

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

**Monday, May 11, 2009
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 Building located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Larry Wilmer, Chairman of the Board, called the meeting to order at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Champagne.

Members Present: Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, Mr. Jeffrey Faulk, Sr., Ms. Lori Pierce - designee for Mr. John Kennedy – State Treasurer, *Mr. Randy Davis - designee for Mr. Jay Dardenne – Secretary of State, *Ms. Lauren Bailey - observer for Senator D. A. “Butch” Gautreaux – Chairman of the Senate Committee on Retirement

Members Absent: Representative Joel C. Robideaux – Chairman of the House Committee on Retirement

Staff Present: Mr. Charles P. Bujol - Executive Director, Ms. Debra H. Dudley - Assistant Director, Mr. Warren D. Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Jerry Rhodus - Investment Officer 1, *Ms. Donna Racca - Accountant Administrator 2, Ms. Jennifer Champagne - Administrative Assistant 6

Also Present: *Mr. Charles Hall - Hall Actuarial Associates, *Mr. Randy Zinna

* Mr. Randy Davis arrived at 9:06 a.m.
Ms. Lauren Bailey arrived at 9:11 a.m.
Ms. Donna Racca left the meeting at 9:22 a.m.
Mr. Charles Hall left the meeting at 10:48 a.m.
Mr. Randy Zinna was in attendance for his presentation under Legislation/Legal (10:20 a.m. to 10:48 a.m.)

APPROVAL OF AGENDA

The agenda was presented to the Board for approval.

ON MOTION BY MR. FAULK, SECONDED BY MS. CRAIN, Mr. Larry Wilmer, Mr. Philip B. Walther, Mr. Eugene Rester, Jr., Ms. Judith Ann McKee, Ms. Kathy B. Landry, Ms. Betty Crain, Ms. Lori Pierce, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to approve the agenda.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Identification badges, which are now available to Board members, will facilitate attending meetings at the State Capitol.

PAR Guide to the 2009 Louisiana Legislature booklets have been provided to all Board members.

APPROVAL OF BOARD MINUTES

February 9, 2009 Regular Board Meeting

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the February 9, 2009 Regular Board meeting.

February 10, 2009 Regular Board Meeting

ON MOTION BY MR. FAULK, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the February 10, 2009 Regular Board meeting.

March 9, 2009 Special Board Meeting

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the March 9, 2009 Special Board meeting.

**APPROVAL OF RETIREMENT REPORTS (JANUARY 1, 2009 – MARCH 31, 2009)
(BOOK I)**

Ms. Dudley presented the Retirement Reports and then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Retirement Reports (Book I).

ADMINISTRATION

Report on Joint Legislative Committee on the Budget Meeting

Mr. Bujol noted that administrative staff members have attended meetings with the Joint Legislative Committee on the Budget, but LSERS' budget has not been presented to the committee. Reports on the status of the budget will be provided as information becomes available.

Mr. Randy Davis arrived at 9:06 a.m.

Update on Automated Attendance System

Mr. Ponder provided an update on the ADI system that is being implemented for LSERS staff. He noted that the system would save time, eliminate the need for record keeping on paper, and eventually link to the payroll system. Mr. Ponder and Mr. Bujol then addressed questions from the Board.

Ms. Lauren Bailey arrived at 9:11 a.m.

Other Business

There was no other business to discuss under Administration.

PERSONNEL

Staff Reports (January 1, 2009 – March 31, 2009)

Personnel Actions

Ms. Dudley presented the report on personnel actions and then addressed questions from the Board.

Travel Expenses

Staff

Ms. Dudley presented the report on travel expenses incurred by staff members and then addressed questions from the Board.

Year to Date

Ms. Dudley presented the year to date report, which was requested by Mr. Faulk during the March 9, 2009 Special Board meeting. This included the amount budgeted for travel, the amount expended, and the remaining balance for the year. Ms. Dudley then addressed questions from the Board.

Overtime

Ms. Dudley presented the reports on employees who earned overtime. The first report reflects compensatory time earned and the second report reflects overtime paid. Ms. Dudley then addressed questions from the Board, which led to a review of the imaging project and projected time of completion.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board approved all of the staff reports presented for January 1, 2009 through March 31, 2009.

Approval of April 6, 2009 Personnel Committee Meeting Minutes

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the April 6, 2009 Personnel Committee meeting.

Report on Personnel Committee Meeting

Ms. Crain provided a report on the Personnel Committee. She noted that six evaluations on each unclassified employee were turned in and presented to the Personnel Committee. Evaluations ranged from satisfactory to outstanding.

Ms. Landry noted that in future meetings reports from the Personnel Committee should be presented before approving the minutes.

Other Business

There was no other business to discuss under Personnel.

LEGISLATION/LEGAL

2009 Legislative Session

Mr. Ponder provided a handout on legislation introduced in the 2009 Legislative Session that directly or indirectly affects, or is of interest to, the system. After review and discussion the Board voted on whether it was in favor, neutral, or in opposition to each piece of legislation:

HB 96 (by Pearson) – Provides an option for a retiree to reduce his pension by an actuarial amount sufficient to fund a 2½% COLA for life.

After extensive discussion Mr. Faulk called for a roll call vote on the Board's position on HB 96.

Roll Call Vote #1

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER, the Board voted on its position (favor, oppose, or neutral) on HB 96. Philip B. Walther – neutral; Eugene Rester, Jr. – neutral; Judith Ann McKee – neutral; Kathy B. Landry – neutral; Betty Crain – oppose; Jeffrey Faulk, Sr. – neutral; Larry Wilmer – neutral; Lori Pierce – oppose; Randy Davis – oppose.
FAVOR – 0; OPPOSE – 3; NEUTRAL – 6. BOARD'S POSITION: NEUTRAL

HB 230 (by Arnold & Tucker) – Abolishes the Board of Trustees for the four state systems and places all four systems under the management of a consolidated board. Also abolishes the existing positions of director, deputy director, assistant director, chief investment officer, and executive counsel, as well as authorizes the consolidated board to hire one in each position.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board voted in opposition to HB 230.

HB 357 (by Arnold & Tucker) – Increases the “set asides” for Louisiana domiciled brokers to 50% from 10%. Also redefines the term “best execution” to mean that the 50% of the trades are subject to the best execution for that Louisiana broker.

ON MOTION BY MS. LANDRY, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board voted in opposition to HB 357.

HB 584 (by Tucker) – Suspends the opportunity for any plan member to enter DROP from July 1, 2009 until June 30, 2012.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board voted in opposition to HB 584.

HB 651 (by Armes) – Redefines the method of computing actuarial cost for rehiring retired bus operators.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board voted in favor of HB 651.

Mr. Ponder provided a brief review of HCR3, which does not directly affect the system, but stresses that state employees, state agencies and everyone connected with the public system strive to save every possible taxpayer dollar and become more efficient. Hiring within the state and hiring local people for consultant work was also referenced in the resolution.

Mr. Ponder provided a review of the following bills for information only:

HB 591 (by Ellington) – Redefines the term “in conjunction with” for the Ethics Board.

HB 156 (by Ritchie) – Requires Charter School teachers to be members of TRSL.

SB 57 (by Gautreaux) – Creates a “Back DROP” for the State Police Retirement System. The cost will be funded by an increase in employee contributions.

Discussion was held on all three bills and consensus of the Board was to take no position on HB 591, HB 156, and SB 57.

Collections

Mr. Ponder reported that LSERS collected \$2,627.34 for the first quarter, January 1, 2009 through March 31, 2009.

Other Business

Mr. Zinna provided a general review of legal cases in open session. He also noted that Board members could contact him directly with specific questions concerning these cases.

Mr. Zinna and Mr. Hall left the meeting at 10:40 a.m.

Mr. Ponder presented two cases on securities litigation for discussion and possible action by the Board.

The first case involved correspondence that was mailed to the Board on May 4, 2009 regarding RJF James Financial, Inc. - Securities Fraud Claims. After a detailed review of the case and its affect on the system Mr. Ponder requested direction from the Board on reentering the securities litigation field and pursuing this case as lead plaintiff. This case was open for discussion.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved adding “RJF James Financial, Inc – Securities Fraud Claims” to the agenda.

ON MOTION BY MR. RESTER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved proceeding with litigation concerning RJF James Financial, Inc – Securities Fraud Claims.

Mr. Ponder provided information on a second case, which involved excessive compensation for one of the executive officers at Chesapeake Energy Corporation. After a brief review of the case Mr. Ponder requested direction from the Board on whether to pursue litigation on this case. He noted that the case would be filed as a separate suit, then merged with an ongoing suit filed by the Louisiana Municipal Police and the New Orleans Employees' Retirement System. The case was open for discussion.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved adding “Chesapeake Energy Corporation” to the agenda.

ON MOTION BY MS. LANDRY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved proceeding with litigation concerning Chesapeake Energy Corporation.

There was no other business to discuss under Legislation/Legal.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved changing the order of the agenda to allow for Item VII, Educational Presentation on “Opportunities and the Current Credit Markets”, before continuing with the items under Investments.

EDUCATIONAL PRESENTATION ON “OPPORTUNITIES AND THE CURRENT CREDIT MARKETS”

Dory A. Wiley – President & Chief Executive Officer, Commerce Street Capital, LLC
Joseph W. Harch – Portfolio Manager, Harch Capital Management, LLC
Tony Lyons – Broker Dealer, Beanpot Financial Services, Inc.

Mr. Wiley, Mr. Harch, and Mr. Lyons presented a one hour educational presentation on “Opportunities and the Current Credit Markets”.

Mr. Wilmer announced that he would be unable to attend the afternoon session of the board meeting due to a scheduled meeting at the State Capitol. He noted that Mr. Bujol and Mr. Ponder would also be attending this meeting.

Mr. Wilmer, Mr. Bujol, and Mr. Ponder left the meeting at 12:03 p.m.

Mr. Faulk, Vice-Chairman of the Board, presided as Chairman for the remainder of the meeting.

INVESTMENTS

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board approved changing the order of the Investments agenda to allow for the Report/Recommendations of the April 6, 2009 Investment Committee meeting before continuing with the other items under Investments.

Report/Recommendations of April 6, 2009 Investment Committee

Mr. Brosnan provided a brief review of the following items that were approved by the Investment Committee during its April 6, 2009 meeting:

Staff Reports

Staff Reports included the Securities Lending, Louisiana Broker, Commission Recapture, and Securities Litigation Reports.

ON MOTION BY MR. RESTER, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Staff Reports.

Establishment of Tactical Allocation to Opportunistic/Distressed Debt and Transfer of Selected Securities into the Portfolio

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the establishment of tactical allocation to Opportunistic/Distressed Debt and the transfer of selected securities into the portfolio.

Granting Waiver of "Investment Grade" Requirements for the Opportunistic/Distressed Debt Portfolio

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved granting a waiver of "Investment Grade" requirements for the Opportunistic/Distressed Debt Portfolio.

Approval of Investment Committee Meeting Minutes

March 9, 2009

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the March 9, 2009 Investment Committee meeting.

April 6, 2009

ON MOTION BY MR. WALTHER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the April 6, 2009 Investment Committee meeting.

Trading Compliance Reports

Mr. Brosnan provided the following reports on investment managers scheduled for presentations on Tuesday, May 12, 2009:

Walter Scott & Partners, Ltd.

Walter Scott & Partners, Ltd. exceeded their 25% target by directing 33.76% of total trades through Lynch, Jones & Ryan. It was noted that Walter Scott & Partners, Ltd., as an International manager, is not subject to trading statutes with Louisiana Brokers and Louisiana Inc. and Domiciled Brokers. Total trading through Louisiana Brokers was 33.23% and no trades were directed through Louisiana, Inc. and Domiciled Brokers.

Thornburg Investment Management

Thornburg Investment Management, a commingled fund, is not subject to the trading compliance guidelines.

C.S. McKee Investment Managers

C.S. McKee Investment Managers fell short of their 25% target with 24.18% of total trades directed through Lynch, Jones & Ryan. No trades were directed through Louisiana Brokers. Total trading through Louisiana, Inc. and Domiciled Brokers was 21.03%, which exceeded their 10% minimum trading requirement.

ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Trading Compliance Reports.

Investment Report

Mr. Brosnan noted that the Investment Report (Book II) on day-to-day investment transactions for the period January 1, 2009 through March 31, 2009 was available for review.

ON MOTION BY MS. CRAIN, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Investment Report.

Securities Lending Report

Mr. Brosnan provided the securities lending report. A handout on the “Update on Securities Lending ‘Staged Withdrawal’ ” was also provided and reviewed in detail. Mr. Brosnan then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Securities Lending Report.

Quarterly Evaluation of Investment Consultant

Mr. Brosnan presented the quarterly evaluation of the Investment Consultant, which reflected an improvement in communication. He noted that extensive discussions have been held on the pros and cons of establishing the Opportunistic/Distressed Debt portfolio, as well as discussions on assets for the portfolio. It was also noted that the format of the *Analysis of Investment Performance* booklets has been changed and will be presented to the Board on Tuesday, May 12, 2009.

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Quarterly Evaluation of Investment Consultant report.

Consideration for Approval of Revised Investment Policy

Mr. Brosnan provided a detailed review of revisions to the investment policy found on pages 90 – 97 of the board booklet and then addressed questions from the Board.

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board approved revisions to the Investment Policy.

Other Business

There was no other business to discuss under Investments.

PUBLIC COMMENT

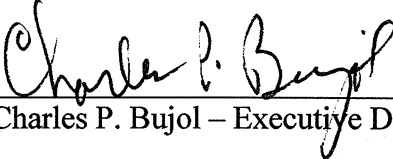
There were no public comments.

OTHER BUSINESS


Mr. Davis provided a brief review of amendments to HB1, which may prohibit merit increases for classified and unclassified employees for Fiscal Year 2009-2010.

There was no other business to discuss.

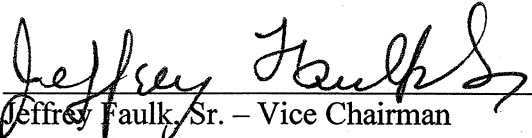
ON MOTION BY MS. MCKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 12:56 P.m.



Charles P. Bujol – Executive Director



Larry Wilmer – Chairman



Jeffrey Faulk, Sr. – Vice Chairman