

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

Monday, March 13, 2006

Held Upon Adjournment of Investment Committee Meeting

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, opened the meeting at 11:49 a.m. Roll was called.

Members Present: Mr. Larry Wilmer – Chairman, Ms. Betty Jacobs, Ms. Betty Crain, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer
Ms. Stacy Sharpe, designee for Mr. Al Ater – Secretary of State

Members Absent: Ms. Sylvia Myers, Representative Pete Schneider, Senator D.A. “Butch” Gautreaux

Staff Present: Mr. Charles P. Bujol - Director, Ms. Debra Dudley – Assistant Director, Ms. Julia LeBlanc – Chief Investment Officer, Ms. Josie Meche – Investment Manager 1, Mr. Warren Ponder – General Counsel, Ms. Judy Wright – Public Informations Director 1, Ms. Jennifer Champagne – Administrative Assistant 5

Also Present: Mr. Richard Ranallo – Segal Advisors, Inc., Mr. Charles Hall – Hall Actuarial Associates

RECOMMENDATIONS OF INVESTMENT COMMITTEE

Ms. Jacobs, Chairman of the Investment Committee, noted that the Investment Committee recommended that all firms interviewed in the search for a Large Cap Value Manager be referred to the full board meeting for selection. Firms interviewed were C. S. McKee Investment Managers, Harris Investment Management, Inc., Quantitative Management Associates, and UBS Global Asset Management, Inc. Mr. Ranallo and Ms. LeBlanc provided a review of all four candidates and answered questions from the Board. Discussion was held on each manager interviewed.

The scoring system that would be used by Board members in making their selection for a large cap value manager was reviewed.

The score sheets were collected and counted by Mr. Ponder and Ms. LeBlanc posted a tally of the votes for viewing by all present. Ms. Meche also kept a separate tally of the votes for verification.

SELECTION OF MANAGER

MANAGER SEARCH VOTE TALLY

FIRM	VOTES	TOTAL
C. S. MCKEE INVESTMENT MANAGERS	1, 1, 1, 1, 2, 1, 1, 1	9
HARRIS INVESTMENT MANAGEMENT, INC.	3, 4, 4, 2, 4, 4, 3, 2	26
QUANTITATIVE MANAGEMENT ASSOCIATES	4, 3, 3, 4, 1, 3, 4, 3	25
UBS GLOBAL ASSET MANAGEMENT, INC	2, 2, 2, 3, 3, 2, 2, 4	20

ON MOTION BY MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted C.S. McKee Investment Managers as the new Large Cap Value manager, subject to negotiation of fees, and selected UBS Global Asset Management, Inc., as their second choice in the event there was no agreement with C.S. McKee Investment Managers.

Before continuing with the agenda Mr. Wilmer reviewed business that was carried over from the Investment Committee meeting held earlier in the day.

RECOMMENDATION TO APPROVE ANY CHANGES NEEDED TO THE INVESTMENT POLICY

Mr. Wilmer noted that changes to the investment policy were reviewed in the Investment Committee meeting in reference to private equity investment portfolios.

ON MOTION BY MR. FAULK, SECONDED BY MS. PIERCE AND CARRIED, the Board approved changes to the Investment Policy.

DISCUSSION REGARDING ABEL/NOSER'S PROPOSED FEE INCREASE

Mr. Wilmer noted that Ms. LeBlanc had provided a review of Abel/Noser's proposed fee increase in the Investment Committee meeting.

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved increasing Abel/Noser's fee from \$5,000 to \$10,000 effective July 1, 2006.

APPOINTMENT OF NEGOTIATING COMMITTEE

Mr. Wilmer asked Ms. Jacobs, Mr. Bujol, and Ms. LeBlanc to take part in negotiating fees with representatives of C. S. McKee Investment Managers, to which all three agreed. It was noted that administrative staff would contact the firm and arrange for negotiations to be conducted through conference calling.

ANNOUNCEMENTS

Mr. Bujol made the following announcements before continuing with the next agenda item:

Individual reports of "Trustee Educational Requirements" were provided to each Board member for review of accuracy and notification of any discrepancies to Ms. Champagne.

Evaluations of Unclassified Personnel packets were mailed to all Board members on February 27, 2006, which included copies of evaluations that were completed by Mr. Bujol on Ms. Dudley, Ms. LeBlanc, and Mr. Ponder, blank evaluation forms on all four unclassified employees, and self-addressed stamped envelopes addressed to Mr. Richard, Chairman of the Personnel Committee. Board members were asked to complete the evaluation forms and mail them back to Mr. Richard by April 3, 2006. Evaluations will be presented at the Personnel Committee Meeting scheduled for Monday, April 10, 2006, after adjournment of the Investment Committee Meeting.

