

## DENVER EMPLOYEES RETIREMENT PLAN

### Minutes of the Retirement Board Wednesday, April 14, 2010 - Meeting #682

The 682<sup>nd</sup> meeting of the Board of the Denver Employees Retirement Plan was held in the conference room of the Retirement Plan located at 777 Pearl Street, Denver, Colorado, on Wednesday, April 14, 2010. Board Members present: Ms. Cheryl Cohen-Vader, Mr. Harry Lewis, Mr. Tom Migaki, and Mr. Robert Strenski. Board Member absent: Mr. Irving Hook. Advisory Committee Members present: Mr. Mike Aleksick, and Ms. Erma Zamora. Advisory Committee Member absent: Dr. Adeniyi Kelani. Others present: Mr. Steven Hutt, Executive Director, Ms. Roni Kirchhevel, Assistant Director, Mr. Mike Clark, Assistant Director, Mr. John Finamore, Accounting Manager, Mr. Randy Baum, Chief Investment Officer, Ms. Stephanie Starns, Investment Analyst, Mr. Rich Harris, Finance and Compliance Officer, and Ms. Vicki Halliday, General Counsel.

1. The Minutes of meeting #681 were approved by a unanimous vote of the Board Members.
2. The Board unanimously accepted Retirement List #533 and Refund List #431, Plan Operating Expenditures, and the Financial Statements for the period ending March 31, 2010.
3. Mr. Hutt announced to the Board the results of the 2010 Advisory Committee Election. Erma Zamora has been re-elected, by acclamation, to another three-year term on the Advisory Committee. This is believed to be the first time in the history of the Plan that an Advisory Committee member has been re-elected by acclamation, as no other member submitted a self-nomination form prior to the deadline. Mr. Hutt congratulated Ms. Zamora, and informed the Board that the results would be posted on the Plan website and communicated to the retirees, as no ballots will be sent out this year.
4. Mr. Migaki received authorization to attend the Kaplan Fox Institutional Investor Summit, June 3-4, 2010.

Ms. Zamora received authorization to attend the IFEBP 56<sup>th</sup> Annual Employee Benefits Conference, November 14-17, 2010.

Mr. Aleksick submitted his report on the IFEBP Retirement Plan Basics and Investment Basics courses, March 15-20, 2010. He provided positive feedback to the Board on the training courses, which he stated were very practical and helpful for his role on the Advisory Committee.

Mr. Hook submitted his report on the 28<sup>th</sup> Annual Sit Investment Client Workshop, February 11-14, 2010.

5. The Board made an adjustment to the October meeting date, moving the meeting from the 15<sup>th</sup>, which is a City furlough day, to the 22<sup>nd</sup>.
6. The day-long Strategic Planning Session with Nancy Williams, of Ennis Knupp, scheduled to take place on October 12, 2010, has been confirmed.

7. A committee consisting of Mr. Lewis and Mr. Strenski was formed to work with members of the Plan staff in reviewing the conflict-of-interest and financial disclosure policies for the Board and pertinent staff members. These policies are several years old and were deemed to merit review in terms of current best practices among peers. The committee will begin the evaluation mid-year.
8. The Plan currently offers two group insurance options for its Medicare-eligible members. The original contract negotiation for one of these, Anthem Blue Cross, included a limitation on the premium increases that could take place following the year (2009). That limitation was therefore not in place for this year, and the premium increase from 2009 to 2010 was extremely large. Mr. Hutt recommended to the Board that a competitive search for coverage take place, due also to legal changes that will occur in the current Medicare options as of Jan. 1, 2011. Mercer, the company which assisted the Plan in its previous search, has been engaged to draft an RFP for Medicare Advantage coverage. The Board concurred with the issuance of an RFP for the Medicare-related group coverage. Ms. Zamora will provide retiree input by serving on the RFP evaluation committee.
9. Mr. Clark provided the Board with an update on the CRIS Project. The project is running on schedule, and within budget. Most of the time that was lost last year, when the project was put on hold during the Retirement Incentive Program enrollment period, has been regained, and the goal of implementing CRIS in January 2012 should still be reached. The CRIS team has encountered some difficulty in planning to integrate CRIS with the Plan's existing imaging system, and they are now working toward upgrading the imaging system to better interface with CRIS. The team is also working with the City regarding necessary changes to the process of flowing membership data to the Plan each pay period. The team has also been making decisions on changes in Plan workflow and procedures to be made when CRIS is implemented. Document imaging, which is currently done at the end of the process, will be done up-front, which will allow the staff to make fuller use of the advantages of imaging vs. working with paper records. Also, members will be able to make changes, such as address or direct deposit updates, to their own member-files via a secure internet entry system.
10. Mr. Baum presented the Staff Investment Report. Contained in that report were updates of the asset allocation position, performance data and other related investment information. As of March 31, 2010, the market value of the Plan was \$1,684,784,424.27(p). The market value was up \$50,763,252.26(p) in March and is up \$28,016,144.98(p) since December 31, 2009.
11. The Investment Staff and Summit Strategies recommended a change in the Plan's real estate benchmark from the NCREIF Property Index (NPI) to the NCREIF Open-end Diversified Core Index (ODCE). The NPI predates the ODCE and was therefore adopted by most early institutional investors to become the standard index for institutional real estate investment. Now, the ODCE is gradually supplanting the NPI because it is more representative of actual institutional real estate portfolios. From a statistical perspective, the ODCE is a closer fit to the actual performance experienced by the Plan. Summit reported that their client base has been gradually replacing the NPI with the ODCE, and feels that it is the more appropriate benchmark for the Plan. The Board unanimously voted to change the Plan's real estate benchmark from the NPI to the ODCE.

