

Louisiana School Employees' Retirement System Board Investment Committee Meeting

*Monday, September 18, 2006
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. Ms. Jacobs called the meeting to order at 9:00 a.m. The Roll was called by Mrs. Stark.

Members Present: Ms. Betty Jacobs - Chairperson, Mrs. Kathy Landry, Ms. Betty Crain, Mrs. Judith McKee, Mr. Larry Wilmer, Mr. Jeffrey Faulk, Sr., Mr. Earl Richard, Jr., Ms. Lori Pierce - Treasurer's Office and Ms. Stacy Sharpe - Secretary of State's Office.

Members Absent: Senator D.A. "Butch" Gautreaux - Chairman - Senate Retirement Committee and Representative Pete Schneider, Chairman - House Retirement Committee.

Staff Present: Mr. Charles Bujol - Executive Director, Mrs. Debra Dudley - Assistant Director, Mr. Warren Ponder - Executive Counsel, Mrs. Julia LeBlanc - Chief Investment Officer, Mrs. Josie Meche - Investment Manager I, Ms. Judy Wright - Public Information Director I and Mrs. Laurie Stark - Administrative Assistant 5.

Others Present: Mr. Richard Ranallo - Segal Advisors, Inc., Mr. Jack Gastler and Mr. Terry Burnham - Acadian Asset Management, Inc., Mr. Balaam T. Elliott, III, Ms. Lori Buffum and Mr. James Mallory - Evergreen Investments, Mr. Peter Trevisani and Mr. Chris Neill - Thornburg Investment Management.

INTERNATIONAL EQUITY MANAGER SEARCH

Introduction of Process

Mr. Ponder reviewed the new interview process. At the last investment committee meeting Committee members agreed that candidates in a search would be scored using the 1, 2, 3 method. Number 1 would represent the member's first choice, number 2 their second choice and number 3 their third choice. The candidate with the lowest cumulative score would be selected for the position.

Interviews

Three companies were interviewed for the International Equity Manager Search. The interviews were held in 30-minute increments.

Acadian Asset Management, Inc.

Jack W. Gastler - Senior Vice President
Terry Burnham - Portfolio Manager & Director of Economics

Evergreen Investments

Balaam T. Elliott, III - Director, International Client Management
Lori Buffum - Director, Public Sector Sales
James E. Mallory - Director, Closed End Funds

Thornburg Investment Management, Inc.

Peter Trevisani – Managing Director
Chris Neill – Portfolio Strategist

Review by Investment Consultant

Mr. Ranallo gave a brief review of the three international equity management firms that were interviewed. Questions were raised regarding Acadian Asset Management providing a presentation that was not in reference to the proposed product.

ON MOTION OF MS. SHARPE, SECONDED BY MR. RICHARD AND CARRIED, the committee agreed that a decision would be made at today’s meeting regarding which firm would be hired as the new International Equity Manager.

Scoring and Recommendations

Mr. Ponder collected the ballots and the votes were tabulated for the International Equity Manager candidates.

Manager Search Vote Tally

Firm:	Votes	Total
Acadian Asset Management, Inc.	2, 3, 2, 3, 3, 3, 2, 3, 3	24
Evergreen Investments	3, 2, 3, 2, 2, 2, 3, 2, 2	21
Thornburg Investment Management, Inc.	1, 1, 1, 1, 1, 1, 1, 1, 1	9

ON MOTION OF MRS. LANDRY, SECONDED BY MRS. McKEE AND CARRIED, the committee recommended the selection of Thornburg Investment Management, Inc. as the new International Equity Managers for LSERS.

Signed Trustee ballots are available for inspection.

DISCUSSION WITH CONSULTANT

LSERS Managers Peer Group Comparison

Mr. Ranallo presented the Managers Peer Group Comparison. It was noted that managers receiving higher numbers in the comparison report are not performing as well as those receiving lower numbers.

ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the committee accepted the Manager Peer Group Comparison Report.

Discussion and Recommendation on any Investment Policy Changes

It was recommended that the following changes be made to the Investment Policy: the benchmark for the total portfolio will read: 50% Russell 3000, 10% MSCI EAFE, 30% Lehman Brothers Aggregate, 6% NCREIF and 4% S&P 500 plus three percentage points. The benchmark will be applied to the plan when the additional asset classes are completely funded.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee recommended adoption of the suggested changes to the Investment Policy by Segal.

