

Louisiana State Employees' Retirement System
Regular Board Meeting
November 19 and 20, 2009

The Board of Trustees of the Louisiana State Employees' Retirement System met on Thursday, November 19, 2009, in the fourth floor Boardroom of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Ms. Lorry Trotter, Board Chair, called the meeting to order at 12:30 p.m. Roll call was conducted by Caye Weaver, recording secretary.

Members present: *Ms. Cynthia Bridges*, Ms. Connie Carlton, Mr. Charles Castille, Senator Butch Gautreaux, Ms. Amy Mathews, Ms. Barbara McManus, Ms. Susan Pappan, Mr. Louis Quinn, Ms. Sheryl Ranatza, and Ms. Lorry Trotter

Members absent: Ms. Virginia Burton, Representative Joel Robideaux

Staff present: Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director; Mr. Trey Boudreaux, Assistant Director; Mr. Bobby Beale, Chief Investment Officer; Mr. Troy Searles, Deputy Chief Investment Officer; Ms. Tina Grant, Executive Counsel; Mr. Ryan Babin, Audit Division Director; Investment Staff: Celeste Funderburk, Alisa Lacombe, Mac Owens, Chris Hill, Darren Fournerat; and other LASERS staff

Also present: Mr. Jeff Roberts, NEPC, LLC

(Ms. Bridges arrived immediately after roll call.) A quorum was declared present and the meeting opened for business.

New Business

Brandywine and Smith Asset Management Discussion (Small Cap)

Before the discussion, Mr. Beale advised the Board the Plan return for Fiscal Year-to-Date, through September, is 12.4%, and Calendar Year-to-date is 18.6%.

Mr. Beale then reviewed Smith Asset's performance and discussed concerns about the performance. He reviewed the Plan history with Smith, then he stated he is no longer comfortable with the model and has lost confidence in the portfolio turning things around.

He then reviewed Brandywine performance and portfolio. He stated most of the time they have done fairly well for the plan, but have struggled in the last few years.

Mr. Hill presented a detailed analysis of each portfolio in the asset class.

Mr. Beale then made the following recommendations: terminate Smith Asset and transition the money into Rice Hall James; and, terminate Brandywine then allocate the money equally between LSV and Thomson, Horstmann and Bryant. He also advised the Board that NEPC has the same recommendations in a memo included in the NEPC book. **After discussion, Ms. Mathews moved, seconded by Ms. McManus, to terminate Smith Asset and transition the money into Rice Hall James; and, terminate Brandywine, then allocate the money equally between LSV and Thomson, Horstmann and Bryant. With no further discussion, and no objections, the motion carried.**

Orleans Capital Contract Discussion (Domestic Fixed Income)

Mr. Beale informed the Board that the Audit concerns at Orleans Capital have been closed satisfactorily, and he recommends LASERS renew the contract with the same terms. NEPC also included a memo with the same recommendation in the NEPC book. **Ms. Ranatza moved, seconded by Ms. Mathews, to renew the Orleans Capital contract with the same terms. With no discussion, and no objections, the motion carried.** Ms. Ranatza commended Mr. Babin and the Audit staff for a great job on the resolution of the issues.

Preview of Private Equity – Mezzanine Finalist Presentations

Mr. Beale gave a brief history of the search, then called Messrs. Owens and Roberts to review the due diligence trips with the Board.

Private Equity – Mezzanine Finalist Presentations

Messrs. Joseph Carrabino, Scott Zoellner and Thomas Groves appeared before the Board for AEA Mezzanine Fund II.

Messrs. Kevin Magid and Peter Gummeson appeared before the Board for Audax Mezzanine Fund III.

Messrs. Behzad Khosrowshahi and Joshua Salisbury, and Ms. Andrea Sotak appeared before the Board for Drug Royalty Fund II. *(Ms. Ranatza left the meeting.)*

Messrs. Terry Quinn, Ed Cerny and Dave Petrucco appeared before the Board for Kayne Anderson Mezzanine Fund I.

Messrs. Tim Costello and John Rocchio appeared before the Board for Newstone Mezzanine II.

