

Louisiana School Employees' Retirement System Board Investment Committee Meeting

Monday, March 9, 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 9:10 a.m. Roll was called by Mrs. Stark.

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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, and Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer

Members Absent: Mr. Jay Dardenne – Secretary of State, Mr. John Kennedy – State Treasurer, Senator D.A. “Butch Gautreaux – Chairman of the Senate Committee on Retirement and Representative Joel Robideaux – Chairman of the House Committee on Retirement

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

Also Present: Mr. Brett Hazen – Segal Advisors, Inc., and Mr. Charles Hall – Hall Actuarial Associates

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ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Each candidate for the 2009 elections was reelected without opposition. Mrs. Landry was reelected to the Active Member District 4 seat. Mr. Faulk was reelected to the Retiree Representative – Division 2.

Topics for the 2009 LAPERS Seminar are to be turned in.

Two educational presentations will be provided today. "Best Execution and Trade Measurement" will be provided by Abel/Noser and "Options for Funding Future COLA's" will be provided by Mr. Charles Hall. Educational certification forms are to be completed after the presentations.

Updates to LSERS' Board of Trustee manual have been placed in each member's folder.

A Special Board meeting will be held upon adjournment of the Investment Committee meeting.

Annual evaluations on unclassified personnel have been mailed to all board members. Completed and signed evaluations are to be mailed back to the Chairman of the Personnel Committee by Monday, March 20, 2009. The Personnel Committee will meet on Monday, April 6, 2009, to review evaluations and make recommendations for presentation to the full board.

APPROVAL OF AGENDA

The agenda was presented to the committee for approval.

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

DISCUSSION WITH CONSULTANT

Mr. Hazen reported that the domestic stock market is down 56% since October 9, 2007. The system's portfolio is performing well compared to its respective indexes. The only portfolio that did not beat its benchmark was Tattersall. This portfolio has no long term position within the LSERS fund and will be minimized in the future.

STAFF REPORTS

Commission Recapture

Mr. Brosnan reported that for the period January 1, 2008 through December 31, 2008 none of the fixed income managers met their targeted commitment to Lynch Jones & Ryan. It was also reported that Brandywine, Fisher and Walter Scott met or exceeded their 25% targets. The total funds available for disbursement as of December 31, 2008 were \$153,918.00. Disbursements totaling \$85,466.67 were made leaving a balance of \$68,451.33.

ON MOTION OF MS. CRAIN, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Commission Recapture Report.

Northern Trust Securities Lending Report

Mr. Brosnan reported that for the year 2008 the gross income on securities lending was \$1,725,250.02. Northern Trust received a fee of \$497,275.0. The fund earned \$1,227,974.72 for 2008 or an average of \$102,331.23 per month calendar year-to-date. Since inception the fund earned \$7,776,037.82 or an average net monthly income of \$42,726.48.

ON MOTION OF MS. CRAIN, SECONDED BY MR. WILMER 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 December 31, 2008 the equity managers that met or exceeded their 10% target were Ark, NTGI, and Walter Scott. Orleans Capital was the only fixed income manager that met its target for the period. A total of \$66,763.52 in equity commissions and \$35,817,374.25 in par value was directed during the period ending December 31, 2008.

Louisiana Incorporated & Domiciled Broker Report

Mr. Brosnan reported that for the reporting period of January 1, 2008 through December 31, 2008 none of the fixed income managers met their 10% target. The equity managers that met or exceeded their 10% minimum target were Ark, C.S. McKee, Fisher and J & W Seligman. A total of \$104,995.60 in equity commissions and \$2,116,520.00 in par value was directed during the period ending December 31, 2008.

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

Statement of Consultant Performance Expectations

The results of the performance evaluation of the system’s consultant (Segal Advisors) by staff and trustees showed a need for improved communication with the board members. The respondents also indicated that they needed more precise recommendations rather than the presentation of statistics and facts. Segal Advisors reported that each retirement system has different communication objectives and they will endeavor to improve that area along with the other areas of concern.

ON MOTION OF MR. RESTER, SECONDED BY MRS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Statement of Consultant Performance Expectations.

**Securities Litigation
Investment Staff Report of Receipts**

Mr. Brosnan reported that as of December 31, 2008 LSERS received a total of \$1,678,381.76 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 MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Securities Litigation Report of Receipts.

Current Case Review

Mr. Ponder reported that he attended the settlement hearing in the Accredo Health case in Memphis, Tennessee. A settlement of \$ 33 million was reached, but there was no indication of when the funds would be disbursed. There are no other active securities litigation cases.

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

Financial Disclosure Under New Ethics Provisions

Mr. Ponder reported that he has not received the financial disclosure forms that are to be completed by each board member by May 15, 2009. He noted that he will be contacting the Ethics Commission regarding this matter.

The performance audit performed by the Louisiana Legislative Auditors as per House Resolution No. 78 was favorable.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Current Case Review and the Financial Disclosure Under New Ethics Provisions Report.

EDUCATIONAL PRESENTATION
Best Execution and Trade Measurement

Mr. Michael C. Iannucci – Vice President/Client Services.

Mr. Iannucci with Abel/Noser presented an hour long educational component regarding best execution and trade measurement. He gave an overview of the trade cost analysis services that they provide for the system.

ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the committee accepted the Best Execution and Trade Measurement presentation.

EDUCATIONAL PRESENTATION
Options for Funding Future COLA's

Mr. Hall presented an hour long educational component regarding funding future COLA's. He gave an overview of several options available to LSERS to prefund a COLA for its retirees.

PUBLIC COMMENTS


There were no public comments.

OTHER BUSINESS

Mr. Brosnan reported receiving a letter from Tattersall regarding their portfolio management. They requested that LSERS provide a letter of direction concerning holding below investment grade securities. It was recommended that no additional directions were needed and the Investment Policy should continue to govern their actions. It was noted that Tattersall was aware of the contents of the Investment Policy prior to entering into a contract with LSERS.

ON MOTION OF MR. WILMER, SECONDED BY MRS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the committee adjourned at 12:07 p.m.


Charles P. Bujol, Director


Jeffrey Faulk, Sr., Chairman