ON MOTION OF MRS. McKEE, SECONDED BY MS. CRAIN AND CARRIED, the committee recommended allowing Thornburg Investment Management, Inc. to invest up to 20% in emerging markets.

Report on Funding of Benefits for 2006 Fourth Quarter, Prudential, Real Estate, Private Equity. Etc.

It was reported that funding for fourth quarter benefits would be taken from Schroder (\$6 Million) and Orleans Capital (\$6 Million). On September 29, 2006 the Prudential Real Estate portfolio would be fully funded for the total \$45 million allocation with funds to be taken from Schroder (\$22.5 Million) and Orleans Capital (\$22.5 Million).

ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the committee accepted the report on funding of benefits for Fourth Quarter 2006 and the Prudential Real Estate portfolio.

STAFF REPORTS

Commission Recapture Report

Mrs. Meche reported that for the period January 1, 2006 through June 30, 2006 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. The equity managers that met or exceeded their 25% target were C.S. McKee and Walter Scott. The total funds available for disbursement as of June 30, 2006 were \$186,039.00. Payments totaling \$101,881.77 were made, leaving a balance of \$84,157.23 available for disbursement. Mrs. LeBlanc further reported that the current commission recapture balance of \$24,259.50 was due to \$65,000.00 in payments and less than \$15,000.00 has been received in commissions. It was noted that arrangements would need to be made to pay any future bills from budgeted investment management fees. Should the need arise, a BA-7 could be submitted to transfer some of the investment management fees for the current fiscal year to the appropriate budget category.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee made the recommendation to give investment staff the authority to pay investment expenses by submitting a BA 7 if needed.

Northern Trust Securities Lending Report

Mrs. LeBlanc reported that for the calendar year-to-date period ending July 2006, the gross income on securities lending was \$273,698.28. Northern Trust received a fee of \$117,160.95. The fund earned \$273,698.28 or an average of \$39,099.75 per month. To date the fund earned \$5,440,305.07 or an average net monthly income of \$35,557.55.

ON MOTION OF MR. RICHARD, SECONDED BY MR. WILMER AND CARRIED, the committee accepted the Northern Trust Securities Lending Report.

Louisiana Brokers

Mrs. Meche reported that for the period of January 1, 2006 through June 30, 2006 the fixed income managers that met or exceeded their 10% target were Orleans Capital and Evergreen. The equity managers that met or exceeded their 10% minimum target were Ark and Walter Scott. A total of \$126,328,990.25 par value and \$33,377.68 in equity commissions was directed during the period ending June 30, 2006.

Louisiana Incorporated & Domiciled Broker Report

Mrs. Meche reported that for the period of January 1, 2006 through June 30, 2006 the only equity manager that met or exceeded its 10% target was Trinity. Orleans Capital was the only fixed income manager to meet its target for the period. A total of \$24,657.02 in equity commissions and \$7,897,770.00 par value was directed during the period ending June 30, 2006.

ON MOTION OF MR. RICHARD, SECONDED BY MRS. LANDRY AND CARRIED, the committee accepted the Louisiana and Louisiana Incorporated and Domiciled Broker Reports.

**Securities Litigation
Investment Staff Report of Receipts**

Mrs. LeBlanc reported that as of July 24, 2006, LSERS received a total of \$984,224.79 in cash, \$578 in par value and 8,013 shares of stock/warrants for settlements from securities litigations.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee accepted the Securities Litigation Report on Receipts.

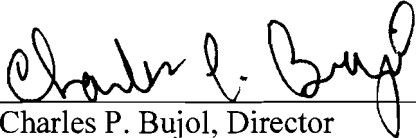
Current Case Review

Mr. Ponder presented the current case review. It was reported that a \$74.5 million dollar settlement had been approved in the Solomon Smith Barney /AT&T case.

ON MOTION OF MRS. McKEE, SECONDED BY MR. RICHARD AND CARRIED, the committee accepted the Current Case Review report.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee agreed to adjourn.

The meeting adjourned at 1:41 p.m.


Charles P. Bujol, Director


Betty Jacobs, Chairperson