

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

**Monday, November 22, 2004  
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's Building located at 8660 United Plaza Blvd., Baton Rouge, LA. Mr. Joe Seymour, Chairman of the Board, opened the meeting at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called.

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**Members Present:** Mr. Joe Seymour - Chairman, Ms. Betty Crain, Ms. Betty Jacobs, Ms. Sylvia Myers, Mr. Earl Richard, Jr., Mr. Larry Wilmer, Mr. Jeffrey Faulk, Ms. Lori Pierce - State Treasurer's Office, Mr. Ty Larkins - Secretary of State's Office

**Members Absent:** Representative Pete Schneider - Chairman, House Retirement Committee, Senator Lambert Boissiere, Jr. - Chairman, Senate Retirement Committee, John Kennedy - State Treasurer, Fox McKeithen - Secretary of State

**Staff Present:** Mr. Patrick Cospers - Director, Ms. Debra Dudley - Assistant Director, Ms. Julia LeBlanc - Chief Investment Officer, Mr. Randall Roche - General Counsel, Mr. Warren Ponder - General Counsel, Ms. Judy Wright - Public Information Director1, Ms. Jennifer Champagne - Executive Services Assistant

**Also Present:** Mr. Richard Ranallo - Segal Advisors, Inc., Mr. Charles Hall - Hall Actuarial Associates, Ms. Judith McKee, Mr. Otis McKee, Ms. Ruby Jolissaint

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## **ANNOUNCEMENTS**

Mr. Seymour announced that ballots for the 3<sup>rd</sup> Retirement District seat on the Board of Trustees were being counted in the second floor conference room and an announcement of the results would be made as soon as they were verified.

Mr. Seymour announced that presentation of plaques would take place at 8:30 a.m. tomorrow.

## **BOARD MINUTES**

**ON MOTION OF MR. WILMER, SECONDED BY MR. RICHARD AND CARRIED**, the Board approved the minutes of the August 9, 2004 Regular Board Meeting.

**ON MOTION OF MR. FAULK, SECONDED BY MR. WILMER AND CARRIED**, the Board approved the minutes of the August 10, 2004 Regular Board Meeting.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved the minutes of the September 20, 2004 Personnel Committee Meeting.

Ms. Dudley noted a correction on page 25 that needed to be reflected in the minutes of the October 11, 2004 Special Board Meeting. Under "Provision for Amendment to LSERS 2005-2006 Building Operation Budget" the estimated cost for renovations should be \$15,000 instead of \$1,500.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved, with corrections, the minutes of the October 11, 2004 Special Board Meeting.

## **RETIREMENT REPORTS - JULY 1, 2004 THROUGH SEPTEMBER 30, 2004**

Mr. Cosper informed the Board that there were corrections made to all of the retirement reports after the board books were mailed to the Board members. A corrected copy of all reports was distributed.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved, with corrections, the Service Retirement Reports from July 1, 2004 through September 30, 2004.

**ON MOTION OF MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED**, the Board approved, with corrections, the Disability Retirement Reports from July 1, 2004 through September 30, 2004.

**ON MOTION OF MR. FAULK, SECONDED BY MS. JACOBS AND CARRIED**, the Board approved, with corrections, the Survivors Benefits Reports from July 1, 2004 through September 30, 2004.

## **RETIREMENT REPORTS - JULY 1, 2004 THROUGH SEPTEMBER 30, 2004 (CONT'D)**

**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved, with corrections, the DROP Deposits Reports from July 1, 2004 through September 30, 2004.

## **ANNUAL REPORTS**

### **REPORT BY DUPLANTIER, HRAPMANN, HOGAN, AND MAHER - YEAR END - JUNE 30, 2004**

The report by Duplantier, Hrapmann, Hogan and Maher, Certified Public Accountants, was given by Ms. Michelle Cunningham and Mr. Bill Stamm.

Ms. Cunningham provided an overview of the report, which included a letter from the firm, the actual report of the System's financial statement, footnotes, supplementary schedules, and management's discussion and analysis. The letter reported the financial statements audited, the standards on which they were audited, and the auditors' opinion. Louisiana School Employees' Retirement System received the highest and cleanest opinion that can be obtained in an audit.

Auditing procedures were performed on the System's basic financial statements and footnotes, as well as required supplementary schedules included in the report. Since the System is a governmental entity, governmental auditing standards were also applied to the regular auditing standards, which required review of internal controls and a test of laws and regulations that have a direct material affect on the financial statements. A report issued on compliance with the auditing and testing of the laws and regulations was included in the back of the report to be read in conjunction with the financial statements.

Review of management's discussion and analysis provided an overview of the System's financial statements. The statement of planned net assets and changes in planned net assets were compared from one year to the next. Changes in planned net assets and percentage change, a breakdown of investments by type, and footnotes to the financial statements provided more detailed information regarding the financial statements and certain types of risks on investments, custodial credit risk, foreign currency risks, and interest rate risk, types of bonds, and maturity of bonds.

Review of required supplementary information obtained from the Actuarial Report included the System's actual value of assets, actual accrued liability, and any surplus or underfunding. Ms. Cunningham reported that the System's actual value of assets was \$1.3 billion dollars, actual accrued was \$1.8 billion dollars, so it is underfunded by \$439 million dollars. The funded ratio is 75.8 %.

### **REPORT BY DUPLANTIER, HRAPMANN, HOGAN, AND MAHER - YEAR END - JUNE 30, 2004 (CONT'D)**

Ms. Cunningham reviewed the employer credit account and schedule of per diems for the previous two years. She went over a detailed list of every investment that was held by the System, the fair value of that investment, the number of shares and cost value and noted that every investment owned by LSERS through June 30, 2004 was reported.

Ms. Cunningham reviewed the schedule of administrative expenses for 2004 and reported on internal controls and compliance with the laws and regulations. She noted that Duplantier, Hrapmann, Hogan, and Maher did not find any noncompliance with laws and regulations or had any issues or reportable conditions with the internal control.

Mr. Cospers expressed his appreciation to the staff of Duplantier, Hrapmann, Hogan, and Maher for minimizing disruption to LSERS staff. He also expressed his appreciation for the six years they have conducted the audits, their working relationship, and the fine job they have done over the years.

Mr. Cospers informed the Board that the Legislative Auditor will be placing the contract for independent auditors out for bid this year.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. WILMER AND CARRIED,** the Board accepted the System's Financial Report for the year ending June 30, 2004 from Duplantier, Hrapmann, Hogan, and Maher.

#### **REPORT BY CHARLES HALL - HALL ACTUARIAL - YEAR END - JUNE 30, 2004**

Mr. Hall provided an overview of his report, which included a letter reporting the results of the actuarial valuation of assets and liabilities, funding requirements, and supporting exhibits. He noted that the actuarial valuation was dependent upon the data received from staff with regards to membership statistics, as well as accounting information received from Duplantier, Hrapmann, Hogan, & Maher. He also noted that the valuation was done in accordance with Louisiana Revised Statutes under Title 11 Section 22 (5), which specifically states how the valuation is performed relative to the School Employees' Retirement System.

The number of retiree members increased significantly from 10,068 to 10,773, which was due in part to the normal attrition of retirees, but also because of privatization of the East Baton Rouge Parish School System, which enticed a large number of <sup>1</sup>school support personnel to retire earlier than they would have normally retired. The number of active participants declined from 14,486 to 14,212 and the number of DROP participants remained fairly constant at 784 for the year ending June 30, 2004, compared to the previous two years of 792 in 2003 and 796 in 2002.

#### **REPORT BY CHARLES HALL - HALL ACTUARIAL - YEAR END - JUNE 30, 2004 (CONT'D)**

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<sup>1</sup> Board approved corrections at February 14, 2005 Regular Board Meeting.

Annual benefits increased from \$87 million dollars to \$92.5 million dollars, despite the fact that a COLA was not granted to the retirees. This increase was a result of new retirees coming into higher benefit levels and regular attrition of older retirees that had retired at much lower benefit levels.

Total payroll declined from \$268 million dollars to \$259 million dollars, which was again the result of privatization of East Baton Rouge Parish. Valuation assets remained relatively unchanged with a slight increase from \$1.37 billion dollars to \$1.38 billion dollars, which is a result of a market value rate of return of 12.05 %. Mr. Hall went on to explain the difference between an actuarial value and a market value rate and how this applies to the funding requirements of the system.

DROP participants that have completed DROP<sup>2</sup> will get 4.94% interest on their outstanding balance. The normal cost to fund the annual pension accruals was on average 18.67%, which was in line with what it was last year. The System's unfunded liability increased rather substantially from \$361 million dollars to \$439 million dollars and the funded percentage declined from 79% to 75.9%. As a result of the increase in unfunded liability and other factors the employer contribution rate for the current year was set at 17.4%. However, the projected rate for next year was set at 18.4%, which is substantially higher than what the employer is paying this year, which is 14.8%.

Mr. Hall reviewed the change in unfunded accrued liability and provided a gain/loss analysis. A discussion was held regarding this, which led to a discussion on Act 588, the employer contributions set by PERSAC, and how this affects funding of the System.

Mr. Hall reviewed two exhibits, one reflecting amortization of unfunded actuarial accrued liability prior to Act 588 of the 2004 Legislative Session and the other reflecting inclusion of a change in the amortization period in accordance with Act 588. He explained in detail how the inclusion of Act 588 affected the amortization schedule, which has a dramatic impact on funding and employer contribution rates. This also makes it more difficult for the System to meet its funding ratio target, which is one of the two criteria needed to grant cost of living raises.

A discussion was held on how this legislation affects granting COLA's. Mr. Hall went over the two criteria necessary in granting COLA's. The first criteria is excess interest earnings, which are earnings on an actuarial basis that exceed 7.5%. The second is that the System has to meet the funded ratio target. According to legislation, even though the System has excess interest earnings, COLA's cannot be granted because the System has not met the funded ratio target, which is a result of the change in the amortization schedule as indicated in Act 588 of the 2004 Legislative Session.

**REPORT BY CHARLES HALL - HALL ACTUARIAL - YEAR END - JUNE 30, 2004  
(CONT'D)**

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<sup>2</sup> Board approved corrections at February 14, 2005 Regular Board Meeting.

Further discussion was held on the legislative process, how employer contributions are set, the burden placed on the school boards, and how the Board could help rectify this matter to allow COLA's to be granted. It was noted that since LSERS was included in the original legislation that changed the amortization schedules, but was excluded from the experience account legislation provided for LASERS and TRSL, then LSERS could redraft legislation that would correct Act 588 and include LSERS in the original experience account legislation that was passed for TRSL and LASERS. By excluding LSERS from the original experience account legislation it made it even more difficult for LSERS to meet the funded ratio target, thereby making it impossible to grant COLA's.

Further discussion on redrafting legislation would be brought up during the presentation by Legal Counsel on proposed house bills.

**ON MOTION OF MR. WILMER, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted Mr. Charles Hall's Annual Actuarial Report for Year End June 30, 2004.

## **ADMINISTRATION**

### **DISCUSSION OF COLA S FOR RETIREES EFFECTIVE JANUARY 1, 2005**

Based on Mr. Charles Hall's actuarial report and the discussions that followed on the process for granting COLA's, it was noted that LSERS would not be allowed to grant COLA's effective January 1, 2005.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. MYERS AND CARRIED**, the Board accepted the fact that they were unable to grant COLA's effective January 1, 2005 based on the report by Mr. Hall.

### **DISCUSSION OF RETIRED MEMBER MR. LEONARD DUNBAR**

Mr. Leonard Dunbar addressed the Board concerning his claim for disability. He presented his case in a chronological fashion and indicated that he was dissatisfied with his being placed on early retirement as opposed to disability retirement. He claimed he was misled by the East Baton Rouge Parish School board. The Board declined to take any action upon advice of counsel, since Mr. Dunbar had cashed his<sup>3</sup> early retirement checks.

## **ELECTIONS**

Mr. Coper informed the Board that the ballots had been counted and verified. He introduced Ms. Judith McKee as the new board member for the 3<sup>rd</sup> Retirement District seat on the Board of Trustees effective January 1, 2005. The Board congratulated Ms. McKee and welcomed her.

### **DISCUSSION OF ADMINISTRATIVE APPOINTING AUTHORITY**

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<sup>3</sup> Board approved corrections at February 14, 2005 Regular Board Meeting.

Mr. Cospers informed the Board that the System has an appointing authority designated by the Board. That appointing authority is the Director of the System and is under the governing process of Civil Service when it deals with personnel matters. Since Civil Service only recognizes the Director's appointing authority LSERS staff is requesting that the Assistant Director, in the absence of the Director, be given appointing authority under certain circumstances.

**ON MOTION OF MR. FAULK, SECONDED BY MR. WILMER AND CARRIED,** the Board approved that the Assistant Director, in the absence of the Director, be given appointing authority under certain circumstances.

### **STAFF RECOMMENDATION FOR PURCHASE OF CONFERENCE PHONE**

Mr. Cospers asked the Board for permission to purchase a conference phone, which would be used by the Investment Department when conducting conference calls with investment managers. He noted that a conference phone would also be useful in conducting negotiations with investment managers. The total cost of the purchase would be \$699.99. As this phone would be used primarily in Investments it was suggested that it could be purchased through soft dollars.

When asked whether there were any other uses for the conference phone Ms. LeBlanc noted that some of her Investment staff joins her when she is on the telephone with an investment manager. This serves two purposes: 1) there is a witness to what transpires and 2) it provides training for her staff.

**ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED,** the Board approved the purchase of a conference phone at a cost of \$699.99 through soft dollars.

### **PROPOSED SCHEDULE FOR YEAR 2005 BOARD AND INVESTMENT COMMITTEE MEETING**

Mr. Cospers asked the Board for approval of the 2005 schedule for Board and Investment Committee meetings for Louisiana School Employees' Retirement System (LSERS). He indicated that conferences usually attended by the Board were reflected at the bottom of the page.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED,** the Board approved the 2005 Schedule for Board and Investment Committee Meetings for Louisiana School Employees' Retirement System.

### **PERSONNEL ACTIONS REPORT FOR THIRD QUARTER (JULY 1, 2004 - SEPTEMBER 30, 2004)**

Ms. Dudley presented the Personnel Actions Report to the Board.

**ON MOTION OF MR. RICHARD, SECONDED BY MS. JACOBS AND CARRIED**, the Board approved the Personnel Actions Report for the third quarter.

**STAFF DEVELOPMENT TRAVEL EXPENSES REPORT FOR THIRD QUARTER  
(JULY 1, 2004 - SEPTEMBER 30, 2004)**

Ms. Dudley presented the Staff Development Travel Expenses Report to the Board.

**ON MOTION OF MR. WILMER, SECONDED BY MR. FAULK AND CARRIED**, the Board approved the Staff Development Travel Expenses Report for the third quarter.

**STAFF OVERTIME REPORT FOR THIRD QUARTER (JULY 1, 2004 THROUGH  
SEPTEMBER 30, 2004)**

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved the Staff Overtime Report for the third quarter.

**MODIFY POLICY ON 60-DAY DROP APPLICATION TO INCLUDE 30-DAY  
DIRECTOR APPROVED EXTENSION**

Discussion was held on this topic. Ms. Jacobs requested a copy of the current policy and asked how this change would be reflected in the policy. This item was tabled for further discussion at the regular board meeting scheduled for tomorrow, Tuesday, November 23, 2004.