Mr. Bujol received a call from Ms. McKee in reference to allowing a representative to make a presentation to the Board on hedge funds. Discussion was held on this matter, which led to a discussion on possibly attending seminars that were being provided by other agencies that could be used toward certification. Mr. Bujol was asked to research attendance at these seminars.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board tabled this discussion until the next scheduled Investment Committee meeting.

UPDATE ON 2006 REGULAR LEGISLATIVE SESSION

Mr. Bujol provided an update on the 2006 Regular Legislative Session. Mr. Bujol, Mr. Ponder, and Mr. Hall met on separate occasions with Representative Pete Schneider, Chairman of the House Retirement Committee, and Senator D. A. "Butch" Gautreaux, Chairman of the Senate Retirement Committee, on all of LSERS' proposals for the 2006 legislative session. Senator Gautreaux was going to handle the proposed legislation that the Board had agreed to pursue and both Mr. Ponder and Mr. Hall have been working with Senator Gautreaux's attorney on drafting and refining the bills.

Mr. Ponder provided a brief synopsis on the status of each bill. It was noted that although the bill on creating an experience account was going to be presented to the retirement committees, the bill might not pass because it would take money away from paying off the unfunded accrued liability. One bill, which was originally comprised of the DROP account description, the retiree return to work, and delay of payments from the school boards, was separated into three bills.

Mr. Ponder then reviewed questions posed by the House Retirement Committee on the proposed bills. In reference to delayed payments by the school boards, Mr. Ponder asked whether the Board wanted to place a fixed amount on the legal interest charged on sums due. Discussion was held on this matter.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved that if the System did not receive money due after 15 days then interest would be charged at the actuarial rate of return.

In reference to the bill on DROP accounts, Mr. Ponder reviewed statutes that had previously been passed in reference to DROP accounts, which provided the Board with the option of setting up interest bearing accounts at guaranteed rates or a self directed program involving a third party administering that account. It was noted that LSERS had never set up these accounts, but other systems had provided this as an option on their DROP accounts. Consensus of the Board was that DROP accounts would remain unchanged.

Mr. Ponder reviewed proposed changes to the disability statute, which involved increasing the years of service required for a member to be eligible for disability benefits from 5 years of creditable service to 10 years of creditable service. Mr. Hall then provided a report on savings the System would incur in making these changes and raising the accrual rate from 2.5% to 3%.

Discussion was held on the Board's position on supporting this legislation, how it affects the System, whether it would apply to current members or new hires, and the effective date.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved that administrative staff, along with the System's actuary, rewrite the proposed legislation on disability to have it apply to all new hires effective July 1, 2006.

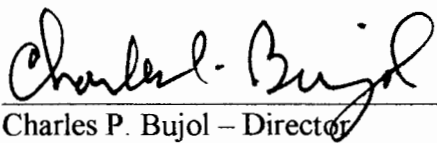
Mr. Ponder provided a brief synopsis on the proposed legislation on rehiring retirees, which would be sponsored by Senator Gautreaux. Mr. Ponder then reviewed questions that were posed by the House Retirement Committee on this bill in reference to the specific language of the bill.

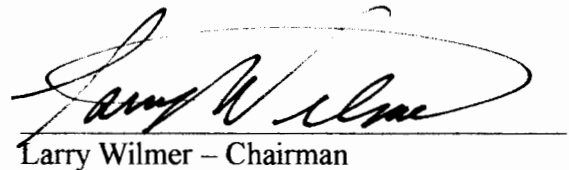
OTHER BUSINESS

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved bringing up under new business an update on lawsuit "East Baton Rouge Parish School Board, Et Al. Versus The Louisiana School Employees' Retirement System, Now Pending In The 19th Judicial Court, Parish Of East Baton Rouge, Louisiana".

Mr. Ponder provided a brief update and noted that a conference was held to discuss the lawsuit, which included Mr. Randy Zinna, attorney representing the System, Mr. Charles Bujol, Ms. Debra Dudley and Mr. Warren Ponder. He also noted that when the lawsuit was first presented to the Board it was indicated that a report would be provided at each Board meeting. Since there was nothing new to report today, consensus of the Board was that General Counsel provide an update only as new developments occur.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board adjourned at 2:16 p.m.


Charles P. Bujol – Director


Larry Wilmer – Chairman