

**Louisiana School Employees' Retirement System
Investment Committee Meeting**

**Tuesday, October 18, 2005
8:30 a.m.**

The Investment Committee 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. Ms. Betty Jacobs - Chairman of the Investment Committee, opened the meeting at 8:31 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called.

Members Present: Ms. Betty Jacobs – Chairman, Mr. Larry Wilmer, Ms. Betty Crain, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce for Mr. John Kennedy – State Treasurer, Mr. John Sondergaard for Senator D.A. “Butch” Gautreaux, Ms. Stacy Sharpe for Mr. Al Ater – Secretary of State.

Members Absent: Ms. Sylvia Myers, Representative Pete Schneider

Staff Present: Mr. Patrick Cospers – Director, Ms. Debra Dudley – Assistant Director, Ms. Julia LeBlanc – Chief Investment Officer, Mr. Warren Ponder – General Counsel, Ms. Judy Wright – Public Information Director 1, Ms. Josie Meche – Investments Manager, Ms. Jennifer Champagne – Administrative Assistant and Board Secretary

Also Present: Mr. Richard Ranallo – Segal Advisors, Inc., Mr. Zeke Zitzmann

DISCUSSION WITH CONSULTANT

UPDATE ON J. & W. SELIGMAN

Mr. Ranallo presented an update on J. & W. Seligman. He noted his concern on their performance numbers over the last two years. Mr. Ranallo noted that J. & W. Seligman is scheduled to present their investment managers report at the next regular board meeting and provided an update through September 30, 2005. He noted that most of J. & W. Seligman's underperformance was due to stock selection. When asked how many quarters they had underperformed, Mr. Ranallo noted that as of the June 30, 2005 report they were ahead by 350 basis points in their since inception number, which was a little over ten years, their five year numbers were still pretty strong, but that their three year numbers were behind, which not include the quarter ending September 30, 2005. Mr. Ranallo noted that he had spoken with the investment managers about their performance.

Another concern was that J. & W. Seligman was suing the Attorney General, Mr. Elliot Spitzer. Mr. Ranallo provided a brief overview of this and asked Mr. Ponder, General Counsel, to provide additional information to the committee.

Mr. Ponder noted that J. & W. Seligman was suing Mr. Elliott Spitzer, a very aggressive prosecutor in New York, and asking the courts to make a determination on the limitations of an investigation by Mr. Spitzer. He also noted that he would keep the committee posted on this suit.

Since this was a report to the investment committee no action was taken.

REPORT ON FUNDING OF EXPENDITURES FOR THE FOURTH QUARTER 2005

Ms. LeBlanc reported that staff had to consider the impact of hurricane Katrina on the fund. Based on estimates it was felt that they needed to allow for extra money to be drawn to pay for a retiree payroll that may increase by about half a million dollars a month. To allow for this possible increase a total of \$27 million dollars was withdrawn for the fourth quarter 2005. Mr. Ranallo noted that \$14 million dollars was taken from Trinity, \$5 million dollars from Walter Scott, and \$8 million from Brandywine.

Ms. LeBlanc informed the committee that the \$27 million dollars was an increase from the \$20 million that is usually targeted, but with the added impact of Hurricane Rita the System may need an additional amount.

Ms. Dudley, Mr. Ponder and Mr. Sondergaard provided information on the Katrina Relief Act. A discussion was held on what this involved and how this would affect members and the System.

Mr. Ranallo reviewed the potential impact on the fund. He noted that cash flows are a very important part of building the investment program.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Update on J. & W. Seligman and the Report on Funding of Expenditures for the Fourth Quarter 2005.

STAFF REPORTS

COMMISSION RECAPTURE

Ms. Meche presented the Commission Recapture Report for the six-month period ending June 30, 2005. From January 1, 2005 through June 30, 2005 the equity managers directed a total of \$163,366.09 in commissions to Lynch Jones and Ryan. Ark Asset Management, J. & W. Seligman, Trinity, and Walter Scott all met the 25 % target for the program. Fixed income managers have had no trading directed to Lynch Jones and Ryan year to date. A summary of activity for this account through June 30, 2005 reported disbursements totaling \$93,800, leaving a balance available for disbursement of \$163,339.74 as of June 30, 2005.

ON MOTION BY MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Commission Recapture Report.

NORTHERN TRUST SECURITIES LENDING REPORT

Ms. LeBlanc provided the securities lending report from the point of inception in 1993 through the amounts that were posted on the September 2005 statement. Prior to this year the average monthly income has been \$35,025.38. For 2005 the gross income has been \$434,277.35. School Employees has recognized \$304,096.33 in income or an average monthly income of \$38,012.04. Since School Employees' has been in the program, it has recognized a net income of almost \$5 million dollars or an average amount per month of \$35,193.64.

ON MOTION BY MR. FAULK, SECONDED BY MR. WILMER AND CARRIED, the Committee accepted the Securities Lending Report

LOUISIANA BROKERS REPORT

Ms. Meche reported on the Louisiana Brokers Report. For the six months ending June 30, 2005 the equity managers directed \$69,939.68 in commissions to brokers who maintain an office in Louisiana. Brandywine and Walter Scott met the 10% target for this program. Fixed income managers directed \$107,750,858.25 in par value trading to the Louisiana Broker program during this period. Orleans Capital and Tattersall/

Evergreen met the 10 % target. On the Louisiana Incorporated and Domicile Report equity managers directed \$85,148.86 to this program for the six-month period ending June 30, 2005. Brandywine, J&W Seligman, Trinity, and Walter Scott met the 10% target. Orleans Capital directed \$2,007,500.00 in par value trading to this program during this period. None of the fixed income managers were able to meet the 10 % target.

Ms. LeBlanc noted that the investment staff was getting trading evaluations from Abel Noser. Ms. LeBlanc also noted that staff could have the representative from Abel Noser come in and review the reports with the investment committee.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Committee requested that a representative for Abel Noser appear at the December Investments Committee meeting to provide an update on all of these issues.

ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the Committee accepted the Louisiana Brokers Report.

LEGAL UPDATE

INVESTMENT STAFF REPORT OF RECEIPTS

Ms. LeBlanc provided a report of Securities Litigation Settlements Received since 2003. Since May 2005 \$5,788.10 has been deposited in cash, bringing the total to date for 2005 to \$28,978.73 cents and a total stock shares or warrants of \$5,250. The total for that last three years to date is \$803,684.64 in cash, \$578 par value in bonds and \$7,352 in stock shares or warrants.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Committee accepted the Investment Staff Report of Receipts.

CURRENT CASE REVIEW

Mr. Ponder provided a report on current securities litigation and noted that there has been activity in two cases, Solomon Brothers/AT&T and CMS Energy. Mr. Ponder provided a brief synopsis of each case.

ON MOTION BY MR. WILMER, SECONDED BY MS. MCKEE AND CARRIED, the Committee accepted the Current Case Review.

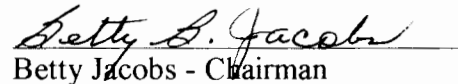
REVIEW AND APPROVAL OF FORM USED FOR ANNUAL EVALUATION OF CUSTODIAN BANK

Ms. LeBlanc informed the committee that the legislative auditor had recommended that an annual evaluation be completed on the consultant. She presented an evaluation form for approval by the committee that would be used by investment staff in evaluating the custodian bank. It was noted that evaluations could be consolidated and presented to the Board in February for any additional comments or approval.

ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED, the Committee accepted the annual evaluation form for the custodian bank.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Committee agreed to adjourn at 9:23 a.m.


Patrick Cosper – Director


Betty Jacobs - Chairman