The investment performance has been very positive. For the quarter ending June 30, 2005 the portfolio outperformed the Lehman Brothers aggregate index by 6 basis points and year to date was up 24 basis points at 2.75 %. In the past year the portfolio has been very strong in terms of performance, recording 7.29% returns versus the benchmark of 6.8% and since inception the performance has outperformed the benchmark. Performance has been up 4.24% versus the benchmark of 3.51% and is continuing to generate positive performance.

Mr. Burton then continued the presentation by asking the Board if they had any particular questions or comments that they would like to bring up. Ms. LeBlanc asked Mr. Burton to review the documents related to Select High Yield Bond Trust and how they hope to use this in the portfolio, a copy of which had been provided to the Board for consideration for approval.

Mr. Burton briefly went over the concept of the Select High Yield Bond Trust, which is a Delaware trust that was created and provides the capability of taking an asset class (high yield bonds) and putting it in a particular type of vehicle where they can adjust the fee. In this way the client gets high yield exposure for the fee that is already in place. Mr. Burton noted that the only downside was that there is only one day each week that you can go into or come out of it, whereas on the bond fund you can come in or out any day of the week you want.

When asked if the \$5 million dollar minimum investment in this fund would apply to the System, Mr. Burton noted that this was not an issue and that the same fee schedule that is in place would be used in this.

Mr. Balaam and Mr. Burton then answered questions from the Board. A request was made that in future reports a pie chart be provided that shows the percentage of holdings in the portfolio.

CONSIDERATION FOR APPROVAL OF EVERGREEN SELECT HIGH YIELD BOND TRUST AND AUTHORIZATION FOR DIRECTOR TO COMPLETE RELATED DOCUMENTS

Ms. LeBlanc informed the Board that Mr. Tom Burton had briefly reviewed the concept of Select High Yield Bond Trust and that Mr. Ranallo had reviewed this. She noted that this would allow Evergreen to diversify the portfolio by adding high yield investments at no additional basis point costs to the system, which was a good thing, as high yield fees are normally much higher than 16 basis points.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Evergreen Select High Yield Bond Trust and Authorization for Director to Complete Related Documents.

While awaiting the arrival of their next Investment Manager Presentation by Walter Scott and Partners, LTD the Board continued with the agenda items that were carried over from the August 8, 2005 meeting.

INVESTMENTS

APPROVAL OF MINUTES OF JUNE 6, 2005 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the June 6, 2005 Investment Committee meeting.

RECOMMENDATIONS FROM THE INVESTMENT COMMITTEE

APPROVAL OF NEW INVESTMENT POLICY

ON MOTION BY MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board approved the new investment policy.

APPROVAL OF REAL ESTATE PROCESS (RFP) AND SCHEDULE FOR REAL ESTATE SEARCH

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Real Estate Process (RFP) and Schedule for Real Estate Search.

TRADING COMPLIANCE REPORTS

Ms. LeBlanc presented the Trading Compliance Report for the two investment managers who were making presentations to the Board at today's meeting, Evergreen/Tattersall and Walter Scott and Partners, LTD.

For the period of January 1, 2005 through June 30, 2005 Evergreen/Tattersall did not place any trades with Lynch Jones and Ryan. On the par value to Louisiana brokers they were over by \$2.1 million dollars in commission credits to Louisiana Brokers and under by \$22 million dollars in trades with Louisiana Domiciled and Incorporated Brokers.

For the period of July 1, 2004 through June 30, 2005 Evergreen/Tattersall again did not place any trades with Lynch Jones and Ryan. Ms. LeBlanc noted that from time to time they have indicated that there will be certain things that they purchase that they will be able to trade with Lynch Jones and Ryan and initially, when they repositioned the portfolio, they did some trades with Lynch Jones and Ryan. During that same period of time, July 1, 2004 through June 30, 2005 they were over their 10% by \$949 thousand dollars in par value to Louisiana Brokers and they did not trade with Louisiana Domiciled and Incorporated Brokers.

Ms. LeBlanc noted that Walter Scott and Partners, LTD, was late in getting corrected sheets back in time for the mail out of the reports, so the Board was provided a corrected report at the meeting. For the period of January 1, 2005 through June 30, 2005 Walter Scott and Partners, LTD was over their commission requirement percent by \$1,147.17 and on the commission credits to Louisiana Brokers, they were over by \$6,791.70. In the commission credits to Louisiana, Incorporated and Domiciled Louisiana Brokers they were over by \$9,483.58. Ms. LeBlanc did note that the law did exempt them for the current year, but that staff will continue reporting if they continue to make these trades, at least through this calendar year, if not the fiscal year.

For the period of July 1, 2004 through June 30, 2005 Walter Scott and Partners, LTD was slightly under their commission credits to Lynch Jones and Ryan by less than \$11 hundred dollars. In the commission credits to brokers that have offices in Louisiana, they were over by \$14,597.41. In commission credits to Louisiana Incorporated brokerages they were over by \$18,812.18.

