

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

**Monday, February 12, 2007
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's Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, called the meeting to order at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Larry Wilmer – Chairman, Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer, Mr. Randy Davis, designee for Mr. Jay Dardenne – Secretary of State, *Ms. Laura Gail Sullivan, non-voting designee for Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee

Members Absent: Representative Pete Schneider – Chairman of the House 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. Charles Hall – Hall Actuarial Associates, Mr. Brett Hazen and *Mr. Richard Ranallo – Segal Advisors, Inc.

*Mr. Warren Ponder arrived at 10:00 a.m.
Ms. Laura Gail Sullivan arrived at 10:25 a.m.
Mr. Richard Ranallo attended the meeting from 12:30 p.m.

Mr. Wilmer welcomed Mr. Randy Davis as the new member of the Board of Trustees representing the Secretary of State's office.

Mr. Bujol made the following announcements:

Individual reports of Trustee Educational Requirements were placed in each Board member's folder. Board members were asked to review the report for accuracy and notify Ms. Champagne of any discrepancies.

Mr. Ponder was detained, but he would be providing an educational presentation on "Roberts Rules of Order" at today's meeting. Evidence of Compliance of Trustee Educational Certification forms are to be completed and turned in to Ms. Champagne after the presentation.

Mr. Wilmer announced that the educational presentation would be postponed, pending Mr. Ponder's arrival.

BOARD MINUTES

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the November 20, 2006 Regular Board Meeting.

ON MOTION BY MS. CRAIN, SECONDED BY MR. FAULK AND CARRIED, the Board approved the minutes of the November 21, 2006 Regular Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the January 8, 2007 Special Board Meeting.

RETIREMENT REPORTS

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Service Retirement Reports from October 1, 2006 through December 31, 2006.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Disability Retirement Reports from October 1, 2006 through December 31, 2006.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Survivor Benefits Reports from October 1, 2006 through December 31, 2006.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the DROP Deposits Reports from October 1, 2006 through December 31, 2006.

ADMINISTRATION

DISCUSSION AND APPROVAL OF 2006-2007 BUILDING FUND ADJUSTMENT

Ms. Dudley provided a report on adjustments to the 2006 – 2007 Building budget. For the year beginning July 1, 2006 an estimated \$17,000 was budgeted for insurance. As a result of the hurricanes an adjustment in insurance was received from the Office of Risk Management, which is the state agency that provides all of the insurance for the building, workman's compensation, vehicles, etc. Administrative staff was requesting Board approval to submit a budget adjustment in the amount of \$19,817. It was noted that the amount budgeted for insurance for the fiscal year 2007 – 2008 would also need to be adjusted.

Discussion was held on the increased costs associated with the hurricanes and future adjustments.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the 2006 – 2007 Building Fund adjustment.

BOARD OF TRUSTEES MANUAL – PROPOSED POLICY CHANGES

Mr. Bujol reviewed proposed policies that were distributed to Board members at the January 2007 Investment Committee meeting. Proposed policies were being presented as part of an ongoing project to update the Board of Trustees policy manual. Proposed additions to the manual included LSERS history, vision, mission and philosophy, duties and responsibilities, and rules governing meetings. Proposed changes to current policies included fiduciary responsibilities, placing items on the agenda, and the selection process for consultants, investment managers, and other professional services providers. The Board was asked to review the proposed policies, make any changes deemed necessary, and ratify the new policies.

Discussion was held on proposed policy changes. Mr. Faulk made a motion to approve the proposed policies and Mr. Richard seconded the motion.

Further discussion was held on proposed changes, specifically on fiduciary responsibilities and the deletion of the section on educational conferences or seminars. It was suggested that the last paragraph on page 2 of the "Current and Edited Policies" booklet be included in the proposed policy, as it provides specific information on Board members attending educational conferences or seminars.

After further consideration Mr. Faulk withdrew his motion and Mr. Richard withdrew his second.

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board approved including the last paragraph found on page 2 of the Salmon Book labeled "Current and Edited Policies" in the proposed policy on Fiduciary Responsibilities.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board adopted the proposed policies with changes as noted.

APPROVAL OF 2007 ELECTION SCHEDULE FOR ACTIVE MEMBER DISTRICT 1

Mr. Bujol reviewed the proposed election schedule for the Active Member District 1 seat, which is currently held by Mr. Earl Richard, Jr. Discussion was held on the legislative process and whether reapportionment of districts would be introduced and implemented during the 2007 Regular Legislative session. This led to a discussion on the impact of reapportionment on all four retirement districts and whether the District 1 seat election should be postponed.

Consensus of the Board was to table this agenda item for further discussion when LSERS' executive counsel was present.

PERSONNEL ACTIONS REPORT (OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006)

Ms. Dudley provided the report on personnel actions for the last quarter of 2006 and addressed questions from the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED, the Board accepted the Personnel Actions Report.

STAFF DEVELOPMENT TRAVEL EXPENSES REPORT (OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006)

Ms. Dudley presented the report on travel expenses incurred by staff members during the last quarter of 2006. She noted a correction on the date Mr. Bujol attended the LSBOA Annual Meeting, which was November 17, 2006 instead of October 12, 2006.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Staff Development Travel Expenses Report.

STAFF OVERTIME REPORT (OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006)

Ms. Dudley presented the Staff Overtime Report for the last quarter of 2006, which included separate reports on employees who earned overtime. The first report reflected compensatory time earned and the second report reflected overtime paid. Ms. Dudley then answered questions from the Board.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board accepted the Staff Overtime Report.

EVALUATION OF UNCLASSIFIED PERSONNEL

Annual evaluation forms on the Director, Assistant Director, Chief Investment Officer, and Executive Counsel would be mailed out to all Board members on March 1, 2007. Completed evaluations are to be returned in the self-addressed stamped envelopes provided and mailed to Mr. Earl Richard, Jr., Chairman of the Personnel Committee, by April 9, 2007. Evaluations will be reviewed by the Personnel Committee at its meeting scheduled for Monday, April 16, 2007, upon adjournment of the Investment Committee Meeting.

BOARD EVALUATION OF CONSULTANT

Mr. Brosnan provided a summary of the Board members' evaluations on LSERS' Investment Consultant, which reflected the number of evaluations received and ratings. He noted that overall evaluations ranged between above average and outstanding.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Board Evaluation of Consultant.

STAFF EVALUATION OF CUSTODIAN

Mr. Brosnan provided a summary of evaluations that he and his staff completed on Northern Trust Company, LSERS' Custodian. He noted that the overall evaluations were satisfactory, but there was a particular area of concern in reference to accuracy of month end statements and occurrence of errors. This will be addressed in a meeting with representatives of Northern Trust that is scheduled for later in the month and a report will be provided to the Board.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Staff Evaluation of Custodian.

OTHER BUSINESS

There was no other business to discuss under Administration.

INVESTMENTS

APPROVAL OF MINUTES OF JANUARY 8, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board approved the minutes of the January 8, 2007 Investment Committee Meeting.

INVESTMENT REPORT BY STAFF (BOOK II)

Mr. Brosnan presented the Investment Reports on all investment transactions from October 1, 2006 through December 31, 2006.

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

TRADING COMPLIANCE REPORTS

Mr. Brosnan provided the report on Managers' Compliance with LSERS' Trading Requirements on J & W Seligman and Company, Ark Asset Management, and C.S. McKee Investment Managers. Overall, these managers are meeting the policy guidelines in their trading with Lynch, Jones, and Ryan and with Louisiana Brokers. The only managers who met the minimum requirements in trading with Louisiana, Inc. and Domiciled Brokers were J & W Seligman and C.S. McKee Investment Managers.

It was noted that although some managers exceeded the minimum requirements for trading with Louisiana Brokers, the portfolio is still behind in its required trading because the legislature views trading for the overall portfolio instead of individual managers.

Discussion was held on the investment policy and how it relates to legislative requirements. Mr. Brosnan will continue to monitor trading and provide a cost effective analysis on getting the portfolio closer to compliance.

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

OTHER BUSINESS

There was no other business to discuss under Investments.

LEGAL

Mr. Ponder provided the following reports:

COLLECTIONS

The Legal Department collected approximately \$2,600 for the last quarter 2006. The agency has also received approximately \$17,000 from a former employee for advanced tuition.

LITIGATION

A brief review of current securities litigation cases was provided.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Legal Report.

The next agenda item was Item I, Educational Presentation on “Roberts Rules of Order”, which was postponed earlier in the meeting.

EDUCATIONAL PRESENTATION ON ROBERTS RULES OF ORDER

Mr. Ponder provided an educational presentation on “Roberts Rules of Order”, which governs all meetings of the Board of Trustees of Louisiana School Employees’ Retirement System (LSERS), except as modified by Louisiana statute. He also reviewed Louisiana open meetings laws that override Roberts Rules of Order and govern LSERS Board of Trustees. This led to a review on laws allowing public comment and rules governing executive sessions.

