

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

**Monday, February 1, 2010
9:00 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 Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, called the meeting to order at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, Mr. Jeffrey Faulk, Sr., Mr. Ron Henson – designee for Mr. John Kennedy – State Treasurer, *Mr. Matt Tessier – observer for Representative Joel C. Robideaux – Chairman of the House Committee on Retirement

Members Absent: Mr. Jay Dardenne – Secretary of State, Senator D. A. “Butch” Gautreaux – Chairman of the Senate Committee on Retirement

Staff Present: Mr. Charles P. Bujol - Executive Director, Ms. Carolyn Forbes - Assistant Director, Mr. Warren D. Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Jerry Rhodus - Investment Officer 2, Ms. Jennifer Champagne - Administrative Assistant 6 (Recording Secretary)

Also Present: Mr. Brett Hazen and *Mr. Richard Ranallo – Segal Advisors

* Mr. Matt Tessier left the meeting at 11:39 a.m.
Mr. Ranallo attended the afternoon session, which began at 12:46 p.m.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Mr. Ron Henson was introduced and welcomed as the new designee for Mr. John Kennedy, State Treasurer.

Packets have been provided to all board members attending the NCPERS Legislative Conference in Washington, D.C. on February 7-9, 2010.

Annual evaluations on unclassified employees will be mailed to all Board members on Monday, March 1, 2010.

Mr. Brosnan noted that he received an e-mail notification from Principal, LSERS real estate investment manager, on Friday, January 29, 2010, announcing that they would be reinstating distributions in March 2010. LSERS will be receiving \$683,563.00 from Principal.

APPROVAL OF AGENDA

The agenda was presented to the Board for approval.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to approve the agenda.

MANAGER PERFORMANCE REVIEW

Mr. Hazen provided a brief review of the overall performance of the portfolio and a projected outlook based on current asset allocations and market conditions. He continued with an analysis of investment performance through December 31, 2009, which included a detailed review of financial market conditions, asset allocations, and investment manager performance.

Mr. Hazen then addressed questions from the Board and LSERS' administrative staff.

DISCUSSION OF POSSIBLE RFP FOR SMALL CAP GROWTH MANAGER

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to move Item #II, Discussion of Possible RFP for Small Cap Growth Manager, after Item #III, Investment Manager Reports.

INVESTMENT MANAGER REPORTS

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS' administrative staff:

RiverSource Investments

Alan J. Puklin – Vice President, Institutional Client Service
Michael J. Alpert – Portfolio Manager

Fisher Investments Institutional Group

Leon P. Stamps – Vice President, Senior Relationship Manager
Roman Knysh – Vice President, Portfolio Specialist

While awaiting the third Investment Manager presentation from C.S. McKee Investments Managers the Board continued with the next item on the agenda.

DISCUSSION OF POSSIBLE RFP FOR SMALL CAP GROWTH MANAGER

Mr. Hazen provided a review of RiverSource Investments' and Ameriprise Financial's pending acquisition of Columbia Asset Management. It was strongly recommended that the Board consider conducting a search for a Small Cap Growth Manager to replace RiverSource Investments/Columbia Asset Management and transition the portfolio assets in the interim.

Discussion was held on the transition process, cost, risk involved, and its affect on the portfolio. This led to a discussion on conducting the search for a Small Cap Growth Manager and a timeline on transferring the funds to the new manager.

Mr. Brosnan made the following recommendations:

1. Approval of a search for a manager to transition the RiverSource portfolio assets.
2. Recommendation by staff and consultant for approval by the Board of the investment vehicle to be used in the interim while the RFP is being conducted.
3. Authorization for staff to draft an RFP document for presentation to the Investment Committee.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** on all three of the recommendations by Mr. Brosnan.

Discussion was held on the announcement that the RiverSource portfolio team would not be transitioned with the acquisition of Columbia Asset Management by Ameriprise Financial and the need for a contingency plan in case of the early departure of the RiverSource portfolio team.

ON MOTION BY MR. WALTHER, SECONDED BY MR. FAULK, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to allow staff to transition the RiverSource portfolio if proper management is in doubt due to early departure of the RiverSource portfolio team.

INVESTMENT MANAGER REPORTS (CONT'D)

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS' administrative staff:

C.S. McKee Investment Managers

Eugene M. Natali, Jr. – Senior Vice President
Robert A. McGee, CFA – Senior Vice President, Portfolio Manager

While awaiting the fourth Investment Manager presentation from RhumbLine Advisors the Board continued with the next item on the agenda.

