

**LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
BOARD INVESTMENT COMMITTEE MEETING**

Monday - April 10, 2006

The Louisiana School Employees' Retirement System's Board Investment Committee convened in the board room (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 9:02 a.m. The Roll was called by Mrs. Stark.

Members Present: Ms. Betty Jacobs - Chairperson, Mr. Larry Wilmer, Ms. Betty Crain, Mrs. Judith McKee, 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: Ms. Sylvia Myers, Senator D.A. "Butch" Gautreaux - Chairman - Senate Retirement Committee and Representative Pete Schneider, Chairman - House Retirement Committee.

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

Others Present: Mr. Richard Ranallo - Segal Advisors, Inc., Mr. Keith J. Beaudoin and Mr. Joe Martinez - Northern Trust Global Investments, Ms. Ruby Jolissaint, Ms. Delores Scott, Ms. Jessie Kling, and Ms. Rose Mary Knight.

Mr. Jeffrey Faulk arrived at 9:10 a.m.

Prior to Northern Trust Global Investments' educational presentation Mr. Ranallo provided an explanation on certain aspects of transition management, which included terms that would be used during the presentation.

EDUCATIONAL COMPONENT REGARDING TRANSITION MANAGEMENT.

Mr. Keith J. Beaudoin and Mr. Joe Martinez with Northern Trust Global Investments provided an overview of how transition management works. They also provided a review of the importance of transition in performing certain tasks, such as handling manager changes within the same asset class, making strategic asset allocation changes, implementing or maintaining short-term exposure to a certain asset class, and making liquidations to raise cash. It was noted that mismanagement could impact a fund. The advantages of having the custodian of a fund as the transition manager were reviewed.

UPDATE ON PRIVATE EQUITY SEARCH

Mr. Ranallo reported that RFP's have been sent out for the private equity search and that Segal has met with each proposer. Mr. Ranallo noted that Mr. Greg Moore is working with him on the private equity search and that Mr. Moore will be providing an educational presentation on private equity at the May meeting.

ON MOTION OF MR. WILMER, SECONDED BY MR. FAULK AND CARRIED, the committee agreed to accept the update on the private equity search presented by Mr. Ranallo.

ON MOTION OF MS. CRAIN, SECONDED BY MR. WILMER AND CARRIED, the committee accepted the educational component regarding Transition Management presented by Northern Trust Global Investments.

UPDATE ON INTERNATIONAL EQUITY SEARCH

Mr. Ranallo provided an update on the international equity search. It was noted that this search would be different because emerging markets would be considered. Twenty-nine smaller countries are being considered and the benchmark will be changed for the emerging market exposure. Mrs. LeBlanc asked the committee members if they would like all proposals sent to them or just those that meet the minimum criteria. All agreed that they only wanted to receive proposals from those proposers that meet the minimum criteria.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee accepted the update on the international equity search presented by Mr. Ranallo.

REPORT ON TRANSITION FROM TRINITY TO C.S. McKEE

Mr. Ranallo reported that Northern Trust Global Investments reviewed this subject during their educational presentation on transition management. It was noted that costs were less because the System used Northern Trust for the transition.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the committee accepted the report on Transition from Trinity to C.S. McKee.

STAFF REPORTS

Commission Recapture Report

Mrs. Meche reported for the period January 1, 2005 through December 31, 2005 that none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. The only equity manager that met or exceeded their 25% target for the period was Walter Scott. The total funds available for disbursement as of December 31, 2005 were \$336,611.74. Payments totaling \$205,500.00 were made, leaving a balance of \$131,111.74 available for disbursement.

ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the committee accepted the Commission Recapture Report.

Northern Trust Securities Lending Report

Mrs. LeBlanc reported that for the calendar year-to-date period ended December 2005, the gross income on securities lending was \$675,791.82. Northern Trust has received a fee of \$202,585.76. The fund had income returned to it in the amount \$ 473,206.06 or an average for the year of \$39,433.84 per month. For January 2006 the gross income was \$52,901.41, Northern's fee was \$15,858.11 and the fund's income was \$37,043.30. Since the program has been in place with Northern Trust, the fund has earned \$5,203,650.09 or an average net monthly income of \$35,398.98.

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

Louisiana Brokers

Mrs. Meche reported that for the period of January 1, 2005 through December 31, 2005 that the only fixed income manager that met or exceeded their 10% target for the period was Orleans Capital. The only equity manager that met or exceeded their 10% minimum target was Walter Scott. A total of \$175,849,760.64 par value and a total of \$123,127.91 equity commissions was directed during the time period ending December 31, 2005.

Louisiana Incorporated & Domiciled Broker Report

Mrs. Meche reported that for the period of January 1, 2005 through December 31, 2005 the equity managers that met or exceeded their 10% target were Brandywine, J & W Seligman, Trinity and Walter Scott. None of the fixed income managers met their target for the period. A total of \$149,827.75 in equity commissions and \$3,081,250.00 in par value was directed during the time period ending December 31, 2005.

ON MOTION OF MR. RICHARD, SECONDED BY MR. WILMER 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 February 17, 2006, LSERS has received a total of \$887,705.56 in cash, \$578 in par value and 7,652 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 presented by Mrs. LeBlanc.

* * * * *

Current Case Review

Mr. Ponder informed the committee that the CMS litigation is in the discovery phase and that there will be a meeting in June on the Solomon Brothers /AT&T settlement, which is a \$74 million settlement. He reported that he had received three or four requests for LSERS to be lead plaintiff in lawsuits, but it was determined that LSERS had no significant losses in any of the cases, and no action was taken on any new cases.

* * * * *

ON MOTION OF MRS. McKEE, SECONDED BY MRS. CRAIN AND CARRIED, the committee accepted the Current Case Review report presented by Mr. Ponder.

* * * * *

DISCUSSION ON VENDORS APPEARING BEFORE THE BOARD INVESTMENT COMMITTEE

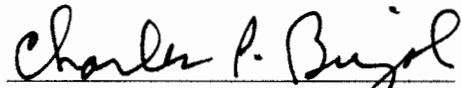
Mr. Bujol offered that the Board should decide whether vendors should be allowed to come and present their product to the committee. Mr. Ranallo took the opportunity to caution the members as to allowing vendors to come in because they could possibly be bombarded with numerous requests for the board's time. There was much discussion amongst the members and finally it was decided that they would allow certain vendors to come in only if their product would be beneficial to the system. These vendors would be required to contact staff first before being allowed to come before the board members.

* * * * *

ON MOTION OF MR. FAULK, SECONDED BY MRS. McKEE AND CARRIED, the committee agreed that vendors should be allowed to come before the Investment Committee if the product is beneficial to the System, but they must contact staff first.

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

The meeting adjourned at 11:35 a.m.



Charles P. Bujol, Director



Betty Jacobs, Chairperson