

Louisiana School Employees' Retirement System Board Investment Committee Meeting

*Monday, October 13, 2008
9:00 a.m.*

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

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Members Present: Mr. Jeffrey Faulk, Sr. - Chairman, Mr. Larry Wilmer, Mrs. Kathy Landry, Ms. Betty Crain, Mrs. Judith McKee, Mr. Philip B. Walther, Mr. Randy Davis, designee for Mr. Jay Dardenne – Secretary of State, and Ms. Lauren Bailey, non-voting designee for Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee.

Members Absent: Mr. Eugene Rester, Jr., Mr. John Kennedy – State Treasurer, and Representative Joel Robideaux – Chairman of the House Retirement Committee.

Staff Present: Mr. Charles Bujol – Executive Director, Mrs. Debra Dudley - Assistant Director, Mr. Warren Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Stephen Harris – Investment Officer I, Mrs. Laurie Stark - Administrative Assistant 5, Mrs. Jennifer Champagne – Administrative Assistant 6 and Mrs. Donna Racca – Accountant Administrator I.

Also Present: Mr. Brett Hazen – Segal Advisors, Inc., Mr. Charles Hall – Hall Actuarial Associates, Ms. Michelle Cunningham – Duplantier, Hrapmann, Hogan & Maher, Mr. Anthony Williams, Mr. Wes Sparks and Mr. David Harris - Schroder Investment Management N.A., Inc. and Mr. Steve Bowes – Sisung Securities, Mrs. Ruby Jolissaint and Ms. Mitzi Falgout.

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APPROVAL OF AGENDA

The agenda was presented to the committee for approval.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, Mrs. McKee, Ms. Crain, Mrs. Landry, Mr. Wilmer, Mr. Faulk, Mr. Walther and Mr. Davis **voted affirmatively** to approve the agenda.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Certification of Compliance with Trustee Educational Requirements has been submitted to the Speaker of the Louisiana House of Representatives, President of the Louisiana State Senate, Chairman of the House Retirement Committee, and Chairman of the Senate Retirement Committee. A copy of the letter and individual reports have been provided to each board member.

Updates to the Board of Trustees Manual have been placed in each board member’s folder.

ON MOTION OF MR. WILMER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee added Item I, Annual Reports, A and B, to the Investment Committee Agenda to be approved later by the full board.

ANNUAL REPORTS

Audit Report.

Ms. Michelle Cunningham, with Duplantier, Hrapmann, Hogan & Maher, presented an overview of the Annual Audit Report prepared for LSERS. Ms. Cunningham reported that it was a very good audit and thanked staff for their assistance.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee recommended approval of the Annual Audit Report with final approval to be given by the full board.

Actuarial Report.

Mr. Charles Hall, of Hall Actuarial Associates, presented the Annual Actuarial Report.

ON MOTION OF MRS. McKEE, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee recommended approval of the Annual Actuarial Report with final approval to be given by the full board. The committee also authorized Mr. Hall to present his report to PERSAC for their approval.

Mr. Charles Hall left at 10:10 a.m.

DISCUSSION WITH CONSULTANT

Mr. Brosnan reported on volatility and how it affects LSERS. Mr. Hazen provided an overview of the system’s portfolio performance numbers, then outlined efforts to find an alternate fixed income manager.

REPORT ON THE EFFECTS OF THE MARKET TURMOIL ON THE PORTFOLIO.

Mr. Brosnan reported on the portfolio performance in comparison with the other Louisiana systems.

This was followed by a review of the time line of events surrounding the LSERS securities lending program administered by Northern Trust, which included current losses, prospects for recovery, and risks involved in continuing with the Securities Lending program. Mr. Brosnan recommended participation in the “staged withdrawal option”.

Mr. Brosnan then reported on the exposure to Lehman Brothers, Washington Mutual, AIG and Wachovia.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee recommended participation in a “staged withdrawal” from the Securities Lending Program.

ON MOTION OF MRS. McKEE, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Report on the Effects of the Market Turmoil on the Portfolio.

REPORT ON FEE NEGOTIATIONS WITH FISHER.

Mr. Brosnan reported that an agreement has been reached with Fisher on a fee of 75 basis points for the first \$50 million and 70 basis points on anything above \$50 million.

ON MOTION OF MRS. LANDRY, SECONDED BY MR. WILMER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Report on Fee Negotiations with Fisher.

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REPORT ON HAMILTON LANE FUND VI ADVISORY BOARD MEETING.

Mr. Bosnan provided an overview of the Hamilton Lane Fund VI Advisory Board Meeting that he participated in via telephone conference.

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ON MOTION OF MR. WILMER, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Report on the Hamilton Lane Fund VI Advisory Board Meeting.

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DSCUSSION ABOUT SCHRODER PORTFOLIO MANAGER CHANGES.

Mr. Anthony Williams, Mr. David Harris and Mr. Wes Sparks provided a report on changes to the management team. It was noted that Mr. Sparks is replacing Steve Lear as head of U.S. Fixed Income.

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STAFF REPORTS

Commission Recapture

Mr. Brosnan reported that for the period January 1, 2008 through July 31, 2008 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. It was also reported that C.S. McKee and Walter Scott met or exceeded their 25% targets. The total funds available for disbursement as of July 31, 2008 were \$112,983. Disbursements totaling \$69,066.67 were made leaving a balance of \$43,916.33.

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ON MOTION OF MRS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Commission Recapture Report.

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Northern Trust Securities Lending Report

Mr. Brosnan reported that for July 2008 the gross income on securities lending was \$133,507.48. Northern Trust received a fee of \$40,030.31. The fund earned \$93,477.17 for July or an average of \$114,916.12 per month calendar year-to-date. Since inception the fund earned \$7,352,475.96 or an average net monthly income of \$41,539.41.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Northern Trust Securities Lending Report.

Louisiana Brokers

Mr. Brosnan reported that for the period January 1, 2008 through July 31, 2008 the equity managers that met or exceeded their 10% target were Ark and Walter Scott. Orleans Capital was the only fixed income manager that met its target for the period. A total of \$52,277.56 in equity commissions and \$27,325,144.14 in par value was directed during the period ending July 31, 2008.

Louisiana Incorporated & Domiciled Broker Report

Mr. Brosnan reported that for the period January 1, 2008 through July 31, 2008 none of the fixed income managers met their 10% target. All equity managers except Ark met or exceeded their 10% minimum target. A total of \$72,487.73 in equity commissions and \$527,405 in par value was directed during the period ending July 31, 2008.

ON MOTION OF MRS. McKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Louisiana Incorporated and Domiciled Broker Report and the Louisiana Broker Report.

**Securities Litigation
Investment Staff Report of Receipts**

Mr. Brosnan reported that as of July 31, 2008 LSERS received a total of \$295,098,77 in cash, \$578 in par value and 8,963 shares of stock/warrants for settlements from securities litigations.

Current Case Review

Mr. Ponder reported that the Acreedo Health litigation had been settled.

ON MOTION OF MS. CRAIN, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Current Case Review.

PUBLIC COMMENTS

There were no public comments.

OTHER BUSINESS

There was no other business.

ON MOTION OF MRS. McKEE, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee adjourned at 11:50 a.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman