

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

**Monday, May 7, 2007
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. Jeffrey Faulk, Sr., Vice 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. Jeffrey Faulk, Sr. – Vice Chairman, Ms. Betty Crain, Mr. Eugene Rester, Jr., Ms. Kathy Landry, Mr. Earl Richard, Jr., Ms. Judith McKee, Ms. Lori Pierce, designee for Mr. John Kennedy – State Treasurer, Mr. Randy Davis, designee for Mr. Jay Dardenne – Secretary of State

Members Absent: Mr. Larry Wilmer – Chairman, Representative Pete Schneider – Chairman of the House Retirement Committee, Senator D.A. “Butch” Gautreaux – Chairman of the Senate Retirement Committee

Staff Present: Mr. Charles P. Bujol – Executive Director, Ms. Debra Dudley – Assistant Director, Mr. Brendan Brosnan – Chief Investment Officer, Mr. Warren Ponder – Executive Counsel, Ms. Josie Meche – Investment Manager 1, Ms. Jennifer Champagne – Administrative Assistant 5, Ms. Linda Smith (for presentation only)

Also Present: *Mr. Charles Hall – Hall Actuarial Associates, Ms. Kathy Jarrell, Ms. Lori Haymon, Ms. Anita Harvey, Ms. Ruby Jolissaint, Mr. Ronald Babineaux, Ms. Rosemary Knight, Mr. Zeke Zitzmann

*Mr. Charles Hall arrived at 9:16 a.m.

ANNOUNCEMENTS

Mr. Bujol made the following announcements:

Individual reports of Trustee Educational Requirements have been placed in each Board member's folder for review. Any discrepancies are to be reported to Ms. Champagne for correction.

Ms. Lori Pierce has completed her MBA through Southeastern University and will be receiving her degree on Saturday, May 12, 2007. Ms. Pierce was commended on her accomplishment in attending school while working full time and congratulated on her achievement.

BOARD MINUTES

ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the Board approved the minutes of the February 12, 2007 Regular Board Meeting.

ON MOTION BY MS. CRAIN, SECONDED BY MS. MCKEE AND CARRIED, the Board approved the minutes of the February 13, 2007 Regular Board Meeting.

ON MOTION BY MS. CRAIN, SECONDED BY MS. LANDRY AND CARRIED, the Board approved the minutes of the March 12, 2007 Special Board Meeting.

RETIREMENT REPORTS (BOOK I)

Ms. Dudley presented the Retirement Reports Booklet (Book I). She noted that although the retirement reports were placed in a separate booklet the same information was being provided as in previous reports. Discussion was held and consensus of the Board was to approve the retirement reports as a booklet instead of as individual reports.

ON MOTION BY MS. MCKEE, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the Retirement Reports (Book I) for the First Quarter 2007 (January 1, 2007 through March 31, 2007).

OTHER BUSINESS

There was no other business to discuss under Retirement Reports.

PERSONNEL

PERSONNEL ACTIONS REPORT: FIRST QUARTER 2007 (JANUARY 1, 2007 THROUGH MARCH 31, 2007)

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

Ms. McKee asked for an explanation of the new position in the Legal Department.

Mr. Ponder noted that the new position is a temporary unclassified civil service position. His secretary retired on April 15, 2007 with 33 years of service and is assisting in the transition of the new secretary by working on elections and document retention, duties that were added to the Legal Department from the Informations Director 1 position. He also noted that as a rehired retiree her earnings are limited, but that she would be earning her regular salary along with her retirement check.

Ms. McKee requested that all costs associated with this new position be included in the Informations Director 1 position report that will be submitted to the Board, as this was not included in the last report.

Discussion was held on the employees who absorbed the duties of the Informations Director 1 position, whether they were being compensated, and the amount of compensation they could receive.

Ms. Landry asked for clarification on the duration of the new unclassified position in the Legal Department. Mr. Bujol and Ms. Dudley noted that the position would be effective for only six months.

Mr. Richard asked whether the Informations Director 1 position, if abolished at the end of the trial period, could be reinstated if the need arises. Mr. Bujol provided a brief review of the civil service process for justifying and requesting reinstatement of positions through civil service.

Ms. Pierce made a motion that documentation be compiled and a request submitted to the Department of State Civil Service for a 10% increase for the employees absorbing the duties. Discussion was held and consensus of the Board was to table this item for discussion at the August 2007 Regular Board meeting. Ms. Pierce withdrew her motion due to lack of a second.

Ms. Landry reiterated that a complete report on the Informations Director 1 position would be required for review at the August meeting. This report would include all expenses for contracted work for the website and newsletter, projected costs for providing 5% and 10% increases to the two employees absorbing the duties, the cost of the unclassified position in the Legal Department for the six month period, and any other costs associated with this position.

ON MOTION BY MS. LANDRY, SECONDED BY MS. MCKEE AND CARRIED, the Board accepted the Personnel Actions Report.

Mr. Faulk noted that the Spring 2007 Newsletter was one of the best newsletters published and that it was very informative and colorful. He commended everyone involved in the publication of the Spring 2007 Newsletter.

APPROVAL OF MINUTES OF APRIL 16, 2007 PERSONNEL COMMITTEE MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the April 16, 2007 Personnel Committee Meeting.

REPORT/RECOMMENDATIONS OF THE PERSONNEL COMMITTEE

Mr. Richard, Chairman of the Personnel Committee, presented the report and provided recommendations made by the Personnel Committee during its meeting held on April 16, 2007. Recommendations included 1) whether merit increases would be considered on an individual basis or as a group and 2) approval of 4% merit increases for Mr. Bujol, Ms. Dudley, Mr. Ponder, and Mr. Brosnan.

Ms. McKee made a motion, seconded by Ms. Landry, for the Board to go into executive session.

Mr. Bujol noted that the motion would have to specify the reason for going into executive session. Mr. Bujol and Mr. Ponder reviewed provisions that would allow the Board to go into executive session.

Ms. McKee withdrew her motion and Ms. Landry withdrew her second.

Ms. Landry made a motion, seconded by Mr. Richard, for the Board to vote separately on merit increases.

PUBLIC COMMENT:

Prior to discussion on this matter public comment was allowed. The following individuals were recognized: Ms. Lori Haymon (Vernon Parish), Ms. Anita Harvey (Vernon Parish), Ms. Kathy Jarrell (Vernon Parish), Ms. Ruby Jolissaint, and Mr. Ronald Babineaux (New Iberia).

Mr. Ronald Babineaux requested a brief review of what the Board was voting on.

RESPONSE BY THE BOARD:

Mr. Richard provided a review of the recommendations of the Personnel Committee and his reasons for supporting merit increases for the four unclassified employees.

PUBLIC COMMENT:

Mr. Babineaux, in representing the retirees from Iberia Parish, questioned why unclassified employees were receiving merit increases when retirees are unable to receive a cost of living adjustment (COLA). He also expressed concern that retirees of the Teachers' organization received a COLA and twice as much on the DROP, in addition to dental and vision coverage being paid by the retirement system.

RESPONSE BY THE BOARD:

Discussion was held and it was noted that the benefits referenced may have been paid by the school board, as retirement systems do not participate in health care for the retirees.

Mr. Richard again reiterated his reasons for supporting the merit increases.

Mr. Bujol responded to Mr. Babineaux's question regarding why Teachers' Retirement System of Louisiana (TRSL) could provide a COLA to its retirees and LSERS could not. He noted that TRSL has an experience account, which LSERS does not have, and that a bill requesting an experience account exactly like TRSL was going to be presented to the House Retirement Committee. It was also noted that LSERS' employees could not lobby the legislature in favor of this legislation and the importance of legislators hearing from their constituents was stressed.

Discussion was held on the importance of this piece of legislation and its impact on LSERS Board of Trustees' ability to provide a COLA in the future. It was noted that the last COLA granted to retirees was in 2002 and prior to that a COLA was granted to retirees for approximately 15 straight years. It was only after 9/11 that the Board was unable to meet the criteria for granting a COLA under current law. Over the past two years LSERS Board of Trustees and staff have been attempting to have legislation on creating an experience account passed by the legislature.

Discussion was held on the experience account and how it would affect future cost of living adjustments if this legislation was passed.