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to move Item #V, Investment Reports, before the RhumbLine Advisors presentation and Item #IV, Asset Allocation Study.

INVESTMENT REPORTS

Commission Recapture Reports

Mr. Rhodus provided the following reports on Commission Recapture for the reporting period of January 1, 2009 through November 30, 2009:

Equity Managers

Overall commissions to Lynch, Jones & Ryan exceeded the 25% target by 6.93% with total commissions of 31.93%. A detailed review was provided.

Fixed Income Managers

Overall commissions to Lynch, Jones & Ryan were under the 35% target by -34.91% with total commissions of .09%. A detailed review was provided.

Mr. Rhodus provided a detailed summary of total commissions for the same reporting period and then addressed questions from the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to accept the Commission Recapture Reports.

Trading Compliance Reports

Mr. Rhodus provided the following investment manager reports:

J & W SELIGMAN AND CO. (RIVERSOURCE INVESTMENTS)

J & W Seligman (RiverSource Investments) exceeded their 25% target with 33.7% of total trades directed through Lynch, Jones, & Ryan. They did not meet their 10% targets with 4.9% of total trades directed through Louisiana Brokers and 6.0% of total trades directed through Louisiana Inc. and Domiciled Brokers.

FISHER INVESTMENTS

Fisher Investments exceeded their 25% target with 28.6% of total trades directed through Lynch, Jones, & Ryan. They directed no trades (0.00%) through Louisiana Brokers, but exceeded their 10% target with 25.3% of total trades directed through Louisiana Inc. and Domiciled Brokers.

C. S. MCKEE, L.P.

C. S. McKee exceeded their 25% target with 32.4% of total trades directed through Lynch, Jones & Ryan. They directed no trades (0.00%) through Louisiana Brokers, but exceeded their 10% target with 25.2% of total trades directed through Louisiana Inc. and Domiciled Brokers.

Mr. Rhodus, Mr. Brosnan, and Mr. Hazen then addressed questions from the Board.

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to accept the Trading Compliance Reports.

Investment Report

Mr. Brosnan noted that the Investment Report (Book II) on day-to-day investment transactions for the reporting period of October 1, 2009 through December 31, 2009 was available for review.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to accept the Investment Report.

Securities Lending Report

Mr. Brosnan provided the securities lending report. A handout on the “Update on Securities Lending Collateral Deficiency” was also provided and reviewed in detail. Mr. Brosnan then addressed questions from the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to accept the Securities Lending Report.

Other Business

There was no other business to discuss under Investment Reports.

INVESTMENT MANAGER REPORTS (CONT'D)

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS’ administrative staff:

RhumbLine Advisors

*Wayne T. Owen – Chief Executive Officer
Julie Carman Lind – Portfolio Manager*

Mr. Tessier left the meeting at 11:39 a.m.

Mr. Ranallo attended the afternoon session, which began at 12:46 p.m.

ASSET ALLOCATION STUDY

Mr. Hazen provided a brief review of the asset allocation study, which included asset class assumptions, correlation coefficient matrix, and asset mixes. A review and comparison of three asset allocation mixes followed. Mr. Hazen, Mr. Brosnan and Mr. Ranallo recommended Asset Allocation Mix 2.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to approve Asset Allocation Mix 2.

Mr. Hazen provided an update on the search Segal Advisors is conducting for Opportunistic Real Estate managers. Interviews will be conducted during the April 12, 2010 Investment Committee meeting.

There was no other business to discuss under Investments.

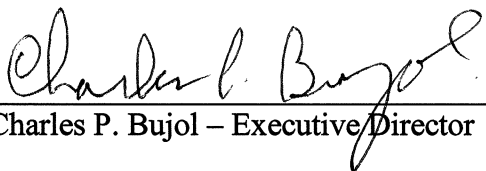
PUBLIC COMMENT

There were no public comments.

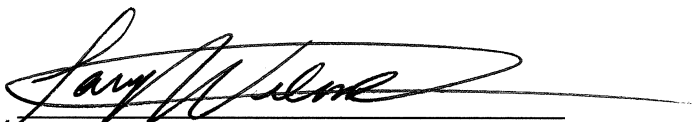
OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to adjourn at 1:17 p.m.



Charles P. Bujol – Executive Director



Larry Wilmer – Chairman