

## DENVER EMPLOYEES RETIREMENT PLAN

### Minutes of the Retirement Board Friday, June 19, 2009 - Meeting #668

The 668<sup>th</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 Friday, June 19, 2009. Board Members present: Mr. Irving Hook, Mr. Bonney Lopez, Mr. Tom Migaki, and Mr. Robert Strenski. Board Member absent: Ms. Cheryl Cohen-Vader. Advisory Committee Members present: Mr. Mike Aleksick, Dr. Adeniyi Kelani, and Ms. Erma Zamora. Others present: Mr. Steven Hutt, Executive Director, Ms. Fran Augenblick, Assistant Director, Mr. Mike Clark, 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 #667 were approved by a unanimous vote of the Board Members.
2. The Board unanimously accepted Retirement List #523 and Refund List #421, Plan Operating Expenditures, and the Financial Statements for the period ending May 31, 2009.
3. Mr. Lopez submitted his report on the Wharton School Portfolio Concepts and Management conference, June 1-4, 2009.
4. Mr. Hutt updated the Board on the issue of enactment of the City contribution rate for 2009. At present, a decision has not been made by the City about how additional employee/employer contributions will be divided, or the timing of implementation. Mr. Hutt, Mr. Harris, and Mr. Strenski will meet with the Mayor and his senior staff next week to discuss the issue. The Plan's primary goal is to have the change enacted as soon as possible. However, because the City is currently looking at various budget issues in a comprehensive manner, the decision needed for the Ordinance change has not yet been received.
5. Ms. Halliday presented to the Board proposed legislation from the City on re-hiring retirees. The City Attorney's Office examined the manner in which the City hires, or re-hires, retired employees to determine a way to do so in such a manner that they do not have their benefit suspended. After exploring the viability of various options, the City has determined that the best solution to accomplish that would be to amend the City Ordinance to allow retired members to be rehired less than half-time on *annual* basis as an alternative to the existing test of less than half-time on a *weekly* basis. The proposed Ordinance change was forwarded to the Plan for the Board's review. Ms. Halliday answered

questions from Board members about the proposal. The Board directed her to keep them apprised of the implementation of the proposal.

6. Mr. Hutt updated the Board on the matter of engaging the actuary to model the impact of potential benefit changes for new hires, the primary inquiry being about the potential parameters and effects of reducing benefits for new hires. Mr. Harris contacted Gabriel Roeder Smith & Company (GRS), which responded with a proposed study. This study would commence with a 30-year baseline projection of costs based on the plan provisions and assumptions as they exist today, followed by projecting the savings from several separate changes in the benefit provisions. GRS would then illustrate the impact of all the identified changes combined. Mr. Hutt and Mr. Harris recommended to the Board that they accept GRS's proposal, and have them perform the study. After discussion, the Board unanimously voted to engage GRS to do the proposed work.
7. Ms. Augenblick presented an update to the Board on the CRIS computer project. The project is on schedule. At the onset of the project, there had been an initial concern about how the data from our legacy system would be transferred to the new system. The Plan's IT department solved the issue. So far, all but one set of data files has been transferred to Sagitec. Upon review, Sagitec has stated that the files will be compatible with their system. Within the next month, the transferred data will begin to be tested at the Plan by employees.
8. Ms. Augenblick described a drainage problem occurring between the Plan building and the Plan's carriage house, and a solution to repair the problem. Bids have been received to do corrective work on the situation. Ms. Augenblick told the Board that there is room in the building budget to move forward with the \$2,700 cost of the corrective work.
9. Mr. Hutt announced that the Open House for retirees will be held this year on Wednesday, August 26, 2009, from 2:00 – 4:00 p.m.
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 May 31, 2009, the market value of the Plan was \$1,500,082,875.88(p). The market value was up \$50,192,551.71(p) in May and is down \$39,750,513.12(p) since December 31, 2008.
11. Mr. Tim Sant, Senior Vice President, and Mr. Roger L. Brown, Vice President, of Summit Strategies Group, presented the annual review of the Plan's real estate investments.
12. Ms. Sue Curran, Relationship Manager, Mr. John Barrie, Managing Director, and Mr. Jeff Gandel, Senior Vice President/Real Estate Investment Director, of Pyramis Real Estate reviewed the performance of the Pyramis real estate fund in which the Plan is invested.

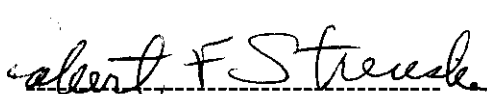
13. Mr. Baum presented a recommendation from the investment staff, the Investment Committee, and Summit Strategies to terminate Independence Investments from managing the large cap value mandate, and to move this asset class to an index fund at Northern Trust. A decision about whether to move this asset class back to active management, via a manager search process, would be considered at a later time. The Board voted unanimously to terminate the relationship with Independence Investments, and move the asset class to an Index fund at Northern Trust.
14. Mr. Baum presented to the Board the recommended finalists for the International Small Cap manager search and the Emerging Markets manager search. Summit Strategies pre-screened its manager database and presented seven candidates for each of the searches. The Investment Committee and Plan staff, in conjunction with Summit, reviewed each candidate in detail. Mr. Baum summarized the attributes of the recommended firms. The recommended candidates for the Small Cap manager search were narrowed down to two managers: DFA Capital Management, Inc. and Mondrian Investment Partners, Ltd. The candidates for the Emerging Markets manager search were narrowed down to four managers: Acadian Asset Management, LLC, DFA Capital Management, Inc., LSV Asset Management, and William Blair & Company.

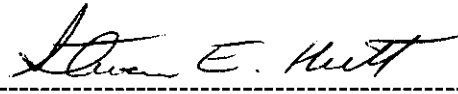
The Board unanimously accepted for consideration the suggested candidates for both the Small Cap manager search and the Emerging Markets manager search. A team including Mr. Hook, Mr. Strenski, the DERP investment staff, and Summit Strategies will conduct due-diligence site visits with each candidate. This travel will take place in July. A special Board meeting will then be scheduled to interview final candidates.

15. Mr. Baum, on behalf of the Investment Committee, Plan staff, and Summit Strategies, recommended to the Board a renewal of the Plan's timber allocation via the existing manager, Hancock Timber. DERP wishes to maintain a timber allocation within its alternative investment sphere, and the existing timber funds are maturing and will soon be liquidating. Hancock Timberland Fund X provides a way to maintain an investment in this asset class with the existing manager. The Board unanimously voted to renew the timber allocation via Hancock Timberland Fund X, making a \$10 million commitment to the new fund.
16. Mr. Baum recommended, on behalf of the Investment Committee and the Plan staff, that the Board grant an exception to the Plan's guidelines with Neuberger Berman to allow the manager to continue to temporarily hold certain fixed income securities currently rated below the policy guideline minimum of BBB-. This authorization would be subject to the limitation that the total market value of the retained below-investment grade securities is not to exceed 2.5% of the total Neuberger Berman fixed income portfolio market value. Allowing the holding of below-guideline securities is meant to be temporary in nature, with the goal of eliminating all securities below BBB- from the Neuberger portfolio. DERP will

review the status of these holdings, and the 2.5% tolerance, every calendar quarter. The Board agreed to allow this exception to the guidelines, with the request to remain informed of the status quarterly so that the exception may be considered for extension as necessary.

17. The Annual Meeting immediately followed the regular Board meeting. Separate official Minutes were prepared covering that Meeting.
18. The next regularly scheduled Board Meeting will be on Friday, July 17, 2009 at 8:30 a.m. at the Denver Employees Retirement Plan.
19. The meeting was adjourned at 2:15 p.m.

  
Chairman

  
Executive Director