

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

**Tuesday, June 1, 2004  
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. Vice-Chairman of the Board, Mr. Larry Wilmer, opened the meeting at 9:03 a.m. The Board recited the Lord's Prayer and the Pledge of Allegiance. Roll was called.

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

**Members Absent:** Mr. Joe Seymour - Chairman, Ms. Sylvia Myers, 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. Tracey LaBry - Investment Analyst, Ms. Josie Meche - Investments Manager, Mr. Randall Roche - General Counsel, Ms. Judy Wright - Public Information Director1, Ms. Jennifer Champagne - Executive Services Assistant

**Staff Absent:** Ms. Julia LeBlanc - Chief Investment Officer

**Also Present:** Mr. Charles Hall - Hall Actuarial Associates, Ms. Janice Richard

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**ANNOUNCEMENTS**

Mr. Cospers informed the Board that Mr. Seymour, Chairman of the Board, called him at 2 o'clock that morning to inform him that due to a family emergency he would not be able to attend the meeting. Mr. Seymour asked that Mr. Cospers notify Mr. Wilmer, Vice-Chairman, of this and to ask that he conduct the meeting today.

Mr. Cospers also informed the Board that due to a death in her family Ms. LeBlanc would not be in today to present the Investment Reports to the Board. Since Ms. Meche was scheduled to be off today, Ms. LaBry, Investment Analyst, would be handling the investment portion of the meeting today.

### **DISCUSSION OF AMENDED LEGISLATIVE BILL**

Mr. Cospers reported to the Board that on the previous Wednesday the House Retirement Committee heard House Bill 194 by Representative Ansardi, which was similar in nature to a bill that was introduced last year. The original version of the bill was in reference to those members that were participating in the DROP program prior to July 1, 2001 and were excluded from receiving the 3 1/3 % accrual rate retro-benefit. Representative Ansardi's bill this year was different in language and structure from the bill that the B had last year, whereas the State of Louisiana, the employer, would pick up the entire cost of granting that benefit to those employees that were excluded from the benefit.

At the House Retirement Committee meeting Representative Ansardi offered an amendment that the active employees of LSERS, which included approximately 15,000 members, would pick up the entire cost of that benefit. The actuarial cost was approximately \$33 million dollars and would stretch to the year 2029. The bill was also amended to say that the active employee contributions, which were currently 7.5%, would be increased to 8 1/4 % when this law would go into effect, which would be an increase of 3/4 of 1% for the next several years.

Mr. Cospers informed the Board that there was a great deal of discussion in the House Retirement Committee. There were concerns that the active members may not be aware this change was being presented or the fact that they would have to pay an additional 3/4 of 1% and questioned what their viewpoint would be in having to do so. Representative Ansardi was asked to survey his members and provide feedback to the committee the following week.

When asked what the Board's position was on this legislation Mr. Cospers informed the House Retirement committee members that under the original version, which did not pass on the cost to the active members, the Board had indicated they were in favor and he had subsequently submitted a card to the Chairman indicating that the Board was in support of the bill. But after the amendment was presented Mr. Cospers informed the committee members that he could not speak for the Board, as the Board had not taken a position on this and they were not aware that the amendment was going to come forward.

Mr. Cospers was also given a directive by the Chairman of the House Retirement Committee to meet with the Board and ask their position on this legislation. After contacting Mr. Seymour, Chairman of the Board, a special meeting was called for today to discuss this issue. Mr. Seymour also directed Mr. Cospers to take a sample survey of the staff of our System, since LSERS has approximately 32 people employed that are active contributing members in the School Employees' Retirement System. Mr. Cospers noted that a few employees were in Teachers and State Retirement Systems and did not

participate in the sample survey. All of the active contributing members were called into the Board room, where Mr. Cosper went over HB 194, the amendment that was being offered up and whether they would be willing to support paying an additional 3/4 of 1% so that these 1,447 people could receive this retro-acrual benefit.

The survey was taken on Thursday, May 27, 2004 and a sign-in sheet was maintained to verify who voted and that the survey did occur. Each employee was given a ballot sheet with no signature required on the ballot. Of the 31 members who voted during the survey, there were 31 no's for amending the bill and there were no yeah's, which indicated 100% opposition to amending the bill. Mr. Cosper was providing this information so that the Board would have a very small sample group of active contributing members. The Board was being asked to provide their position on whether they are in support of amending the bill and passing the cost on to the active employees or against the bill in its current amended form.

Mr. Randall Roche, legal counsel for the Board and Mr. Charles Hall, Hall Actuarial Accounts, were asked to provide the Board with additional information on HB 194 in its amended form, the original bill, and a brief summary on how both bills affect the active contributing members, the 1,447 members who were omitted in the original bill, and why these members were omitted in the original bill. Mr. Richard and Mr. Wilmer indicated that they had also taken surveys of their active members and those members surveyed were opposed to the amendment to HB 194.

After further discussion the Board was asked to provide their position on HB 194 in its amended form and the original bill.

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

**ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD**, the Board voted on not supporting the amendments to HB 194. Betty Crain - no (Because I represent the retirees); Betty Jacobs - yes; Earl Richard, Jr. - yes; Larry Wilmer - yes; Jeffrey Faulk - yes (Mr. Faulk wished to qualify his vote. I'm still in support of those 1,447 people and I don't feel it's right that they're not collecting the same amount as those other people, but I don't think it's fair to make the people that's working pay for something that they had no control over) ; Lori Pierce - yes. **YES - 5, NO - 1, ABSTAIN - 0, MOTION CARRIED.**

#### **Roll Call Vote # 2**

**ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD**, the Board voted to reaffirm its continued support of HB 194 in its original version. Betty Crain - yes; Betty Jacobs - yes; Ms. Sylvia Myers - absent; Mr. Earl Richard - yes; Mr. Larry Wilmer - yes; Mr. Jeffrey Faulk - yes; Ms. Lori Pierce - yes; Mr. Joe Seymour - absent. **YES - 6, NO - 0, ABSTAIN - 0 MOTION PASSED**

Mr. Wilmer informed the Board that they were unsure of exactly when the bill would be heard, but hopefully it would be placed on the agenda the following morning or after adjournment.

## **EDUCATIONAL SEMINAR REGARDING SECURED INVESTMENT PLAN**

Mr. Wilmer introduced Mr. Daryl S. DeArmond and Mr. Larry D. Farris of American Pension Consultants, L.L.C., who gave an educational seminar regarding American Pension Consultants secured investment plan, which offers above average returns and below average risks. Mr. DeArmond gave a presentation on their company, followed by a presentation by Mr. Farris on how they fall under Act 788.

## **INFORMATION PROVIDED BY CONSULTANT**

Ms. Meche was able to attend the meeting and provided information on investments.

## **REVIEW OF TRINITY'S PERFORMANCE**

Ms. Meche was not familiar with any of the information other than providing the Board with the letter from Trinity Asset, OFI Institutional already submitted in their folder today. As there was no urgency in discussing this matter, this item was postponed until the July 12, 2004 Investment Committee meeting.

## **INFORMATION ON FUNDING THIRD QUARTER BENEFITS**

Ms. Meche informed the Board that she had spoken to Ms. LeBlanc over the telephone today and was told that, after her discussion with Mr. Ranallo, both Ms. LeBlanc and Mr. Ranallo had made a decision that the funds should be coming from fixed income and from Schroder Asset Management. She stated that the amount was roughly \$20 million dollars.

**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED,** the Board approved taking \$20 million dollars from Schroder to pay benefits for the third quarter.

## **CONSULTANT COMMENTS ON EDUCATIONAL PRESENTATION**

Since Mr. Ranallo and Ms. LeBlanc were not present at the meeting this item was tabled until the July 12, 2004 Investment Committee meeting.

## **STAFF REPORTS**

### **COMMISSION RECAPTURE**

Ms. Meche reported to the Board commission recapture for the period of January 1, 2004 through March 31, 2004. For this period the equity managers directed \$95,419.10 in commissions to Lynch Jones & Ryan. J & W Seligman and Walter Scott met the 25% target for this period. The fixed income managers directed \$312.50 in commissions to Lynch Jones and Ryan. None of the fixed income managers met the 35% target during

this period for this program. Dispersements from this account year to date totaled \$42,982.50, leaving a balance available of \$355,758.50 on March 31, 2004. As a point of information a check was requested, received and deposited in April for \$200,000 from this account.

**ON MOTION OF MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED,** the committee accepted the Commission Recapture report for the period of January 1, 2004 through March 31, 2004.

### **NORTHERN TRUST SECURITIES LENDING REPORT**

Ms. Meche reported to the Board that year to date for 2004 gross income from securities lending was \$170,616.70. Expenses were the Northern Trust fee year to date \$51,144.76, leaving a net income year to date for this program of \$119,471.94. From inception there was an average monthly net income from this program of \$35,399.14. Total net income from securities lending program with Northern Lending Trust was \$4,452,731.41.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED,** the Board approved the Northern Trust Securities Lending Report.

### **LOUISIANA BROKERS REPORTS**

Ms. Meche reported to the Board that in the Louisiana Broker Report for the first quarter of 2004, the equity managers directed \$29,667.94 to Louisiana Brokers. Trinity Asset Management met the 10% target for this program. Fixed income managers directed a total of \$185,070,310.17 to this program for this period. Schroder Investment and Tattersall/Evergreen met the 10% target. On the Louisiana Incorporated and Domicile Broker report, for the first quarter of 2004 the equity managers directed \$41,482.01 in commission to this program. Ark Asset Management, J & W Seligman, Trinity, and Walter Scott met the 10% target. On the Louisiana Incorporated and Domicile Broker report for your fixed income managers, Fixed Income Managers directed \$3,181,280.00 in Par Value trading to Louisiana Incorporated and Domicile Brokers. Orleans Capital met the 10% target for this program.

A discussion was held regarding the two separate reports, the Louisiana Broker Report and the Louisiana Incorporated and Domicile Broker Report.

**ON MOTION BY MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED,** the Board approved the Louisiana Brokers Report.

### **SECURITIES LITIGATION**

### **INVESTMENT STAFF REPORT OF RECEIPTS**

Ms. Meche reported to the Board that \$239,079.59 to date had been deposited from securities litigation.

**ON MOTION BY MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED,** the Board approved the Investment Staff Report of Receipts.

#### **CURRENT CASE REVIEW**

Mr. Roche reported to the Board that since Ms. Meche had made her last deposits he had received two more checks in the amount of \$23,867.00.

**ON MOTION BY MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED,** the Board approved the Current Case Review Report.

#### **OTHER BUSINESS**

#### **ANNOUNCEMENT**

Mr. Cospers informed the Board that there was a statue in the back of the LSERS building where stones are placed in recognition of active members who have died in service. Mr. Randy Roche and his wife, Diane, had a stone made for Mr. Chuck Clough, LSERS' most recent employee who had passed away. His stone will be placed in the little stone garden and Mr. Cospers invited anyone who would like to see it to visit the garden.

#### **CONSENT TO CONSIDER**

Mr. Cospers asked the Board for consent to consider placing a request to obtain a plaque for Mr. Chuck Clough on the agenda.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED,** the Board approved Mr. Cospers' request for consent to place this item on the agenda under other business.

#### **REQUEST FOR PLAQUE**

Mr. Cospers asked the Board for approval in having a plaque made for Mr. Chuck Clough so that the Board could present it to his wife at the August 9, 2004 Regular Board Meeting. This plaque would be presented by the Board in recognition and appreciation for Mr. Clough's service to our System.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. RICHARD AND CARRIED,** the Board approved having a plaque made for Mr. Chuck Clough for the Board to present to his wife at the August 9, 2004 Regular Board meeting.

#### **REQUEST FOR INFORMATION**

Mr. Faulk asked that a copy of all minutes in reference to the 3 1/3 retro be mailed to him so that he might become familiar with what has happened prior to this date. A copy will be submitted to all Board members.

A discussion was held regarding when the bill was originally introduced and what led up to the current bill.

Mr. Wilmer informed the Board that the House Retirement Committee will be meeting on HB 194 Friday morning, June 4, 2004, either at 9:00 or 9:30 a.m.

**ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED**, the Board agreed to adjourn at 11:57 a.m.

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Patrick Cospier - Director

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Larry Wilmer - Vice-Chairman