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Trading Compliance Reports.

INVESTMENT REPORTS BY STAFF

Ms. LeBlanc presented the Investment Reports, which included the investment transactions that have taken place during the Quarter from April 1, 2005 through June 30, 2005 on a trade day basis.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Investment Reports by Staff.

The Board postponed further discussion of the agenda items until after the Investment Manager Presentation by Walter Scott and Partners Limited

INVESTMENT MANAGER REPORTS

WALTER SCOTT PARTNERS LIMITED

Dr. Kenneth J. Lyall – Director

Dr. Lyall began his presentation by announcing that Walter Scott Partners Limited is celebrating 10 years with Louisiana School Employees' Retirement System. He provided an overview of the past 10 years and noted that in 1995 the fund was roughly about \$35 million dollars and now it is up to about \$114 million dollars. The fund has outperformed in 8 of the 10 years that Walter Scott and Partners Limited has managed money for the System and there was only one year that the fund underperformed because the index went up a lot in that year. In 2003 it went up approximately 36% and the fund went up about approximately 26 %. Dr. Lyall noted that this was really the only significant year that it was less than the benchmark.

Dr. Lyall then proceeded to report on the philosophy of the company, the portfolio, the performance, what's ahead, trading information, a company update and provided a description of composites of the portfolio. He also provided an overview of the international market and how it affects the fund.

Dr. Lyall then answered questions from the Board related to the portfolio, its performance, how international trading is conducted, and the future in international trading.

LEGAL REPORT

COLLECTIONS

Mr. Ponder reported on the collections and provided a brief synopsis of the process that the Retirement Department and Legal Department go through in collecting overpayments that are due the System. He noted that the report was on collections that were obtained through the System and did not include any collections from the outside firm that is working on outstanding collections that were unsuccessful through the System's attempts.

Discussion was held on how the System is purged, how often it is updated, and how purging affects collections.

ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Collections Report by General Counsel.

SECURITIES LITIGATION

Mr. Ponder provided a report on three securities litigation cases that are very active. These included Solomon Brothers/AT&T, CMS Energy, and Accredo Health. He provided a brief synopsis of each case and noted that Accredo Health was the most active. Mr. Ponder then answered questions from the Board.

Mr. Ponder reminded the Board that Bernstein Litowitz Berger and Grossmann LLP was holding a Securities Litigation Conference in New York City in October 2005 and that this would be a very good seminar for the Board members to attend.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board accepted the Securities Litigation Report from General Counsel.

Before proceeding to other business the Board allowed Mr. Saxton to continue his Manager Performance Review, which was postponed to allow for the Investment Manager Reports.

MANAGER PERFORMANCE REVIEW

Mr. Saxton noted that Ms. LeBlanc had touched upon the performance of the investment managers earlier in the day. He did want to note that although there were no concerns at the present time in the performance of Seligman and Walter Scott, if their performance over the last three years continues into the next year or so then there may be a need to assess this situation further.

Mr. Saxton then answered questions from the Board regarding the overall performance of the investment managers.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the Manager Performance Review.

Before moving on to other business Ms. Crain asked Ms. Dudley whether seminars and conferences were included in the budget. Ms. Dudley indicated that there was a total figure for travel included in the budget for both staff and board members. When asked whether the budget for travel was exceeded this year Ms. Dudley indicated that the ¹2004-2005 fiscal budget was not exceeded because staff did not attend conferences if funds were not available.

It was noted that the educational certification requirements will end on August 31, 2005 and that the next certification period will be from September 1, 2005 through August 31, 2006.

OTHER BUSINESS

Mr. Richard requested that two items be placed on the agenda for discussion. It was noted that a two-thirds vote would be needed to place items on the agenda under other business.

¹ Correction: 2004-2005 fiscal added as per November 21, 2005 Regular Board Meeting

Mr. Faulk requested a point of order before proceeding to this vote. He questioned the item that was placed on the agenda during the previous day's meeting in reference to General Counsel. It was noted that the item was added to the agenda by a board member and was not considered under other business because of an amended agenda.

Roll Call Vote #1

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE, the Board voted for consent to consider items under other business in reference to the Search Committee. Betty Crain – yes; Betty Jacobs – yes; Earl Richard – yes; Judith McKee – yes; Jeffrey Faulk – yes; Lori Pierce – yes; Larry Wilmer – yes. **YES – 7; NO – 0; ABSTAIN – 0. MOTION PASSED.**

Roll Call Vote #2

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE, the Board voted to have the Search Committee include Ms. Anita Green as Human Resource Director to participate as a non voting member of the Search Committee. Betty Crain – no; Betty Jacobs – no; Earl Richard – yes; Judith McKee – yes; Jeffrey Faulk – yes; Lori Pierce - Yes; Larry Wilmer – yes. **YES – 5; NO – 2; ABSTAIN – 0. MOTION PASSED.**

Ms. Jacobs noted for the record that she did not want the input from an employee as to whether or not she was doing something correct, as this was an unclassified search. Ms. Jacobs also noted that the employee's knowledge or expertise does not include portions of that arena and that she did not want to encumber that employee to undertake and be part of a process that the Board was undertaking when it comes to an unclassified employee.

A brief discussion was held on Ms. Green's participation as a non-voting member of the Search Committee and her role as a resource person in terms of issues that may arise in reference to the laws applicable to interviewing applicants.

Mr. Richard requested information in reference to the salary increase granted to General Counsel at the August 8, 2005 Regular Board meeting. He asked for documentation on what Mr. Ponder was making at the Secretary of State's Office, how many raises he would have received if he had been working there, and what percentage of raises he would have received. Mr. Ponder indicated that he could obtain this information from Mr. Al Ater, who is the current Secretary of State.

Roll Call Vote #3

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE, the Board voted to add an item to the agenda in reference to optional pay for Jennifer Champagne. Betty Crain – yes; Betty Jacobs –yes; Mr. Earl Richard – yes; Judith McKee – yes; Jeffrey Faulk – yes; Lori Pierce – yes; Larry Wilmer – yes. **YES – 7; NO – 0; ABSTAIN – 0. MOTION PASSED**

Ms. Dudley provided the Board with a synopsis of the optional pay policy in reference to Ms. Champagne's additional duties associated with the director search. Optional pay from 1% to 5% of her current base salary could be granted for temporary duties, as these duties would go away after selection of the new director. A one-time lump sum optional pay of 5% of her current base salary would be \$1,913.16, which is the maximum that the Board could grant her under the optional pay policy.

Justification of the duties actually performed was provided to the Board, which included detailed information on coordination of the public announcement, research and collection of information, coordinating and conducting initial search committee, etc. Also included was a questionnaire required by civil service in reference to optional pay and additional duties.

Ms. Jacobs asked for clarification from civil service on optional pay and whether there would be a conflict with any payment for overtime worked due to the director search.

Roll Call Vote # 4

ON MOTION BY MR. RICHARD, SECONDED BY MS. JACOBS, the Board voted on approval of optional pay in the amount of \$1,913.16 for Ms. Champagne for additional duties associated with Executive Director Search. Ms. Crain – yes; Ms. Jacobs – yes; Mr. Richard – yes; Ms. McKee – yes; Mr. Faulk – yes; Ms. Pierce – yes; Mr. Wilmer – yes. **YES – 7; NO – 0; ABSTAIN – 0. MOTION PASSED**

PRESENTATION IN HONOR OF SECRETARY OF STATE W. “FOX” MCKEITHEN

Mr. Cosper made a presentation on behalf of the Board. He noted that years ago LSERS established a tradition of paying homage for their years of service to any of LSERS’ members of the system or trustees who passed away while in service. LSERS would like to pay homage to a truly dedicated employee of the System, Secretary of State W. “Fox” McKeithen.

The stone honoring Mr. Fox McKeithen will be placed in the memorial garden located in the back patio of the LSERS’ building. It was noted that there has been a long-standing relationship between the McKeithen family and LSERS, as Mr. McKeithen’s father played a part in the organization of the System.

POLICY FOR ELECTION OF ACTIVE DISTRICT REPRESENTATIVE TO SERVE ON THE LSERS BOARD OF TRUSTEES

Mr. Ponder provided a copy of the envelope that is used in the current election process, along with the policy for election of active district representatives to serve on the LSERS Board of Trustees. He noted that it was brought to his attention that the envelope currently being used has a place for the signature of the person voting and a line that is filled out indicating what parish that person resides in. Mr. Ponder also noted that since there was no requirement in the existing rules and regulations, nor in the statutes that the parish be listed in order to be counted, he was asking for direction from the Board as to whether the envelope should be changed or whether the policy should be amended.

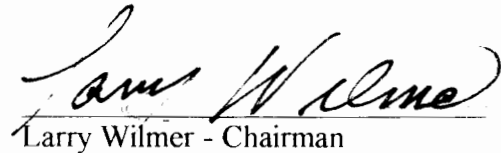
An extensive discussion was held on this matter. It was noted that this was not the time to be bringing this up for discussion, as the elections were already in progress.

Ms. Pierce made a motion to change the line at the bottom of the envelope to say that if the envelope is not signed then the vote would not be counted, then after further discussion withdrew her motion.

There was further discussion on this matter, but no action taken.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board agreed to adjourn at 12:28 p.m.


Patrick Cospers – Director


Larry Wilmer - Chairman