

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

**Monday, November 20, 2006
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 9:02 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, Ms. Betty Jacobs, Ms. Kathy Landry, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer, Ms. Jane Lambert, designee for Mr. Jay Dardenne – Secretary of State, Ms. Laura Gail Sullivan, non-voting designee for Senator D.A. “Butch” Gautreaux

Members Absent: Representative Pete Schneider

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. Judy Wright – Public Informations Director 1, Ms. Jennifer Champagne – Administrative Assistant 5

Also Present: Ms. Josie Meche – Investment Manager 1, Mr. Charles Hall – Hall Actuarial Associates, Mr. Richard Ranallo – Segal Advisors, Inc., ** Ms. Kay Cummings and Ms. Danielle Guillot, * Ms. Ruby Jolissaint and Ms. Ruth Lumpkin

* Ms. Judy Wright, Ms. Ruby Jolissaint, and Ms. Ruth Lumpkin attended the meeting after counting of ballots for the Retiree Representative Division 1 seat was complete.

** Ms. Kay Cummings and Ms. Danielle Guillot attended the meeting during the Report on Automated Telephone Attendant.

CONSIDERATION OF EXECUTIVE SESSION AND DISCUSSION OF CASES

Mr. Wilmer read the following cases for consideration of executive session and discussion:

- A. Findings of Louisiana Inspector General – Case #1-06-0005
- B. EEO Complaint #461-2006-00683

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board went into Executive Session.

The following individuals were respectively present for each case held during Executive Session:

FINDINGS OF LOUISIANA INSPECTOR GENERAL – CASE #1-06-0005

All Board members in attendance, Mr. Charles P. Bujol, Mr. Warren Ponder, Ms. Sharon Robinson - Inspector General, and Mr. Lionel St. Martin – Inspector General's Office.

EEO COMPLAINT #461-2006-00683

All Board members in attendance, Mr. Charles P. Bujol, Mr. Warren Ponder, and Ms. Dawn Guillot, attorney representing LSERS' Board of Trustees.

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board returned to Regular Session.

BOARD MINUTES

ON MOTION BY MR. RICHARD, SECONDED BY MS. LANDRY AND CARRIED, the Board approved the minutes of the August 7, 2006 Regular Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the August 8, 2006 Regular Board Meeting.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the minutes of the September 18, 2006 Special Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the September 19, 2006 Special Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the October 9, 2006 Special Board Meeting.

RETIREMENT REPORTS .

ON MOTION BY MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Service Retirement Reports from July 1, 2006 through September 30, 2006.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Disability Retirement Reports from July 1, 2006 through September 30, 2006.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Survivor Benefits Reports from July 1, 2006 through September 30, 2006.

ON MOTION BY MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the DROP Deposits Reports from July 1, 2006 through September 30, 2006.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Certification of compliance with trustee educational requirements was submitted to the Speaker of the Louisiana House of Representatives, the President of the Louisiana State Senate, the Chairman of the House Retirement Committee, and the Chairman of the Senate Retirement Committee, certifying that all members of the Board of Trustees of LSERS completed their required educational components for the reporting period September 1, 2005 through August 31, 2006. Copies of letters and reports were provided to all board members.

Individual reports for the current year, September 1, 2006 through August 31, 2007, were provided to all board members for review of accuracy and notification of discrepancies to Ms. Champagne.

CD's of the 2006 LAPERS Conference have been ordered and will be available to Board members who were unable to attend any component of the conference.

Discussion was held on the 1.5 hours to be credited for the round table group session that was held at the LAPERS conference. Consensus of the Board was to credit .75 hours towards laws, rules, and regulations and .75 hours towards investment training.

NCPERS 2007 Legislative Conference will be held on February 5-7, 2007 in Washington, D.C.

NCPERS 2007 Annual Conference will be held in May 2007. The Trustee Educational Seminar will be held on May 18-19, 2007 and the Conference and Exhibition will be held on May 20-24, 2007.

Board members were provided information on each conference and asked to complete the appropriate forms as soon as possible so that arrangements could be made.

ANNUAL REPORTS

Mr. Wilmer informed the Board that Mr. Charles Hall would be providing his Actuarial Report and then the Auditors' report would be presented.

YEAR END – JUNE 30, 2006, REPORT BY CHARLES HALL – HALL ACTUARIAL

Mr. Hall provided an overview of his report, which included a letter on the actuarial valuation of the system's assets and liabilities and funding requirements as of June 30, 2006 and supporting exhibits that contained detailed information. He noted that the valuation was based on data received from the retirement system relative to the membership and financial information audited and submitted by Duplantier, Hrappman, Hogan, and Maher.

Review of the membership census indicated that the number of retirees increased from 10,953 in June 2005 to 11,687 in June 2006 and active member participation declined for two consecutive years. There were 14,212 active members in June 2004, down to 13,079 in June 2006. DROP participation declined slightly from 856 in June 2005 to 732 in June 2006 and the number of terminated vested participants declined from 356 in June 2005 to 292 in June 2006.

Review of annual benefits indicated an increase from \$99 million dollars to \$110 million dollars. Total payroll decreased from \$259 million dollars to \$239 million dollars.

Mr. Hall then provided a detailed review of valuation assets, investment yield by market value and actuarial value, cost to fund annual pension accruals (normal costs), unfunded actuarial accrued liability, funded percentage, funding requirements to pay mid year payment, employee contribution rate, employer contribution rate (current year) and projected rate (next fiscal year). He also provided a detailed review of the current funding and change in unfunded liability, valuation adjustment, funding, and disclosures. This led to a review of supporting exhibits with detailed information.

The Board's ability to grant a cost of living adjustment (COLA) was introduced and Mr. Hall reviewed the criteria that must be met to grant a cost of living raise to retirees. The system must first earn excess interest earnings to fund a COLA. As indicated in the actuarial report the system did earn excess interest earnings of approximately \$23 million dollars, which would have been sufficient to grant a 2.3% COLA. The second criterion was that the system had to meet its funded target ratio, which was set at 98.4% as of 2006. Since the system was only 79% funded the Board was prohibited from granting a cost of living raise under current statute.

Discussion was held on what could be done to facilitate granting COLA's to retirees. Suggestions included asking the legislature to 1) appropriate money to grant a COLA on behalf of LSERS, 2) restart the target ratio, 3) create an experience account for LSERS, and 4) utilize a constitutional amendment recently passed that would allow increasing costs to school boards.

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED, the Board accepted Mr. Charles Hall's valuation report and recommendations, allowing for presentation of the projected 18.1% contribution rate to PERSAC for next fiscal year.

YEAR END – JUNE 30, 2006 - REPORT BY DUPLANTIER, HRAPMANN, HOGAN, AND MAHER

Ms. Michelle Cunningham presented the report by Duplantier, Hrapmann, Hogan, and Maher, Certified Public Accountants.

Ms. Cunningham provided a brief synopsis of the report, which included the independent auditor's report and the system's financial statements, footnotes, and supplementary information. The report also included the financial statements audited, the standards on which they were audited, and the auditor's opinion. It was noted that Louisiana School Employees' Retirement System (LSERS) received the highest and cleanest opinion that could be obtained in an audit.

Since LSERS is a governmental entity stricter standards than in a typical audit were used and a report was issued on any reportable conditions, material weaknesses in internal controls, and any noncompliance with laws and regulations.

Ms. Cunningham then provided a review of management's discussion and analysis and the system's financial statements, which included statements of plan net assets, statements of changes in plan net assets, a comparison from one year to the next, and notes to the financial statements. She also provided a review of required supplemental schedules, which included a schedule of funding progress, schedule of employer contributions, and notes to these schedules.

Ms. Cunningham then provided the rest of the report, which included statements of changes in reserve balances, schedules of per diem paid to trustees, a detailed listing of all investments held by the system, schedule of administrative expenses, and a report on the system's internal control over financial reporting and on compliance and other matters based on a financial statement audit performed in accordance with government auditing standards.

Ms. Cunningham provided a summary of the review on the system's internal control, which indicated that the only issue in this report was that the bank account had not been reconciled for several months due to the affects of Hurricane Katrina. She noted that the bank needed to rectify this matter and assure that bank balances are reconciled. She also noted that the auditors did not find any noncompliance with any laws and regulations that would have a direct and material affect on financial statements.

ON MOTION BY MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Auditor's Annual Report.

ADMINISTRATION

CONSIDERATION OF CANCELLING DECEMBER 11, 2006 INVESTMENT COMMITTEE MEETING

Ms. Jacobs, Investment Committee Chairman, was called away from the meeting and this agenda item was postponed.

CONSIDERATION OF PROPOSED SCHEDULE FOR YEAR 2007 BOARD AND INVESTMENT COMMITTEE MEETINGS

Mr. Bujol presented three proposed schedules (pages 77–79 in the booklet) for the Year 2007 Board and Investment Committee meetings for consideration by the Board. Discussion was held on all three schedules. Consensus of the Board was to change the November Regular Board meetings to early December, thereby combining both meetings.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the meeting schedule on page 78 (proposal #2) with corrections to reflect changing its Regular Board meeting to December 3 – 4, 2007, thereby combining the November and December meetings.

DISCUSSION OF COLA'S FOR RETIREES EFFECTIVE JANUARY 1, 2007

As noted in Mr. Hall's actuarial valuation report the Board is prohibited from granting a cost of living raise under the current statute.

Mr. Bujol informed the Board that administrative staff was working on proposed legislation that would restart the target ratio. Meetings were held with the State Police Retirement System, along with other retirement systems (District Attorney, Sheriffs, Clerks of Courts, Registrars of Voters, Fireman, Municipal Police, Municipal Parochial), and consensus of these retirement systems was to support restarting the target ratios for all of the retirement systems. Mr. Bujol also noted that changes recommended by Mr. Hall were included in the bill and there should be no objections from the retirement systems.

Mr. Bujol and Mr. Ponder also met with Senator D.A. "Butch" Gautreaux, Ms. Laura Gail Sullivan, Mr. Charles Hall and the Director of the State Police Retirement System to discuss the proposed legislation, at which time Senator Gautreaux indicated his support in providing much needed COLA's to retirees. Discussion was held and it was noted that LSERS would still need a sponsor for the bill to be presented in the 2007 Legislative Session. It was stressed that even if the target ratio were restarted the system would still need to have excess interest earnings and meet all criteria before a COLA could be granted.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board accepted the Discussion of COLA's for Retirees Effective January 1, 2007.

CONSIDERATION OF CANCELING DECEMBER 11, 2006 INVESTMENT COMMITTEE MEETING

Ms. Jacobs, Chairman of the Investment Committee, and Mr. Brendan Brosnan, Chief Investment Officer, were consulted on agenda items to be presented at the December 11, 2006 Investment Committee meeting. Discussion was held on items that could be postponed until the January 2007 meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board approved canceling the December 11, 2006 Investment Committee meeting.

PERSONNEL ACTIONS REPORT (JULY 1, 2006 – SEPTEMBER 30, 2006)

Ms. Dudley presented the Personnel Actions report for July 1, 2006 through September 30, 2006. She noted that Ms. Donna Racca, an LSERS' employee, applied for and was promoted to the position of Accountant Administrator 2, which was vacated on September 25, 2006 due to the transfer and promotion of Ms. Penny Rodriguez to the Department of Transportation and Development, effective October 25, 2006. Ms. Dudley then answered questions from the Board.

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

STAFF DEVELOPMENT TRAVEL EXPENSES REPORT (JULY 1, 2006 – SEPTEMBER 30, 2006)

Ms. Dudley presented the Staff Development Travel Expenses report for July 1, 2006 through September 30, 2006.

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

STAFF OVERTIME REPORT (JULY 1, 2006 – SEPTEMBER 30, 2006)

Ms. Dudley presented the Staff Overtime Report for July 1, 2006 through September 30, 2006, which included separate reports on employees who earned overtime. The first report reflected employees who earned compensatory time and the second report reflected employees who were paid for overtime worked.

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

REPORT ON AUTOMATED TELEPHONE ATTENDANT

Ms. Dudley provided a detailed report on the automated telephone system, which included the number of calls received through the main number, a breakdown by departments, analysis of costs, peak times on calls received, and the number of requests received for forms that did not involve speaking to a staff member. Another report provided a review of comments received from members and other individuals who used the automated system. It was noted that the overall response was positive. Ms. Dudley then answered questions from the Board.

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the report on the Automated Telephone Attendant.

REAPPORTIONMENT OF LSERS' BOARD OF TRUSTEES ELECTION DISTRICTS

Mr. Bujol noted that LSERS must be in compliance with the Supreme Court requirements regarding the one-man one-vote principal and that election districts must be within 5% plus (+) or minus (-) of each other for equal representation. Board members were provided a map of the existing districts, pre and post hurricane populations of these districts, and a map and populations of proposed districts.

Mr. Bujol noted that he discussed the proposed districts with Mr. Rester, who would be taking office on January 1, 2007 as the 3rd Retirement District representative, and that Mr. Rester was in agreement with the proposed districts. Mr. Bujol also noted that Ms. McKee was requesting minor changes to the proposed districts. Ms. McKee requested swapping Catahoula and Concordia parishes in District 4 for Red River and Winn parishes in District 3, which would only affect the vote by 20 members. Ms. Landry acknowledged her agreement with the changes.

Discussion was held on reapportionment and the importance of presenting proposed district changes to the legislature before the 2007 Active Member District 1 elections are held.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the recommended districts with changes noted.

ON MOTION BY MS. JACOBS, SECONDED BY MS. LANDRY AND CARRIED, the Board approved staff addressing and instituting changes as soon as possible to facilitate passage of legislation before the next election was called.

CONSIDERATION OF PROPOSED POLICIES

In an effort to clarify policies the Board was asked to review proposed policies, make any changes deemed necessary, and ratify the new policies. Consideration of proposed policies was part of an ongoing project to update the Board of Trustees policy manual.

Mr. Richard made a motion, seconded by Mr. Faulk, to approve changes to the existing policy. Since each policy was to be discussed individually Mr. Richard withdrew his motion and Mr. Faulk withdrew his second.

INVESTMENT COMMITTEE

Mr. Ponder provided a detailed review of the Investment Committee policy, which included the current policy, additions/deletions to the current policy, and the proposed policy.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board approved the proposed changes to the Investment Committee policy.

PERSONNEL COMMITTEE

Mr. Ponder provided a detailed review of the Personnel Committee policy, which included the current policy, additions/deletions to the current policy, and the proposed policy.

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the proposed changes to the Personnel Committee policy.

LEAVE POLICY FOR UNCLASSIFIED EMPLOYEES

Mr. Bujol reviewed the Leave Policy for Unclassified Employees, which included the current policy, additions/deletions to the current policy, and the proposed policy.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the proposed changes to the Leave Policy for Unclassified Employees.

OTHER BUSINESS

Mr. Faulk directed staff to include the 2007 Board and Investment Committee Meetings schedule in the next Crossroads Newsletter.

ELECTIONS

RETIREE REPRESENTATIVE DIVISION 1 ELECTION RESULTS

Mr. Bujol announced the results of the Retiree Representative Division 1 election. There was a total of 3,147 ballots cast. Ms. Betty Crain received 1,789 votes, Mr. Earl Richard, Jr. received 608 votes, and Mr. Boyd Zitzmann received 537 votes. Ms. Crain was congratulated on her election as Retiree Representative for the Division 1 seat.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board accepted the election results for Retiree Representative Division 1 seat.

BOARD OFFICER ELECTIONS FOR TERM: JANUARY 1, 2007 – DECEMBER 31, 2008

Board Officer Elections were being conducted for three seated officers on the Board of Trustees of Louisiana School Employees' Retirement System for the term January 1, 2007 through December 31, 2008.

Mr. Larry Wilmer was the only Board member who submitted a letter of intent for the position of Chairman of the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted Mr. Larry Wilmer as Chairman of the Board to serve a two-year term.

Mr. Jeffrey Faulk, Sr. was the only Board member who submitted a letter of intent for the position of Vice Chairman of the Board.

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted Mr. Jeffrey Faulk, Sr. as Vice Chairman of the Board to serve a two-year term.

Ms. Betty Crain was the only Board member who submitted a letter of intent for the position of Vice Chairman Pro Tem of the Board.

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted Ms. Betty Crain as Vice Chairman Pro Tem of the Board to serve a two-year term.

CONSIDERATION OF PROPOSED POLICIES

ELECTIONS

Mr. Ponder provided a detailed review of the Elections policy, which included the current policy, additions/deletions to the current policy, and the proposed policy.

Ms. Landry made a motion to accept changes to the election policy to include the board officer policy as proposed, then withdrew her motion due to lack of a second.

Discussion was held on the proposed policies for both Elections and Board Officers. The new policy would incorporate the policy on Board Officers as section IV under the current Election Policy and the policy would be renamed "Elections" in the Board of Trustees Manual.

It was suggested that the following wording be added in Section A under Board Officers to read "A Chairman, Vice Chairman, and Vice Chairman Pro Tem shall be elected by members of the Board of Trustees for a two-year term at the fourth quarterly meeting of every even numbered year". Mr. Ponder read the suggested change for the record.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board approved adding the wording to Section A under Board Officers as read by Executive Counsel.

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the proposed Election policy as amended.

COMMITTEE APPOINTMENTS FOR TERM: JANUARY 1, 2007 – DECEMBER 31, 2007

In previous action the Board approved policies whereas the Investment and Personnel Committees would be comprised of a committee of the whole and the Chairman shall designate the Chairman and Vice Chairman of each committee.

As newly elected Chairman of the Board Mr. Wilmer asked the following Board members if they would accept appointments to the following committees:

INVESTMENT COMMITTEE

Chairman – Mr. Jeffrey Faulk, Sr.
Vice Chairman – Ms. Judith McKee

PERSONNEL COMMITTEE

Chairman – Mr. Earl Richard, Jr.
Vice Chairman – Ms. Betty Crain

All Board members accepted their respective appointments to committees on the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted all of the appointments to the Investment and Personnel Committees.

OTHER BUSINESS

There was no other business to discuss under Elections.

LEGISLATION

Mr. Ponder briefly reviewed the target ratio bill and what was involved in preparing the bill for the 2007 Legislative session. He also noted that administrative staff would be seeking sponsorship of the reapportionment bill during the Special Session called in December 2006 or during the 2007 Legislative session.

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED, the Board accepted the report on Legislation.

OTHER BUSINESS

Mr. Wilmer read a letter from Ms. Stacy Sharpe informing the Board that she would no longer be representing the Secretary of State's Office on LSERS' Board of Trustees.

Mr. Wilmer announced that Ms. Jane Lambert would be representing the Secretary of State's Office until further notice.

LEGAL REPORT

Mr. Ponder provided the following reports:

COLLECTIONS

The Legal Department collected \$2,349.82 for the third quarter, July 1, 2006 through September 30, 2006.

SECURITIES LITIGATION

A brief review of current securities litigation cases was provided.

OTHER BUSINESS

There was no other business to discuss under Legal Report.

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

OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board adjourned at 1:26 p.m.



Charles P. Bujol – Director



Larry Wilmer - Chairman