**LSERS' 2005-2006 BUDGET TO BE SUBMITTED TO JOINT LEGISLATIVE  
COMMITTEE**

Mr. Cospers informed the Board that staff has submitted LSERS' 2005-2006 budget to the Joint Legislative Budget Review Committee. He noted that this was for informational purposes only and required no action by the Board.

**REPORT ON PURCHASING SUBSTITUTE TIME, MILITARY, PORTABLE TIME  
WITH 401, 402, 403, AND 457 ROLLOVER MONEY**

Mr. Cospers had been asked to check on whether certain money from 401 plans could be rolled over into the System to buy time. It was noted that over the last two years, due to changes in the federal laws, private money that was invested in 401, 402, 403, and 457 funds could be rolled over to buy time from the System, as long as it was an employer sponsored plan. The Board was provided information on these asset plans and what were considered qualified plans. Discussion was held on this and it was noted that this information would be placed in the newsletter.

## **OTHER BUSINESS**

### **CONSENT TO CONSIDER REQUEST FROM MR. TY LARKINS FOR REIMBURSEMENT OF TRAVEL EXPENSES**

Mr. Cospers asked for consent to consider a request from Mr. Ty Larkins for reimbursement of travel expenses he incurred.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. MYERS AND CARRIED,** the Board approved adding a request from Mr. Ty Larkins for reimbursement of travel expenses to the agenda.

A request by Mr. Ty Larkins, designee for the Secretary of State's Office, was presented to the Board for consideration for reimbursement of out-of-pocket travel expenses he incurred due to a cancelled conference. A discussion was held on this matter, at which time the Board questioned Mr. Larkins about the circumstances surrounding expenses incurred. The total cost for reimbursement of out-of-pocket travel expenses was \$745.60, which included airfare and a one-night hotel stay, which could not be reimbursed.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. MYERS AND CARRIED,** the Board approved reimbursement of \$745.60 to Mr. Ty Larkins for travel expenses incurred.

### **CONSENT TO CONSIDER MAIL DELIVERY COSTS**

Mr. Cospers asked the Board for consent to consider mail delivery costs.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. WILMER AND CARRIED,** the Board approved adding consideration of mail delivery costs to the agenda.

### **MAIL DELIVERY COSTS**

Mr. Cospers informed the Board that information on board meetings was currently being sent to all board members via DHL (formerly Airborne Express). At Mr. Cospers's request Ms. Champagne presented information on costs incurred and possible savings using alternative mailing options.

### **MAIL DELIVERY COSTS (CONT'D)**

A discussion was held on this matter. It was noted that this expense was incurred once every quarter and delivery was guaranteed. Also noted was the importance of receiving quarterly board meeting information in a timely manner. No action was taken on this matter.

## **ELECTIONS**

### **BOARD OFFICER ELECTIONS**

Mr. Cospier informed the Board that there were three seated officers on the Board of Trustees of Louisiana School Employees' Retirement System. The three positions, Chairman, Vice Chairman, and Vice Chairman Pro-Tem, are for a two-year period and current terms end on December 31, 2004.

Mr. Larry Wilmer was the only Board member who submitted a letter of intent for Chairman of the Board. Therefore, Mr. Wilmer would automatically take the position of Chairman of the Board effective January 1, 2005.

For Vice Chairman of the Board two individuals sent in letters of intent, Ms. Betty Jacobs and Ms. Sylvia Myers. A secret ballot was distributed to the Board and completed ballots collected by Mr. Roche, General Counsel. The ballots were counted by Mr. Hall and recounted by Mr. Ranallo. Upon final count Ms. Jacobs was declared Vice Chairman of the Board effective January 1, 2005.

Mr. Jeffrey Faulk was the only Board member who submitted a letter of intent for Vice Chairman Pro-Tem. Therefore, Mr. Faulk would automatically take the position of Vice Chairman Pro-Tem effective January 1, 2005.

