

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

**Tuesday, December 4, 2007
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 Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, called the meeting to order at 8:30 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Larry Wilmer, Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Ms. Judith McKee, Mr. Jeffrey Faulk, Sr.

Members Absent: Mr. Earl Richard, Jr., Mr. John Kennedy – State Treasurer, Mr. Jay Dardenne – Secretary of State, Representative Pete Schneider – Chairman of the House Retirement Committee, Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee

Staff Present: Mr. Charles P. Bujol – Executive Director, Ms. Debra Dudley – Assistant Director, Mr. Brendan Brosnan – Chief Investment Officer, * Mr. Warren Ponder – Executive Counsel, Ms. Josie Meche – Investment Manager 1, Ms. Jennifer Champagne – Administrative Assistant 5

Also Present: Mr. Brett Hazen and Mr. Richard Ranallo - Segal Advisors, Inc., Mr. Philip Walther

* Mr. Ponder arrived at 9:40 a.m.

INVESTMENT COMMITTEE

APPROVAL OF MINUTES OF SEPTEMBER 10, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the minutes of the September 10, 2007 Investment Committee meeting.

APPROVAL OF MINUTES OF OCTOBER 15, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the October 15, 2007 Investment Committee meeting.

OTHER BUSINESS

There was no other business under Investment Committee.

INVESTMENTS

MANAGER PERFORMANCE REVIEW (SEGAL ADVISORS)

Richard E. Ranallo, CFA
Brett W. Hazen

Mr. Ranallo provided a review of market returns for the period ending September 30, 2007 and returns for the last 3 months, 1 year, 3 years, 5 years, and 10 years. An analysis of the managers' investment quarterly performance, including an overall review of manager and stock market performance over the last quarter and year-to-date, was also provided. This led to a review of future diversifications in the portfolio, which will be discussed further at the January 7, 2008 Investment Committee meeting.

Mr. Hazen then provided a detailed review on the performance of the portfolio. All of the managers in the portfolio were individually reviewed and discussed. Mr. Ranallo and Mr. Hazen then addressed questions from the Board.

INVESTMENT MANAGER REPORTS

BRANDYWINE ASSET MANAGEMENT, INC.

*Nedra Hadley, Senior Vice President, Client Service
Henry Otto, Managing Director, Portfolio Manager*

Ms. Hadley began her presentation by providing a brief review of what would be addressed, which included performance of the portfolio, the process by which they manage it, and research over the last 12 – 18 months that would enhance management of the portfolio.

Ms. Hadley then provided information on the firm. She noted that the firm has \$47 billion dollars in assets, \$5 billion in their diversified small cap portfolios, and no personnel changes. A review of the team working on the portfolio reflected an experienced and stable team working on the portfolio since 1989.

Mr. Otto provided a detailed review of their investment process, manager style, and performance since inception and for the third quarter 2007. It was noted that since their fees are based on outperforming for a three year period they would not receive a fee from LSERS in 2007 unless they do extremely well and make up for the underperformance generated in 2005 and 2006.

A review of research conducted over the last 12 – 18 months was provided, which included goals, methods used, and results of this research. It was noted that their goal was to implement revisions to the portfolio in 2008 in an effort to generate better performance in the future. Ms. Hadley and Mr. Otto then addressed questions from the Board and its investment consultant.

SCHRODER INVESTMENT MANAGEMENT, INC.

*Steven S. Lear, CFA – Executive Vice President, Head of U.S. Fixed Income
Davis S. Harris – Senior Vice President, Portfolio Manager
Anthony Williams – Senior Vice President, Institutional Sales, Public Funds
Steve Bowes – Sisung Investment Management Services*

Mr. Bowes began the presentation by providing information on Sisung Investment Management Services, then introduced Mr. Steven Lear, Mr. Davis Harris and Mr. Anthony Williams of Schroder Investment Management, Inc.

Mr. Williams began the presentation by providing a brief review of the performance of the portfolio relative to the benchmark, which included a review of the last quarter, year-to-date, and last 12 months. There was also an annualized review for the last 3 years, 5 years, and since inception.

Mr. Lear continued the presentation by providing a detailed review of the performance of the portfolio during the third quarter 2007, which included a review of what happened and why it happened. This led to a review of the economy, what's ahead, and repositioning of the portfolio in anticipation of changes in the economy.

Mr. Williams then provided a brief update on the fixed income team and the firm. He noted that Mr. Lear still leads the current fixed income team of 18. One person has left the portfolio management team, another person has joined the team, and the firm has a 5% attrition rate. The team currently has 53 accounts with over \$7.5 billion dollars assets under management. There was a gain of two accounts totaling \$24 million dollars in assets and a loss of two accounts totaling \$113 million dollars. Dean Allan joined the firm during the second quarter 2007 as the Head of Institutional Distribution in North America.