PUBLIC COMMENT:

Ms. Kathy Jarrell noted that as a board member representing the Louisiana School Bus Operators Association (LSBOA) she was concerned over the elimination of the Information Director 1 position to save money while granting 4% merit increases. She also expressed concern and objection to merit increases when retirees are unable to receive a COLA.

Ms. Ruby Jolissaint, a retired bus driver from East Baton Rouge Parish, noted that she had received quite a few calls from retirees asking her why they could not receive a COLA. She asked the Board to consider their concerns and voiced her support in urging retirees to speak to their representative and testify before the retirement committees on HB 658.

Mr. Bujol asked the Board to reconsider including Mr. Brosnan for a merit increase and if granted, have his increase effective on his anniversary date of November 1, 2007. He noted that Mr. Brosnan has done an excellent job in the short time he has been employed at LSERS.

Further discussion was held on voting for merit increases on an individual basis versus voting for increases on all four unclassified employees as a group. Mr. Faulk requested a roll call vote.

Further discussion on Mr. Bujol's request was held and **Mr. Richard withdrew his second. Ms. Landry declined to withdraw her motion** to vote separately on merit increases and the motion failed due to lack of a second.

Discussion was held on voting for merit increases on all four (4) unclassified employees as a package, with the understanding that Mr. Brosnan's increase would be effective November 1, 2007. Mr. Faulk requested a roll call vote.

Ms. Crain made a motion, seconded by Mr. Rester, to vote for merit increases on all four (4) unclassified employees as a package, with the understanding that Mr. Brendan Brosnan would get his merit increase, if approved, on his one year anniversary date of November 1, 2007.

Mr. Ponder restated the motion as "Package deal for the four (4) unclassified employees to receive a 4% merit increase with the stipulation that Mr. Brendan Brosnan's raise would be effective November 1, 2007 with the other three employees' increases being effective July 1, 2007".

ON MOTION BY MS. CRAIN, SECONDED BY MR. RESTER AND CARRIED, the Board approved voting for merit increases on all four (4) unclassified employees as restated by Mr. Ponder. **Ms. Landry voted nay.**

A roll call vote was called by Mr. Faulk on the above motion.

A roll call vote was taken, at which time Ms. Landry asked for clarification on the motion before voting. Mr. Ponder was asked to repeat the motion.

Ms. Crain withdrew her motion and stated that her original motion was to vote on a package deal, not on the actual raises. Ms. Crain restated her original motion for the record as "voting on a package deal for all four (4) unclassified employees".

A roll call vote was called on all motions concerning merit increases for unclassified employees.

Roll Call Vote #1

ON MOTION BY MS. CRAIN, SECONDED BY MR. RESTER, the Board voted on a package deal on all four (4) unclassified employees. Betty Crain – yes; Eugene Rester, Jr. – yes; Kathy Landry – no; Earl Richard, Jr. – yes; Judith McKee – yes; Jeffrey Faulk, Sr. – yes; Lori Pierce – yes; Randy Davis – yes. **YES – 7, NO – 1, ABSTAIN – 0, MOTION CARRIED.**

Roll Call Vote #2

ON MOTION BY MR. RICHARD, SECONDED BY MR. RESTER, the Board voted on the effective date of merit increases, if passed, for the four (4) unclassified employees: Mr. Brendan Brosnan would receive his increase on November 1, 2007 and Mr. Charles Bujol, Ms. Debra Dudley, and Mr. Warren Ponder would receive their increases on July 1, 2007. Betty Crain – yes; Eugene Rester, Jr. – yes; Kathy Landry – no; Earl Richard, Jr. – yes; Judith McKee – yes; Jeffrey Faulk, Sr. – yes; Lori Pierce – yes; Randy Davis – yes. **YES – 7, NO – 1, ABSTAIN – 0, MOTION CARRIED.**

Roll Call Vote #3

ON MOTION BY MR. RICHARD, SECONDED BY MR. RESTER, the Board voted on granting 4% merit increases for the four (4) unclassified employees to be effective on the dates as specified in roll call vote #2. Betty Crain – no; Eugene Rester, Jr. – yes; Kathy Landry – no; Earl Richard, Jr. – yes; Judith McKee – no; Jeffrey Faulk, Sr. – no; Lori Pierce – yes; Randy Davis – yes. **YES – 4, NO – 4, ABSTAIN – 0, MOTION FAILED.**

Ms. Landry qualified her vote by noting that she had heard from a lot of her constituents who opposed any raises for the unclassified employees, specifically an increase of 4%. She also noted that since Mr. Brosnan was a new employee his merit increase should not be considered until next year and she voted no across the board because it was for a package deal.

Ms. Landry made a motion to grant a 2% merit increase to Mr. Charles Bujol, Ms. Debra Dudley, and Mr. Warren Ponder. The motion failed due to lack of a second.

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board approved reconsideration of her motion for a 2% merit increase.

Ms. Landry made a motion, seconded by Mr. Richard, to approve a 2% merit increase for Mr. Charles Bujol, Ms. Debra Dudley, and Mr. Warren Ponder.

Public comment was allowed before a roll call vote was taken.

PUBLIC COMMENT:

Ms. Kathy Jarrell expressed her concern that two of the three members of LSERS Board of Trustees who are also members of the Louisiana School Bus Operators Association (LSBOA) could vote for merit increases when there were seven members they represent present and opposing raises.

RESPONSE BY THE BOARD:

Ms. Pierce noted the importance of hiring and retaining employees who can operate a complicated system such as LSERS and provide leadership that benefits members of the system.

Mr. Rester noted that he had spoken to his constituents and most of them had no problem with providing the raises.

Ms. Landry justified her vote by noting that the salaries of the unclassified employees are substantially lower than those of other systems comparable in size.

PUBLIC COMMENT:

Mr. Zitzmann expressed his concern and noted that members were also approaching him with opposition to granting merit increases.

Roll Call Vote #4

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD, the Board voted on granting 2% merit increases for Mr. Charles Bujol, Ms. Debra Dudley, and Mr. Warren Ponder effective July 1, 2007. Betty Crain – no; Eugene Rester, Jr. – yes; Kathy Landry – yes; Earl Richard, Jr. – yes; Judith McKee – no; Jeffrey Faulk, Sr. – no; Lori Pierce – yes; Randy Davis – yes. **YES – 5, NO – 3, ABSTAIN – 0, MOTION CARRIED.**

Mr. Faulk qualified his vote by noting that he was against eliminating one employee out of the four employees.

OTHER BUSINESS

There was no other business under Personnel.

ADMINISTRATION

STAFF DEVELOPMENT TRAVEL EXPENSES REPORT: FIRST QUARTER 2007 (JANUARY 1, 2007 – MARCH 31, 2007)

Ms. Dudley presented the report on travel expenses incurred by staff members and addressed questions from the Board. Members of the Board commented on recent seminars and training provided by Ms. Galloway and Ms. Dudley and noted that they were informative and productive. Ms. Dudley noted that individual counseling is also conducted during these seminars.

ON MOTION BY MS. LANDRY, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Staff Development Travel Expenses Report.

STAFF OVERTIME REPORTS: FIRST QUARTER 2007 (JANUARY 1, 2007 – MARCH 31, 2007)

Ms. Dudley presented the reports on employees who earned overtime. The first report reflected compensatory time earned and the second report reflected overtime paid. Ms. Dudley noted that the overtime earned by employees in the MIS Department reflected time worked due to the conversion of the HP system to the IBM system that occurred on March 30, 2007. Ms. Dudley then addressed questions from the Board.

ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the Board accepted the Staff Overtime Reports.

STATUS REPORT ON CURRENT ELECTIONS

Mr. Ponder noted that Mr. Philip Walther, of Kenner, Louisiana, requested a nominating petition for the Active Member District 1 seat election.

Mr. Ponder also noted that he would like to propose a change in the election policy for consideration by the Board at its August 2007 Regular Board meeting. This change would involve announcement of next year's election results and provide for all future announcements at the third quarter meeting. This would allow the elected Board member to attend the LAPERS Conference and obtain the required educational certification prior to taking office in January of the term year.