Discussion and Mandate Selection for Private Equity – Mezzanine Mandate

Messrs. Owens and Roberts then gave the Board their impressions of each manager. Mr. Roberts stated that NEPC recommends hiring two managers at \$40 million each, and the two managers he recommends are Drug Royalty Fund II and Newstone Mezzanine II. Mr. Owens recommended the same two funds. The Chair asked for Mr. Beale and Ms. Rougeou's recommendation. Mr. Beale stated he has complete confidence in the recommendations presented. Ms. Rougeou stated she is comfortable with the recommendations. **After discussion, Ms. McManus moved, seconded by Ms. Mathews, to hire two managers for the mandate. After further discussion, and no**

objections, the motion carried. The ballots were then passed out and collected. Mr. Beale tallied the ballots, then read them into the minutes as follows:

Trustee	AEA	Audax	Drug Royalty	Kayne Anderson	Newstone
C. Bridges (abstained)					
C. Carlton			X	X	
C. Castille			X	X	
Sen. Gautreaux			X	X	
A. Mathews, designee			X	X	
B. McManus			X	X	
S. Pappan			X	X	
L. Quinn			X	X	

With Drug Royalty Mezzanine Fund II and Newstone Mezzanine II receiving the majority votes, the mandate was awarded to them. **Ms. McManus then moved, seconded by Ms. Mathews, to hire Drug Royalty Mezzanine Fund II and Newstone Mezzanine II and commit \$40,000,000 to each. With no further discussion, and no objections, the motion carried.**

The Board then recessed at 4:23 p.m.

The Board of Trustees of the Louisiana State Employees' Retirement System reconvened on Friday, November 20, 2009 in the fourth floor Board Room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Ms. Lorry Trotter, Chair of the Board, called the meeting to order at 11:02 a.m. Roll call was conducted by Kai Ranallo, recording secretary.

Members present: Ms. Cynthia Bridges, Ms. Virginia Burton, Ms. Connie Carlton, Mr. Charles Castille, Senator D.A. "Butch" Gautreaux, Ms. Amy Mathews, Ms. Barbara McManus, Ms. Susan Pappan, Ms. Sheryl Ranatza, and Ms. Lorry Trotter

Members absent: Mr. Louis Quinn, Rep. Joel Robideaux

Staff present: Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director; Mr. Bobby Beale, Chief Investment Officer; Ms. Tina Grant, Executive Counsel; Ms. Kai Ranallo, recording secretary; other LASERS staff: Ms. Suzanne Adams, Ms. Katrenea Moses, Ms. Pat Moore, Mr. Barney Miller, Ms. Robyn Ekins, Ms. Brianna Beard, Mr. Steve Stark, Ms. Hollie Cowell, Mr. Lance Armstrong, Mr. Eric Schoonmaker, Mr. David Brasseaux, and Mr. Brent Fitch

Also Present: Ms. Shelley Johnson, SJ Actuarial; Ms. Liz LeSaicherre, representative of Louisiana GFOA; Mr. Charles Hall, Hall Actuarial Associates; and Mr. Matthew Tessier, House Retirement Committee Attorney

A quorum was declared present and the meeting opened for business.

Regular Business

Ms. Trotter called for approval of the minutes of the October 22 and 23, 2009, Board Meeting. Ms. McManus moved, seconded by Ms. Mathews, to approve the minutes. With no objection or discussion, the motion passed.

Ms. Carlton reported that the Management Committee met on Friday, November 20, 2009, and had the following item to report:

The Management Committee recommended and Ms. Carlton so moved, seconded by Ms. Ranatza, to approve the November 2009 Disability Retirement report. With no discussion or objection, the motion passed.

New Business

Ms. Carlton moved, seconded by Ms. McManus, to accept and certify the Board Election Results as presented. With no objection or discussion, the motion carried.

Ms. Rougeou introduced Mr. David Brasseaux, IT Applications Programmer, as LASERS new employee.

Public Comment

No public comment was made.

Adjournment

The meeting adjourned at 11:05 a.m.



Cindy Rougeou, Executive Director