

Louisiana School Employees' Retirement System Board Investment Committee Meeting

Monday, March 14, 2011
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, Chairman of the committee, called the meeting to order at 9:06 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Mrs. Stark.

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Members Present: Mr. Jeffrey Faulk, Sr., Mr. Eugene Rester, Jr., Mrs. Kathy B. Landry, Ms. Betty Crain, Mrs. Judith Ann McKee, Mr. Philip B. Walther, Mr. Ron Henson, designee for Mr. John Kennedy – State Treasurer and Mr. Tim Palmatier, designee for Mr. Tom Schedler – Secretary of State.

Members Absent: Mr. Larry Wilmer, Rep. J. Kevin Pearson – Chairman of the House Committee on Retirement and Sen. D.A. “Butch” Gautreaux – Chairman of the Senate Committee on Retirement.

Staff Present: Mr. Charles Bujol – Executive Director, Mrs. Carolyn Forbes - Assistant Director, Mr. Warren D. Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Jerry Rhodus – Investment Officer II, and Mrs. Laurie Stark - Administrative Assistant 5

Others Present: Mr. Brett Hazen – Segal Advisors, Inc. and *Mr. Randy Roche (public)

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ANNOUNCEMENTS

Mr. Bujol made the following announcements:

- A Special Board meeting will be held upon adjournment of the Investment Committee meeting.
- Annual evaluations on all unclassified personnel have been mailed to each board member. The completed and signed evaluations are to be mailed back to the Chairman of the Personnel Committee by April 4, 2011. The Personnel Committee will meet April 11, 2011 to review the evaluations and make recommendations for presentation to the full board.

Mr. Bujol also provided updates on the following:

- Status of the agency's chiller
- Elections for the Active Member District 1 seat

APPROVAL OF AGENDA

The agenda was presented to the committee for approval.

ON MOTION OF MS. CRAIN, SECONDED BY MR. WALTHER, Ms. Crain, Mrs. Landry, Mr. Faulk, Mrs. McKee. Mr. Palmatier, Mr. Rester, Mr. Henson and Mr. Walther **voted affirmatively** to approve the agenda.

PUBLIC COMMENTS ON ANY ITEM ON THE AGENDA

The chairman made the request for any members of the public who would like to comment on any agenda item. There were no comments.

PORTFOLIO PERFORMANCE REVIEW

Mr. Brosnan provided an update on the current status of the market and performance numbers for the portfolios. He then entertained questions from the committee.

ON MOTION OF MRS. McKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Portfolio Performance Review.

STAFF REPORTS

Commission Recapture

Mr. Rhodus reported that for the period January 1, 2010 through December 31, 2010 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. All of the equity managers, except Russell and Wasatch, met or exceeded their 25% targets. The total funds available for disbursement as of December 31, 2010 were \$55,390.29. Disbursements totaling \$51,216.68 were made, leaving a balance of \$4,173.61. Mr. Rhodus then entertained questions from the committee.

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

Renewal of Trading Target

Mr. Brosnan reported that during a meeting with ConvergEx (formerly Lynch Jones & Ryan) he informed them that the commission recapture program may be discontinued. They made an offer to renegotiate the terms of their agreement by rebating commissions in excess of 1¢ per share. The current agreement is 1.5¢ per share. Staff will monitor the effectiveness of the program before a decision on whether to permanently renew the commission recapture program is made. Discussion was held.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to allow the commission recapture program to proceed with 25% of all trades going to Lynch Jones & Ryan for a test period of six months at the lower rate of 1 cent per share.

Northern Trust Securities Lending Report

Mr. Brosnan reported that for the period of January 1, 2010 through December 31, 2010 the gross income on securities lending was \$578,015.54. Northern Trust received a fee of \$173,254.37. Since inception the fund earned \$8,680,256.36 or an average net monthly income of \$42,040.08. Mr. Brosnan then entertained questions from the committee.

ON MOTION OF MR. WALTHER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Securities Lending Report.

Louisiana Broker Report

Mr. Rhodus reported that for the reporting period of January 1, 2010 through December 31, 2010 NTGI and Walter Scott were the only managers that met or exceeded their 10% target. None of the fixed income managers met their target for the period. Equity commissions totaling \$10,214.57 were collected during the period ending December 31, 2010. \$4,894,250.00 in par value was collected. Mr. Rhodus then entertained questions from the committee.

