

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

**Monday, February 14, 2005
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, LA. Mr. Larry Wilmer, Chairman of the Board, opened the meeting at 9:02 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called.

* * * * *

Members Present: Mr. Larry Wilmer - Chairman, Ms. Betty Crain, Ms. Betty Jacobs, Ms. Sylvia Myers, Mr. Earl Richard, Jr., Ms. Judith McKee, Mr. Jeffrey Faulk, Ms. Lori Pierce - State Treasurer's Office

Members Absent: Representative Pete Schneider - Chairman, House Retirement Committee, Senator Lambert Boissiere, Jr. - Chairman, Senate Retirement Committee, John Kennedy - State Treasurer, Fox McKeithen - Secretary of State

Staff Present: Mr. Patrick Cospers - Director, Ms. Debra Dudley - Assistant Director, Ms. Julia LeBlanc - Chief Investment Officer, Mr. Warren Ponder - General Counsel, Ms. Judy Wright - Public Information Director1, Ms. Jennifer Champagne - Executive Services Assistant

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

* * * * *

ANNOUNCEMENTS

Mr. Cosper made the following announcements to the Board.

The NCPERS Annual Conference and Exhibition will be held from May 8 – 12, 2005 in Las Vegas, Nevada. Any Board member interested in attending this conference should make arrangements with Jennifer Champagne, Board Secretary.

Annual evaluation forms on the Director, Assistant Director, and Chief Investment Officer will be mailed out on March 1, 2005. Completed evaluations are to be returned to the Chairman of the Personnel Committee by April 4, 2005 in the self-addressed stamped envelopes provided. A composite of these evaluations will be brought before the Personnel Committee on April 11, 2005 and then to the full board for acceptance at the May 16, 2005 Regular Board meeting.

Larry J. Sisung, Jr., Chairman of Sisung Investment Management Services, has submitted a letter to Mr. Cosper in response to recent newspaper articles relative to SEC investigations. A copy of this letter was provided to the Board for information.

The Public Retirement Systems Actuarial Committee (PRSAC) has submitted a letter to Mr. Cosper regarding the employer contribution rates for the year 2005-2006, which was set at 18.4%. A copy of this letter was provided to the Board for information.

The Public Affairs Research Council of Louisiana, Inc. (PAR) has submitted a copy of a PAR study to Mr. Cosper that provides an analysis of the four state retirement systems and the nine statewide systems, along with its recommendations for dealing with the budget crisis for the State of Louisiana. PAR's recommendation is that the State consider merging these systems into one system.

BOARD MINUTES

Ms. Jacobs noted that there were corrections to the minutes, but since they were mostly typographical she would meet with Jennifer, the Board Secretary, to go over these corrections.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved, with corrections, the minutes of the November 22, 2004 Regular Board Meeting.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved, with corrections, the minutes of the November 23, 2004 Regular Board Meeting.

RETIREMENT REPORTS – OCTOBER 1, 2004 THROUGH DECEMBER 31, 2004

ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Service Retirement Reports from October 1, 2004 through December 31, 2004.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Disability Retirement Reports from October 1, 2004 through December 31, 2004.

ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Survivor Benefits Reports from October 1, 2004 through December 31, 2004.

Ms. Jacobs asked Ms. Dudley for clarification on the benefits of two retirees, one on page 26 and one on page 32, in that the salary of the first retiree in question was more than the salary of the second retiree in question, yet the monthly benefit was less for the first retiree. Ms. Dudley indicated that because both retirees took Option 2 the monthly benefit could have been based on the retiree's age and the age of the beneficiary, thereby the slight difference in monthly benefits.

ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the DROP Deposits Reports from October 1, 2004 through December 31, 2004.

Ms. Dudley noted that although someone may have retired in a particular month the retirees' name does not appear on the reports until they have actually been processed and have started receiving their checks.

ADMINISTRATION

DISCUSSION OF CONVERSION OF SICK AND ANNUAL LEAVE OF LSERS' CIVIL SERVICE MEMBERS

Mr. Cospers introduced Mr. Randall Roche, LSERS' former General Counsel, who wished to address the Board on specific language as it relates to conversion of annual and sick leave and how it affects some of the active members of the System.

Mr. Roche informed the Board that he was not representing himself, but other employees of the System affected by the current policy. Mr. Roche provided an overview of the current policy and the language involving the conversion of annual and sick leave. According to the current policy the conversion of leave is capped at 18 days of service. Mr. Roche noted that he was here today to ask the Board to remove this cap and allow the employees of this System to convert all leave accrued during their years of service.

ADMINISTRATION (CONT'D)

DISCUSSION OF CONVERSION OF SICK AND ANNUAL LEAVE OF LSERS CIVIL SERVICE MEMBERS (CONT'D)

Board members then asked questions to Mr. Roche and LSERS' Administrative Staff, General Counsel, and Actuary. This included questions on the current policy, Civil Service rules on conversion of annual and sick leave, policies of other systems, and how changing the policy would affect LSERS and the calculation of benefits.

ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS, to remove the cap of 18 days on the conversion of certified, unpaid, unused, annual and sick leave for all members of the System effective December 31, 2004.

Further discussions were held on the conversion of sick and annual leave of LSERS' Civil Service Members.

THE QUESTION WAS CALLED BY MR. FAULK

Roll Call Vote #1

ON MOTION BY MR. FAULK, SECONDED BY MS. MYERS, the Board voted to remove the cap of 18 days on the conversion of certified, unpaid, unused, annual and sick leave for all members of the System effective December 31, 2004. Betty Crain – no; Betty Jacobs – no; Sylvia Myers – yes; Earl Richard – no; Judith McKee – yes; Jeffrey Faulk – yes; Lori Pierce – abstain; Larry Wilmer – no. **YES – 3; NO – 4; ABSTAIN – 1. MOTION FAILED.**

Roll Call Vote #2

ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN, the Board voted to remove the cap of 18 days on the conversion of certified, unpaid, unused, annual and sick leave for all members of the System effective February 14, 2005. Betty Crain – yes; Betty Jacobs – yes; Sylvia Myers – yes; Earl Richard – yes; Judith McKee – no; Jeffrey Faulk – no; Lori Pierce – abstain; Larry Wilmer – yes. **YES – 5; NO – 2; ABSTAIN – 1. MOTION PASSED.**

PERSONNEL ACTIONS REPORT FOR FOURTH QUARTER (OCTOBER 1, 2004 THROUGH DECEMBER 31, 2004)

Ms. Dudley presented the Personnel Actions Report to the Board.

ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Personnel Actions Report for the fourth quarter.

**STAFF DEVELOPMENT TRAVEL EXPENSES REPORT FOR FOURTH QUARTER
(OCTOBER 1, 2004 THROUGH DECEMBER 31, 2004)**

Ms. Dudley presented the Staff Development Travel Expenses Report for the fourth quarter. A discussion was held on travel time, how it is calculated in terms of hours worked, and how overtime is calculated if an overnight stay is required.

ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the Staff Development Travel Expenses Report for the fourth quarter.

**STAFF OVERTIME REPORT FOR FOURTH QUARTER (OCTOBER 1, 2004
THROUGH DECEMBER 31, 2004)**

Ms. Dudley presented the Staff Overtime Report to the Board. A discussion was held on the overtime paid as compared to leave and how the hiring of new personnel in the Retirement Department would affect overtime in the future. A brief overview was given of the various departments as it relates to new personnel and position changes within the System.

ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Staff Overtime Report for the fourth quarter.

EDUCATION AND STAFF DEVELOPMENT POLICY

As requested in a previous meeting Mr. Cosper provided an overview of the current Education and Staff Development Policy, which is a board-approved policy. The Board directed questions to Administrative staff on the cost involved, the percentage of employees who take advantage of this policy, and the feasibility of granting educational leave.

EVALUATION OF UNCLASSIFIED PERSONNEL

As Mr. Cosper had reviewed this item earlier in his announcements Board members were reminded that they would be receiving evaluations on the unclassified employees and that stamped, self addressed envelopes would be provided for forwarding to the Chairman of the Personnel Committee.

REPORT ON BUILDING LEASE

Mr. Cosper provided a status report on the Building Lease Contract with OFI, which included the total square footage leased, price per square foot, additional storage space requested and terms of the contract. He also informed the Board that the lease was for five years.

CONSENT TO ADD AN ITEM TO THE AGENDA

ON MOTION OF MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board gave consent to add an item to the agenda.

TENTATIVE ELECTION SCHEDULE

Mr. Cosper presented the proposed tentative election schedule for approval by the Board. Elections will be held on two positions of board members whose terms expire December 31, 2004. One position is for the District 4 seat, which is currently being held by Ms. Myers, and the second position is for the Retiree Representative seat, which is currently being held by Mr. Faulk.

A discussion was held on the schedule, which included announcements in the newsletter, petition requests, due date for ballots to be returned, and counting of ballots.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Election Schedule for the District 4 and Retiree Representative Positions on the Board.

OTHER BUSINESS

CONSENT TO ADD AN ITEM TO THE AGENDA

ON MOTION OF MS. MYERS, SECONDED BY MS. JACOBS AND CARRIED, the Board gave consent to add an item to the agenda.

RESOLUTION TO REQUEST ATTORNEY GENERAL'S OPINION ON DETERMINATION OF FINAL COMPENSATION

Mr. Ponder noted that staff had discovered a discrepancy in two statutes regarding determination of final compensation. One was a general statute that determines final compensation for retirement benefit purposes and the other was a specific statute concerning final compensation of those who work after DROP. In order to obtain the Attorney General's opinion on these two statutes a resolution was required from the Board. Mr. Ponder was asked to read the resolution and a discussion was held on the method of final compensation to be used while awaiting a response. It was determined that the lower salary would be used until the Attorney General's opinion was received.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Resolution to Request the Attorney General's Opinion on Determination of Final Compensation.

LEGISLATION

UPDATE ON LSERS' PROPOSED LEGISLATION

Mr. Ponder noted that this update on LSERS' Proposed Legislation was a revisit from previous meetings and that staff was looking for guidance from the Board on which bill(s) to pursue in the legislation. A discussion was held on each individual bill presented.

The Board agreed to introduce Proposed Bill A and resubmit proposed Bill B.

ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board authorized staff to go forward with amending the System into another vehicle of legislation if it arises.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board decided not to pursue Proposed Bill D.

2005-2006 LEGISLATIVE CALENDAR

Mr. Ponder reviewed the 2005-2006 Legislative calendar with the Board, which includes the beginning and ending dates of the session and the constitutional or statutory requirements with respect to dates and legislative instruments. This year's legislative session will convene at 12:00 noon on Monday, April 25, 2005 and will adjourn no later than 6:00 p.m. on Thursday, June 23, 2005.

WASHINGTON, D.C. LEGISLATIVE UPDATE

Mr. Ponder provided a report on the NCPERS Legislative Conference that was held in Washington, D.C. The conference was very informative and 7 out of 9 legislators were personally contacted concerning the issues of LSERS.

INVESTMENTS

APPROVAL OF MINUTES

ON MOTION OF MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED, the Board approved the minutes of the January 10, 2005 Investment Committee Meeting.

TRADING COMPLIANCE REPORTS

Ms. LeBlanc presented the Trading Compliance Reports on two managers who will be providing their Investment Managers Report to the Board at Tuesday's board meeting. Orleans Capital Management directed 9.66% of their total trades through Lynch, Jones and Ryan and 18.33% of their total trades were executed through Louisiana Brokers. Orleans also directed 23.91% of their total trades through Louisiana, Incorporated and Domiciled Brokers.

J. & W. Seligman directed 24.91% of their total trades through Lynch, Jones, and Ryan and 4.86% of their total trades were executed through Louisiana Brokers. J. & W. Seligman also directed 13.31% of their total trades through Louisiana Incorporated and Domiciled Brokers.

At Ms. Jacobs request Ms. LeBlanc provided a brief overview of the differences between Louisiana Brokers and Louisiana Incorporated and Domiciled Brokers.

ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED, the Board approved the Trading Compliance Reports.

INVESTMENT REPORTS BY STAFF (BOOK II) OCTOBER 1, 2004 THROUGH DECEMBER 31, 2004

Ms. LeBlanc presented the investment reports, which included all transactions placed for the account by investment managers during the fourth quarter, October 1, 2004 through December 31, 2004.

ON MOTION BY MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Investment Reports by Staff for October 1, 2004 through December 31, 2004.

FIXED INCOME GUIDELINES

Mr. Ranallo provided an overview of proposed revised fixed income guidelines for consideration by the Board. He reviewed the benefits of expanding the guidelines, different approaches to implementing them, his discussions with staff, and his recommendations on these expansions.

A discussion was held on this matter and Mr. Ranallo and staff were asked questions on specific expansion approaches, how they would affect the benchmark and fees, and how the investment managers would handle the investments. Mr. Ranallo provided detailed information on expanding the guidelines and noted that in expanding the guidelines they would keep the benchmark and premium the same, it would be fee neutral, and that it would allow investment managers broader opportunities in investing. He also provided information on the use of futures and swaps in investing and tightening of credit guidelines.

ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED, the Board approved that the final version on Revised Fixed Income Guidelines be brought up for review and approval at the next Investment Managers Meeting on March 11, 2005.

OTHER BUSINESS

A discussion was held on whether Trinity should be taken off probation.

ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED, the Board approved that Trinity be taken off probation.

ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the Board approved that education on the Investment Policy be provided at the next Investment Committee Meeting on March 11, 2005.

LEGAL

CURRENT SECURITIES LITIGATION/RESOLUTION

RESOLUTION

Mr. Ponder provided a formal draft of a resolution for review and approval by the Board. This resolution, which was voted on by the Board and passed in the November 2004 Regular Board Meeting, directs the Legal Section to actively pursue litigation.

ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Resolution on Actively Pursuing Litigation.

CURRENT SECURITIES LITIGATION

Mr. Ponder provided a report on current securities litigations, which included five active cases.

Bernstein Litowitz Berger & Grossmann will be holding their annual Institutional Investor Forum, which is an educational conference for trustees on securities litigation. It will be held in New York City, New York on October 20-21, 2005.

ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS AND CARRIED, the Board accepted the Securities Litigation Report.

STATUS REPORT ON COLLECTIONS FROM STUDENT OVERPAYMENTS FROM SURVIVORS' BENEFITS

Mr. Ponder provided a status report on money that was overpaid and outstanding in collections. The Board was provided with a list of overpayments, which included the name, amount, and reason for overpayment. A discussion was held on this matter, which included questions on what percentage of the overpayments could be collected, what can be done to collect the money owed, and what is being done within the agency to avoid overpayments. Staff provided a brief overview of what policies and mechanisms are currently in place and suggestions on preventing future occurrences. Mr. Ponder was asked to provide a report on how far back overpayments occurred before they were discovered.

At the request of the Board Mr. Ponder provided a list of firms that do collections and their respective fees. He noted that fees are based on recovery, which is money collected from the individual(s).

ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS AND CARRIED, the Board gave staff permission to hire an outside collection agency to collect overpayments and for staff to find ways to avoid future overpayments.

OTHER BUSINESS

Mr. Cospers welcomed Ms. Pam Newton, of Northern Trust, who was here to introduce Mr. Kerry Nelson to the Board. Mr. Nelson is the new manager of the public funds group, has been with Northern Trust for 8 years, but has been in the business for about 25 years.

ON MOTION OF MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED, the Board agreed to adjourn at 2:12 p.m.

Patrick Cospers – Director

Larry Wilmer - Chairman