Mr. Lear, Mr. Williams, and Mr. Harris then addressed questions from the Board and its investment consultant, which led to a review of the firm's risk management, specifically on mortgage and asset backed risks.

ORLEANS CAPITAL MANAGEMENT

Louis F. Crane, CFA – Chairman and Chief Investment Officer

Emily C. Becker – Portfolio Manager

Gary L. Welchel – Executive Vice President, Marketing

Mr. Crane began the presentation by providing an update on the firm. He noted that the firm has \$1.6 billion dollars in assets, there have been no changes in organizational structure or personnel in the last 3 years, and there have been no changes in their fundamental investment strategy or process. Performance is up 49% year to date through October and up 330% since inception, mainly due to energy opportunities and gain in assets. This was followed by a review of the launch of the alternative energy investment strategy in October and the strategic dividend strategy, along with an update on the investment personnel within the firm.

Ms. Becker continued the presentation by providing a review of performance, which included fixed income market environment, fixed income environment, fixed income performance versus benchmark through October 31, 2007, performance attribution, portfolio characteristics, and risk management.

Mr. Crane then provided a detailed review of the firm's approach to risk management, its risk avoidance philosophy, and the market outlook.

Mr. Crane, Ms. Becker, and Mr. Welchel then addressed questions from the Board and its investment consultant.

MANAGER PERFORMANCE REVIEW (SEGAL ADVISORS)

Mr. Ranallo and Mr. Hazen addressed questions from the Board regarding the Investment Manager Reports. This led to a discussion on individual manager performance versus the overall performance of the portfolio and the possibility of changing future allocations. A review of manager fees followed.

REPORT ON COMPLIANCE WITH LSERS' TRADING REQUIREMENTS

Mr. Brosnan provided the following report:

BRANDYWINE ASSET MANAGEMENT, INC.

For the year (October 1, 2006 – September 30, 2007) Brandywine fell below their 25% target with 18.46% in commission credits to Lynch, Jones & Ryan and had no trades executed through Louisiana Brokers. Their 10% target was exceeded by directing 11.91 % of total trades through Louisiana, Inc. and Domiciled Brokers.

For the year to date (January 1, 2007 – September 30, 2007) Brandywine fell below their 25% target with 16.79% in commission credits to Lynch, Jones & Ryan and had no trades executed through Louisiana Brokers. Their 10% target was exceeded by directing 15.37% of total trades through Louisiana, Inc. and Domiciled Brokers.

ORLEANS CAPITAL MANAGEMENT

For the year (October 1, 2006 – September 30, 2007) Orleans Capital Management had no trades directed through Lynch, Jones & Ryan and fell below their 10% target with 6.43% of their total trades executed through Louisiana Brokers. Trading was below the 10% target with 7.82% of their total trades directed through Louisiana, Inc. and Domiciled Brokers.

For the year to date (January 1, 2007 – September 30, 2007) Orleans Capital Management had no trades directed through Lynch, Jones & Ryan and fell below their 10% target with 6.95% of their total trades executed through Louisiana Brokers. Trading was below the 10% target with 2.25% of their total trades directed through Louisiana, Inc. and Domiciled Brokers.

SCHRODER INVESTMENT MANAGEMENT, INC.

For the year (October 1, 2006 – September 30, 2007) Schroder Investment Management, Inc. had no trades directed through Lynch, Jones & Ryan and fell below their 10% target with 4.98% of their total trades directed through Louisiana, Inc. and Domiciled Brokers.

For the year to date (January 1, 2007 – September 30, 2007) Schroder Investment Management, Inc. had no trades directed through Lynch, Jones & Ryan and fell below their 10% target with 1.9% of their total trades executed through Louisiana Brokers. There were no trades directed through Louisiana, Inc. and Domiciled Brokers.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the Report on Compliance with LSERS' Trading Requirements.

INVESTMENT REPORTS BY STAFF – THIRD QUARTER 2007 (JULY 1, 2007 – SEPTEMBER 30, 2007) (BOOK II)

Mr. Brosnan presented the Investment Reports on all investment transactions from July 1, 2007 through September 30, 2007. He then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED, the Board accepted the Investment Reports by Staff (Book II).

CONSIDERATION OF PROPOSED MANAGER PERFORMANCE REVIEW SCHEDULE – 2008

Mr. Brosnan presented the proposed manager performance review schedule for 2008.

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the 2008 Manager Performance Review Schedule for 2008.

UPDATE ON “TERROR FREE” INDEX

Mr. Brosnan noted that this item was discussed during the December 3, 2007 meeting and there was nothing to add regarding this item.

OTHER BUSINESS

Mr. Brosnan provided a handout on “Northern Trust Global Investments” and briefly reviewed the information provided.

There was no other business under Investments.

PUBLIC COMMENT

There was no public comment.

OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED, the Board adjourned at ~~11:30 p.m.~~ 11:30 a.m.


Charles P. Bujol – Executive Director


Larry Wilmer – Chairman