

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

**Tuesday, February 12, 2008
8:30 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 8:29 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

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. Richard Ranallo and Mr. Brett Hazen – Segal Advisors, Inc.

* Mr. Warren Ponder arrived at 8:37 a.m.

MANAGER PERFORMANCE REVIEW (SEGAL ADVISORS)

Richard E. Ranallo, CFA

Brett W. Hazen

A brief review of the managers' performance versus market performance for the year 2007 and to date was provided. It was noted that the more diversified the portfolio the more protected it is from volatility. Progress on diversification has occurred over the last two years, including the most recent commitment during the February 11, 2008 meeting of allocating \$15 million dollars each in Pantheon Europe Fund VI and Asia Fund V Private Equity Funds. Additional options on further diversifying the portfolio, specifically on exploring Real Estate Europe and Real Estate Asia, will be presented during the March 10, 2008 Investment Committee meeting.

A review of the portfolio's performance measurement followed, which included asset allocation, manager allocation, value added versus policy index and total composite since December 31, 1989. All managers in the portfolio were individually reviewed and discussed.

Discussion was held on the performance of Orleans Capital, specifically within the last ten years, and consensus of the Board was to have a "10 year" performance index provided for review at the March 2008 Investment Committee meeting. This led to a discussion on the fixed income composite and possible changes to manager allocation.

A review of investment management fees as of December 31, 2007 followed.

A handout on Ark Asset Management versus the Russell 1000 Growth Index for calendar year returns was provided. Performance was reviewed and a recommendation was made to postpone any decision until 2009, which would allow more data to be presented.

ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Manager Performance Review.

INVESTMENT MANAGER REPORTS

J. & W. SELIGMAN & CO., INCORPORATED

Dorothy Buckley - Managing Director, Institutional Client Service

Michael Alpert - Managing Director, Head of Small Company Growth Team

Ms. Buckley began her presentation by reviewing the performance of the portfolio, which reflected a disappointing fourth quarter, but outperformance for the year at 7.9% versus the benchmark of 7.0%. It was noted that since Mr. Alpert took over as portfolio manager on June 30, 2006 approximately 4% has been added on an annualized basis. Returns since its inception on June 30, 1994 has been 10.6% versus the benchmark of 7.7% on an annualized basis.

Mr. Alpert continued the presentation by providing information on their newest member of the small company growth team. He noted that Ms. Corinna Freedman, Vice President, covers consumer, and highlighted her prior experience and role on the team since joining the firm in July 2007. He then reviewed investment results and provided an explanation on why low performance occurred during the fourth quarter and how this could be improved. A review of the portfolio followed, which included characteristics, top ten holdings, best and worst performing stocks for the fourth quarter 2007 and for the year 2007.

Ms. Buckley then presented the trade allocation report for January 1, 2007 through December 31, 2007 on trading with Lynch, Jones, & Ryan, Louisiana Brokers, and Louisiana Incorporated and Domiciled Brokers. Ms. Buckley and Mr. Alpert then addressed questions from the Board.

LEGISLATION

OTHER BUSINESS

Mr. Ponder reported on HB48, which was passed during the House Retirement Committee he attended on Monday, February 11, 2008. He also reviewed HB14, SB8, and SB19, which are ethics bills pending in this Special Session.

INVESTMENT MANAGER REPORTS

ARK ASSET MANAGEMENT CO., INC.

M. Elizabeth Fugler – Senior Manager, Marketing and Client Service
James G. Pontone - Managing Director, Product Manager

Ms. Fugler began the presentation by acknowledging that 2007 was a challenging and disappointing year for performance. At the beginning of September 2007 a change was made within the portfolio management team and performance turned around in the third quarter, but declined in the fourth quarter of 2007. A review of the account indicated that since its inception on December 22, 2003 the aggregate client contribution was \$71.4 million dollars and the total with accrued income as of December 31, 2007 was \$106,941 million dollars, which was a gain of \$36 million dollars from investment performance.

Mr. Pontone then provided a review of investment performance relative to the benchmark, a breakdown of occurrences leading up to this performance, strategies for improvement, and the outlook on future performance.

Ms. Fugler and Mr. Pontone then addressed questions from the Board, specifically on future investment performance and strategies for improving performance. Mr. Pontone was receptive to further discussions when asked about the possibility of incorporating performance based fees. This led to a discussion on stocks, performance, risks involved, and a projected time frame for improvement.

C.S. MCKEE INVESTMENT MANAGERS

Eugene M. Natali, Jr. - Senior Vice President

Mr. Natali began the presentation by providing an overview of investment performance, which indicated a 5.56% rate of return for the year to date versus a negative return of -0.17% for the Russell 1000 Value. He then provided a handout on Capital Markets, which led to a review of potential market returns for both U.S. and International markets. This led to a discussion on U.S. versus World economic growth.

Mr. Natali then addressed questions from the Board on strategies for improving future performance of the portfolio.

PUBLIC COMMENTS

There were no public comments.

BOARD EVALUATION OF CONSULTANT

This agenda item was carried over from the February 11, 2008 meeting. Mr. Brosnan provided a summary of the Board members' evaluations on LSERS' Investment Consultant, which included the number of evaluations received and ratings. He noted that overall evaluations ranged between above average and outstanding.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Board Evaluation of Consultant.

OTHER BUSINESS

Upon recommendation of Executive Counsel the Board unanimously consented to adopt the agenda at the beginning of each meeting.

Mr. Wilmer provided a review of his meeting with the Superintendent of Education on February 11, 2008, which led to a discussion on the shortage of bus drivers throughout the state.

INVESTMENT MANAGER REPORTS

RUMBLINE ADVISORS

*Denise A. D'Entremont – Director, Marketing and Client Services
Julie Carman Lind – Portfolio Manager, Investment Management*

Ms. D'Entremont began the presentation by introducing herself and Ms. Lund. It was noted that she has been with the firm for approximately 14 years, is currently the Director of Marketing and Client Services, and Ms. Lind is the Lead Portfolio Manager for the S&P 400 Mid-Cap Pooled Index Fund. Ms. D'Entremont then provided an overview of the fund and its performance over the last six months.

Ms. Lund continued with a review of the benchmark returns of the portfolio, including a summary of the returns, characteristics, top 10 holdings, sector performance, and commissions. Ms. D'Entremont and Ms. Lund then addressed questions from the Board, which led to an overview of the firm and its origin.

OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 11:24 a.m.


Charles P. Bujol – Executive Director


Larry Wilmer – Chairman