

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

**Monday, October 11, 2004**

**Convened immediately following adjournment of Investment Committee Meeting**

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. Chairman of the Board, Mr. Joe Seymour, opened the meeting at 10:24 a.m. 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

**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 Director 1, Ms. Josie Meche - Investment Manager 1, Ms. Jennifer Champagne - Executive Services Assistant

**Also Present:** Mr. Richard Ranallo - Segal Advisors, Inc., Mr. Robert Bruce - Legislative Auditor, Ms. Susan Pappan - State Treasurer's Office (non-voting), Ms. Kay Cummings - Retirement Manager, Mr. Bill McMorris - Building Manager, Ms. Anita Green - Human Resource Specialist

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**PHASE I - ASSET ALLOCATION STUDY**

Mr. Ranallo reviewed the Asset Allocation Study with the Board. He informed the Board current target allocation on all equity, large stocks, small stocks, and international stocks, was 58%, which was reasonable. The statutory limit is 65%, so this allows the Board to increase the target percentage.

Mr. Ranallo informed the Board that the average age of active participants was 48 years old. He indicated that the fund was mature in that the System has to pay out about 20 million dollars a year more in benefit payments than are received in contributions. The ratio of active participants

to pensioners is 1.3:1 and the ratio of active participants to pensioners determines the cash flow burden on the plan, which impacts how money is invested. As of June 30, 2004 the System's funded status was almost 76%.

Mr. Ranallo reviewed cash flow, actual rate of return, and expected cash flow. He also reviewed actuarial interest rate assumption, age demographics of the active participants, the percentage of active participants who are going to retire and when, and explained in detail how that impacts the way investments are made.

Mr. Ranallo reviewed in detail all of the investments, the correlation between them, both U.S. and international, and the expected return of the asset classes. He then reviewed high yield investing and the possibility of other investment options, which led to the discussion of investing in real estate and how it would impact the system.

Mr. Ranallo was asked to compile information on investing in real estate to be presented at another board meeting for consideration.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved the Asset Allocation Study.

## **RECOMMENDATIONS OF PERSONNEL COMMITTEE**

### **APPROVAL OF THREE (3) NEW POSITIONS IN RETIREMENT DEPARTMENT**

Ms. Myers gave a brief summary of the meeting held by the Personnel Committee on Monday, September 20, 2004 and the recommendations of the Personnel Committee. Ms. Sharon Schultz, Retirement Benefits Manager of the Retirement Department, had presented justification for three new positions for the Retirement Department to the Personnel Committee. A discussion was held on this request and the recommendations of the personnel committee was to approve the three additional new positions for the Retirement Department and present this to the full board for approval. The personnel committee also recommended that provisions be made for amending LSERS 2004-2005 budget.

## **RECOMMENDATIONS OF PERSONNEL COMMITTEE**

Mr. Cospers informed the Board that Ms. Sharon Schultz was no longer an employee of LSERS, but that Ms. Kay Cummings was the acting department head and would be able to answer any questions from the Board regarding the requested positions.

A discussion was held regarding the cost involved in hiring these three positions, which included salaries, office equipment, and computers. It was noted that the purchase of office equipment and computers would be a one-time cost. It was also noted that if the positions were approved to be added effective December 1, 2004, then the Board would need to amend the 2004 - 2005 operating budget.

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

**ON MOTION OF MR. WILMER, SECONDED BY MS. MYERS**, the Board voted on the

approval of three new positions in the Retirement Department effective December 1, 2004. Betty Crain - yes; Betty Jacobs - yes; Sylvia Myers - yes; Earl Richard, Jr. - yes, Larry Wilmer - yes; Jeffrey Faulk - yes; Joe Seymour - yes. **YES - 7, NO - 0, ABSTAIN - 0, MOTION CARRIED.**

#### **PROVISION FOR AMENDMENT TO LSERS 2004-2005 BUDGET**

Mr. Cospers informed the Board that based on the approval to hire three new positions in the Retirement Department effective December 1, 2004 staff was asking the Board to amend LSERS' existing fiscal year budget, 2004-2005. This would allow staff to hire these individuals and acquire the office equipment and computers to begin working December 1, 2004.

