

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

**Monday, December 6, 2010
9:00 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 9:02 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, Mr. Jeffrey Faulk, Sr., *Mr. Tim Palmatier - designee for Mr. Tom Schedler – Secretary of State, *Mr. Matt Tessier - observer for Representative J. Kevin Pearson – Chairman of the House Committee on Retirement

Members Absent: Mr. John Kennedy – State Treasurer, Senator D. A. “Butch” Gautreaux – Chairman of the Senate Committee on Retirement

Staff Present: Mr. Charles P. Bujol - Executive Director, Ms. Carolyn Forbes - Assistant Director, Mr. Warren D. Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Jerry Rhodus - Investment Officer 2, Ms. Jennifer Champagne - Administrative Assistant 6 (Recording Secretary)

Also Present: Mr. Brett Hazen - Segal Advisors, Mr. Randy Davis (presentation of plaques)

* Mr. Palmatier arrived at 9:23 a.m.
Mr. Tessier left at 11:44 a.m.

DIRECTOR'S ANNOUNCEMENTS

Mr. Bujol made the following announcements:

The Honorable Jay Dardenne, who served on LSERS Board of Trustees, was elected Lieutenant Governor.

Secretary of State Tom Schedler could not attend today's meeting. Mr. Timothy Palmatier, his proxy, will be attending the meeting later this morning.

Mr. Wilmer presented a plaque to Mr. Randy Davis for his dedicated service to the Board. He also presented Mr. Davis with a plaque for Mr. Jay Dardenne.

APPROVAL OF AGENDA

The agenda was presented to the Board for approval.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr., **voted affirmatively** to approve the agenda.

PUBLIC COMMENT ON ANY ITEM ON AGENDA

Mr. Wilmer called for public comment on any item on the agenda. There was no one from the public in attendance.

MANAGER PERFORMANCE REVIEW

Mr. Brosnan provided a brief review of the overall performance ending October 31, 2010. Mr. Hazen continued with an overview of market conditions throughout the year, a review of asset changes from June through September 2010, and overall performance of the portfolio. Mr. Hazen and Mr. Brosnan then addressed questions from the Board and LSERS' administrative staff.

UPDATE ON ASSET ALLOCATION

Mr. Hazen provided an overview of a handout on asset allocation/manager structure, which included recommendations for steps to continue moving towards the target allocation and potential areas for discussion/action on manager structure. This led to a review of Analytic Investors' performance.

Mr. Palmatier arrived at 9:23 a.m.

Mr. Hazen and Mr. Brosnan then addressed questions from the Board and LSERS' administrative staff.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Manager Performance Review and Update on Asset Allocation.

Mr. Wilmer welcomed Mr. Timothy Palmatier, who will be representing Secretary of State Tom Schedler as his designee on LSERS' Board. Everyone in attendance was given an opportunity to introduce themselves and provide their role on the Board and the members they represent.

REVIEW OF FIXED INCOME MANAGERS PERFORMANCE

Mr. Brosnan provided a review of fixed income managers performance, which reflected a combined portfolio of Evergreen/Commonwealth for the past five years, using Evergreen's numbers up to the point that it was replaced by Commonwealth. It was noted that a combination of these two managers over the five year period had a return of 7.80%, which exceeded the benchmark of 6.45% and the returns of Schroder and Orleans at 7.32% and 7.22% respectively. Commonwealth was able to recoup all of Evergreen's loss, plus return the portfolio to a gain, in the two years since taking over the portfolio.

Mr. Brosnan then reviewed a memo on concerns regarding Commonwealth. He noted that while Commonwealth's performance was not a concern, and they were doing exactly what they were hired to do, there were a number of internal issues that have surfaced. A review of these issues was provided and staff concerns were discussed. Mr. Brosnan reminded the Board that Commonwealth was scheduled to present to the Board later in the meeting and Mr. Morales would be available to answer any questions.

ON MOTION BY MS. CRAIN, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Review of Fixed Income Managers Performance.

INVESTMENT MANAGER REPORTS

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS' administrative staff:

Commonwealth Advisors, Inc.

**Tayler Schulte – Investor Relations*

**Ms. Schulte informed the Board that she would be presenting on behalf of Mr. Walter Morales, who was unable to attend because he missed his flight. She also noted that booklets were not available for this meeting, as Mr. Morales had them in his possession, but she would send an e-mail attachment later that afternoon.*

ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the report from Commonwealth Advisors, Inc.

Schroder Investment Management N.A., Inc.

*Anthony D. Williams – U.S. Institutional Business Development Director
David Harris – Senior Portfolio Manager*

**Schroder Investment Management also outlined a proposal to assume management of the Distressed Debt portfolio currently managed by Commonwealth Advisors.*

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the report from Schroder Investment Management, N.A., Inc.

Orleans Capital Management

*Louis F. Crane, CFA – Chairman and Chief Investment Officer
Emily C. Becker – Portfolio Manager
Gary Welchel – Executive Vice President*

ON MOTION BY MS. LANDRY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the report from Orleans Capital Management.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board gave administrative staff the authority to terminate Commonwealth Advisors, Inc. and reinvest these funds with Schroder Investment Management, N.A., Inc.

RATIFICATION OF INVESTMENT COMMITTEE RECOMMENDATION(S) FOR SEPTEMBER 13, 2010 MEETING

Mr. Brosnan presented the following recommendation for ratification:

Investment Committee approved the investment of \$30 million in real estate with \$15 million to Landmark Partners and \$15 million to PRP Real Estate Investment Management Government Income Fund at the Committee meeting held September 13, 2010. The recommendation of staff and Segal was passed with unanimous consent.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board ratified the September 13, 2010 Investment Committee recommendation.

INVESTMENT REPORTS

Commission Recapture Reports

Mr. Rhodus provided the following reports on Commission Recapture for the reporting period of January 1, 2010 through September 30, 2010:

Equity Managers

Overall commissions to Lynch, Jones & Ryan were under the 25% target with total commissions of 5.44%.

Fixed Income Managers

Overall commissions to Lynch, Jones & Ryan were under the 35% target with total commissions of .33%.

Mr. Rhodus provided a detailed summary of total commissions for the same reporting period and then addressed questions from the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Commission Recapture Reports.

Mr. Hazen questioned the usefulness of commission recapture and whether this should continue. Consensus of the Board was to bring this up for discussion at the January 2011 Investment Committee meeting.

Trading Compliance Reports

Mr. Rhodus provided the following investment manager reports:

Commonwealth Advisors, Inc.

Commonwealth Advisors, Inc. directed no trades (0.00%) through Lynch, Jones, & Ryan, no trades (0.00%) through Louisiana Brokers and no trades (0.00%) through Louisiana Inc. and Domiciled Brokers.

Schroder Investment Management N.A., Inc.

Schroder Investment Management N.A., Inc directed no trades (0.00%) through Lynch, Jones, & Ryan, no trades (0.00%) through Louisiana Brokers and no trades (0.00%) through Louisiana Inc. and Domiciled Brokers.

Orleans Capital Management

Orleans Capital Management did not meet their 35% target with 7.1% of total trades directed through Lynch, Jones & Ryan. They exceeded their 10% minimum target with 10.6% of total trades through Louisiana Brokers. No trades (0.00%) were directed through Louisiana Inc. and Domiciled Brokers.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Trading Compliance Reports.

Investment Report

Mr. Brosnan noted that the Investment Report (Book II) on day-to-day investment transactions for the reporting period of July 1, 2010 through September 30, 2010 was available for review.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Investment Report.

Securities Lending Report

Mr. Brosnan provided the securities lending report and then addressed questions from the Board.

ON MOTION BY MR. WALTHER, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Securities Lending Report.

Other Business

There was no other business to discuss under Investment Reports.

UPDATE ON CUSTODIAN SEARCH

Mr. Brosnan provided an update on the custodian search and noted that recommendations would be presented at the January 2011 meeting.

Mr. Tessier left the meeting at 11:44 a.m.

PRESENTATIONS BY OPPORTUNISTIC REAL ESTATE MANAGERS

The following Real Estate Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS' administrative staff:

INVESCO

*Dyice Ellis-Beckman – Senior Director Public Funds
Laler C. DeCosta – Senior Director, Client Portfolio Manager*

Morgan Stanley

Candice W. Todd – Executive Director


Mr. Hazen provided a brief review of both real estate managers and then addressed questions from the Board and LSERS' administrative staff. Mr. Hazen and Mr. Brosnan recommended hiring Morgan Stanley as a real estate manager.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board approved investing \$25 million with Morgan Stanley and authorized staff to negotiate fees and sign all applicable documents.

OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 1:48 p.m.


Charles P. Bujol – Executive Director


Larry Wilmer – Chairman