

Louisiana School Employees' Retirement System Board Investment Committee Meeting

Monday, April 11, 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 9:00 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, 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, Mrs. Judith Ann McKee, 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.

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ANNOUNCEMENTS

Mr. Bujol made the following announcements:

- The agency's chiller has been installed and the gas boilers have been ordered.
- According to the rental contract with OFI, new carpet was installed on the second floor.
- The agency is on a tight budget for next year due to the attorney fees for the defense of the EBRBS vs. LSERS lawsuit and the purchase of the new chiller, neither of which were budgeted.

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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, 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. Mr. Brosnan then entertained questions from the committee.

ON MOTION OF MRS. LANDRY, 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, 2011 through January 31, 2011 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. The only manager to meet or exceed their 25% target was Walter Scott. The total funds available for disbursement as of January 31, 2011 were \$4,173.61. No disbursements were made, leaving a balance of \$4,173.61. Mr. Rhodus then entertained questions from the committee.

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

Northern Trust Securities Lending Report

Mr. Brosnan reported that for the period of January 1, 2011 through January 31, 2011 the gross income on securities lending was \$37,354.85. Northern Trust received a fee of \$11,197.03. Since inception the fund earned \$8,686,414.18 or an average net monthly income of \$26,157.82. Mr. Brosnan then entertained questions from the committee.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. LANDRY 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, 2011 through January 31, 2011 Walter Scott was the only manager that met or exceeded their 10% target. None of the fixed income managers met their target for the period. Equity commissions totaling \$644.40 were collected during the period ending January 31, 2011. \$7,758,589.11 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, 2011 through January 31, 2011 neither the fixed income managers nor any of the equity managers met their 10% target. Equity commissions totaling \$802.91 were directed during the period ending January 31, 2011. \$7,758,589.11 in par value was collected. Mr. Rhodus then entertained questions from the committee.

ON MOTION OF MR. WALTHER, 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 January 2011 LSERS received a total of \$5,183,321.42 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 MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Report of Receipts.

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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.

A tax proposal bill to be sponsored by Representative Mickey Guillory will allow the board of trustees to be more flexible and make decisions for the system based on new IRS tax rules and regulations. Mr. Ponder asked that staff be allowed to work with the agency's tax attorney on this proposal.

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ON MOTION OF MS. CRAIN, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to allow staff to work with the tax attorney on the tax proposal, to be sponsored by Representative Mickey Guillory.

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Analytic Performance Report

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

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

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ON MOTION OF MRS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to table Item III, Approval of Revised Investment Policy, until later in the meeting.

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FOLLOW-UP ON DROP INVESTMENT OPPORTUNITIES

Mr. Rhodus presented an overview of the different DROP/IBRP Investment Opportunities that are available. A handout was provided. It was recommended that Capital One’s Checking with FDIC Insurance be selected as the depository for DROP/IBRP funds.

ON MOTION OF MR. WALTHER, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee recommended that the system use the Capital One Checking with FDIC insurance as the investment option for the DROP funds to be ratified by the full board.

REAL ASSETS – FINALISTS PRESENTATIONS

Altius Associates

- Jay A. Yoder – Partner and Head of Real Assets*
- W. Chason Beggerow - Partner*
- Brad Young – Partner and Head of the Americas*

FLAG Capital Management, LLC

- Doug Angstrom – Placement Agent*
- Geoff LeMieux – Director Client Relations*
- Timo Fritzingler – Principal*
- Jim Gasperoni – Partner*

Altius Associates and FLAG presented an overview of their companies regarding real assets, also known as hard assets, which includes energy, timber, infrastructure, etc. Discussion was held. A recommendation was made to invest in FLAG Energy and Resource Partners II, L.P.

ON MOTION OF MR. HENSON, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT the committee agreed to hire FLAG Energy and Resource Partners II, L.P. as a Real Asset Manager for the system with a \$30 million commitment to be ratified by the full board.

APPROVAL OF REVISED INVESTMENT POLICY

Mr. Brosnan presented the final draft of the proposed Investment Policy that was previously discussed at the March 14, 2011 Investment Committee Meeting.

ON MOTION OF MR. WALTHER, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT the committee accepted the final draft of the revised investment policy to be ratified by the full board.

GSA CONSENT LETTER

Mr. Hazen gave an overview regarding the proposed change in management of the GSA Fund by PRP Real Estate Investment Management. It was recommended that the committee consent to the proposed change.

ON MOTION OF MS. CRAIN, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to the proposed change in management of the GSA fund.

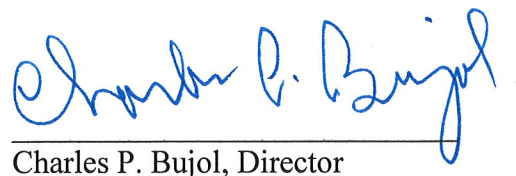
OTHER BUSINESS

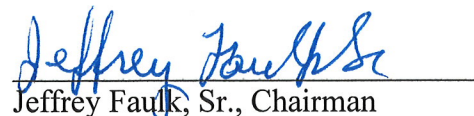
There was no other business to be discussed.

PUBLIC COMMENTS

There were no public comments.

ON MOTION OF MS. CRAIN, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the committee adjourned at 11:50 a.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman