

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

**Monday, May 17, 2010
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., *Mr. Randy Davis – designee for Mr. Jay Dardenne – Secretary of State

Members Absent: *Mr. John Kennedy – State Treasurer, Senator D. A. “Butch” Gautreaux – Chairman of the Senate Committee on Retirement, Representative J. Kevin Pearson – Chairman of the House Committee on Retirement

Staff Present: *Mr. Charles P. Bujol - Executive Director, Ms. Carolyn Forbes - Assistant Director, *Mr. Warren D. Ponder - Executive Counsel, Mr. Brendan Brosnan - Chief Investment Officer, Mr. Jerry Rhodus - Investment Officer 2, *Mr. Jack Allen – Information Technology Director, Ms. Jennifer Champagne - Administrative Assistant 6 (Recording Secretary)

Also Present: Mr. Richard Ranallo – Segal Advisors

* Mr. Ponder noted that Mr. Henson would not be attending due to legislative matters
Mr. Davis arrived at 9:08 a.m.
Mr. Bujol and Mr. Ponder left at 11:48 a.m. to attend a Senate Committee on Retirement meeting
Ms. Crain and Mr. Rester left at 1:16 p.m. to attend a legislative meeting
Mr. Allen was present for introduction only and left at 9:06 a.m.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

The Senate Committee on Retirement will be meeting at 12:30 p.m. this afternoon. A brief synopsis of legislation scheduled for the committee meeting was provided.

Updates to LSERS Board of Trustees manual have been provided.

Ms. Forbes introduced Mr. Jack Allen as LSERS' new IT Director and then provided background information on his education and work experience. Mr. Allen was given the opportunity to address the board.

Mr. Allen left the meeting at 9:06 a.m.

Ms. Forbes noted the following changes regarding board booklets:

Board packets will be mailed via regular mail to reduce costs.

Retirement reports were condensed and placed in the board booklet, eliminating a separate retirement booklet.

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, and Mr. Jeffrey Faulk, Sr. **voted affirmatively** to approve the agenda.

Mr. Davis arrived at 9:08 a.m.

MANAGER PERFORMANCE REVIEW

Mr. Ranallo provided a brief review of the overall performance of the portfolio and a projected outlook based on current asset allocations and market conditions. He continued with an analysis of investment performance through March 31, 2010, which included a detailed review of financial market conditions, asset allocations, and investment manager performance.

Mr. Ranallo then addressed questions from the Board and LSERS' administrative staff.

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Manager Performance Review.

NOTICE OF ANALYTIC INVESTORS AND AXA ROSENBERG PORTFOLIO MANAGER CHANGES

Mr. Brosnan informed the Board of three letters he received in reference to portfolio manager changes. A review of each letter was provided.

Mark Osterkamp, of Analytic Investors, notified him that Steve Sapra had resigned from his role as portfolio manager of their equity team. It was noted that this should be addressed during their presentation today and monitored by Investment staff.

Stéphane Prunet and William Ricks, of AXA Rosenberg, notified him that a problem with the risk model was not reported to their management. It was noted that two major changes have occurred within the company. Mr. Barr Rosenberg has been placed on a 30-day leave of absence and Mr. Thomas Mead will be resigning as Director of the Research Center within one year. Discussion was held on these changes, specifically the impact on LSERS' portfolio and concerns on how this was handled.

Jamie Dorrien-Smith, of Schroder Investment Management North America, Inc., notified him that Dave Baldt, a former employee of Schrodgers, was charged by the Securities and Exchange Commission (SEC) for violations of the federal securities laws. It was noted that this was a result of Schrodgers' internal controls and investigation, which was reported to the SEC.

ON MOTION BY MR. WALTHER, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Notice of Analytic Investors and AXA Rosenberg Portfolio Manager Changes.

INVESTMENT MANAGER REPORTS

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS' administrative staff:

Principal Global Investors

Darren Kleis – Director, Portfolio Management

Prudential Real Estate Investors

James T. Murphy – Principal

Joanna Mulford – Principal

AXA Rosenberg Investment Management Co.

William E. Ricks, Ph.D. – Americas Chief Investment Officer

Feng Ding, CFA – Portfolio Manager – US

The Board continued with the agenda while awaiting the arrival of Analytic Investors for the fourth Investment Manager presentation.

Mr. Bujol reminded the Board that the Senate Committee on Retirement meeting was scheduled for 12:30 p.m. Consensus of the Board was to discuss legislation relevant to the committee meeting before continuing with the next agenda item.

ON MOTION BY MR. FAULK, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board added SB 632, also known as the Permanent Benefit Increase (PBI) bill, to the agenda.

SB 632 - PBI BILL

Mr. Bujol distributed a handout of an e-mail that Senator D.A. “Butch” Gautreaux sent to the Directors of the four retirement systems: Teachers Retirement System of Louisiana (TRSL), Louisiana State Employees’ Retirement System (LASERS), Louisiana State Police Retirement System (LSPRS), and Louisiana School Employees’ Retirement System (LSERS). A summary of SB 632 was provided, followed by a review of what occurred leading up to this e-mail. Mr. Bujol then read the response he submitted to Senator Gautreaux.

Discussion was held on SB 632 and its affect on the members of the system.

ON MOTION BY MR. FAULK, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board adopted Mr. Bujol’s response to Senator Gautreaux.

Mr. Bujol and Mr. Ponder left the meeting at 11:48 a.m.

INVESTMENT MANAGER REPORTS

The following Investment Managers provided their presentations and then addressed questions from the Board, its Investment Consultants, and LSERS’ administrative staff:

Analytic Investors

Mark D. Osterkamp – Director, Marketing & Client Services
Dennis M. Bein, CFA – Chief Investment Officer

SMALL CAP GROWTH SEARCH – SEMI-FINALISTS REPORT AND SELECTION OF FINALISTS

Mr. Brosnan provided a detailed review of a handout on the Small Cap Growth Search, which included the process used to select firms as finalists for this search. It was noted that of the 29 firms returning completed RFP's Mr. Brosnan and Mr. Hazen conducted independent in-depth reviews on 22 of these firms. A comparison of both reviews yielded a list of 11 firms on Mr. Brosnan's list, 7 of which were also on Mr. Hazen's list. A copy of Mr. Hazen's analysis of each of the 29 firms was also provided in a handout.

Mr. Brosnan recommended that he and Mr. Hazen reconcile the list of the remaining 11 firms and select 4 firms for presentations at the June 14, 2010 Investment Committee meeting.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved Mr. Brosnan's recommendation on selecting 4 firms as finalists in the Small Cap Growth Search for presentation at the June 14, 2010 Investment Committee meeting.

DISCUSSION OF PORTFOLIO RESTRUCTURE

Mr. Brosnan reviewed a memo on *Portfolio Restructure* located on page 7 of the booklet. He provided a brief review of the portfolio and the various asset allocations that could be used to restructure the portfolio. Mr. Brosnan requested the Board's approval for moving forward with establishing an "opportunistic bucket", which could have a maximum allocation of 6% or about \$75 million. An extensive discussion was held, specifically on hedge funds.

Ms. Crain and Mr. Rester left the meeting at 1:17 p.m.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved moving forward with the "opportunistic" portfolio.

INVESTMENT REPORTS

Commission Recapture Reports

Mr. Rhodus provided the following reports on Commission Recapture for the reporting period of January 1, 2010 through February 28, 2010:

Equity Managers

Overall commissions to Lynch, Jones & Ryan were under the 25% target with total commissions of 9%. A detailed review was provided.

Fixed Income Managers

Overall commissions to Lynch, Jones & Ryan were under the 35% target with total commissions of 1.34%. A detailed review was provided.

Mr. Rhodus provided a detailed summary of total commissions for the same reporting period and then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Commission Recapture Reports as read.

Trading Compliance Reports

Mr. Rhodus noted that a trading compliance report was not needed for the four managers that presented at today's meeting, as they are comingled accounts and are not required to comply with the trading guidelines.

ON MOTION BY MS. MCKEE, SECONDED BY MR. FAULK AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Trading Compliance Report as read.

Investment Report

Mr. Brosnan noted that the Investment Report (Book II) on day-to-day investment transactions for the reporting period of January 1, 2010 through March 31, 2010 was available for review.

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

Securities Lending Report

Mr. Brosnan provided the securities lending report and then addressed questions from the Board.

ON MOTION BY MS. MCKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the Securities Lending Report as read.

Discussion was held on changing the time for the meeting scheduled on Tuesday, May 18, 2010, to 9:00 a.m.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved changing the meeting time to 9:00 a.m.

Other Business

There was no other business to discuss under Investment Reports.

DISCUSSION OF POTENTIAL CUSTODIAN SEARCH

Mr. Brosnan asked the Board for consideration of conducting an Invitation Only custodian search, requesting bids from three potential custodians. The requests would be mailed after the fiscal year end.

ON MOTION BY MR. FAULK, SECONDED BY MS. MCKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved Mr. Brosnan's request to conduct a custodian search.

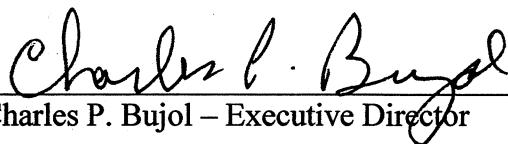
PUBLIC COMMENT

There were no public comments.

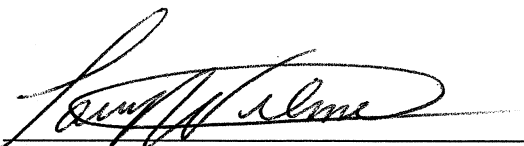
OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MR. FAULK, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 1:28 p.m.



Charles P. Bujol – Executive Director



Larry Wilmer – Chairman