

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

**Monday, February 13, 2006
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's Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer - Chairman of the Board, opened the meeting at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called.

Members Present: Mr. Larry Wilmer – Chairman, Ms. Betty Jacobs, Ms. Betty Crain,
Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Sr.,
Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer

Members Absent: Ms. Sylvia Myers, *Mr. Al Ater – Secretary of State, Representative Pete
Schneider, Senator D.A. “Butch” Gautreaux

Staff Present: Mr. Charles P. Bujol - Director, Ms. Debra Dudley – Assistant
Director, Ms. Julia LeBlanc – Chief Investment Officer, Ms. Josie Meche
– Investment Manager 1, Mr. Warren Ponder – General Counsel, Ms. Judy
Wright – Public Informations Director 1, Ms. Jennifer Champagne –
Administrative Assistant 5

Also Present: Mr. Richard Ranallo – Segal Advisors, Inc., Mr. Charles Hall –
Hall Actuarial Associates, Ms. Ruby Jolissaint

*Ms. Stacy Sharpe, designee for Mr. Al Ater - Secretary of State, arrived at 9:05 a.m.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Mr. John Sondergaard contacted his office to inform the Board that he would no longer be attending meetings as designee for Senator D.A. "Butch" Gautreaux. There was no indication of whether a new designee would be attending future meetings.

Individual reports of "Trustee Educational Requirements" were provided to each Board member for review of accuracy and notification of any discrepancies to Ms. Champagne.

Mr. Warren Ponder, General Counsel, would be providing an educational presentation on "Roberts Rules of Order" at today's meeting. "Evidence of Compliance of Trustee Educational Certification" forms are to be completed and turned in to Ms. Champagne after the presentation.

NCPERS Annual Conference and Exhibition will be held in Ft. Lauderdale, Florida. The Trustee Educational Seminar will be held from April 28 - 29, 2006 and the Annual Conference and Exhibition will be held from April 30 - May 4, 2006. Anyone interested in attending the conference is asked to turn their survey in to Ms. Champagne by Tuesday, February 14, 2006 so arrangements could be made.

Several calls were received from members regarding delays in receipt of their February 2006 retiree checks. After researching the matter it was noted that the checks were mailed on time, but because the post office was inundated with a lot of extra mail, including W-2 forms, handling of the mail was delayed. To avoid delays due to simultaneous mailings of W-2 forms, checks would need to be mailed a day early each year.

Administrative staff was asked whether there were any calls in reference to delays in receipt of 1099 forms, which led to a discussion on how members' checks and 1099 forms are processed.

EDUCATIONAL PRESENTATION ON ROBERTS RULES OF ORDER

Mr. Warren Ponder, General Counsel, provided an educational presentation on the book entitled "Roberts Rules of Order", which was mailed to all Board members prior to today's presentation. Mr. Ponder provided highlights on conducting meetings and answered questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MS. JACOBS AND CARRIED, the Board accepted the educational presentation on "Roberts Rules of Order".

BOARD MINUTES

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the minutes of the November 21, 2005 Regular Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the November 22, 2005 Regular Board Meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the January 9, 2006 Special Board Meeting.

RETIREMENT REPORTS

Clarification was provided on the comment noted on page 41 for member Dorothy A. Enterkin, indicating that her last day of employment was June 30, 1980.

ON MOTION BY MS. CRAIN, SECONDED BY MS. JACOBS AND CARRIED, the Board approved the Service Retirement Reports from October 1, 2005 through December 31, 2005.

ON MOTION BY MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board approved the Disability Retirement Reports from October 1, 2005 through December 31, 2005.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Survivor Benefits Reports from October 1, 2005 through December 31, 2005.

ON MOTION BY MR. RICHARD, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the DROP Deposits Reports from October 1, 2005 through December 31, 2005.

