

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

**Monday, August 13, 2007
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. Jeffrey Faulk, Sr., Vice Chairman of the Board, called the meeting to order at 9:01 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Jeffrey Faulk, Sr. – Vice Chairman, Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Mr. Earl Richard, Jr., Ms. Judith McKee, Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer, *Mr. Randy Davis, designee for Mr. Jay Dardenne – Secretary of State

Members Absent: Mr. Larry Wilmer – Chairman, Representative Pete Schneider – Chairman of the House Retirement Committee, Senator D.A. "Butch" Gautreaux – Chairman of the Senate Retirement Committee

Staff Present: Mr. Charles P. Bujol – Executive Director, Ms. Debra Dudley – Assistant Director, Mr. Brendan Brosnan – Chief Investment Officer, Mr. Warren Ponder – Executive Counsel, Ms. Josie Meche – Investment Manager 1, Ms. Jennifer Champagne – Administrative Assistant 5

Also Present: Mr. Charles Hall – Hall Actuarial Associates, * Mr. Brett Hazen and Mr. Richard Ranallo – Segal Advisors, Inc., Ms. Ellie Hebert and Mr. Edward Craig – Peacock Communications, L.L.C. (website presentation only)

*Mr. Davis left the meeting at 10:00 a.m.
Mr. Brett Hazen arrived at 9:42 a.m.
Mr. Richard Ranallo arrived at 12:54 a.m.

Mr. Bujol introduced Mr. Philip Walther as the newly elected Board member for the Active Member District 1 seat and noted that Mr. Walter would officially take office on January 1, 2008. Mr. Walther took the opportunity to address the Board.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Individual reports of Trustee Educational Requirements were placed in each Board member's folder for review. Any discrepancies are to be reported to Ms. Champagne for correction. The last date for certifying educational components is August 31, 2007.

An educational presentation on actuarial science will be provided by Mr. Charles Hall at today's meeting. Certification forms have been provided for completion after the presentation.

The 19th Annual LAPERS conference will be held at the Marriott Hotel in New Orleans from September 23 – 26, 2007. Request for official travel forms for each board member attending the conference will need to be completed and approved by the Chairman.

The 2008 Board meeting schedule has been placed in each Board member's folder for consideration.

A copy of the Inspector General's report has been provided to each Board member. Mr. Bujol provided a brief review of the report.

Before commencing with the agenda items Mr. Faulk noted that Mr. Jay Dardenne, Secretary of State, was in an automobile accident. Mr. Dardenne was expected to undergo surgery this morning and Mr. Davis provided a report on his condition. The Board expressed their concern and offered their prayers.

EDUCATIONAL PRESENTATION ON ACTUARIAL SCIENCE

Mr. Charles Hall, Actuary for LSERS, gave a presentation entitled "General Overview: Retirement Options" that provided a detailed review of retirement options for LSERS' members. He then addressed questions from the Board.

The next agenda item reviewed was under Item IV, Administration

ADMINISTRATION

REPORT ON DISSEMINATION OF PUBLIC INFORMATION DIRECTOR 1 POSITION DUTIES

Mr. Bujol began the report by introducing Ms. Ellie Hebert and Mr. Edward Craig of Peacock Communications, L.L.C. He noted that these two individuals were directly involved with the design, development and production of the newsletter and website. A preview of LSERS' Summer 2007 newsletter was provided to all Board members.

Ms. Dudley then provided a presentation on the new website, which included a detailed review of all of the information available to members. As each section was reviewed Ms. Dudley, Ms. Hebert, and Mr. Craig encouraged comments and addressed questions from the Board.

The Board complimented Ms. Hebert, Mr. Craig, and all staff involved in designing, developing, and enhancing LSERS' website.

Mr. Bujol then provided a report on the dissemination of the Public Information Director 1 position duties. This included a cost analysis of the Public Information Director 1 job functions and the cost of granting the additional 5% optional pay to employees who assumed additional duties from this position.

Ms. Dudley noted that everything was going well regarding the dissemination of the Public Information Director 1 position duties and that all tasks were being accomplished. She also provided a detailed review of costs associated in granting the additional 5% optional pay.

Discussion was held on keeping the Public Information Director 1 position as an unfunded position versus abolishing the position. Mr. Bujol was asked to obtain more information from civil service regarding this matter.

ON MOTION BY MR. RICHARD, SECONDED BY MR. RESTER AND CARRIED, the Board approved continuing the contract with Peacock Communications, L.L.C. for LSERS' newsletter and website.

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE AND CARRIED, the Board approved sending a letter to the Department of State Civil Service requesting the additional 5% optional pay for Ms. Jennifer Champagne and Ms. Liz Guidry.

BOARD MINUTES

APPROVAL OF MINUTES OF MAY 7, 2007 REGULAR BOARD MEETING

Mr. Richard made a motion, seconded by Ms. McKee, to approve the minutes of the May 7, 2007 Regular Board meeting. Ms. Landry questioned the minutes on page 3 of the booklet as it pertains to the unclassified position in the Legal Department. She noted that her understanding was that the position was for six months, but the personnel actions report on page 34 of the booklet reflects that the position was approved by civil service for one year. Mr. Bujol and Mr. Ponder provided an explanation of this action and noted that even though Ms. Hix worked more than six months she could not exceed one half of her average final compensation.

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the minutes of the May 7, 2007 Regular Board meeting.

APPROVAL OF MINUTES OF MAY 8, 2007 REGULAR BOARD MEETING

ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED, the Board approved the minutes of the May 8, 2007 Regular Board meeting.

APPROVAL OF MINUTES OF JULY 9, 2007 SPECIAL BOARD MEETING

Mr. Rester made a motion, seconded by Ms. Landry, to approve the minutes of the July 9, 2007 Special Board meeting. Ms. McKee questioned the minutes on page 18 and asked for clarification on "Consideration of Approval of Implementation of \$1,500.00 Cost-of-Living Increase for LSERS' Employees effective July 1, 2007" as to whether all employees on staff at LSERS received this increase. Mr. Bujol noted that this increase was provided to all employees as mandated by the State. This led to a discussion on costs associated with this cost-of-living increase and provisions in LSERS' budget for this increase.

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED, the Board approved the minutes of the July 9, 2007 Special Board meeting.

RETIREMENT REPORTS (BOOK I)

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the Retirement Reports (Book I) for the Second Quarter 2007 (April 1, 2007 through June 30, 2007).

ADMINISTRATION

LEGISLATIVE BILL ON INVESTING WITH TERRORIST NATIONS

Mr. Brosnan provided a detailed review of House Bill #864, which amended section R.S. 11:312 (B)(2) of Act 9 as R.S. 11:312 through 316 of Act 352. This included a review of changes to four sections of prior legislation regarding investments in "Prohibited Nations". He noted that meetings are scheduled with other systems and with LSERS' international managers to discuss this legislation and develop a plan of action by October 15, 2007 on implementing and funding a new asset class for a "Terror Free" index fund by February 15, 2008.

Discussion was held on this legislation, which included its affect on the portfolio, associated costs in funding this new asset class, identifying prohibited companies, and course of actions for implementing this legislation.

LSERS' 2008-2009 BUDGET DISCUSSION

Ms. Dudley noted that LSERS' 2008 - 2009 budget must be submitted to the Joint Legislative Committee on the Budget by November 15, 2007. Administrative staff would be presenting the 2008 - 2009 budget to the Board for approval at its October 15, 2007 Special Board meeting.

ADOPTION OF LOUISIANA COMPLIANCE QUESTIONNAIRE FOR JUNE 30, 2007

Ms. Dudley presented the Louisiana Compliance Questionnaire for June 30, 2007 for review and approval by the Board. The standard questionnaire was in reference to various operations of the System during the past fiscal year and was to be completed prior to beginning the audit. Ms. Dudley then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED, the Board adopted the Louisiana Compliance Questionnaire for June 30, 2007.

PERSONNEL ACTIONS REPORT (APRIL 1, 2007 – JUNE 30, 2007)

Ms. Dudley provided the report on personnel actions that occurred from April 1, 2007 through June 30, 2007. She noted that the report was in a different format that provided a better explanation of actions and the civil service rules that apply to these actions.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Personnel Actions Report for April 1, 2007 through June 30, 2007.