LEGISLATION

UPDATE ON LSERS PROPOSED LEGISLATION

Mr. Bujol provided a brief review of recent meetings held with the Directors of the Statewide Retirement Systems, along with the Director of the Louisiana State Retirement System, to discuss proposed legislation on restarting the target ratio. Meetings were also held respectively with Senator D.A. “Butch” Gautreaux, Chairman of the Senate Retirement Committee, and Representative Pete Schneider, Chairman of the House Retirement Committee. During their discussions Representative Pete Schneider expressed interest in creating an experience account along with restarting the target ratio.

Mr. Hall provided a review of the benefits of having an experience account versus restarting the target ratio. This led to an extensive presentation on the legislative requirements for funding COLA’s, the process for granting cost of living increases, what has impacted the System’s ability to grant COLA’s, and the significance of introducing and supporting legislation on creating an experience account.

Discussion was held on pursuing legislation on creating an experience account and whether a member of the legislature would author this piece of legislation. The importance of getting support from other systems and most importantly, from the retirees, was stressed.

Mr. Faulk requested that administrative staff send a listing of all legislative representatives to the Board members for relaying information to constituents.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved introducing legislation to provide LSERS with an experience account or, if State Police Retirement System is in agreement, LSERS jointly offering a bill to provide an experience account to both systems.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board authorized Mr. Charles Bujol, Mr. Charles Hall, and Mr. Warren Ponder to speak on behalf of the Board at legislative committee meetings.

LEGAL

UPDATED STATUS REPORT ON “EAST BATON ROUGE PARISH SCHOOL BOARD, ET ALL VS THE LOUISIANA SCHOOL EMPLOYEES’ RETIREMENT SYSTEM; 19TH JDC, #539,015 DIV. “26”

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board went into executive session to discuss the updated status report on “EAST BATON ROUGE PARISH SCHOOL BOARD, ET ALL VS THE LOUISIANA SCHOOL EMPLOYEES’ RETIREMENT SYSTEM; 19TH JDC, #539,015 DIV. “26”

The Board of Trustees requested the presence of Mr. Bujol, Executive Director, Ms. Dudley, Assistant Director, and Mr. Ponder, Executive Counsel, in Executive Session. Mr. Randy Zinna, the attorney representing LSERS’ Board of Trustees, provided the updated status report.

ON MOTION BY MS. CRAIN, SECONDED BY MR. FAULK AND CARRIED, the Board returned to regular session.

OTHER BUSINESS

There was no other business to discuss under Legal.

LEGISLATION

2007 LEGISLATIVE CALENDAR

The 2007 Louisiana Legislative calendar was reviewed.

WASHINGTON, D.C. LEGISLATIVE UPDATE

Ms. Crain, Ms. McKee, Mr. Faulk, and Mr. Ponder attended the 2007 NCPERS Legislative Conference held in Washington, D.C. on February 5-7, 2007. Mr. Ponder provided a brief review of the meetings held with each of the U.S. Senators and Representatives, which included discussions on legislation in reference to mandatory social security coverage, windfall elimination provision (WEP) and the government pension offset (GPO).

In the next issue of the Crossroads Newsletter members of the system will be asked to voice their concerns and tell their stories on how these issues affect them.

OTHER BUSINESS

Ms. Landry brought up for discussion a bill that was passed last year on rehiring of retirees and its impact on bus drivers. She noted that there was a severe shortage of bus drivers in the State.

Extensive discussion was held on this matter, which led to a suggestion that this be presented to the Louisiana School Board Association for assistance.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board gave Mr. Bujol, Executive Director, authorization to contact the Louisiana School Board Association.

There was no other business to discuss under Legislation.

The next agenda item discussed was Item C under Administration, which was tabled earlier in the meeting.

ADMINISTRATION

APPROVAL OF 2007 ELECTION SCHEDULE FOR ACTIVE MEMBER DISTRICT 1

Further discussion was held on whether reapportionment of districts would be introduced and implemented during the 2007 Regular Legislative session. This led to further discussion on whether the election should be postponed, pending the outcome of the session. Consensus of the Board was to table this agenda item until March 2007.

Mr. Wilmer called for a Special Board meeting to be held on March 12, 2007, upon adjournment of the Investment Committee meeting.

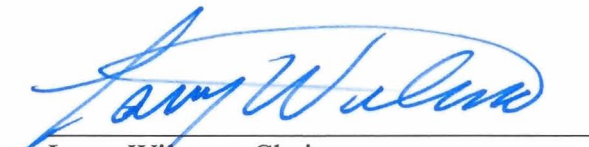
OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board adjourned at 1:06 p.m.



Charles P. Bujol – Executive Director



Larry Wilmer - Chairman