

**LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
BOARD INVESTMENT COMMITTEE MEETING**

**Monday - March 8, 2004  
9:00 a.m.**

The Louisiana School Employees' Retirement System's Board Investment Committee convened in the board room (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Ms. Jacobs called the meeting to order at 9:00 a.m. The Roll was called by Mrs. Stark.

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**Members Present:** Ms. Betty Jacobs, Chairman, Mr. Larry Wilmer, Mr. Earl Richard, Jr., Ms. Betty Crain, Mr. Joe Seymour, Ms. Sylvia Myers, Mr. Jeffrey Faulk, Ms. Stacy Sharpe - State Treasurer's Office, Mr. John Broussard - State Treasurer's Office and Mr. Warren Ponder - Secretary of State's Office.

**Members Absent:** Senator Lambert Boissiere, Jr. - Chairman, Senate Retirement Committee and Representative Pete Schneider - Chairman, House Retirement Committee.

**Staff Present:** Mr. Patrick Coper - Director, Mrs. Debra Dudley - Assistant Director, Mr. Randy Roche - General Counsel, Mrs. Julia LeBlanc - Chief Investment Officer, Mrs. Josie Meche - Investment Manager I, Mr. Judy Wright - Public Information Director I and Mrs. Laurie Stark - Executive Services Assistant.

**Others Present:** Mr. Donald Saxton - Segal Advisors, Inc. and Mr. Tony Gelderman - Bernstein, Litowitz, Berger and Grossman.

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Mr. John Broussard arrived at 9:03 a.m.

**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. FAULK, AND CARRIED,** the committee agreed to a consent to consider discussing "Other Business" first.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. FAULK, AND CARRIED,** the committee agreed to go into an executive session to discuss personnel matters. **Roll Call Vote:** Mr. Seymour: YES; Mr. Wilmer: YES; Ms. Myers: YES; Ms. Jacobs: YES; Mr. Faulk: YES; Ms. Crain: YES; Mr. Richard: YES; and Ms. Sharpe: YES. **YES's = 8, NO's = 0 and ABSTAIN's = 0. Motion = PASSED.**

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**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN, AND CARRIED**, the committee agreed to go back into the Investment Committee Meeting. **Roll Call Vote:** Mr. Seymour: YES; Mr. Wilmer: YES; Ms. Myers: YES; Ms. Jacobs: YES; Mr. Faulk: YES; Ms. Crain: YES; Mr. Richard: YES; and Ms. Sharpe: YES. **YES's = 8, NO's = 0 and ABSTAIN's = 0. Motion = PASSED.**

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**SECURITIES LITIGATION SEMINAR**

Mr. Seymour announced that there will be a Special Board Meeting that will follow the Investment Committee Meeting in April.

Mr. Tony Gelderman with Bernstein, Litowitz, Berger and Grossmann presented an educational seminar regarding securities litigation. He began his presentation by informing them that his firm has been in business since 1983 and that the majority of their practice deals with securities fraud litigation. Pension funds represent the majority of their clients. Their firm monitors potential securities litigation for many public funds in this and other states. Since the firm was founded, they have tried and settled some of the most significant fraud cases in history. He listed four cases that this system was appointed as lead plaintiff in. Those cases were: 3Com, Finova, Lucent Technologies, Inc. and Orthopedics, Inc. The firm of Bernstein, Litowitz, Berger and Grossman pioneered "portfolio monitoring" for public pension funds for potential securities claims. This operation was touted as the most sophisticated and finely tuned monitoring program of any law firm in the securities litigation field. Mr. Gelderman said he feels that the system needs the complete legal advice concerning securities losses by fraud it receives through their representation.

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**DISCUSSION WITH CONSULTANT**

**Review of Performance by Trinity.**

Mr. Saxton updated the committee on Trinity's performance. For the months of January and February 2004, Trinity's performance numbers were very close to the Russell 1000 Value Index. Through the year-to-date they are ahead of the benchmark by 20 basis points. Mr. Saxton said he believes that because of their continued forward momentum, the system will not have to worry about Trinity in the future. He also commented on J & W Seligman's performance because of some administration changes that are taking place in that company. For the year they outperformed their benchmark by over a percent and a quarter. Mr. Saxton said that the transition seemed to be handled appropriately and did not affect their performance significantly. He thinks that J & W Seligman will do well in the future and the system will not have to monitor their performance any longer.

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**Discussion of Letter from Ark Asset Management Regarding the Investment Policy and Guidelines.**

Mrs. LeBlanc discussed the letter that was received from Ark Asset Management in January regarding their request to have another item changed in the Investment Policy and Guidelines. They are asking that no more than the greater of 5% of the portfolio at market or two times its benchmark index weight may be invested in the common stock of any one corporation. Mrs. LeBlanc said she had an earlier discussion with Mr. Ranallo regarding the letter. Mr. Ranallo said that the policy that is in effect should be adequate for Ark to outperform their benchmark. He also said he did not think the committee would find it necessary to grant the requested change.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. RICHARD, AND CARRIED**, the committee agreed to have staff contact Ark Asset Management to inform them that the committee denied their request for an additional change to be made to the “Investment Policy and Guidelines.”

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MS. CRAIN, AND CARRIED**, the committee agreed to the consent to consider adding the Walter Scott letter to the agenda.

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**OTHER BUSINESS.**

Mr. Saxton mentioned a letter that was received from Walter Scott & Partners, Ltd. They are requesting that Canada be added to the list of countries that they are allowed to invest in that country’s securities. Canada is not within the EAFE index that is used by this system. EAFE stands for Europe, Asia and Far East.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. WILMER, AND CARRIED**, the committee agreed to accept the report regarding Trinity’s performance numbers given by Mr. Saxton.

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**ON MOTION OF MS. MYERS, SECONDED BY MR. SEYMOUR, AND CARRIED**, the committee agreed to allow Canada to be added to the list of countries that Walter Scott & Partners is allowed to invest in their securities.

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**STAFF REPORTS**

**Commission Recapture Report**

Mrs. Meche reported for the period January 1, 2003 through December 31, 2003 that none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. The equity managers that met or exceeded their 25% target for the period of January 1, 2003 through December 31, 2003 were the Ark Asset Management, Energy Opportunities, Harbor Capital, J & W Seligman, Trinity and Walter Scott. Only Brandywine and Northern Trust Quantitative Advisors did not meet their targets. The total funds available for disbursement as of December 31, 2003 were \$586,169.45. Payments totaling \$250,393.93 have been made leaving a balance of \$335,775.52 available for disbursement.

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**ON MOTION OF MR. FAULK, SECONDED BY MR. SEYMOUR, AND CARRIED**, the committee accepted the Commission Recapture report for the period of January 1, 2003 through December 31, 2003.

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**Northern Trust Securities Lending Report.**

Mrs. LeBlanc reported that for the calendar year-to-date period ended January 2004, the gross income on securities lending was \$40,852.94. Northern Trust has received a fee of \$12,246.14. The fund had income returned to it in the amount \$28,606.80 or an average for the year of \$28,606.80 per month. Since the program has been in place with Northern Trust, the fund has earned \$4,361,866.27 or an average monthly income of \$35,462.33.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. FAULK, AND CARRIED**, the committee accepted the Northern Trust Securities Lending Report.

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**Louisiana Brokers.**

Mrs. Meche reported for the period of January 1, 2003 through December 31, 2003 all the fixed income managers met their 10% target for the month. The only equity manager who met or

exceeded their 10% minimum target was Walter Scott. The only two equity managers who met their target were Energy Opportunities and Trinity. The remainder did not meet their target. A total of \$608,678,538.94 par value and a total of \$101,379.26 equity commissions were directed during the time period ended December 31, 2003.

**Louisiana Incorporated & Domiciled Broker Report.**

Mrs. Meche reported for the period of July 1, 2003 through December 31, 2003 the equity managers who met or exceed their 10% target were Brandywine, Harbor Capital, J & W Seligman and Trinity. The only fixed income manager to meet their target for the period was Orleans Capital. A total of \$27,073,628.22 par value and a total of \$126,761.32 equity commissions were directed during the time period ended December 31, 2003.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. FAULK, AND CARRIED,** the committee accepted the Louisiana Broker reports with corrections.

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**ON MOTION OF MR. FAULK, SECONDED BY MR. SEYMOUR, AND CARRIED,** the committee accepted the Louisiana Incorporated and Domiciled reports.

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**Securities Litigation.  
Investment Staff Report of Receipts.**

Mrs. LeBlanc reported to the committee that LSERS has received a total of \$279,347.97 in cash, \$578.00 in Par Value and 857 shares of stock/warrants as of December 31, 2003 as settlements from securities litigations. For the period ended January 31, 2004, the system received \$70.63 in cash from a settlement in the Aetna, Inc. securities litigation case.

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**ON MOTION OF MR. SEYMOUR, SECONDED BY MR. FAULK, AND CARRIED,** the committee accepted the securities litigation report of receipts.

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**Current Case Review.**

Mr. Roche informed the committee that there are some rather large cases that are in the works to be settled. Payment is expected from Conesco, Lucent Technologies and Finova. Sometimes it

takes a year to a year and a half to actually receive settlement money from a case. Over the next six months this system should be receiving some hefty settlement proceeds from these cases.

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**ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS, AND CARRIED,** the committee accepted the securities litigation report.

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**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN , AND CARRIED,** the committee agreed to adjourn.

The meeting adjourned at 11:01 a.m.

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Patrick Coper, Director

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Betty Jacobs, Chairperson