ON MOTION BY MR. RICHARD, SECONDED BY MS. CRAIN AND CARRIED, the Board accepted the Status Report on Current Elections.

STATUS REPORT ON RECORDS IMAGING

Ms. Linda Smith, supervisor of the IT Department, provided a handout to all Board members. She noted that the project was on target and provided a detailed status report on records imaging. This included folder information, number of folders imaged per day, what is involved in imaging documents, a timeline for completing the project, plans for increasing productivity, other imaging projects, and the future of imaging. Ms. Smith then addressed questions from the Board.

When asked for a projection on the number of staff needed to maintain imaging of files Ms. Smith noted that the one full time employee currently on staff would be able to maintain the files after the project has been completed.

REPORT ON JOINT LEGISLATIVE COMMITTEE ON THE BUDGET MEETING

Ms. Dudley reported that LSERS' 2007-08 budget was presented to the Joint Legislative Committee on the Budget and approved in a meeting held on April 20, 2007.

Mr. Davis requested that LSERS' administrative staff provide a report on ways that costs of the merit increases provided today could be absorbed by reducing other costs in the budget over the next fiscal year.

OTHER BUSINESS

There was no other business to discuss under Administration.

LEGISLATION

STATUS REPORT ON 2007 LOUISIANA LEGISLATIVE SESSION

Updated information on HB 658, which creates an experience account for LSERS and State Police, was disseminated to Board members. Mr. Bujol provided a review on how HB 658 affects LSERS Board of Trustees' ability to grant future cost of living adjustments to retirees and stressed the importance of legislators hearing from their constituents. Contact information on members of the House Retirement Committee was also included in the handout.

Mr. Ponder then provided a review of three bills located in the 2007 proposed legislation booklet, which included SB 60, HB 808, and SB 127. He also reviewed HB 864, which is a bill regarding investments in "Prohibited Nations".

LEGAL

Mr. Ponder provided the following reports:

CURRENT SECURITIES LITIGATION

There was nothing new to report on securities litigation.

COLLECTIONS

Mr. Ponder informed the Board that collection letters will be initiated by the Accounting Department and collections will also be handled by that department. The Legal Department will become involved only if legal action is required.

INVESTMENTS

APPROVAL OF MINUTES OF MARCH 12, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. CRAIN, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the March 12, 2007 Investment Committee meeting.

APPROVAL OF MINUTES OF APRIL 16, 2007 INVESTMENT COMMITTEE MEETING

ON MOTION BY MS. LANDRY, SECONDED BY MR. RICHARD AND CARRIED, the Board approved the minutes of the April 16, 2007 Investment Committee meeting.

MANAGER COMPLIANCE WITH LSERS' TRADING REQUIREMENTS

Mr. Brosnan noted that the two investment managers being reviewed during this quarterly meeting were real estate managers. Since these managers do not trade securities there were no commissions paid by them to brokers and no report for this meeting.

INVESTMENT REPORT BY STAFF – FIRST QUARTER 2007 (JANUARY 1, 2007 – MARCH 31, 2007) (BOOK II)

Mr. Brosnan presented the Investment Reports on all investment transactions from January 1, 2007 through March 31, 2007.

DISCUSSION OF LONG/SHORT STRATEGY

Mr. Brosnan noted that the long/short strategy was brought up as a possible investment in an educational presentation at the April 16, 2007 Investment Committee meeting. He then provided a detailed review of a proposed investment allocation to 130/30 (Long/Short) Strategies for consideration by the Board.

OTHER BUSINESS

Mr. Bujol reviewed a letter from Mr. Charles Hall regarding renewal of his actuarial contract with LSERS, which expires on June 30, 2007.

ON MOTION BY MS. MCKEE, SECONDED BY MS. PIERCE AND CARRIED, the Board renewed Mr. Charles Hall's contract for the next two years.

There was no other business to discuss under Investments.

PUBLIC COMMENT

There were no public comments.

OTHER BUSINESS

There was no other business to discuss.

ON MOTION BY MS. CRAIN, SECONDED BY MS. LANDRY AND CARRIED, the Board adjourned at 11:39 a.m.



Charles P. Bujol – Executive Director



Jeffrey Faulk, Sr. – Vice Chairman