STAFF DEVELOPMENT TRAVEL EXPENSES REPORT (APRIL 1, 2007 – JUNE 30, 2007)

Ms. Dudley presented the report on travel expenses incurred by staff members from April 1, 2007 through June 30, 2007.

ON MOTION BY MR. RICHARD, SECONDED BY MS. LANDRY AND CARRIED, the Board accepted the Staff Development Travel Expenses Report for April 1, 2007 through June 30, 2007.

STAFF OVERTIME REPORT (APRIL 1, 2007 – JUNE 30, 2007)

Ms. Dudley presented the reports on employees who earned overtime. The first report reflected compensatory time earned and the second report reflected overtime paid. Ms. Dudley noted that the overtime earned by employees in the IT Department reflected time worked due to the conversion of the HP system to the IBM system and the imaging of files. Ms. Dudley then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Staff Overtime Report for April 1, 2007 through June 30, 2007.

CONSIDERATION OF ADOPTION OF PROPOSED CHANGES TO POLICIES

Mr. Bujol noted that proposed changes to policies involved changes to the “Elections” Policy relative to changing the election schedule. Proposed changes also involved creation of the “Taxable and Nontaxable Fringe Benefits” policy and changes to the “Leave Policy for Unclassified Employees” relative to compliance with concerns expressed by the Inspector General.

Mr. Ponder reviewed the following policies:

ELECTIONS

Proposed changes to the “Elections” policy would allow the Board flexibility in setting the schedule each year. Three proposed schedules for the 2008 election were provided for review.

Ms. Landry questioned the policy changes noted on page 53 of the booklet as it relates to Item I, Election Process, specifically on A, Schedule of Regular Elections. She noted that if the Board set the schedule at its fourth (4th) quarter regular board meeting this would not allow sufficient time for the election to be announced in the newsletter. Consensus of the Board was to set the schedule at its third (3rd) quarter meeting.

Other changes to the Elections policy were reviewed.

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the proposed “Elections” policy with revisions as noted.

Ms. McKee made a motion to set the 2008 election based on the proposal found on page 71 of the Board booklet. Mr. Ponder read the schedule to include the following: election announced in the last newsletter of the year, nominating petition due for return to LSERS in March 2008, candidates announced in April newsletter, ballots mailed on May 1, 2008, ballots returned by June 1, 2008, and counting of ballots during a Special Board meeting in July 2008.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED, the Board set the 2008 election based on the proposal found on page 71 of the Board booklet.

TAXABLE AND NONTAXABLE FRINGE BENEFITS

The policy on “Taxable and Nontaxable Fringe Benefits” would allow LSERS’ compliance with recommendations of the Inspector General.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED, the Board accepted the new policy on “Taxable and Nontaxable Fringe Benefits”.

LEAVE POLICY FOR UNCLASSIFIED EMPLOYEES

The current policy on leave for unclassified employees was revised to allow LSERS’ compliance with recommendations of the Inspector General in that unclassified employees should earn leave as they work throughout the year rather than earn the total leave on their anniversary date of employment.

Ms. Landry questioned page 78 in the booklet, which reflects a reduction in the amount of leave earned per year. It was noted that this was in compliance with an executive order issued by the governor two years ago.

Ms. Landry also questioned page 79 in the booklet, item 6, where “annual leave accrued by unclassified employees shall not be transferable” was deleted from the policy. It was noted that this was in compliance with civil service rules regarding transfer of leave when an employee transfers to another state agency.

ON MOTION BY MR. RICHARD, SECONDED BY MS. PIERCE AND CARRIED, the Board accepted the revised “Leave Policy for Unclassified Employees”.

Mr. Bujol asked the Board to consider the proposed 2008 Board meeting schedule. A copy of the schedule was provided to all Board members. Consensus of the Board was to review the schedule and discuss it at the August 14, 2007 meeting.

Ms. McKee asked the Board for consideration in placing a memoriam in honor of Ms. Sylvia Myers in the garden behind LSERS' building. Discussion was held and consensus of the Board was that an individual collection would be taken for this memoriam.

OTHER BUSINESS

There was no other business to discuss under Administration.

LEGISLATION

UPDATE ON 2007 LEGISLATIVE SESSION

Mr. Ponder provided a synopsis of legislation passed during the 2007 legislative session that affects the Louisiana School Employees' Retirement System and its members. Discussion was held, specifically on Act 213, as it pertains to retired bus drivers returning to work.

Discussion was held on the 2008 legislative session.

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED, the Board accepted the Update on 2007 Legislative Session.

OTHER BUSINESS

There was no other business to discuss under Legislation.

LEGAL REPORT

Mr. Ponder provided the following updates from the Legal Department:

COLLECTIONS

The number of collections referred to the Legal Department has slowed considerably over the last quarter.

SECURITIES LITIGATION

A brief review of all cases was provided.

UPDATE ON LAWSUIT CONCERNING “EAST BATON ROUGE PARISH SCHOOL BOARD, ET AL VS LOUISIANA SCHOOL EMPLOYEES’ RETIREMENT SYSTEM”, NO. 539,015, DIV. 26, ON THE DOCKET OF THE 19TH JUDICIAL DISTRICT COURT

LSERS’ has answered the discovery on this lawsuit and is awaiting a response.

OTHER BUSINESS

There was no other business to discuss under Legal Report.

INVESTMENTS

INVESTMENT COMMITTEE MINUTES

APPROVAL OF MINUTES OF JUNE 11, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the minutes of the June 11, 2007 Investment Committee meeting.

APPROVAL OF MINUTES OF JULY 9, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the July 9, 2007 Investment Committee meeting.

CONSIDERATION OF ADOPTION OF PROPOSED CHANGES TO INVESTMENT POLICY

Mr. Brosnan presented proposed changes to the investment policy that would incorporate a Long/Short Equity Investment portfolio. He then addressed questions from the Board.

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE AND CARRIED, the Board adopted the changes to the Investment Policy.

TRADING COMPLIANCE REPORTS

Mr. Brosnan provided the following report:

THORNBURG INVESTMENT MANAGEMENT

Thornburg, which is a commingled fund, was not included in this report because they are exempt from the trading requirements.

WALTER SCOTT AND PARTNERS

For the six-month period January 1, 2007 – June 30, 2007 Walter Scott exceeded their 25% target with 37.17% in commission credits to Lynch, Jones & Ryan and exceeded their 10% target with 26.27% in commission credits to Louisiana Brokers.

For the year July 1, 2006 – June 30, 2007 Walter Scott exceeded their 25% target with 37.80% in commission credits to Lynch, Jones & Ryan and exceeded their 10% target in commission credits to Louisiana Brokers.

TATTERSALL/EVERGREEN

For the six-month period January 1, 2007 – June 30, 2007 Tattersall/Evergreen had no trading with Lynch, Jones and Ryan and was below their 10% target with 1.85% in par value to Louisiana Brokers and no trading with Louisiana Incorporated and Domiciled Brokers.

For the year July 1, 2006 – June 30, 2007 Tattersall/Evergreen had no trading with Lynch, Jones & Ryan and was below their 10% target with 9.33% in par value to Louisiana Brokers and no trading with Louisiana Incorporated and Domiciled Brokers.

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

INVESTMENT REPORTS – SECOND QUARTER 2007 (APRIL 1, 2007 – JUNE 30, 2007) (BOOK II)

Mr. Brosnan presented the Investment Reports on all investment transactions from April 1, 2007 through June 30, 2007. He then addressed questions from the Board.

ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Investment Reports (Book II).

OTHER BUSINESS

Mr. Brosnan noted that the preliminary return for the plan for the year was 15.52%.

PUBLIC COMMENT

There was no public comment.

OTHER BUSINESS

A discussion was held on the LAPERS conference being held September 23-26, 2007 in New Orleans, Louisiana.

There was no other business to discuss.

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED, the Board adjourned at 1:27 p.m.


Charles P. Bujol – Executive Director


Jeffrey Faulk, Sr. – Vice Chairman