

Louisiana School Employees' Retirement System Board Investment Committee Meeting

*Monday, June 11, 2007
9:00 a.m.*

The Louisiana School Employees' Retirement System's Board Investment Committee convened in the boardroom (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Faulk called the meeting to order at 9:02 a.m. Mrs. Stark called the Roll.

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Members Present: Mr. Jeffrey Faulk, Sr. - Chairman, Mrs. Kathy Landry, Ms. Betty Crain, Mrs. Judith McKee, Mr. Eugene Rester, Jr., Mr. Earl Richard, Jr., Mr. Randy Davis, designee for Mr. Jay Dardenne - Secretary of State and Ms. Lori Pierce, designee for Mr. John Kennedy - State Treasurer.

Members Absent: Mr. Larry Wilmer, Senator D.A. "Butch" Gautreaux, Chairman - Senate Retirement Committee and Representative Pete Schneider, Chairman - House Retirement Committee.

Staff Present: Mr. Charles Bujol – Executive Director, Mrs. Debra Dudley - Assistant Director, Mr. Warren Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mrs. Josie Meche - Investment Manager I, and Mrs. Laurie Stark - Administrative Assistant 5.

Others Present: Mr. Walter Morales and Mr. Mike Perini – Commonwealth Advisors, Inc. and Mr. Jamie Griffith.

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Mr. Bujol made the following announcements:

The copy of the Trustee Educational Requirements Report in each individual member's folder needs to be reviewed for any discrepancies.

Each Board member will need to complete a Trustee Educational Certification form after the educational presentation on distressed debt.

A card for a free subscription of "Financial Week" has been provided to each Board member for completion and mailing.

Qualifying for the Retirement District 1 seat was held with only Mr. Philip Walther from Jefferson Parish qualifying.

Jennifer Champagne had her surgery and is reported to be doing well.

EDUCATIONAL PRESENTATION ON DISTRESSED DEBT SECURITIES

Mr. Walter Morales and Mr. Mike Perini with Commonwealth Advisors, Inc. provided a one-hour presentation on Distressed Debt Securities. Distressed securities was defined as securities belonging to a company that is under financial distress, such as bankruptcy, restructuring, liquidation, etc. in order to be able to pay debts and avoid insolvency. This presentation also included a review of bond ratings and examples of distressed securities.

STAFF REPORTS

Commission Recapture

Mrs. Meche reported that for the period January 1, 2007 through March 31, 2007 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. The equity manager that met or exceeded its 25% target was Walter Scott. The total funds available for disbursement as of March 31, 2007 were \$25,446. Payments totaling \$16,100 were made, leaving a balance of \$9,346 available for disbursement.

ON MOTION OF MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the committee accepted the Commission Recapture Report.

Northern Trust Securities Lending Report

Mr. Brosnan reported that for March 2007 the gross income on securities lending was \$75,912.79. Northern Trust received a fee of \$22,757.81. The fund earned \$53,154.98 for March or an average of \$45,457.78 per month calendar year-to-date. Since inception the fund earned \$5,779,871.65 or an average net monthly income of \$35,899.82.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. LANDRY AND CARRIED, the committee accepted the Northern Trust Securities Lending Report.

Louisiana Brokers

Mrs. Meche reported that for the period January 1, 2007 through March 31, 2007 none of the fixed income managers met their 10% target. The equity managers that met or exceeded their 10% minimum target were Ark, J & W Seligman and Walter Scott. A total of \$12,181,170.45 par value and \$20,019.65 in equity commissions was directed during the period ending March 31, 2007.

Louisiana Incorporated & Domiciled Broker Report

Mrs. Meche reported that for the period January 1, 2007 through March 31, 2007 the equity managers that met or exceeded their 10% target were Ark, C.S McKee, and J & W Seligman. None of the fixed income managers met their targets for the period. A total of \$18,304.50 in equity commissions and \$0.00 par value was directed during the period ending March 31, 2007.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the committee accepted the Louisiana Broker Report and the Louisiana Incorporated and Domiciled Broker Report.

**Securities Litigation
Investment Staff Report of Receipts**

Mr. Brosnan reported that as of April 30, 2007 LSERS received a total of \$1,718,930.12 in cash, \$578 in par value and 8,963 shares of stock/warrants for settlements from securities litigations.

ON MOTION OF MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the committee accepted the Securities Litigation Report on Receipts.

Current Case Review

Mr. Ponder provided an update on a Bank One case that was previously filed by Mr. Roche. Bank One is offering \$30,000.00 to dismiss our claim.

Mr. Ponder also presented an overview of legislation under consideration that affects LSERS.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the committee agreed to go into Executive Session to discuss potential litigation.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the committee agreed to go back into Regular Session.

ON MOTION OF MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the committee agreed to allow Mr. Ponder to go to New York to represent LSERS as lead plaintiff in the Bioenvision, Inc. Securities Litigation Case.

ON MOTION OF MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the committee accepted the Current Case Review report.

Mid-Cap Search Update.

Mr. Brosnan provided an update on the search for a Mid-Cap Manager. Three (3) proposals were received for the Mid-Cap Index Manager Search. Those firms submitting proposals were State Street Global Advisors, Northern Trust Global Investments and RhumbLine Advisors. It was recommended that RhumbLine be hired to handle the Mid-Cap Index. It would be a \$50 million commitment. It was also suggested that the approximately \$17 million should be taken from each of the system's three large cap managers, which are Northern Trust, Ark Asset Management, and C.S. McKee.

ON MOTION OF MR. RICHARD, SECONDED BY MRS. McKEE AND CARRIED, the committee recommended that RhumbLine be hired as the new Mid-Cap Index Manager, which is a \$50 million commitment.

ON MOTION OF MR. RICHARD, SECONDED BY MRS. McKEE AND CARRIED, the committee recommended that to satisfy the \$50 million commitment 1/3 (approximately \$17 million) would be withdrawn from each of the following managers: C.S. McKee, Ark Asset Management and Northern Trust Global Investments.

Reallocation of Investment Department Budget.

Mr. Brosnan proposed adopting Northern Trust "Passport" on line accounting as the book of record and that the contract with SS&C for the CAMRA accounting software be cancelled. The information that CAMRA provides is available from the custodian. The cancellation of the contract should result in an annual savings of \$53,000. The CAMRA software license would be allowed to lapse at the contract anniversary date in September. He also proposed purchasing additional portfolio performance and analytical services from Northern Trust and the risk measurement and graphics software "StyleAdvisor" provided by Zephyr Associates. The net result of these changes would be a savings of approximately \$18,500. The new services would greatly enhance the Investment Department's ability to provide Board members with detailed information regarding the system's performance. There would be some overlap of expenses during the transition, as the new services would start as of July 1, 2007 and the CAMRA contract would be terminated at the conclusion of the annual audit.

ON MOTION OF MRS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the committee agreed to allow the contract for the CAMRA System to lapse (no later than the contract renewal date of September, 2007), and that the Northern Trust's "Investment Risk and Analytical Services" be initiated as of July 1, 2007 to coincide with the new fiscal year and also to allow the purchase of the license for the StyleAdvisor Software for approximately \$12,500 per year for a three (3) year period.

PUBLIC COMMENTS.

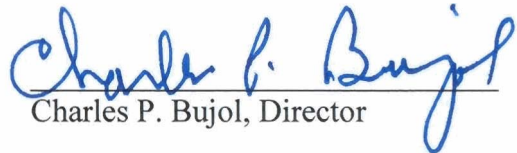
There were no public comments.

OTHER BUSINESS.

Mr. Ponder proposed a new schedule for next year's election. It would adjust the schedule (move everything forward) to allow the newly elected board member to attend the LAPERS conference in September and receive their required education. This would be brought up at the next full board meeting in August.

ON MOTION OF MR. RESTER, SECONDED BY MR. RICHARD AND CARRIED, the committee agreed to adjourn.

The meeting adjourned at 11:45 a.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman