

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

**Tuesday, November 21, 2006  
8:30 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 8:30 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

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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

Members Absent: Representative Pete Schneider, Senator D.A. "Butch" Gautreaux

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. Richard Ranallo – Segal Advisors, Inc., Ms. Mary Breaux, \* Mr. Randy Roche

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\* Mr. Randy Roche arrived at 9:25 a.m.

## **ANNOUNCEMENTS**

Mr. Bujol made the following announcements:

The following has been provided to all Board members:

A copy of the 2007 Louisiana School Employees' Retirement System Meeting Schedule adopted by the Board at its November 20, 2006 meeting.

A copy of the new Active Member District maps and membership population adopted by the Board at its November 20, 2006 meeting. Final approval by the legislature is required.

New Retirement planners

## **INVESTMENT COMMITTEE**

### **MINUTES**

**ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED**, the Board approved the minutes of the September 18, 2006 Investment Committee meeting.

**ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved the minutes of the October 9, 2006 Investment Committee meeting.

### **OTHER BUSINESS**

There was no other business under Investment Committee to discuss.

## **INVESTMENTS**

### **MANAGER PERFORMANCE REVIEW**

Mr. Ranallo provided an investment performance analysis through September 30, 2006, which included an overall review of manager and stock market performance over the last quarter and year to date. Information on asset allocation, manager allocation, and overall returns relative to LSERS' investment policy was also provided. All managers in the portfolio were individually reviewed and discussed.

Discussion was held on risks associated with poor performance. Mr. Ranallo then answered questions from the Board.

**ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED**, the Board accepted the Manager Performance Review.

## **REPORT ON COMPLIANCE WITH LSERS' TRADING REQUIREMENTS**

Mr. Brosnan provided the report on Managers' Compliance with LSERS' Trading Requirements.

### BRANDYWINE ASSET MANAGEMENT, INC.

For the period October 1, 2005 through September 30, 2006 Brandywine directed 21.59% of their total trades through Lynch, Jones & Ryan, which was below their 25% target. No trades were executed through Louisiana Brokers. 12.75% of their total trades were directed through Louisiana Inc. and Domiciled Brokers, which was over their 10% minimum.

For the period January 1, 2006 through September 30, 2006 Brandywine directed 17.28% of their total trades through Lynch, Jones & Ryan, which was below the 25% target. No trades were executed through Louisiana Brokers. 16.83% of their total trades were directed through Louisiana Inc. and Domiciled Brokers, which was over their 10% minimum.

### SCHRODER INVESTMENT MANAGEMENT, INC.

For the period October 1, 2005 through September 30, 2006 Schroder directed no trades through Lynch, Jones & Ryan. 12.35% of their total trades were executed through Louisiana Brokers, which was over their 10% minimum. No trades were directed through Louisiana Inc. and Domiciled Brokers.

For the period January 1, 2006 through September 30, 2006 Schroder directed no trades through Lynch, Jones & Ryan. 13.00% of their total trades were executed through Louisiana Brokers, which was over their 10% minimum. No trades were directed through Louisiana Inc. and Domiciled Brokers.

### ORLEANS CAPITAL MANAGEMENT

For the period October 1, 2005 through September 30, 2006 Orleans Capital directed 24.20% of their total trades through Lynch, Jones & Ryan, which was below their 35% target. 28.06% of their total trades were executed through Louisiana Brokers, which was above their 10% minimum. 11.63% of their total trades were directed through Louisiana Inc. & Domiciled Brokers, which was above their 10% minimum.

For the period January 1, 2006 through September 30, 2006 Orleans Capital directed 23.53% of their total trades through Lynch, Jones & Ryan, which was below their 35% target. 26.48% of their total trades were executed through Louisiana Brokers, which was over their 10% minimum. 13.24% of their total trades were directed through Louisiana Inc. & Domiciled Brokers, which was over their 10% minimum.

**ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted the Report on Compliance with LSERS' Trading Requirements.

**INVESTMENT REPORTS BY STAFF: JULY 1, 2006 – SEPTEMBER 30, 2006**

Mr. Brosnan presented the Investment Reports on all investment transactions from July 1, 2006 through September 30, 2006.

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

**INVESTMENT MANAGER REPORTS**

**BRANDYWINE ASSET MANAGEMENT, INC.**

*Nedra Hadley, Senior Vice President, Client Service*  
*Steve Tonkovich, Managing Director, Portfolio Manager*

Ms. Hadley began her presentation by acknowledging that the portfolio's performance this year was not what was expected by both the system and Brandywine Asset Management, Inc. She gave a brief review of how this would be addressed during their presentation.

Ms. Hadley then provided information on the firm. Brandywine recently moved to Philadelphia, the firm changed its name from Brandywine Asset Management to Brandywine Global Investment Management, and in 3½ years the assets under management has grown from about \$12 billion dollars to about \$35 billion dollars today. Also of importance was that Henry Otto and Steven Tonkovich have been together, managing the portfolio, for 17 years, and other members of the team have been with the team since 1994, reflecting stability in the team and firm and in the process of managing the diversified small cap portfolio.

Mr. Tonkovich provided a review of the portfolio process, which included the foundation of their strategy, how stocks are screened and selected for the portfolio, year-to-date and long-term performance, and what has attributed to performance.

Ms. Hadley and Mr. Tonkovich then addressed questions from the Board and its investment consultant, which included risks involved in performance and costs associated with risks. This led to a discussion on whether the firm would be willing to share the risks by having punitive performance based fees where the base is zero. Both Ms. Hadley and Mr. Tonkovich were willing to review this concept, as they expressed confidence that performance would turn around.

## **SCHRODER INVESTMENT MANAGEMENT, INC.**

*Steven S. Lear, CFA – Executive Vice President, Head of U.S. Fixed Income*  
*Anthony Williams – Senior Vice President, Institutional Sales*  
*Steve Bowes – Sisung Investment Management Services*

Mr. Steve Bowes began the presentation by providing information on Sisung Investment Management Services, then introduced Mr. Steven Lear and Mr. Anthony Williams of Schroder Investment Management, Inc.

Mr. Lear began his presentation by providing a brief review of how bonds are selected for the portfolio. He then reviewed the portfolio's performance, which included a review of what happened and why in terms of absolute and relative performance. Mr. Lear then answered questions from LSERS' investment consultant on the expanded fixed income guidelines, which led to a review of expected return over the next 12 months.

Mr. Williams then provided a brief update on the fixed income team and the firm. The current fixed income team of 18, led by Mr. Lear in New York, remains intact and has added additional resources in the high yield and government strategies group. The team currently has 55 accounts with over \$7.8 billion dollars assets under management. There was a gain of two accounts totaling \$600 million dollars in assets and a loss of two accounts totaling \$45 million dollars.

The firm purchased Hedge Fund of Funds New Finance Capital in March of 2006. Jamie Dorian-Smith, a 12-year veteran of the firm, has become CEO of Schrodgers and the former CEO, Peter Clark, has been promoted to Chairman. Steve Johnson has resigned as head of Institutional Distribution throughout North America.

Mr. Wilmer announced that Orleans Capital Management was scheduled for 10:30 a.m. The next item on the agenda would be considered until their scheduled presentation.

### **CONSIDERATION OF PROPOSED MANAGER PERFORMANCE REVIEW SCHEDULE – 2007**

Mr. Brosnan presented the proposed manager performance review schedule for 2007, which reflected changes in the meeting schedule as approved by the Board.

Mr. Faulk made a motion to accept the proposed schedule for 2007 with changes.

Discussion was held on the addition of managers to the portfolio, how this affects the schedule, and the need to review all of the managers each year. It was noted that with the addition of managers in 2007 and 2008 there would be a total of fourteen (14) managers to review.

Consensus of the Board was to table this item until the January 2007 meeting. Mr. Faulk withdrew his motion and the item was tabled until the January 8, 2007 Investment Committee meeting.

## **ORLEANS CAPITAL MANAGEMENT**

*Louis Crane – President*  
*Emily Becker – Vice President*  
*Gary Welchel – Executive Vice President*

Mr. Crane began the presentation by providing an update on the firm, which included firm wide fixed income performance, firm investment product update in energy and strategic dividend, firm office, and personnel. He noted that the offices in New Orleans and Mandeville, Louisiana, Bloomfield Hills, Michigan, and Austin, Texas were open and maintaining offices. He introduced Mr. Gary Welchel as the new Executive Vice President of Marketing and noted that Mr. Welchel recently moved to Baton Rouge, Louisiana.

Ms. Becker continued the presentation by providing a review of performance, which included recent fixed income environment, recent fixed income markets, fixed income performance versus benchmark through September 30, 2006, fixed income performance perspective, fixed income yield curves and fixed income returns in perspective. She also reviewed the current portfolio allocation, current portfolio characteristic, investment process, and the system's portfolio.

Mr. Crane, Ms. Becker, and Mr. Welchel then answered questions from the Board and its investment consultant, which included a review of performance, LSERS' written investment policy, and expected returns.

## **OTHER BUSINESS**

Mr. Ponder read the following resolution to be considered for approval by the Board and forwarded to the Governor's Office:

STATE OF LOUISIANA  
PARISH OF EAST BATON ROUGE

### **RESOLUTION**

The Board of Trustees of the Louisiana School Employees' Retirement System resolves the following:

Whereas the hurricanes of 2005 have greatly affected the populations of the parishes of the four (4) election districts;

Whereas the Board strives to have the principle of “one man, one vote” apply to the active member districts;

Whereas, the existing districts are disproportionate in population;

Whereas the Board of Trustees has examined the problem and have agreed to a reapportionment plan that would create districts of more equal population; and

Whereas the election in the most affected district is scheduled in 2007;

BE IT RESOLVED that the Board of Trustees of Louisiana School Employees' Retirement System urges and requests the Governor and Legislature to include a bill to reapportion the active member districts of the Louisiana School Employees' Retirement System in a special session of the legislature in order to conduct the District 1 election in a properly populated district.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED**, the Board approved Executive Counsel sending the stated resolution to the Governor's Office.

Mr. Wilmer took the opportunity to personally thank Ms. Jacobs for her 28 years of service to the Board and expressed his appreciation for what he has learned from her over the years.

There was no other business to discuss.

**ON MOTION BY MS. CRAIN, SECONDED BY MR. FAULK AND CARRIED**, the Board adjourned at 10:54 a.m.

  
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Charles P. Bujol – Director

  
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Larry Wilmer - Chairman