

**LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
BOARD INVESTMENT COMMITTEE MEETING**

*Monday - March 13, 2006*

The Louisiana School Employees' Retirement System's Board Investment Committee convened in the board room (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Ms. Jacobs called the meeting to order at 9:06 a.m. The Roll was called by Mrs. Stark.

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**Members Present:** Ms. Betty Jacobs - Chairperson, Mr. Larry Wilmer, Ms. Betty Crain, Mrs. Judith McKee, Mr. Jeffrey Faulk, Sr., Mr. Earl Richard, Jr., Ms. Lori Pierce - Treasurer's Office and Ms. Stacy Sharpe - Secretary of State's Office.

**Members Absent:** Ms. Sylvia Myers, Senator D.A. "Butch" Gautreaux - Chairman - Senate Retirement Committee and Representative Pete Schneider, Chairman - House Retirement Committee.

**Staff Present:** Mr. Charles Bujol - Director, Mrs. Debra Dudley - Assistant Director, Mr. Warren Ponder - General Counsel, Mrs. Julia LeBlanc - Chief Investment Officer, Mrs. Josie Meche - Investment Manager I, Ms. Judy Wright - Public Information Director I, and Mrs. Laurie Stark - Administrative Assistant 5.

**Others Present:** Mr. Richard Ranallo - Segal Advisors, Inc.

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**REVIEW OF LSERS MANAGERS VS. THEIR PEER GROUP**

Mr. Ranallo reported that Ark's last quarter performance numbers were weak and the first part of the current quarter numbers were not exactly better. Their since inception numbers were still ahead of their benchmark. Trinity's performance numbers for December were terrible. It was noted that the board's decision to terminate Trinity was a good decision. Even though J & W Seligman's performance numbers were rather good for January and February and their portfolio was outperforming their benchmark, their last calendar year's numbers were awful. The year 2006 will be a crucial year for J & W Seligman. Mr. Ranallo reported that Brandywine's three-year numbers were bad, but their five-year numbers were good. They did not have a particularly prosperous 2005. Many of the system's active managers had bad fourth quarter performances. Walter Scott's five year numbers were good and their since-inception numbers had held up well. Orleans Capital's more recent numbers were much better. Their long term numbers were good and they had beaten their benchmark. Their three-year numbers were also excellent. Schroders and Evergreen's numbers were high. Both firms have been performing well for the system.

Stacy Sharpe arrived at 9:28 a.m.

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**REPORT ON CALENDAR YEAR PERFORMANCE NUMBERS FOR J&W SELIGMAN AND UPDATE ON CURRENT YEAR TO DATE**

Mr. Ranallo reported that J & W Seligman’s performance numbers were up by 150 basis points by February 2006. Their numbers had at one point been up by 500 basis points. Their numbers were up 10 ½ % for the first two months of 2006. Seligman will be monitored by staff and Segal over the next few months due to their poor performance in 2005.

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**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED**, the committee accepted the Review of LSERS’ Managers vs. their Peer Group and the Report on Calendar Year Performance Numbers for J & W Seligman and Update on Current Year to Date presented by Mr. Ranallo.

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**RECOMMENDATION TO APPROVE ANY CHANGES NEEDED TO THE INVESTMENT POLICY**

Mr. Ranallo made a recommendation that the language in the Investment Policy should be changed regarding private equity. His recommendation was that the policy should read as follows: “The Private equity Investment portfolios are expected to provide a meaningful premium over the public equity market reflecting the risk and associated fees with this investment. Therefore the portfolio’s will be expected to achieve an annualized rate of return which exceeds the S&P 500 Index by four percentage points over the long term, before fees are deducted. It is recognized that this benchmark is unlikely to be met in the initial years of the investment, as Private Equity returns often present a “J-curve” investment return pattern.”

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**ON MOTION OF MRS. McKEE, SECONDED BY MS. CRAIN AND CARRIED**, the committee accepted the recommended change to the investment policy regarding private equity.

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**REVIEW OF FINALISTS FOR DOMESTIC LARGE CAP VALUE MANAGER**

Mr. Ranallo distributed and reviewed charts, which reflected one-year, three-year and five-year performance numbers on the finalists being interviewed.

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**ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK AND CARRIED**, the committee accepted the review of finalists presented by Mr. Ranallo.

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**REVIEW OF REQUIREMENTS TO VOTE ON MANAGER SELECTIONS**

Mr. Ponder briefly reviewed the rules on voting for a manager.

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**INTERVIEWS**

Four companies were interviewed for the Large Cap Value Manager. The interviews were held in 30-minute increments, which allowed for a 20-minute presentation and 10 minutes for questions and answers.

**C.S. McKee Investment Managers**

Eugene Natali - President and Chief Executive Officer with C.S. McKee  
Greg Melvin - Partner and Chief Investment Officer

**Harris Investment Management, Inc.**

Tom Johnson - Senior Partner and Head of Equity Management Group at Harris Investment Management  
Leo Reed - Partner and Member of Client Service Group

**Quantitative Management Associates**

Steven Bloom - Principal with Quantitative Management Associates

**UBS Global Asset Management**

Steve Wilde - Client Advisor  
Scott Hazen - Senior Equity Strategist  
Kitty Martin - Account Manager

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**ON MOTION OF MRS. McKEE, SECONDED BY MS. CRAIN AND CARRIED**, the committee recommended having all four candidates presented to the full board to be voted on at the board meeting that follows the Investment Committee meeting today.

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**DISCUSSION REGARDING ABEL/NOSER'S PROPOSED FEE INCREASE.**

Mrs. LeBlanc brought to the attention of the committee a request for a fee increase by Abel/Noser to continue providing the trade analysis service that they had been providing for the cost of \$5,000 per year. They have requested an increase of an additional \$5,000 per year to their fee beginning July 1, 2006. Should the board members agree to the increased fee, the funds are available.

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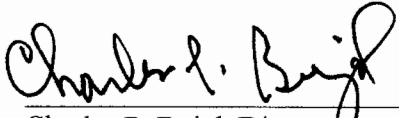
**ON MOTION OF MR. FAULK, SECONDED BY MRS. McKEE AND CARRIED**, the committee recommended that the fee increase for Abel/Noser which would be paid out of soft dollars should be sent to the full board for approval during the next board meeting that immediately follows the adjournment of this committee meeting.

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**ON MOTION OF MR. FAULK, SECONDED BY MR. WILMER AND CARRIED**, the committee agreed to adjourn.

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The meeting adjourned at 12:20 p.m.

  
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Charles P. Bujol, Director

  
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Betty Jacobs, Chairperson