

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

**Monday, August 11, 2008
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 8:58 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., *Ms. Lori Pierce - designee for Mr. John Kennedy – State Treasurer, Ms. Lauren Bailey - non-voting designee for Senator D. A. "Butch" Gautreaux – Chairman of the Senate Retirement Committee

Members Absent: Mr. Jay Dardenne – Secretary of State, Representative Joel C. Robideaux – Chairman of the House Retirement Committee

Staff Present: Mr. Charles P. Bujol – Executive Director, Ms. Debra H. Dudley – Assistant Director, *Mr. Warren D. Ponder – Executive Counsel, Mr. Brendan Brosnan – Chief Investment Officer, Mr. Stephen Harris – Investment Officer 1, Ms. Jennifer Champagne – Administrative Assistant 6

Also Present: Mr. Brett Hazen, Segal Advisors

* Mr. Warren Ponder arrived at 9:05 a.m.
Ms. Lori Pierce arrived at 10:02 a.m.

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.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

The ending date of the current reporting period for continuing education is August 31, 2008. Board members were asked to review the report and meet with Ms. Champagne on any discrepancies.

A preview of the Summer 2008 issue of the Crossroads Newsletter has been provided.

Preliminary "Request for Official Travel" forms have been completed for the 2008 LAPERS Seminar being held September 21-24, 2008 in New Orleans, Louisiana. Board members were asked to meet with Ms. Champagne to review and sign their requests.

APPROVAL OF BOARD MINUTES

MAY 5, 2008 REGULAR BOARD MEETING

ON MOTION BY MR. WALTHER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the May 5, 2008 Regular Board meeting.

MAY 6, 2008 REGULAR BOARD MEETING

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the May 6, 2008 Regular Board meeting.

JULY 14, 2008 SPECIAL BOARD MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the July 14, 2008 Special Board meeting.

APPROVAL OF RETIREMENT REPORTS (APRIL 1, 2008 – JUNE 30, 2008) (BOOK I)

Ms. Dudley presented the Retirement Reports and then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Retirement Reports (Book I).

ADMINISTRATION

LSERS' STRATEGIC PLAN (JUNE 30, 2008 REVIEW)

Mr. Bujol and Ms. Dudley addressed questions regarding LSERS' Strategic Plan, which was distributed during the July 14, 2008 Special Board meeting.

ON MOTION BY MR. FAULK, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted LSERS' Strategic Plan.

CONSIDERATION OF DROP APPLICATION ON MEMBER GAYNELL CRUM

Mr. Ponder provided a report on research conducted in reference to Ms. Gaynell Crum's DROP application, which included applicable laws governing DROP applications and information obtained from Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL) regarding their policies on DROP applications. Mr. Ponder recommended that the Board allow Ms. Crum's DROP application to be dated 90 days prior to receipt of her DROP application in LSERS' office, which is the maximum allowed under Louisiana law.

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved, as allowed by law, Ms. Gaynell Crum's DROP application to be dated 90 days prior to receipt of her DROP application in LSERS' office, which is the maximum allowed under Louisiana law.

It was noted that a letter of explanation would be sent to Ms. Crum.

DISCUSSION OF 2009 ELECTIONS AND ELECTIONS PROCEDURES

Mr. Ponder provided a brief review of the 2009 Elections and the Elections Procedures booklet that was distributed at the July 14, 2008 Special Board meeting. Recommended changes to the policy included 1) revising the list of parishes in each district affected by reapportionment, 2) adding the wording "Any interpretations or clarification of the elections procedures shall be at the discretion of the Board. A majority vote by the Board shall decide any questions raised and those decisions shall be considered final." and 3) removing the signature line on the back of the ballot envelope. It was noted that the language in the policy was also reworded, but the substance of the policies and/or the rules governing elections was not changed.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Elections Policy with all of the recommended changes as noted in the booklet.

LSERS' 2009-2010 BUDGET DISCUSSION

Mr. Bujol and Ms. Dudley provided a brief review of LSERS' 2009-2010 budget, which will be presented to the Board for approval at its October 13, 2008 Special Board meeting. It was noted that the budget must be submitted to the Joint Legislative Committee on the Budget by November 1, 2008.

ADOPTION OF LOUISIANA COMPLIANCE QUESTIONNAIRE FOR JUNE 30, 2008

Ms. Dudley presented the Louisiana Compliance Questionnaire for June 30, 2008 for review and approval by the Board. It was noted that this standard questionnaire addresses compliance on various operations of the System during the past fiscal year and is required before commencing the audit. Ms. Dudley then addressed questions from the Board. Mr. Wilmer read the resolution found on page 17 of the Board booklet for the record.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board adopted the resolution as read by the Chairman of the Board and the subsequent Louisiana Compliance Questionnaire for June 30, 2008.

STAFF REPORTS (APRIL 1, 2008 – JUNE 30, 2008)

PERSONNEL ACTIONS

Ms. Dudley presented the report on personnel actions. She noted that all vacant positions have been filled and a report on these positions will be presented during the next quarterly meeting. Ms. Dudley then addressed questions from the Board on pay actions.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Personnel Actions Report.

DEVELOPMENT TRAVEL EXPENSES

Ms. Dudley presented the report on travel expenses incurred by staff members and then addressed questions from the Board.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Staff Development Travel Expenses Report.

OVERTIME

Ms. Dudley presented the reports on employees who earned overtime. The first report reflected compensatory time earned and the second report reflected overtime paid. A review of projects and/or circumstances that required overtime was provided. Ms. Dudley then addressed questions from the Board.

ON MOTION BY MR. WALTHER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Overtime Report.

OTHER BUSINESS

Mr. Bujol reviewed the proposed 2009 Board meeting schedule presented during the July 14, 2008 meeting. It was noted that the 2009 Board meeting schedule would need to coincide with the election schedule.

The election schedule, which had not been approved, was brought up for discussion. The proposed election schedules found on pages 37 – 39 in the Elections Procedures booklet were considered.

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board accepted Proposal #1 found on page 37 of the Elections Procedures booklet.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved adding Discussion of 2009 Board Meeting Schedule to the agenda.

Discussion was held on changing the August 2009 Quarterly board meetings to coincide with commencement of the school year. It was suggested that the Board adopt the schedule as presented and allow administrative staff to submit proposals during the September 2008 meeting.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board adopted the schedule as presented with the Special meeting for the counting of Election ballots to be held on July 13, 2009.

There was no other business to discuss under Administration.

LEGISLATION

UPDATE ON 2008 LEGISLATIVE SESSION

Discussion was held on current legislation, how it impacts the system and its members, and pursuing legislation for the 2009 session. Mr. Bujol noted that the 2009 legislative session is a fiscal session, which limits legislators to five (5) bills.

OTHER BUSINESS

There was no other business to discuss under Legislation.

LEGAL

COLLECTIONS

Mr. Ponder reported that since his last report in May 2008 LSERS collected \$5,168.82 in overpayments and received \$1,954.77 as replacement from the bank due to a forgery.

LITIGATION

Mr. Ponder provided a brief review of pending litigation scheduled for trial in October 2008.

OTHER BUSINESS

There was no other business to discuss under Legal.

ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Legislation and Legal Reports.

INVESTMENTS

APPROVAL OF INVESTMENT COMMITTEE MEETING MINUTES

JUNE 9, 2008 INVESTMENT COMMITTEE MEETING

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the June 9, 2008 Investment Committee meeting.

JULY 14, 2008 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the July 14, 2008 Investment Committee meeting.

TRADING COMPLIANCE REPORTS

Mr. Brosnan provided the following reports on investment managers scheduled for presentations on Tuesday, August 12, 2008:

WALTER SCOTT & PARTNERS, LTD

Walter Scott & Partners, LTD, exceeded their 25% target with 32.66% of total trades through Lynch, Jones & Ryan and exceeded their 10% minimum with 36.78% total trades through Louisiana Brokers.

THORNBURG INVESTMENT MANAGEMENT

Thornburg Investment Management, a commingled fund, is exempt from Louisiana trading requirements.

EVERGREEN INVESTMENTS (TATTERSALL)

Evergreen Investments (Tattersall) directed no trades through Lynch, Jones & Ryan, Louisiana Brokers, or Louisiana, Inc. and Domiciled Brokers.

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Trading Compliance Reports.

INVESTMENT REPORT (BOOK II)

Mr. Brosnan noted that the Investment Report (Book II) on day-to-day investment transactions was available for review.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Investment Report.

Mr. Ponder provided an update on the CMS Energy settlement, noting that LSERS recovered \$103,991.81 in reimbursement of expenses.

INTERVIEWS FOR SMALL CAP VALUE MANAGER

Five firms were interviewed for the Small Cap Value Manager Search. The interviews were held in 45-minute increments, which allowed for a 30-minute presentation and 15 minutes for questions and answers.

DENVER INVESTMENT ADVISORS, LLC

Jason Widener, Director, Institutional Sales

Kris B. Herrick, CFA, Partner, Director of Value Research

Troy Dayton, CFA, Partner, Portfolio Manager/Senior Research Analyst

FISHER INVESTMENTS INSTITUTIONAL GROUP

Roman Knysh, Vice President & Portfolio Specialist

Leon Stamps, Vice President, Senior Relationship Manager

MORGAN STANLEY INVESTMENT MANAGEMENT

Grant Birdwell, General Relations Manager

Richard Glass, Senior Portfolio Manager for Small Cap Value Strategy

Matthew E. Potter, CFA, Vice President, Senior Portfolio Specialist

PZENA INVESTMENT MANAGEMENT, LLC

Alan E. Eisenberg, Principal, Marketing and Client Service Director

Benjamin S. Silver, CFA, Principal, Director of Research, Portfolio Manager

Wedge Capital Management, LLP

Gilbert E. Galle, General Partner

John G. Norman, General Partner

SELECTION OF SMALL CAP VALUE MANAGER

A review was provided by Mr. Brosnan and Mr. Hazen, which led to a discussion on all five firms.

Selection of the small cap value manager was conducted using a simple “1” vote for first choice, “2” for second choice, etc. All votes were counted during the open meeting and the investment manager with the lowest total was selected. Records are available for inspection. The following is a tally of the votes cast:

| | Denver | Fisher | Morgan | Pzena | Wedge |
|---|---------------|---------------|---------------|--------------|--------------|
| Betty Crain | 1 | 2 | 4 | 5 | 3 |
| Kathy B. Landry | 1 | 2 | 4 | 5 | 3 |
| Jeffrey Faulk, Sr. | 4 | 1 | 3 | 5 | 2 |
| Judith Ann McKee | 4 | 1 | 3 | 5 | 2 |
| Eugene Rester, Jr. | 1 | 2 | 4 | 5 | 3 |
| Philip B. Walther | 3 | 1 | 4 | 5 | 2 |
| Larry Wilmer | 3 | 1 | 4 | 5 | 2 |
| Lori Pierce (State Treasurer’s Office) | 3 | 2 | 1 | 5 | 4 |
| Secretary of State’s Office | - | - | - | - | - |
| TOTALS | 20 | 12 | 27 | 40 | 21 |

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved hiring Fisher Investments Institutional Group as the Small Cap Value Manager and allowing administrative staff to negotiate fees.

A recommendation was made to hire a transition manager, which led to a review and discussion of the advantages in hiring this manager.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board gave Investment staff the authority to hire a transition manager.

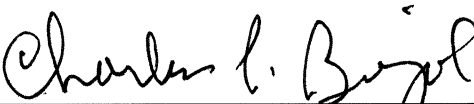
PUBLIC COMMENT

There were no public comments.


OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 3:07 p.m.



Charles P. Bujol – Executive Director



Larry Wilmer – Chairman