



Colorado Public Employees' Retirement Association
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March 28, 2011

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F St. NE
Washington DC 20549-1090

RE: Security Ratings (File No. S7-18-08)

Dear Ms. Murphy:

On behalf of The Colorado Public Employees' Retirement Association ("COPERA"), a pension fund with approximately \$40.6 billion in assets, which includes approximately \$9.1 billion in fixed income assets, and a fiduciary duty to protect the retirement security of over 473,000 plan participants and beneficiaries, I am writing today regarding File No. S7-18.08, and the opportunity to comment regarding credit ratings.

As a fiduciary, COPERA has long understood the important role of credit ratings and the role credit ratings agencies have played in the financial markets. Since the financial crisis of 2008, much attention has been focused on improving oversight of the NRSROs with the goal of enhancing the integrity of the ratings process. To this end, COPERA has testified before Congressional Committees and participated on the Securities and Exchange Commissions' Roundtable to Examine Oversight of Credit Rating Agencies. While COPERA applauds the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) we are concerned as to how Dodd-Frank will impact credit rating reform.

Since the financial crisis, changes such as improved transparency in terms of both methodology and assumptions, mitigation of the impact of conflicts of interest, and improved accountability through strengthened SEC powers have helped assuage concerns regarding credit ratings. While the improvements have not cured all aspects of a very complex issue, they have been a step in the right direction.

Section 939A of Dodd-Frank requires that each regulatory agency review any regulations issued that require the use of an assessment of the credit-worthiness of an issuer, security or money market instrument and any references to or requirements regarding credit ratings and, after identifying such regulations, remove any reference to or requirement of reliance on credit ratings and to substitute in such regulations such standard of credit-worthiness as each agency shall determine as appropriate.

COPERA acknowledges legislators' concerns about wide-spread reliance on NRSRO credit ratings in securities industry regulations and appreciates the task the SEC has been charged with. However, COPERA believes the use of a robust indicator of credit quality in industry regulations is systemically important to controlling risk in the financial system. As such,

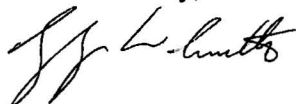
March 28, 2011
Page Two
Ms. Elizabeth M. Murphy

COPERA strongly opposes the removal of any such references until a robust alternative to NRSRO ratings is identified. Any effort to eliminate NRSRO credit ratings prior to the development of a substitute tool increases risk to investors, the regulatory environment of insurance companies, banking institutions, and others whose capital and reserve requirements are dependent, in part, upon credit ratings, as well as counterparty risk.

COPERA is concerned that in hast to comply with Dodd-Frank, a credit metric which is less effective than NRSRO ratings will be inconsistently adopted by various regulators charged with oversight of their respective segments of the marketplace. COPERA is not aware of any single alternative method proposed which is robust enough to characterize risk across all types of instruments. COPERA believes that any replacement approach must contain both quantitative and qualitative elements. These elements must be broad enough that: they can't be manipulated by market participants; be reflective of market factors that may vary by sector or industry; use appropriate metrics to capture the nuances of different industries; take into account corporate management and industry dynamics; as market factors may be volatile the substitute tool must prove consistent over time when an investment instrument no longer qualifies for the given rating due to an uncontrollable event other than market factors. The entity responsible for providing the substitute tool: must be held accountable by adequate regulations; must be conflict free – their payment for services can't come from issuers or investment banks; and must be held professionally liable for ratings. Further, COPERA believes it is imperative that the substitute methodology chosen is consistently adopted by all regulatory agencies.

COPERA thanks the Commission the opportunity to comment on the proposed rule change. COPERA does not take lightly the fiduciary role we have to our 473,000 plan participants and beneficiaries and the impact this important regulatory revision will have on our participants and beneficiaries. It is imperative that there remains a viable, independent system that investors can utilize when determining the feasibility of purchasing investment instruments.

Most sincerely,



Gregory W. Smith
Chief Operating Officer / General Counsel



Jennifer Paquette
Chief Investment Officer