

DENVER EMPLOYEES RETIREMENT PLAN

Minutes of the Retirement Board Wednesday, March 17, 2010 - Meeting #681

The 681st 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, March 17, 2010. Board Members present: Ms. Cheryl Cohen-Vader, Mr. Irving Hook, Mr. Harry Lewis, Mr. Tom Migaki, and Mr. Robert Strenski. Advisory Committee Member present: Ms. Erma Zamora. Advisory Committee Members absent: Mr. Mike Aleksick and Dr. Adeniyi Kelani. Others present: Mr. Steven Hutt, Executive 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. Mr. Hutt welcomed Harry Lewis to his new position on the Retirement Board.
2. The Minutes of meetings #679 and #680 were approved by a unanimous vote of the Board Members.
3. The Board unanimously accepted Retirement List #532 and Refund List #430, Plan Operating Expenditures, and the Financial Statements for the period ending February 28, 2010.
4. Ms. Cohen-Vader submitted her report on the 28th Annual Sit Investment Client Workshop, February 11-14, 2010.

Ms. Cohen-Vader received authorization to attend the NASP 21st Annual Pension and Financial Services Conference, June 16-18, 2010. (It was later determined that Ms. Cohen-Vader's schedule will prevent her from attending this conference.)

5. Mr. Hutt explained to the Board the next step in the conclusion of matters regarding the DHHA Supplemental Contribution calculation, which would be the adoption of the actuarial assumptions recommended by GRS for the Hospital-employee subgroup of the DERP membership. As part of the resolution of the dispute with DHHA, DERP agreed to have GRS revise the five-year actuarial experience study, producing results for two separate population groups, one for Hospital employees and one for non-Hospital employees. The experience study examined nine assumption categories, including salary increases, termination rates, mortality, retirement rates, etc. For the Non-Hospital group, GRS recommended no change to any of the set of nine assumptions, beyond what was already adopted by the Board in 2008. For the Hospital group, GRS recommended that two assumptions (out of the nine) be changed to better reflect the actual experienced behavior of the Hospital-only group. The two recommended changes to the assumptions were:

Retirement Rates: assume that some members will continue to work until age 75 (previously the assumption was that all active members work until age 70);

Termination Rates: The termination assumption that was being used for the overall group includes a component that provides for assumed higher rates of termination of employees with very short periods of service. However, given the closed nature of the Hospital group, as of 12/31/07 nearly all Plan-participant Hospital employees already

had at least seven years of service. Thus the service-related termination assumption needs to be different for the Hospital group.

The Board voted unanimously to adopt the two actuarial assumptions recommended by GRS for the Hospital-employee subgroup of the DERP membership. GRS will complete their work now by re-running the 2008 and 2009 actuarial valuations with the revised assumptions, which will determine the amount of Supplemental Contributions finally owed by DHHA for those two years.

6. A Strategic Planning Session with Nancy Williams, of Ennis Knupp, will be scheduled to take place on October 12, 2010.
7. 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 February 28, 2010, the market value of the Plan was \$1,630,632,954.82(p). The market value was up \$11,567,965.01(p) in February and is down \$12,246,954.04(p) since December 31, 2009.
8. Mr. Roger Brown, Vice President, of Summit Strategies Group, continued the Educational Session on Hedge Funds for the Board.
9. Mr. Brown and Mr. Baum presented the Capital Markets Outlook to the Board, discussing changes made to Summit's long-term strategic capital market assumptions that occurred from the past year. They then presented the recommended asset allocation for 2010. The Board voted unanimously to adopt the recommended target asset allocation for 2010. Included in the adopted asset allocation is an initial allocation to absolute return hedge funds. The focus of products to be included within that allocation will be the more conservative strategies with risk approximating core fixed income, and will seek to minimize sensitivity to market movements.

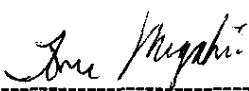
DERP Recommended Year-by-Year Allocation Targets

	2009 Target	12/31/09 Actual	2010 Target
US Large Cap	28.0%	29.7%	27.0%
US Small Cap	6.5%	8.2%	6.0%
International Large	15.0%	18.4%	15.0%
International Small	2.5%	2.0%	4.0%
Emerging Markets	2.5%	0.7%	3.5%
Alternative Investments	7.5%	5.2%	8.0%
Core Fixed Income	21.5%	22.1%	17.0%
High Yield	5.0%	5.7%	5.0%
TIPs	1.5%	1.5%	1.5%
Real Estate	10.0%	6.5%	8.0%
Absolute Return	0.0%	0.0%	5.0%
Cash	0.0%	0.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

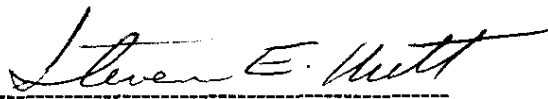
10. The Board voted to initiate a search for an absolute return fund of funds manager. Summit Strategies will prepare an initial list of candidates, which will be reviewed by staff and the Investment Committee.
11. A new Investment Committee was formed, consisting of Mr. Hook and Mr. Strenski, with Ms. Cohen-Vader acting as an alternate member.
12. A new Audit Committee was formed, consisting of Ms. Cohen-Vader and Mr. Migaki, with Mr. Hook acting as an alternate member.
13. Mr. Baum presented the Fixed Income Portfolio Structural Review, explaining the historic composition of the fixed income portfolio, and its significant tilt toward active management, via 6 different managers. Mr. Baum made several recommendations on the structure of the Fixed Income Portfolio, designed to:
 - a.) Simplify the fixed income allocation by consolidating the manager line-up;
 - b.) Change the benchmark to the lower-risk Barclays Aggregate for all but the high yield and internally-managed portfolios; and
 - c.) Significantly increase the use of a passive index strategy.

The Board voted unanimously to follow these recommendations, and accordingly to terminate Loomis Sayles, Neuberger Berman, and NCM, while currently maintaining Smith Graham at a 1.5% target allocation. (Summit and Plan staff will return to the Board with a presentation about the status within the public pension fund environment of emerging-manager programs, with the intent of examining the issue and potentially considering a search process regarding fixed income emerging-managers.) Northern Trust will be retained to manage the core fixed income allocation not managed internally by the Plan staff or by Smith Graham. This will shift the majority of the core fixed income segment of the portfolio to passive management. The Board also unanimously adopted the recommendation to change the benchmark for the remaining external core managers (Northern Trust and Smith Graham) to the Barclays Aggregate Index.

14. The next regularly scheduled Board Meeting will be on Wednesday, April 14, 2010 at 8:30 a.m. at the Denver Employees Retirement Plan.
15. The meeting was adjourned at 12:40 p.m.



Vice-Chairman



Executive Director