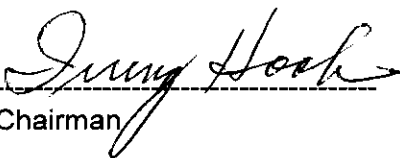
12. Mr. Baum reported that an analysis of underlying factors was performed by the Plan Investment Staff and Summit to address the underperformance of Seix Advisors. Two items surfaced as issues. First, the official benchmark did not accurately reflect the Seix portfolio. Given the investment approach of Seix, the more conservative Barclay's BB/B 2% issuer Capped Index was deemed more appropriate than the riskier and heavily CCC-weighted Merrill Lynch High Yield Cash Pay Index. This change in their benchmark was approved by the Board in February 2010.

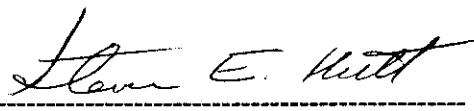
Second, present guidelines prohibit the purchase of securities rated CCC. Seix feels that modification of the investment guideline, to relax the constraint against investing in securities rated below B-, would improve return and reduce tracking error against the benchmark. Summit and the Investment Staff concur with this, and Mr. Baum therefore proposed to the Board to allow Seix to buy and hold lower-grade bonds up to a maximum of 20% of the market value of the portfolio. This will not change the overall approach employed by Seix, as their focus will remain on the higher-quality high yield securities. The Board unanimously voted to change the Seix investment guidelines, allowing Seix to buy and hold lower-grade bonds up to a maximum of 20% of the market value of the portfolio.

13. Investment Staff and Summit recommended a \$15 million commitment to TCW Energy Fund XV. The Plan currently has investments in Funds X and XIV. In order to maintain its investment level in this and other private capital investments, the Plan must reallocate to new funds from time to time as existing funds are harvested. It is anticipated that Fund X and, to a lesser extent, Fund XIV, will decline in outstanding balance as capital calls are received from the new Fund XV. The Board unanimously voted to approve the \$15 million commitment to TCW Energy Fund XV.
14. During the March 2010 meeting, a revised target portfolio allocation for 2010 was approved by the Board. This allocation covered the broad asset classes, and did not address allocation changes to specific existing or new managers. Mr. Baum presented a proposed allocation by portfolio manager which detailed the recommended implementation. In all cases, the attempt was made to retain the same proportional relationships with the existing splits between core/growth/value, large cap/small cap, and other strategies. Summit reviewed the recommendation and agreed with the proposed allocations. The Board unanimously approved the manager-specific Target Allocations for 2010.
15. Ms. Starns presented the Small Cap Equity Manager Review for Franklin Templeton Institutional.
16. Mr. Tom Dickson, Senior Vice President, and Mr. Mike McCarthy, Senior Vice President-Director of Equity Research/Portfolio Manager, of Franklin Templeton Institutional, presented a portfolio and performance review of the small cap equity portfolio they manage for the Plan.
17. Ms. Starns presented the Small Cap Equity Manager Review for NorthPointe Capital, and for Neuberger Investment Management.
18. Ms. Tamara Doi Aoyagi, Senior Vice President, and Mr. Brett Reiner, Managing Director, of Neuberger Investment Management, presented a portfolio and performance review of the small cap equity portfolio they manage for the Plan. Mr. Baum questioned the presenters about the degree to which their current portfolio remains within the small cap value sector. They agreed to schedule a follow-up session with Mr. Baum about this.

19. The next regularly scheduled Board Meeting will be on Monday, May 17, 2010 at 8:30 a.m. at the Denver Employees Retirement Plan.

20. The meeting was adjourned at 12:50 p.m.

  
Chairman

  
Executive Director