### **COMMITTEE APPOINTMENTS**

As newly elected Chairman of the Board, Mr. Wilmer asked the following Board members if they would accept appointments to committees on the Board:

#### Investment Committee

Chairman - Ms. Betty Jacobs

Vice - Chairman - Mr. Jeffrey Faulk

#### Personnel Committee

Chairman - Ms. Sylvia Myers

Ms. Betty Crain

Mr. Earl Richard, Jr.

All Board Members accepted their appointments to committees on the Board.

## **LEGISLATION**

## PROPOSED HOUSE BILLS

Mr. Roche presented four proposed house bills for the 2005 Legislative Session. He gave a brief summary of each bill, then discussions were held on each bill.

**The first bill, proposed House Bill A.** This bill would set a “floor” for contributions for LSERS until the unfunded accrued liability is paid in full. Any money earned by the employer credit account can only be used to pay down on the unfunded accrued liability. This bill involved Act 588, where LSERS was thrown into the bill at the last minute. This bill would establish a floor for contributions for the System so that the school boards would have a minimum contribution of 15 %.

**The second bill, proposed House Bill B.** No COLA can be granted if it would cause the System to miss its target rate for the fiscal year. The bill would change the “base” fiscal year from 1986 to 2004 and changes the “multiplier” from 1/30 to 1/25. A discussion was held on this bill,<sup>4</sup> as it would affect the target ratio, to match the timing of the target ratio with the amortization of the unfunded liability of the retirement system. It was noted that this bill, House Bill B, was drafted before the discussions this morning, and that the System needed to draft a different bill which would provide for the same experience COLA accounts that were provided for TRSL and LASERS.

The Board consulted Mr. Hall on this proposed legislation. He noted that if there was a bill that would go back and have the rest of the benefits of Act 588 applied to LSERS, then LSERS would have the minimum 15½ % in the employer credit account and be subject to the same experience account that was allowed for TRSL and LASERS. If that were successful then proposed House Bill B would become a mute point.

**ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK AND CARRIED,** the Board approved that Mr. Hall, Mr. Roche, and Mr. Ponder work on legislation that would include LSERS in all of the other provisions relative to Act 588.

**The third bill, proposed House Bill C.** This bill would allow members of LSERS to buy “air time” in one-month increments at actuarial cost. This bill would allow members to buy up to five years of service credit, as long as the member has one year of service in the System. A discussion was held on this bill. It was noted that since other systems were drafting legislation in reference to buying “air time” it was possible to amend our System to a bill being drafted by another system. The Board had no objection to this.

**The fourth bill, proposed House Bill D.** Any person retired from a position covered by LSERS may be reemployed to a position covered by LSERS. If their compensation exceeds 50% of their final average salary, then this amount of the excess earnings must be repaid to the system. The repayment shall not exceed the amount of the retirement benefits for its fiscal year.

## PROPOSED HOUSE BILLS (CONT'D)

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<sup>4</sup> Board approved corrections at February 14, 2005 Regular Board Meeting.

The employer and employee must contribute to the system during the reemployment. No service credit is given to the employee. At termination the employee may ask for a refund of their contribution, but without interest, and the employer's part stays in the System.

A discussion was held on this proposed legislation, whereby different scenarios were given and questions asked on how this would affect members who were reemployed.

**ON MOTION OF MR. WILMER, SECONDED BY MS. MYERS AND CARRIED**, the Board approved the proposed house bills.

## **LEGAL**

### **STUDENT OVERPAYMENTS FROM SURVIVORS' BENEFITS**

Mr. Ponder addressed the Board regarding this matter. He indicated that when a member dies their minor children or child who is registered full time in a school, whether it is high school, vocational technical, or college, can receive a survivor benefit. In some cases these individuals receiving survivor benefits enroll full time in a technical school or college, then drop out of school, receive their tuition back, and continue to receive survivor benefits without notifying the System, creating an overpayment of benefits.

A list of claims that have been submitted to the Legal Department for collection was reviewed by the Board. As there was a problem in the collection of overpayment of benefits the Legal Department was presenting this to the Board today for direction on how to resolve this problem.