Louisiana Incorporated & Domiciled Broker Report

Mr. Rhodus reported that for the reporting period of January 1, 2010 through December 31, 2010 none of the fixed income managers met their 10% target. All of the equity managers, except Russell and Wasatch, met or exceeded their 10% minimum target. Equity commissions totaling \$30,079.12 were directed during the period ending December 31, 2010. \$3,181,350.00 in par value was collected. Mr. Rhodus then entertained questions from the committee.

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

**Legal Update
Investment Staff Report of Receipts**

Mr. Brosnan reported that as of December 2010 LSERS received a total of \$4,855,514.17 in cash, \$578 in par value and 8,965 shares of stock/warrants for settlements from securities litigations. Mr. Brosnan then entertained questions from the committee.

ON MOTION OF MRS. LANDRY, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Report of Receipts.

Current Case Review

Mr. Ponder noted that the ongoing case of East Baton Rouge Parish School Board, et al vs. LSERS was scheduled for Motion for Summary Judgment in February 2011, but no decision has been made. The opinion from the Attorney General's office regarding the increase in the employee contribution rate has not been received.

ON MOTION OF MRS. McKEE, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Current Case Review.

Analytic Performance Report

Mr. Hazen provided an overview of the performance numbers for Analytic Investors. The numbers have improved, but their future performance will continue to be monitored.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Analytic Performance Report.

CUSTODIAN RFP WRAP-UP

Mr. Brosnan presented a final report regarding the Custodian RFP that was discussed at the February 7, 2011 meeting, which included an overview of the finalist's fees schedules. It was recommended that BNY/Mellon be hired as LSERS new custodian bank.

ON MOTION OF MR. WALTHER, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT the committee agreed to the recommendation to hire BNY/Mellon as the new custodian bank to be ratified by the full board.

RATIFY ORLEANS INVESTMENT POLICY WAIVER REQUEST

Mr. Brosnan presented an overview of a request made by Orleans Capital Management and Schroder Distressed Debt to waive the single holding concentration requirement in the Investment Policy. He also recommended that the Investment Policy (Section VI (2) Paragraph 3) be amended. It would read as follows: It will be expected that debt securities of any single credit will not exceed 5% (1% for below investment grade, 2.5% for opportunistic/distressed portfolios) at market value, of each fixed income portfolio... A revised Investment Policy draft will be presented at the April meeting.

*Mr. Roche left the meeting at 10:21 a.m.

ON MOTION OF MRS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT the committee agreed to the recommended waiver to the Investment Policy regarding Single Holding Concentration Requirement for Orleans Capital.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT the committee agreed to the recommended waiver to the Investment Policy regarding Single Holding Concentration Requirement for Schroder Distressed Debt.

LAMP

Mr. Rhodus answered questions raised at the February meeting regarding LAMP and stated Capital One has proposed another investment possibility that still needed further research. A follow-up will be made at the next meeting.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the report regarding LAMP.

ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to address Item 7 before Item 6.

ENTRUST PRESENTATION

Entrust Capital

- Gregg S. Hymowitz – Managing Partner*
- Jordan Bergman – Associate for Investment Research*
- David Livingston – Vice President*

Mr. Hymowitz, Mr. Bergman and Mr. Livingston gave a thirty minute presentation regarding their diversified funds firm.

Further discussion was held regarding this matter. Additional information regarding diversified funds was requested at a later date. An asset allocation study will be performed after the end of the Legislative session.

REAL ASSETS

Segal Advisors, Inc.

Justin Mallis – Senior Research Analyst

Mr. Hazen and Mr. Mallis (via telephone conference) gave an overview of the search parameters for the Real Asset Fund of Funds search. The top two firms reviewed are Altius Real Asset Fund, LP and FLAG Capital Management, LLC. A comparison between both firms was presented. A recommendation was made to invite Altius and FLAG in for another presentation.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to have Altius and FLAG come in for a final presentation regarding Real Asset at the next meeting in April.

OTHER BUSINESS

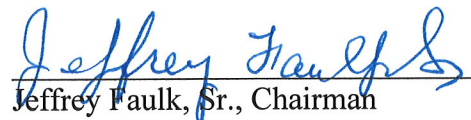
There was no other business to be discussed.

PUBLIC COMMENTS

There were no public comments.

ON MOTION OF MRS. LANDRY, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee adjourned at 12:08 p.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman