

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

**Tuesday, February 13, 2007  
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's Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, called the meeting to order at 8:31 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 – 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. Jeffrey Faulk, Sr., Senator D.A. "Butch" Gautreaux – Chairman of the Senate Retirement Committee, Representative Pete Schneider – Chairman of the House 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. Richard Ranallo and Mr. Brett Hazen – Segal Advisors, Inc., Ms. Mary Breaux

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## **MANAGER PERFORMANCE REVIEW**

Mr. Ranallo provided a brief review of the managers' performance versus market performance for the year 2006, specifically reviewing four of the managers who had poor performance. He then provided a synopsis of historical and recently adopted changes to the plan and options for future consideration by the Board. This led to a review of options for expanding resources for manager searches while complying with Louisiana laws.

Mr. Hazen continued the review by providing an analysis of the managers' investment performance analysis through December 31, 2006, which included an overall review of manager and stock market performance over the last quarter and year to date. Information on asset allocation, manager allocation, and overall returns relative to LSERS' investment policy was also provided. All managers in the portfolio were individually reviewed and discussed.

Mr. Ranallo and Mr. Hazen then answered questions from the Board, which led to a discussion on risks associated with poor performance and managers' ability to adapt to changes in the investment policy, particularly in allocation of asset classes.

An educational presentation on core plus portfolios has been tentatively scheduled for the January 2007 Investment Committee meeting, which may expand on structured loans, high yield, and many of the asset types discussed.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED**, the Board accepted the Manager Performance Review by Segal Advisors.

## **INVESTMENT MANAGER REPORTS**

### **J. & W. SELIGMAN & CO., INCORPORATED**

*Dorothy Buckley - Managing Director, Institutional Client Service*  
*Michael Alpert - Managing Director, Portfolio Manager*

Ms. Buckley introduced Mr. Alpert as the head of the firm's small cap growth team, provided a brief review on what would be addressed during their presentation, and then turned the floor over to Mr. Alpert.

Ms. Alpert began his presentation by reviewing the firm's investment philosophy. He then provided detailed information on the investment process, techniques used in identifying, analyzing, and selecting investment candidates, constructing the portfolio and monitoring for risks, and the discipline used in buying and selling stocks.

An update on the firm indicated that Ms. Mira Lee, Vice President of the firm, recently left the firm due to a lifestyle decision she made to relocate to Wyoming. It was noted that management of stocks handled by Ms. Lee would not be affected during the firm's search for her replacement.

Ms. Buckley continued the presentation by providing a review of the portfolio's performance, which reflected good news. In 2006 the portfolio was up by 21.1% versus the benchmark of 13.4%, outperforming by 770 basis points. Since inception the portfolio was up by 10.9%, outperforming the Russell 2000 Growth Index by 310 basis points on an annualized basis. Ms. Buckley noted that the portfolio has turned around and outperformed the Russell 2000 Growth Index since Mr. Alpert took over the portfolio in July 2006.

Mr. Alpert continued the presentation with an extensive review of the portfolio, which included characteristics, top 10 equity holdings, sector weightings, transactions, holdings, and required supplemental information.

Ms. Buckley and Mr. Alpert then addressed questions from the Board, Chief Investment Officer, and Investment Consultant.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED,** the Board accepted the report presented by J. & W. Seligman.

#### **ARK ASSET MANAGEMENT CO., INC.**

*M. Elizabeth Fugler – Senior Manager, Client Servicing  
James G. Pontone - Managing Director, Product Manager*

Ms. Fugler began the presentation by acknowledging that 2006 was a bad year for performance and that detailed information on performance would be provided by Mr. Pontone in his report. She provided an overview of the firm, which included history and investment strategies. Ms. Fugler then provided a review of the firm's public fund client list, representative client list, and the foundation for success. She noted that although there were no changes in philosophy and process the firm has added a research analyst to the team, which should help with performance.

Ms. Fugler continued the presentation by reviewing the portfolio, which included compliance with LSERS' investment guidelines, account information, investment performance, and investment returns. She then turned the floor over to Mr. Pontone for details on the portfolio.

Mr. Pontone provided a review of what helped the portfolio for the fourth quarter and for the year ending December 31, 2006, what hurt the portfolio for that same period of time, and the current outlook for 2007. He noted that 2006 was the first year in the last nine years that they underperformed the benchmark, acknowledged that the firm needed to do a better job in outperforming the benchmark (as stated in the philosophy and process), and provided detailed information on what caused this underperformance. He then reviewed strategies that would provide opportunities to outperform in 2007.

Ms. Fugler and Mr. Pontone then addressed questions from the Board, Chief Investment Officer, and Investment Consultant, which led to a discussion on performance, costs associated with risks, and whether the firm would be willing to share the risks. Both Ms. Fugler and Mr. Pontone expressed their willingness to review and discuss this concept further.

Mr. Brosnan noted that Ark's current trading with Louisiana Brokers, Incorporated, was under 5%, which was below the 10% minimum trading required. He also noted that trading was also behind for the quarter and asked Ms. Fugler and Mr. Pontone for their input on what could be done to improve compliance. This led to a discussion on how trades are executed and suggestions on attaining trading compliance.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted the report presented by Ark Asset Management Co., Inc.

## **C.S. MCKEE INVESTMENT MANAGERS**

*Eugene M. Natali, Jr. - Marketing Manager*  
*Robert A. McGee, CFA – Senior Vice President, Portfolio Manager*

Mr. Natali began the presentation by providing a brief overview of the firm, which indicated no changes to the firm, personnel, or strategy in managing the portfolio. He then provided a review of investment performance, which indicated an 8.11% rate of return for the quarter versus an 8.00 % rate of return for the Russell 1000 Value. Year to date performance was 10.02% compared to a 14.88% rate of return for the Russell 1000 Value. A brief review of the ratio of growth versus value from January 31, 1977 through December 31, 2006 followed.

Mr. McGee continued the presentation with a review of the portfolio characteristics, which included benchmark comparisons, market capitalization, and sector allocation. He also reviewed strategies used in selecting and managing the portfolio, areas affecting performance, and long term goals for the firm and portfolio.

Mr. Natali and Mr. McGee then addressed questions from the Board, Chief Investment Officer, and Investment Consultant. Mr. Brosnan commended C.S. McKee on their participation in trading with Louisiana Brokers, Incorporated and noted that the firm met the minimum trading requirements for the year.

Discussion was held on overall performance since inception and whether the firm could add value to the portfolio during 2007 with performance down by 500 basis points.

A request was made for biographies of the investment team to be included in booklets for all future presentations.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED**, the Board accepted the report presented by C.S. McKee Investment Managers.

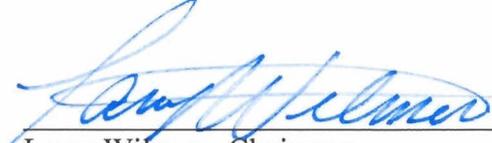
## **OTHER BUSINESS**

The question was posed as to whether Orleans Capital would be making a presentation to the Board at its March 12, 2007 Investment Committee meeting. The importance of having a Louisiana investment manager in the portfolio was stressed and discussion was held on their performance and costs and risks associated in keeping the firm. It was noted that an educational presentation would be held in March, 2007, which would provide insight on investment options.

There was no other business to discuss.

**ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED**, the Board adjourned at 10:47 a.m.

  
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Charles P. Bujol – Director

  
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Larry Wilmer - Chairman