

Louisiana School Employees' Retirement System Board Investment Committee Meeting

Monday, January 5, 2009
9:00 a.m.

The Louisiana School Employees' Retirement System's Board Investment Committee convened in the boardroom (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Faulk, Chairman of the committee, called the meeting to order at 9:00 a.m. Roll was called by Mrs. Stark.

Members Present: Mr. Jeffrey Faulk, Sr., Mr. Larry Wilmer, Mr. Eugene Rester, Jr., Mrs. Kathy Landry, Ms. Betty Crain, Mrs. 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, and Mrs. Lauren Bailey, observer for Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee.

Members Absent: Mr. John Kennedy – State Treasurer, and Representative Joel Robideaux – Chairman of the House Retirement Committee.

Staff Present: Mr. Charles Bujol – Executive Director, Mrs. Debra Dudley - Assistant Director, Mr. Warren Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mrs. Laurie Stark - Administrative Assistant 5, and Mrs. Jennifer Champagne – Administrative Assistant 6.

Also Present: Mr. Brett Hazen – Segal Advisors, Inc., and Ms. Laura Gail Sullivan – observer for Senate Retirement Committee.

*Ms. Lori Pierce arrived at 9:50 a.m.

ANNOUNCEMENTS

Mr. Bujol made the following announcement:

Updates to the Board of Trustees Manual have been placed in each board member's folder.

APPROVAL OF AGENDA

The agenda was presented to the committee for approval.

ON MOTION OF MR. WILMER, SECONDED BY MR. RESTER, Mrs. McKee, Ms. Crain, Mrs. Landry, Mr. Wilmer, Mr. Faulk, Mr. Rester, Mr. Walther and Mr. Davis **voted affirmatively** to approve the agenda.

DISCUSSION WITH CONSULTANT
Portfolio Performance.

Mr. Hazen reported on volatility in the markets and how it affects LSERS’ portfolios. An overview of the system’s portfolio performance was presented. Mr. Hazen then provided an update on Tattersall’s portfolio, in which he noted that the turmoil in the bond market and lack of liquidity is causing Tattersall’s poor performance. He recommended “staying the course” with Tattersall until the market turns around, as even though Tattersall got us into this situation, he felt that they are in the best position to lead us out at the appropriate time.

Mr. Brosnan reported that ING and Baird Advisors have offered to “take a look” at the Tattersall portfolio to determine if they are on track. It was noted that no fee would be involved for this service and a report would be presented at the February meeting.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee agreed to allow ING and Baird Advisors to “take a look” at the Tattersall portfolio and render an opinion as to how they would proceed.

Ark Asset Management Resignation.

Mr. Brosnan reported that a letter was received from Ark Asset Management dated December 19, 2008 stating their intent to cease operations and close their firm effective January 20, 2009. He provided an overview of options available to replace Ark. One option would be to purchase units in a Russell 1000 Growth Index Fund offered by State Street, Northern Trust, RhumbLine, etc. Mr. Brosnan recommended RhumbLine Advisers, one of LSERS’ portfolio managers, as staff is familiar with the firm’s abilities and position in the industry. It was also noted that no due diligence review would be needed and the transition could begin immediately.

*Ms. Lori Pierce arrived at 9:50 a.m.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee recommended to the full board for final approval that RhumbLine Advisers be hired to transition the Ark portfolio assets and invest the cash and securities into the RhumbLine Russell 1000 Growth Index Fund.

Update on Possible Solutions to Tattersall’s Portfolio Management.

This topic was previously discussed under item I (A).

STAFF REPORTS

Commission Recapture.

Mr. Brosnan reported that for the period January 1, 2008 through September 30, 2008 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. It was also reported that Brandywine, C.S. McKee, Fisher and Walter Scott met or exceeded their 25% targets. The total funds available for disbursement as of September 30, 2008 were \$135,555. Disbursements totaling \$73,616.67 were made leaving a balance of \$61,938.33.

ON MOTION OF MRS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Commission Recapture Report.

Northern Trust Securities Lending Report.

Mr. Brosnan reported that for October 2008 the gross income on securities lending was \$156,887.31. Northern Trust received a fee of \$37,640.56. The fund earned \$119,246.75 for October or an average of \$109,264.70 per month calendar year-to-date. Since inception the fund earned \$7,640,710.08 or an average net monthly income of \$42,448.39.

Mr. Brosnan also provided an update on the Securities Lending “Staged Withdrawal”.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Northern Trust Securities Lending Report.

Louisiana Broker Report.

Mr. Brosnan reported that for the reporting period of January 1, 2008 through September 30, 2008 the equity managers that met or exceeded their 10% target were Ark and Walter Scott. Orleans Capital was the only fixed income manager that met its target for the period. A total of \$53,582.23 in equity commissions and \$34,826,244.35 in par value was directed during the period ending September 30, 2008.

Louisiana Incorporated & Domiciled Broker Report.

Mr. Brosnan reported that for the reporting period of January 1, 2008 through September 30, 2008 none of the fixed income managers met their 10% target. The equity managers that met or exceeded their 10% minimum target were C.S. McKee and Walter Scott. A total of \$73,425.73 in equity commissions and \$2,116,520.00 in par value was directed during the period ending September 30, 2008.

ON MOTION OF MS. CRAIN, SECONDED BY MR. WILMER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Louisiana Incorporated and Domiciled Broker Report and the Louisiana Broker Report.

**Securities Litigation.
Investment Staff Report of Receipts.**

Mr. Brosnan reported that as of October 31, 2008 LSERS received a total of \$477,894,48 in cash, \$578 in par value and 8,963 shares of stock/warrants for settlements from securities litigations.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Securities Litigation Report of Receipts.

Current Case Review.

Mr. Ponder reported that two pending Louisiana cases were successfully settled in LSERS' favor. Privatization of bus drivers in Jefferson parish was discussed. Mr. Ponder also reported that a lawsuit was filed against GS Mortgage Securities Corp., which involves approximately \$1.1 million dollars in losses for LSERS.

ON MOTION OF MR. WILMER, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Current Case Review.

NORTHERN TRUST

*Pamela J. Newton – Vice President, Public & Taft Hartley Funds
Gary J. Guibert – Vice President, Public Funds/Taft-Hartley
Donald S. Anderson – Vice President, Global Securities Lending*

Introduction of New Client Service Representative.

Ms. Newton introduced Mr. Guibert as the new Client Services Representative for LSERS. Mr. Guibert provided a brief review of his mission as the new client services representative.

Q&A on Securities Lending Program and “Staged Withdrawal”.

Mr. Anderson provided an overview of how the Securities Lending Program works for LSERS. An update on the status of the “Staged Withdrawal” followed.

PUBLIC COMMENTS

There were no public comments.

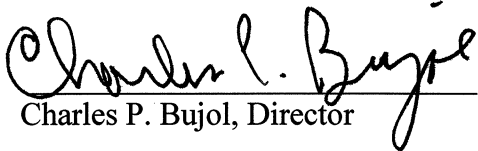
OTHER BUSINESS

Mr. Faulk asked that future agendas include “Approval of Agenda” and “Director’s Comments”.

Mr. Brosnan reported that Analytic Investors sent a letter stating that their fee would now be calculated on a daily basis.

ON MOTION OF MS. PIERCE, SECONDED BY MR. WILMER AND CARRIED BY UNANIMOUS CONSENT, the committee directed staff to send a letter to Analytic Investors informing them that LSERS’ board was not in favor of their fee payment schedule change and would like to readdress it.

ON MOTION OF MR. WILMER, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee adjourned at 11:35 a.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman