

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

**Monday, October 15, 2007  
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. Jeffrey Faulk, Sr., Vice Chairman of the Board, called the meeting to order at 11:31 a.m. Roll was called by Ms. Champagne.

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Members Present: Mr. Jeffrey Faulk, Sr. – Vice Chairman, Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Randy Davis, designee for Mr. Jay Dardenne – Secretary of State, Ms. Laura Gail Sullivan, non-voting designee for Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee

Members Absent: Mr. Larry Wilmer - Chairman, Mr. John Kennedy – State Treasurer, Representative Pete Schneider – Chairman of the House Retirement Committee

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. Jennifer Champagne – Administrative Assistant 5

Also Present: Mr. Charles Hall – Hall Actuarial Associates

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## **ANNUAL REPORTS**

### **AUDIT REPORT - JUNE 30, 2007 - REPORT BY DUPLANTIER, HRAPMANN, HOGAN, AND MAHER**

*William G. "Bill" Stamm, C.P.A., Senior Audit Partner*  
*Michelle H. Cunningham, C.P.A., Audit Partner*

Mr. Stamm provided an overview of the different phases of the audit, which included the financial, internal control, and compliance phases. He noted that Louisiana School Employees' Retirement System (LSERS) received the highest and cleanest opinion that could be obtained in an audit with no limitations.

Every item audited was in accordance with generally accepted governmental accounting principles. An audit of internal controls found no instances of material weaknesses and a follow-up to last year's report revealed no internal control problems in testing bank records. There was no noncompliance with any laws and regulations to report to LSERS and the legislative auditor.

Ms. Cunningham continued the report by providing 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.

Review of the rest of the report included statements of changes in reserve balances, schedules of per diem paid to trustees, detailed information on all investments held by the system, and a schedule of administrative expenses. It also included 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.

Mr. Stamm and Ms. Cunningham then addressed questions from the Board.

**ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED**, the Board accepted the Audit Report.

The Actuarial Report, which was the next item on the agenda, was postponed until later in the meeting.

## **RECOMMENDATIONS OF INVESTMENT COMMITTEE**

Mr. Faulk noted that there were no items to present from the Investment Committee meeting held earlier in the day.

## **LSERS' PROPOSED 2008-2009 BUDGETS**

### **ADMINISTRATIVE BUDGET**

Ms. Dudley noted that adjustments had to be made to the budget originally mailed out to Board members and provided an overview of these adjustments. She then provided an extensive review of the proposed budget, which included the actual budget for 2006-2007, the approved budget for 2007-2008 and the requested budget for 2008-2009 with increases and/or decreases noted. An explanation of budget increases and the salary schedule of employees of LSERS were also provided for review.

Mr. Bujol and Ms. Dudley then answered questions from the Board.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted LSERS' 2008-2009 Administrative Budget.

### **BUILDING BUDGET**

Mr. McMorris provided a detailed review of the proposed operating budget for the building, which included a summary of increases and/or decreases.

**ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED**, the Board approved LSERS' 2008-2009 Building Budget.

## **ADMINISTRATION**

### **PUBLIC INFORMATION DIRECTOR 1 POSITION**

Mr. Bujol provided an update on the Public Information Director 1 position and noted that he would not take any action on this position until Ms. Champagne retires. Discussion was held and it was noted that a decision from the Board on whether or not to abolish the position would need to be submitted to civil service.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED**, the Board approved keeping the Public Information Director 1 position, but not filling it at this time.

### **CONSIDERATION FOR APPROVAL OF BOARD OF TRUSTEES POLICY MANUAL**

Mr. Bujol noted that the Board of Trustees Policy Manual, which was distributed at the September 10, 2007 Special Board meeting, was a compilation of policies that were already approved by the Board. The manual was presented to the board for review and consideration for approval of the whole manual.

An item was presented on whether language in reference to absenteeism of a Board member, specifically the Chairperson, could be placed in the manual. Discussion was held on this matter, which included a review of the policy on election of officers, whether there were provisions in the policy and/or by-laws pertaining to absenteeism of board members, and how this could be incorporated into the policy. It was noted that the Vice Chair of the Board is the acting Chairperson in the event the Chairperson is unable to attend a board meeting.

After further discussion the Executive Counsel was directed to research this matter for review at the December 3, 2007 Regular Board meeting.

**ON MOTION BY MR. RICHARD, SECONDED BY MR. RESTER AND CARRIED,** the Board approved the Board of Trustees Manual with further research on language regarding absenteeism to be presented at the December 3, 2007 Regular Board meeting.

At 1:10 p.m. Mr. Faulk announced that Mr. Hall was present and that the next item on the agenda would be the Actuarial Report – June 30, 2007 – Report by Hall Actuarial Associates

## **ANNUAL REPORTS**

### **ACTUARIAL REPORT - JUNE 30, 2007 - REPORT BY HALL ACTUARIAL ASSOCIATES**

*Charles G. Hall, FCA, MAAA, ASA – Hall Actuarial Associates*

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, 2007 and the 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 11,687 in June 2006 to 12,017 in June 2007 and active member participation declined from 13,079 in June 2006 to 12,935 in June 2007. DROP participation declined from 732 in June 2006 to 683 in June 2007, but the terminated vested participants increased from 292 in June 2006 to 385 in June 2007.

Review of annual benefits in the last year indicated an increase from \$110 million dollars to \$115 million dollars, which was primarily due to the number of new retirees. Total payroll increased from \$239 million dollars to \$259 million dollars.

Mr. Hall then provided a detailed review of valuation assets (investment yield by market value, actuarial value, and DROP accounts) and the experience account that was created during the 2007 legislative session. This led to a review of legislation involving the experience account.

Mr. Hall continued his detailed review of the valuation, which included costs to fund annual pension accruals (normal costs), unfunded actuarial accrued liability, funded percentage, funding requirements to pay mid year payment (employee contribution rate for current year, employer contribution rate for current year, and projected rate for next fiscal year). He also provided a detailed review of the current funding and change in unfunded liability. This led to a discussion on costs associated in granting COLA's and provisions of the experience account legislation.

Mr. Hall reviewed legislative changes, including a review of Acts 213, 232, and 333, then answered questions from the Board.

Mr. Hall noted that a new experience study would be conducted after the PERSAC meeting. He provided a review of what was involved in conducting this study and a preview of recommended changes that would be included in his report to the Board.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted Mr. Charles Hall's valuation report and recommendations for the projected 17.8% contribution rate to be presented to PERSAC for next fiscal year.

## **ADMINISTRATION**

### **JANUARY 14, 2008 INVESTMENT COMMITTEE MEETING**

Mr. Bujol noted that since January 14, 2008 is Inauguration Day for the new governor he was recommending changing the date to January 7, 2008.

**ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE AND CARRIED**, the Board accepted Mr. Bujol's recommendation to change the January 14, 2008 meeting date to January 7, 2008.

Before continuing with the next agenda item Mr. Ponder provided a review of "COLA LAW". Mr. Ponder noted that this review was being provided strictly as information and was not an item to be added to the agenda for discussion. This led to a discussion and questions on 2008 legislation that would be proposed and presented to the Board at the December 2007 meeting.

Mr. Ponder also noted that he had received approximately 135 responses from members. He asked the Board to encourage members to complete the legislative cards and send them in. Another note would be placed in the Winter newsletter.

## **PUBLIC COMMENT**

There was no public comment.

**OTHER BUSINESS**

Ms. Champagne asked for clarification on when items needed to be placed on the agenda. Mr. Ponder noted that if any action is to be taken by the Board a 2/3 vote is needed to place the item on the agenda. If it is strictly for information purposes the item does not need to be placed on the agenda.

There was no other business to discuss.

**ON MOTION BY MR. RESTER, SECONDED BY MS. MCKEE AND CARRIED,** the Board adjourned at 2:24 p.m.

  
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Charles P. Bujol – Director

  
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Jeffrey Faulk, Sr. – Vice Chairman