

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

**Monday, February 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 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

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Members Present: \*Mr. Larry Wilmer, Mr. Jeffrey Faulk, Sr., Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Ms. Judith McKee, Mr. Philip B. Walther, Ms. Lori Pierce – designee for Mr. John Kennedy, State Treasurer, Mr. Randy Davis – designee for Mr. Jay Dardenne, Secretary of State

Members Absent: Representative Joel C. Robideaux – 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 6

Also Present: Mr. Charles Hall – Hall Actuarial Associates, Mr. Brett Hazen – Segal Advisors, Inc., Mr. Randy Zinna (present during executive session discussion on litigation)

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\* Mr. Warren Ponder left at 9:45 a.m. to attend a House Retirement Committee meeting  
Mr. Larry Wilmer left at 10:53 a.m. to attend a meeting with the Superintendent of Education

## **ANNOUNCEMENTS**

Mr. Bujol made the following announcements:

An educational presentation on “Open Meetings Laws” and “Ethics” will be provided today. “Evidence of Compliance of Trustee Educational Certification” forms are to be completed and turned in to Ms. Champagne after the presentation.

The NCPERS 2008 Annual Conference and Exhibition will be held in New Orleans, Louisiana from May 16 – 22, 2008. Board members interested in attending this conference are asked to meet with Ms. Champagne so that preliminary arrangements can be made.

Updates to LSERS’ Board of Trustees manual have been provided.

A House Retirement Committee meeting was called for 10:00 a.m. this morning. Due to the late notice the Board was asked to change the order of the agenda to allow Mr. Ponder, LSERS’ Executive Counsel, the opportunity to attend this meeting.

Mr. Wilmer informed the Board that he would be attending a meeting with the Superintendent of Education at 11:30 a.m. and asked the Vice Chairman to take his place as Chairman during his absence.

**ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED,** Mr. Larry Wilmer, Mr. Jeffrey Faulk, Sr., Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Ms. Judith McKee, Mr. Philip B. Walther, Ms. Lori Pierce, and Mr. Randy Davis **voted affirmatively** to change the order of the agenda to allow LSERS’ Executive Counsel to attend the House Retirement Committee meeting.

## **ADMINISTRATION**

### **RECORDS RETENTION SCHEDULE**

Mr. Ponder provided a synopsis of LSERS’ records retention schedule, laws governing records retention, its affect on the system, and most importantly, the recovery of records in the event of a disaster. A draft of the records retention schedule was also reviewed.

## **LEGISLATION**

Mr. Ponder briefly reviewed legislation being presented to the House Retirement Committee, which included a constitutional amendment on forfeiture of pensions of elected officials convicted of a felony in connection with and while in office. A report on this legislation would be provided to the Board after the House Retirement Committee meeting. Discussion on this legislation was held, which led to a review of how this would affect community property.

Ms. Landry noted a correction to page 37 of the Board booklet. Under Item (a), District 1, New Iberia should be corrected to read Iberia.

## **RETIREMENT COMMITTEES**

A copy of the listing of members of the House and Senate Retirement Committees was provided.

## **2008 LEGISLATIVE CALENDAR**

A copy of the 2008 Regular Legislative Session Information Bulletin was provided.

## **LSERS 2008 PROPOSED LEGISLATION**

Mr. Ponder provided a brief review of two bills supported by LSERS' Board of Trustees. One bill involved reapportionment of LSERS' elected board member districts. The second bill involved repeal of R.S. 11:1113, which prohibits membership in more than one public retirement system.

Mr. Ponder then reviewed two other bills that LSERS may pursue during this legislative session. One bill involved repeal of an outdated provision that requires an annual report to the governor's office. The second bill clarifies the privatization bill that passed during previous legislation.

## **WASHINGTON, D.C. LEGISLATIVE REPORT**

Mr. Ponder provided a brief review of the NCPERS Legislative Conference held in Washington, D.C. from February 4 – 6, 2008. It was noted that although there was support for Social Security reform LSERS should remain active in the repeal of the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP). Members were encouraged to have their constituents contact their legislative representatives.

A discussion was held on the possibility of extending the cafeteria plan to retirees, which is not an option currently available to retirees.

## **OTHER BUSINESS**

There was no other business under Legislation.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the report on Legislation.

## **LEGAL**

### **LITIGATION**

Mr. Ponder deferred Items 1 and 2 under Litigation to Mr. Randy Zinna, who would be providing a report later in the day.

### **COLLECTIONS**

Mr. Ponder reported that from December 2007 through January 2008 \$3,954.91 was collected from individuals who owed money to LSERS.

It was noted that \$286,000 in bad debts incurred prior to 1993 would be written off.

**ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the Legal Report.

## **EDUCATIONAL PRESENTATION ON OPEN MEETINGS LAWS AND ETHICS**

### **OPEN MEETINGS LAWS**

*Charles H. Braud, Jr., Assistant Attorney General  
Louisiana Attorney General's Office*

Mr. Braud provided an educational presentation on the State of Louisiana Open Meetings Laws. This included a detailed review of Article XII, Section 3, Louisiana Constitution (1974) on the Right to Direct Participation and the open meetings statutes, LSA-R.S. 42:4.1-13. Mr. Braud then addressed questions from the Board.

### **ETHICS CODE**

*Michael Dupree, Attorney, Louisiana Board of Ethics*

Mr. Dupree provided an educational presentation on the State of Louisiana Code of Governmental Ethics. This included a detailed review of Louisiana Revised Statutes of 1950, Chapter 15 of Title 42 (R.S. 42:1101 – R.S. 42:1170). Mr. Dupree then addressed questions from the Board.

## **BOARD MINUTES**

### **APPROVAL OF MINUTES OF DECEMBER 3, 2007 REGULAR BOARD MEETING**

**ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the minutes of the December 3, 2007 Regular Board meeting.

### **APPROVAL OF MINUTES OF DECEMBER 4, 2007 REGULAR BOARD MEETING**

**ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the minutes of the December 4, 2007 Regular Board meeting.

## **RETIREMENT REPORTS (BOOK I)**

### **APPROVAL OF RETIREMENT REPORTS FROM OCTOBER 1, 2007 – DECEMBER 31, 2007**

**ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Retirement Reports (Book I) for October 1, 2007 – December 31, 2007.

## **ADMINISTRATION**

### **PRESENTATION ON RETIREMENT EDUCATION SEMINARS**

Mr. Bujol announced that Ms. Galloway injured her ankle, requiring surgery, which would postpone today's presentation until a later date.

Ms. Dudley noted that she would be attending scheduled retirement education seminars during Ms. Galloway's absence.

### **DISCUSSION OF LSERS' STRATEGIC PLAN**

Ms. Dudley provided a review of LSERS' Strategic Plan, which included completed, ongoing, and future goals for the system.

## **APPOINTMENT OF PERSONNEL COMMITTEE CHAIRMAN**

Mr. Wilmer asked Ms. Crain if she would accept an appointment as Chairman of the Personnel Committee. Ms. Crain accepted the appointment.

Mr. Wilmer asked Ms. McKee if she would accept an appointment as Vice Chairman of the Personnel Committee. Ms. McKee accepted the appointment.

**ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the appointment of Ms. Crain as Chairman and Ms. McKee as Vice Chairman of the Personnel Committee.

Mr. Wilmer excused himself at 10:53 a.m. to attend his meeting with the Superintendent of Education and asked Mr. Faulk to take over as Chairman of the Board during his absence.

## **STAFF REPORTS (OCTOBER 1, 2007 – DECEMBER 31, 2007)**

Ms. Dudley provided the personnel actions, staff development travel expenses, and overtime reports for the reporting period of October 1, 2007 through December 31, 2007

**ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the Staff Reports for October 1, 2007 through December 31, 2007.

## **EVALUATION OF UNCLASSIFIED PERSONNEL**

Mr. Bujol noted that annual evaluation forms on the Executive Director, Assistant Director, Chief Investment Officer, and Executive Counsel would be mailed to all Board members on Friday, February 29, 2008. Packets will include copies of evaluations completed by the Executive Director on all unclassified employees, blank evaluations for completion by the Board, and a salary increase report for fiscal year 2008-09. Completed evaluations are to be returned in the self-addressed stamped envelopes provided and mailed to Ms. Betty Crain, Chairman of the Personnel Committee. The Personnel Committee will meet on Monday, April 14, 2008, to review evaluations and make recommendations for presentation to the full board.

**ON MOTION BY MR. RESTER, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the Evaluation of Unclassified Personnel report.

## **BOARD EVALUATION OF CONSULTANT**

Mr. Brosnan noted that evaluation forms on the consultant were not included in the board packets that were mailed out. Upon review of options consensus of the Board was to complete the forms, return them before the meeting convenes in the morning, and have Mr. Brosnan provide a synopsis of the evaluations during the meeting.

**ON MOTION BY MR. RESTER, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the Board Evaluation of Consultant report.

## **STAFF EVALUATION OF CUSTODIAN**

Mr. Brosnan provided a summary of evaluations that were completed by the Investment Managers, Segal Advisors, and LSERS' Investment staff on Northern Trust Company, LSERS' Custodian. He noted that overall evaluations were average. Areas of concern from his staff included month end reporting and the level of support that the organization provides to contact personnel they deal with on a day to day basis. The "ease of use of technology" was a concern that was brought up by the investment consultant.

Mr. Brosnan noted that the current contract with Northern Trust Company has been in place since 1992 and has been amended several times. A custodian RFP would provide an opportunity to determine if the current custodian fees are competitive and a contract that is concise and up to date. Due to the shortage of staff in the Investment Department any search would need to be postponed until the second half of 2008.

Discussion was held on the evaluations. Consensus of the Board was to provide a copy of the report to Northern Trust Company.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board accepted the Staff Evaluation of Custodian.

## **OTHER BUSINESS**

There was no other business to discuss under Administration.

## **INVESTMENTS**

### **APPROVAL OF MINUTES OF JANUARY 7, 2008 INVESTMENT COMMITTEE MEETING**

**ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the minutes of the January 7, 2008 Investment Committee meeting.

### **RECOMMENDATIONS OF INVESTMENT COMMITTEE**

#### **MOVE NEW DROP ACCOUNT BALANCES FROM FEDERATED PRIME VALUE OBLIGATIONS FUND TO THE FEDERATED PRIME OBLIGATIONS FUND**

Mr. Brosnan reviewed recommendations made by the Investment Committee during its March 10, 2008 meeting, which involved moving the new DROP account balances from the Federated Prime Value Obligations Fund to the Federated Prime Obligations Fund.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the recommendations of the Investment Committee.

### **INVESTMENT REPORTS BY STAFF (BOOK II)**

Mr. Bujol noted that after individual discussions with all members of the Board it was decided that one copy of Book II, which includes all investment transactions for the previous quarter, will be available at each Board meeting for review. Due to its size individual books will not be mailed to Board members.

**ON MOTION BY MR. WALTHER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Investment Reports by Staff (Book II).

### **TRADING COMPLIANCE REPORTS**

Mr. Brosnan provided the following reports for the year (January 1, 2007 – December 31, 2007) on three managers who would be providing a presentation to the Board on Tuesday, February 12, 2008:

#### **J. & W. SELIGMAN AND COMPANY.**

J. & W. Seligman exceeded their 25% target with 32.22% of total trades through Lynch, Jones & Ryan and fell below their 10% minimum with 9.35% total trades through Louisiana Brokers. Their 10% minimum was exceeded by directing 14.27% of total trades through Louisiana, Inc. and Domiciled Brokers.



## ARK ASSET MANAGEMENT

Ark Asset Management fell below their 25% target with 16.91% of total trades through Lynch, Jones & Ryan and exceeded their 10% minimum with 20.24% total trades through Louisiana Brokers. Trading was below the 10% target with 9.19% of total trades through Louisiana, Inc. and Domiciled Brokers.

## C. S. MCKEE

C.S. MCKEE fell below their 25% target with 16.73% of total trades through Lynch, Jones & Ryan and no trades through Louisiana Brokers. Their 10% minimum was exceeded by directing 40.07% of total trades through Louisiana, Inc. and Domiciled Brokers.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Trading Compliance Reports.

## **OTHER BUSINESS**

Mr. Brosnan provided a status report on meetings regarding the required establishment of a “Terror Free” Index fund and noted that updates would be provided as they occur.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Chief Investment Officer’s Report on the “Terror Free” Index fund.

Mr. Randy Zinna, the attorney representing LSERS, arrived and the following agenda items were presented:

## **LEGAL**

### **LITIGATION**

Mr. Faulk read the following agenda items to be discussed:

1. Status Report On “East Baton Rouge Parish School Board, et all vs. The Louisiana School Employees’ Retirement System; 19<sup>th</sup> JDC, #539,015 Div. “26”
2. Report on Privatization by West Baton Rouge Parish School Board
3. Other litigation

### **Roll Call Vote #1**

**ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER**, the Board voted on entering into executive session to discuss the agenda items on litigation as read by the Chairman. Betty Crain – yes; Eugene Rester, Jr. – yes; Kathy Landry – yes; Philip B. Walther. – yes; Judith McKee – yes; Jeffrey Faulk, Sr. – yes; Lori Pierce – yes; Randy Davis – yes. **YES – 8, NO – 0, ABSTAIN – 0, MOTION CARRIED.**

The Board requested the presence of Mr. Bujol, Executive Director, Ms. Dudley, Assistant Director, and Mr. Brosnan, Chief Investment Officer, in Executive Session. Mr. Zinna provided the updated status report.

**ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board returned to regular session.

## **INVESTMENTS**

### **DISCUSSION ON POSSIBLE COMMITMENT TO PANTHEON EUROPE FUND VI AND ASIA FUND V PRIVATE EQUITY FUNDS**

Mr. Hazen briefly reviewed information that was provided to the Investment Committee at its January 10, 2008 meeting, which included possible commitments to Pantheon Europe Fund VI and Asia Fund V Private Equity Funds. He noted that Segal was recommending a commitment of \$15 million dollars to each fund for a total of \$30 million dollars, and then addressed questions from the Board.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved Segal's recommendation in committing \$15 million dollars each in Pantheon Europe Fund VI and Asia Fund V Private Equity Funds.

### **DISCUSSION OF BRANDYWINE'S PERFORMANCE**

Mr. Hazen presented a brief review on the performance of Brandywine Global Investment Management and then addressed questions from the Board.

Mr. Brosnan then provided a handout that reflected Brandywine's underperformance in five of the last nine years. It also included information on their performance since inception, a comparison to their peers and their returns relative to the risks they are taking.

Mr. Brosnan made the following recommendations: 1) the Board conduct an RFP search for a small cap value manager, 2) Brandywine be informed of the search and that they are welcome to participate for consideration in being rehired, and 3) Brandywine continue to manage the funds during the search as an incentive for improving their performance. Mr. Brosnan reiterated that this RFP search would be for a possible replacement, not a termination.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved proceeding with an RFP search for a small cap value manager with a performance oriented portfolio.

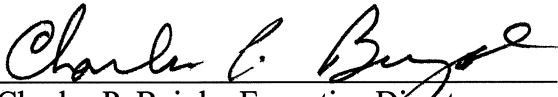
## **PUBLIC COMMENT**


There were no public comments.

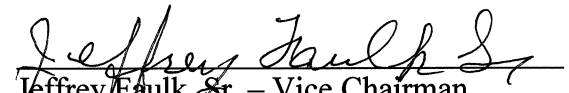
**OTHER BUSINESS**

There was no other business to discuss.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 12:30 p.m.**

  
Charles P. Bujol – Executive Director

  
Larry Wilmer – Chairman

  
Jeffrey Faulk, Sr. – Vice Chairman