Discussion was held on this matter. It was suggested that in order to assure that the student is qualified to receive these benefits that the benefits be paid at the end of the semester, after it has been proven that the student has been enrolled full time during that semester. It was noted that there is a problem obtaining reports from the schools, which adds to the problem of collecting overpayment of benefits.

#### **Roll Call Vote #1**

**ON MOTION OF MS. JACOBS, SECONDED BY MR. FAULK**, the Board voted to adopt a policy to suspend survivor benefits to those individuals who do not provide proof of completion of semester after the higher education semester has ended until the overpayment is reimbursed. Betty Crain - yes; Betty Jacobs - yes; Sylvia Myers - yes; Earl Richard, Jr. - yes; Larry Wilmer - yes; Jeffrey Faulk - yes; Lori Pierce - no; Ty Larkins - yes; Joe Seymour - yes. **YES - 8; NO - 1; ABSTAIN - 0. MOTION PASSED.**

**ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED**, the Board approved that legal action be taken to collect any overpayment of survivor benefits. Legal Counsel was asked to do research on the time and cost involved in collections as compared to securing a collection agency.

### **STUDENT OVERPAYMENTS FROM SURVIVORS' BENEFITS (CONT'D)**

Ms. Jacobs asked for clarification on employees who take advantage of the policy to attend school while employed in the System. Mr. Cospers indicated that employees who attend school do not get reimbursed for their tuition until they provide proof of an acceptable grade. He also noted that there is a policy built in to the System for reimbursement of certain amounts of tuition on employees who benefit from this education and leave the System for better paying civil service jobs. Mr. Cospers was asked to provide a copy of this policy at another board meeting.

## **INVESTMENTS**

### **DISCUSSION OF ASSET ALLOCATION STUDY**

Mr. Ranallo noted that in the October 11, 2004 meeting there was a lot of discussion on asset allocation. There was no action taken at that time and he was asked to revisit this at a later date.

Mr. Ranallo briefly reviewed what was discussed at the October 11, 2004 meeting and changes implemented at that time. Discussion was held on these changes, how it affects the portfolio, and other possible changes to asset allocation, such as adding real estate to the portfolio.

Due to the amount of time and attention needed to thoroughly review all of the aspects pertaining to asset allocations, the Board postponed this item and requested that Mr. Ranallo provide a complete Asset Allocation Study at the January 10, 2005 Investment Committee meeting.

### **MANAGER PERFORMANCE REVIEW**

Mr. Ranallo presented the manager performance review. He indicated that over the last three months ending September 30, 2004 the stock market was down and the bond market was up. However, that changed in October and November, where November has been a really good month so far for the stock market.

Mr. Ranallo went over the total composite asset allocation. The total market value as of June 30, 2004 was \$1.42 billion dollars and as of September 30, 2004 it was \$1.41 billion dollars, which was a decrease of a little over <sup>5</sup> \$11 million dollars. There was \$19.7 million dollars worth of withdrawals over the quarter and \$8.4 million dollars worth of investment gains. Target allocation is 58% stocks and 42% bonds. The fund has had very excellent manager performance and has consistently outperformed its investment policy.

### **MANAGER PERFORMANCE REVIEW (CONT'D)**

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<sup>5</sup> Board approved corrections at February 14, 2005 Regular Board Meeting.

Mr. Ranallo went over the rest of the report in detail, highlighting pertinent information on each manager's performance and answering questions from the Board. Discussions were held on each manager's performance, especially Trinity. It was noted that Trinity's numbers on performance since inception were not good, but that over the last five years they have done a good job. It was noted that Trinity would be providing an investment manager report on Tuesday, November 23, 2004 and further discussion on their performance would be held at that time.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board accepted Mr. Ranallo's Manager Performance Report.

**ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED**, the Board agreed to adjourn at 2:45 p.m.

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Patrick Cospier - Director

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Joe Seymour - Chairman