ADMINISTRATION

2005 – 2006 BOARD ELECTIONS

LIFTING OF SUSPENSION OF ACTIVE MEMBER DISTRICT 4 AND RETIREE REPRESENTATIVE DIVISION 2 ELECTIONS

Elections for the Active Member District 4 and Retiree Representative Division 2 seats were suspended due to Hurricanes Katrina and Rita. To resume elections the suspension would need to be lifted.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board lifted the suspension of Active Member District 4 and Retiree Representative Division 2 Elections.

APPROVAL OF ELECTION SCHEDULE

2005 ELECTIONS – ACTIVE MEMBER DISTRICT 4 AND RETIREE REPRESENTATIVE DIVISION 2 SEATS

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the 2005 Election Schedule for the Active Member District 4 and Retiree Representative Division 2 Seats.

Discussion was held on whether the Newsletter could be mailed out in mid-March 2006 rather than April 14, 2006, re-announcing the 2005 elections. It was noted that the Newsletter could also include information on the upcoming 2006 legislative session.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved mailing the Newsletter in mid-March 2006.

Statistical information was provided on mail that was sent out to members and returned because mail could not be delivered. Discussion was held on members who were displaced due to Hurricanes Katrina and Rita and when updated address information would be available.

2006 ELECTIONS – ACTIVE MEMBER DISTRICT 2 AND RETIREE REPRESENTATIVE DIVISION 1 SEATS

ON MOTION BY MS. JACOBS, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the 2006 Election Schedule for the Active Member District 2 and Retiree Representative Division 1 Seats.

DISCUSSION AND ADOPTION OF ELECTION POLICY

Mr. Ponder presented a proposed election policy that combines the two current policies into one policy. The proposed policy included a few changes, such as adding an introduction on active and retiree members, identifying districts by parishes as stated in Louisiana statutes, etc. All changes to the existing policy were documented as such and would be reviewed and discussed thoroughly.

Before proceeding with discussion of the election policy it was noted that page 72 under the Approval of 2006 Elections would need to be readdressed, as there are retirees who live out of state. The statement on the envelope, "I live in _____ parish", would not apply to those retirees and should be removed from the envelope.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board rescinded the portion of the original motion on 2006 Election Schedule for Active Member District 2 and Retiree Representative Division 1 Seats pertaining to the parish on the envelope.

ON MOTION BY MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board approved deleting the second line on the envelope where it states "I live in _____ parish" and keeping the signature line on the ballot for future elections for both active and retiree members, and allowing counting of ballots for the 2005 Elections, even though the parish is not indicated on the ballot.

Mr. Ponder reviewed the rest of the proposed Election Policy. Discussion was held on each section and corrections made per the Board's direction.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED, the Board deferred action on the proposed Election Policy until Tuesday, February 14, 2006.

BOARD TRAVEL POLICY

Mr. Bujol noted that at the November 2005 Board meeting there was discussion on possible changes to the travel policy, as there was no policy in place for the Board of Trustees and Director of LSERS to obtain approval for travel. Mr. Bujol briefly reviewed the proposed changes to the policy, which would require that the Board of Trustees and Director obtain approval for travel from the Chairman or Vice-Chairman of the Board.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board adopted the proposed Board Travel Policy.

CONSIDERATION OF I.T. EQUIPMENT OPERATOR (IMAGING – I.T. DEPARTMENT) POSITION FOR THREE-YEAR JOB APPOINTMENT

Mr. Bujol provided a brief synopsis on the need for a three-year job appointment position in the Imaging Department to complete scanning of files. When asked whether all three positions initially requested were filled, Mr. Bujol noted that the first position, which was in the File Room, was filled. The second position was the IT Equipment Operator position being considered at today's meeting. The third position, which was a position initially requested for the Accounting Department, would need to be reassessed to determine the needs of the Department based on loss of members in Orleans Parish and other parishes within the state.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved hiring someone on a temporary basis for a three-year period to complete scanning of files.

PERSONNEL ACTIONS REPORT (OCTOBER 1, 2005 - DECEMBER 31, 2005)

Ms. Dudley presented the Personnel Actions Report.

ON MOTION BY MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board accepted the Personnel Actions Report for October 1, 2005 through December 31, 2005.

STAFF DEVELOPMENT TRAVEL EXPENSES REPORT (OCTOBER 1, 2005 - DECEMBER 31, 2005)

Ms. Dudley presented the Staff Development Travel Expenses Report.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Staff Development Travel Expenses Report for October 1, 2005 through December 31, 2005.

STAFF OVERTIME REPORT (OCTOBER 1, 2005 – DECEMBER 31, 2005)

Ms. Dudley presented the Staff Overtime Report.

ON MOTION BY MS. JACOBS, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the Staff Overtime Report for October 1, 2005 through December 31, 2005.

General Counsel was not present at the time the agenda item, Consideration of Request to Civil Service to Change General Counsel's Position to that of an Unclassified Position, came up for discussion and the Board continued with the next item on the agenda.

EVALUATION OF UNCLASSIFIED PERSONNEL

Annual evaluation forms on the Director, Assistant Director, Chief Investment Officer, and General Counsel would be mailed out to all Board members on March 1, 2006. Completed evaluations are to be returned in the self-addressed stamped envelopes provided and mailed to Mr. Earl Richard, Jr., Chairman of the Personnel Committee, by April 3, 2006. A composite of these evaluations will be brought before the Personnel Committee, which would need to be held on Monday, April 10, 2006, upon adjournment of the Investment Committee Meeting.

Mr. Richard, Chairman of the Personnel Committee, called a Personnel Committee Meeting for Monday, April 10, 2006, to be held upon adjournment of the Investment Committee Meeting.

CONSIDERATION OF REQUEST TO CIVIL SERVICE TO CHANGE GENERAL COUNSEL'S POSITION TO THAT OF AN UNCLASSIFIED POSITION

Mr. Bujol briefly reviewed Mr. Ponder's position as General Counsel for the System. Due to his affiliation with the Board Mr. Ponder was considered as an interagency transfer at the time he was employed as General Counsel. Since the two-year restriction on his employment status expires in March 2006, Mr. Ponder has asked that the Board submit a request to the Civil Service Commission that the General Counsel position be given a slot for an unclassified position, which would involve no change in pay.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board approved submitting a request to Civil Service to create a slot for an unclassified position for General Counsel.

CONSIDERATION OF AUTHORIZING DIRECTOR TO SIGN UNITED PLAZA BOULEVARD SERVITUDE AGREEMENT WITH CITY PARISH

Mr. Bujol provided a brief synopsis of the United Plaza Boulevard Servitude Agreement with City Parish and noted that the city has agreed to take over the maintenance of United Plaza Boulevard, which would save all of the properties a considerable amount of money. He also noted that the previous director and general counsel had negotiated the agreement and that he was requesting authorization from the Board to sign the agreement.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board authorized Mr. Bujol, Director of LSERS, to sign the United Plaza Boulevard Servitude Agreement with City Parish.

BOARD EVALUATION OF CONSULTANT

Ms. LeBlanc provided a summary of the Board's evaluation of its Investment Consultant, which reflected a rating between above average and outstanding.

ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved providing a copy of the Board's evaluation to Mr. Richard Ranallo, Investment Consultant.

STAFF EVALUATION OF CUSTODIAN

Ms. LeBlanc provided a summary of the Investment Department staff's evaluation of LSERS' Custodian, which reflected a rating between very good and excellent.

ON MOTION BY MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved providing a copy of staff's evaluation to Northern Trust, Custodian.

OTHER BUSINESS

There was no other business under Administration.

LEGISLATION

UPDATE ON LSERS PROPOSED LEGISLATION

Mr. Bujol provided a brief synopsis of four pieces of proposed legislation that would be discussed, which included COLA's, member disability, technical changes, and unfunded accrued liability payment by employer.

Mr. Ponder provided detailed information on each bill. The first bill involved setting up an experience account that would enable the Board to grant future COLA's. The bill has been prepared, reviewed thoroughly for technical changes, and is ready for submission to the legislature for consideration as directed by the Board.

The second bill involved increasing the years of creditable service required before a member could apply for disability benefits from the current 5 years to 10 years of creditable service. Administrative staff provided different scenarios and discussion was held on this bill, at which time Mr. Hall was asked to provide a cost analysis between the 5 years and 10 years of service. This led to a discussion on how current and future benefits would be calculated and how this bill would affect members and the System.

Ms. Jacobs directed Mr. Hall to prepare a comparative cost analysis on this proposed piece of legislation and provide both aspects of the bill, one for members not disabled as of July 1, 2006 and one for new hires effective July 1, 2006.

The third bill involved three clarifications, which included retirees returning to work, final average compensation after someone works beyond their DROP period, and removing the 15-day grace period on amounts due from school boards.

Also reviewed were 1) current requirement that a member had to wait 90 days before a refund of contributions could be requested and 2) setting up a provision that if any of the school board services were privatized the school board would be required to pay their portion of the unfunded accrued liability over five years.

Consensus of the Board was that administrative staff proceed with the filing of the bills, Mr. Hall provide a cost analysis for presentation to the Board, and that bills could be pulled from legislation at a later date if needed.

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Legislative Report.

2006 LEGISLATIVE CALENDAR

Mr. Ponder briefly reviewed the 2006 Legislative Calendar and noted key dates for the legislative session. The legislative session will convene at 12:00 noon on Monday, March 27, 2006 and adjourn no later than 6:00 p.m. on Monday, June 19, 2006.

WASHINGTON, D.C. LEGISLATIVE UPDATE

Mr. Ponder provided a report on the NCPERS Legislative Conference that was held in Washington, D.C. on February 6-8, 2006. The conference was very informative and members of the Board of Trustees attending the conference were able to personally meet with 4 out of 9 legislators on issues concerning LSERS. Mr. Ponder briefly reviewed the legislators and/or their staff's response to each of the three key issues, which included no mandatory coverage under social security and repeal of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

ON MOTION BY MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Washington, D.C. Legislative report.

OTHER BUSINESS

Mr. Ponder provided information on two bills that were presented at a Senate Committee on Retirement meeting. He noted that the bills involved members affected by Hurricanes Katrina and Rita and would affect the System.

INVESTMENTS

RECOMMENDATIONS OF INVESTMENT COMMITTEE

ASSET ALLOCATION REVISIONS

Ms. Jacobs, Chairman of the Investment Committee, asked Mr. Ranallo to present the recommendations of the Investment Committee.

Mr. Ranallo provided an overview of the current asset allocations and reviewed proposed revisions to the asset allocation, which included adding asset classes. The two biggest items in the proposed revisions were to increase the real estate exposure from the 3% currently targeted up to 6% and to add private equity with a target of 4%. The goal was to further diversify the plan assets and also drive down the fixed income exposure, as bonds are only yielding around 5% or less. Mr. Ranallo then addressed questions from the Board.

RATIFY ACTIONS TAKEN BY THE INVESTMENT COMMITTEE

Ms. Jacobs asked whether there were actions taken by the Investment Committee that needed to be ratified by the Board and on further discussion there were none.

PLAN FOR IMPLEMENTING NEW ASSET ALLOCATION TARGETS

Mr. Ranallo briefly reviewed the plan for implementing new asset allocation targets. In a recent search the Board hired Principal as the new real estate manager and a \$45 million dollar contract was awarded. To alleviate the need to conduct another search the Board had also selected Prudential as the second real estate manager for future considerations of real estate allocations.

The plan for implementing new asset allocation targets was to 1) authorize the director to sign a contract with Prudential for a \$45 million dollar real estate fund investment, 2) authorize a search to select two private equity fund of funds with beginning allocations of \$30 million dollars each, and 3) authorize a search to select an additional international equity manager to manage approximately \$50 million dollars.

Proposed schedules for both searches were reviewed and discussion held on implementing the new allocation targets.

Mr. Ranallo noted that there were added fees associated with the additional work involved in implementing new asset allocations. He briefly reviewed Segal Advisor's current fee schedule and proposed a stepping-stone approach in that fees would gradually go up as additional work was added. Beginning on March 1, 2006 the fees would gradually increase from the current \$140 thousand dollars to \$180 thousand dollars next year and remain there for a period of 2 to 3 years. Discussion was held on this proposal.

ON MOTION BY MS. JACOBS, SECONDED BY MS. MCKEE AND CARRIED, the Board adopted the recommendations of the Investment Committee and implementing the new asset allocation targets.

APPROVAL OF MINUTES OF JANUARY 9, 2006 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the January 9, 2006 Investment Committee Meeting.

INVESTMENT REPORTS BY STAFF (BOOK II)

Ms. LeBlanc presented the Investment Reports, which included all investment transactions that had taken place from October 1, 2005 through December 31, 2005, and noted that the Investment Department staff had audited all transactions.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Investment Reports.

TRADING COMPLIANCE REPORTS

Ms. LeBlanc presented the Trading Compliance Reports for the calendar year January 1, 2005 through December 31, 2005 on Orleans Capital Management and J. & W. Seligman, two investment managers who would be presenting their reports at the February 14, 2006 board meeting.

Although Orleans Capital Management had not met its 35% target, an effort had been made to trade with Lynch, Jones and Ryan and 6.63% of their total trades were directed through Lynch, Jones and Ryan. Total trades executed through Louisiana Brokers were 29.71%, which exceeded the target of 10%. Orleans Capital Management also directed 5.42% of their total trades through Louisiana, Incorporated and Domiciled Brokers, which was below the target of 10%.

Before continuing with the report Ms. LeBlanc noted that it was brought to the attention of Investment Staff that J. & W. Seligman had not received credit to Louisiana Brokers in the amount of \$2,325.15. The information was provided after the deadline and after the reports were prepared and mailed to Board members. Each manager receives a monthly transaction report and is given 7 to 10 business days to respond and inform the Investment Department of any problems. J. & W. Seligman responded after the fact and Investment staff was unable to make an adjustment on the database, as it went back to September and October. A discussion was held on this and Ms. LeBlanc continued her report.

J. & W. Seligman directed 20.46% of their total trades through Lynch, Jones, and Ryan, which was below the target of 25%. Total trades executed through Louisiana Brokers were 5.76%, which was below the 10% minimum requested. J. & W. Seligman also directed 12.52% of their total trades through Louisiana Incorporated and Domiciled Brokers, which exceeded the 10% minimum requested.

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

LEGAL

CURRENT SECURITIES LITIGATION

Mr. Ponder provided a brief report on the current securities litigation cases. He noted that there were six cases that had been brought to his attention, but since LSERS had neither stock nor losses in these cases, no new cases were signed up since his last report.

STATUS REPORT ON COLLECTIONS FROM STUDENT OVERPAYMENTS FROM SURVIVORS' BENEFITS

Mr. Ponder provided a brief report on collections and noted that the Legal Department was still collecting money owed the System. The number of cases submitted to the Legal Department on overpayments on student loans had decreased due to efforts of the Retirement Department in 1) notifying the individuals involved and coordinating repayment before it was brought to the attention of the Legal Department and 2) getting collection cases to the Legal Department in a timely fashion.


UPDATE ON EAST BATON ROUGE PARISH SCHOOL BOARD ET AL VERSUS THE LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Mr. Ponder provided a status report on the lawsuit "East Baton Rouge Parish School Board et al Versus the Louisiana School Employees' Retirement System".

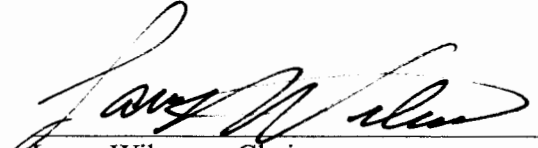
OTHER BUSINESS

Mr. Ponder was asked to provide a status report on the case of "Marie Weaver versus LSERS", a case that was reflected on the Staff Development Travel Expenses Report presented earlier in today's meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board adjourned at 2:20 p.m.



Charles P. Bujol – Director



Larry Wilmer – Chairman