#### **Roll Call Vote #2**

**ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS**, the Board voted on amending LSERS 2004-2005 budget to hire these individuals and acquire the office equipment and computers to begin working December 1, 2004. Betty Crain- yes; Betty Jacobs - yes, with a question; Sylvia Myers - yes; Earl Richard, Jr. - yes; Larry Wilmer - yes; Jeffrey Faulk - yes; Joe Seymour - yes. **YES - 7, NO - 0, ABSTAIN - 0. MOTION CARRIED.**

#### **PROVISION FOR AMENDMENT TO LSERS 2005-2006 BUDGET**

Ms. Jacobs questioned the one time expenditure required for initial office set-up, total projected salary and related benefits for requested positions projected, assuming position would be filled July 1, 2005. Mr. Cospers indicated that this was to request an amendment to the 2005-2006 budget and allow the three individuals to start effective July 1, 2005, if the Board had not approved the effective date of December 1, 2005. Since the Board had approved the effective date of December 1, 2004 and to amend LSERS' 2004-2005 budget the third item on the agenda was not needed.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED**, the Board approved the omission of Item II C, Provision for Amendment to LSERS 2005-2006 Budget, from the agenda.

#### **PROVISIONS FOR AMENDMENT TO LSERS 2004-2005 BUILDING OPERATION BUDGET**

Mr. Cospers informed the Board that staff had been approached by the Office of Financial Institutions (OFI), LSERS tenant on the second floor. OFI was hiring additional personnel to begin employment on December 2, 2004 and would like to renovate an area where they store files to provide additional office space for their staff. Mr. McMorris had submitted a letter to Mr. Cospers indicating an estimated cost for these renovations of <sup>1</sup> ~~\$1,500 dollars~~ \$15,000.00, which included an additional 480 square feet of storage space on the third floor for storage space. OFI would reimburse LSERS for the renovations, but they would need to obtain formal approval from DOA prior to the construction being initiated. Mr. Cospers informed the Board that

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<sup>1</sup>Corrected November 22, 2004 Regular Board Meeting

renovations to that area would not begin until they had received a formal approval from OFI and from the DOA that they had the money to pay for these renovations. Mr. Cosper indicated that staff was requesting that the Board amend LSERS 2004-2005 building operation budget to allow them to spend the money for the renovations, provided they were able to get a guarantee for reimbursement of expenditures.

When asked when the current contract expires and when negotiations for renewal of this contract would start, Mr. McMorris indicated that the current contract expires December 31, 2005 and negotiations usually occur around July, which is the first month of the fiscal year.

**ON MOTION OF MR. FAULK, SECONDED BY MR. RICHARD AND CARRIED,** the Board approved amending the 2004-2005 budget to allow staff to make necessary renovations to the second floor.

When asked whether OFI had shown an interest in signing an additional five year lease, Mr. McMorris indicated that yes, OFI had shown an interest in this.

#### **LSERS PROPOSED 2005-2006 BUILDING OPERATION BUDGET**

Mr. Cosper presented to the Board LSERS proposed 2005-2006 Building Operation Budget prepared by Mr. McMorris, which included increases due to the employer contribution costs to the system to pay for the three individuals that work in the maintenance department. This also included a built in 3% increase in the contracts with vendors, which is a CPI index increase that is an across the board increase by all vendors in the private sector. If there was no increase in vendor contracts then the increase would be reabsorbed into the system at the end of the fiscal year.

Mr. Cosper informed the Board that there was an addendum to the original budget, which involved an additional amount due to an increase in the employer contributions that was not available at the time the original budget was submitted to the Board.

**ON MOTION OF MR. FAULK, SECONDED BY MS. CRAIN AND CARRIED,** the Board approved the amendment to LSERS 2004-2005 Building Operation Budget.

#### **LSERS PROPOSED 2005-2006 BUDGET**

Mr. Cosper informed the Board that there was an addendum to the original budget that included an additional amount due to an increase in the employer contribution rates for school employees that goes into effect July 1, 2005. Mr. Cosper noted that this increase was not available at the time the original budget was submitted to the Board.

Mr. Cosper also informed the Board that the 4% merit increase for unclassified employees was built into the 2005-2006 budget. At the last meeting it was brought up whether the unclassified employees' 4% merits would be in this budget. According to Board policy the 4% merit increase would automatically go into effect if an unclassified employee received an above average or satisfactory performance. For this fiscal year the staff, upon request of the Board, withdrew the request for a 4% merit increase for this current fiscal year, which is 2004-2005.

The 4% merit increase was built into the 2005-2006 budget, but that does not mean the money would be expended until such time that the board evaluates the unclassified employees, which includes the Director, the Assistant Director, and the Chief Investment Officer. If it was found that their performance was unsatisfactory or below average, then that 4% merit increase would not be granted. The 4% merit increase was included in the budget in the event that would occur so that the Board would not have to come back and amend the budget.

When asked whether this would change the period of time that the unclassified employees were evaluated Mr. Cospers indicated that evaluations would still be completed prior to the Personnel Committee Meeting, which is held in April, then recommendations of the Personnel Committee presented to the Board at the Regular Board meeting scheduled in May of each year. Merit increases would not be granted until the beginning of the fiscal year, which begins on July 1<sup>st</sup> of each year.

### **Roll Call Vote # 3**

**ON MOTION OF MR. RICHARD, SECONDED BY MR. FAULK**, the Board voted on approval of LSERS 2005-2006 Budget. Betty Crain- yes; Betty Jacobs - yes; Sylvia Myers - yes; Earl Richard, Jr. - yes; Larry Wilmer - yes; Jeffrey Faulk - yes; Joe Seymour - yes. **YES - 7, NO - 0, ABSTAIN - 0. MOTION CARRIED.**

Before leaving the budget Mr. Cospers asked for a position from the Board to direct staff on possible negotiations on the current lease with OFI. Mr. McMorris indicated that there was a possibility that the Director of OFI may want to amend the current contract for leasing that space prior to the end of the fiscal year.

A discussion was held on what the contract entails, the amount that was currently being charged, what provisions were made in the original contract, and what provisions would be included in the new contract.

**ON MOTION OF MS. JACOBS, SECONDED BY MS. MYERS AND CARRIED**, the Board granted staff authority to negotiate the contract for leasing the space and that OFI incur the cost of the renovations to the second floor.

Mr. Seymour addressed Ms. Cummings and informed her that the Board was going to miss Ms. Schultz. Mr. Seymour also informed Ms. Cummings that she was doing a great job and she had a great staff and that the Board was supporting her.

Ms. Myers asked that Ms. Sharon Schultz be sent a card of appreciation from the Board for her service to the Board and that they were sorry to lose her. Mr. Cospers informed the Board that a certificate of appreciation signed by the Chairman of the Board on behalf of the Board would be presented to Ms. Schultz.

### **LSERS PROPOSED TRAVEL POLICY**

Mr. Cospers informed the Board that the proposed travel policy, which was distributed at a previous meeting, was being presented to the Board for approval and adoption in order to have these policies established as guidelines for use by board members and staff when traveling. He indicated that there were minor revisions to the originally proposed travel policy, which included authorized use of agency vehicle(s), and went over the changes in the policy with the Board.

**ON MOTION OF MR. FAULK, SECONDED BY MS. MYERS AND CARRIED**, the Board approved and adopted LSERS Travel Policy.

### **OTHER BUSINESS**

Mr. Cospers made the following announcements to the Board.

Staff has received Mr. Hall's Actuarial Report. The reports will be sent along with the mailings for the November 22, 2004 Board meeting, unless members of the Board would like to receive their copy today.

There will be roughly a 4.9 % return on the DROP accounts based on Mr. Hall's report. However, the funding level dropped from 79% to 75%.

**ON MOTION OF MR. WILMER, SECONDED BY MS. MYERS AND CARRIED**, the Board agreed to adjourn at 11:38 a.m.

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Patrick Cospers - Director

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Joe Seymour - Chairman