COLORADO
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Colorado Public Employees' Retirement Association
Mailing Address: PO Box 5800, Denver, CO 80217-5800
Office Locations: 1301 Pennsylvania Street, Denver
1120 W. 122nd Avenue, Westminster
303-832-9550 • 1-800-759-PERA (7372)
www.copera.org

August 8, 2011

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

RE: Proposed Rules for Nationally Recognized Statistical Rating Organizations
File Number S7-18-11

Dear Ms. Murphy:

The Colorado Public Employees Retirement Association ("COPERA") appreciates the opportunity to provide the Securities Exchange Commission (the "Commission") with our views on the recently released proposed rules regarding Nationally Recognized Statistical Rating Organizations (NRSROs) (File No. S7-18-11).

Established in 1931, the Colorado Public Employees' Retirement Association ("COPERA") provides retirement and other benefits to more than 475,000 current and former employees of more than 400 government and public employers in the State of Colorado. As of June 30, 2011, COPERA is the 21st largest public pension plan in the United States managing approximately $39.7 billion in assets on behalf of its members, which includes approximately $9.0 billion in fixed income assets.

As a fiduciary, COPERA has long understood the important role of credit ratings and the role NRSROs 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 numerous times 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, and in particular the proposed rules, will impact credit rating reform.

The proposed rules for NRSROs encompass many key elements of the myriad of issues that have been voiced since the 2008 financial crisis. COPERA is encouraged that the Commission is proposing rules dealing with many important issues including, but not limited to: internal control structures; conflicts of interest relating to sales and marketing; credit rating methodologies; analyst training, testing and experience; universal rating symbols.

As a long time member and supporter of the Council of Institutional Investors (CII), we join with our colleagues at CII in responding to the proposed rule changes regarding Proposed Rules for Nationally Recognized Statistical Rating Organizations (File No. S7-18-11). We fully endorse and join in the response by CII in their letter dated August 8, 2011.

Due to the magnitude and depth of the proposed rule, in lieu of addressing each issue and requested comment, COPERA would like to provide the following general comments relating to key sections of the proposed rules that are of importance to COPERA and its membership.

A. INTERNAL CONTROL STRUCTURE

Properly developed internal control structures are arguably one of the most important factors in instilling confidence in investors that an NRSRO is providing accurate and reliable credit ratings, is updating said ratings on a regular basis, and is complying with all applicable laws and regulations. The Commission points out that an NRSRO must "establish, maintain, enforce, and document an effective internal control structure". As the Commission points out, this structure is self-executing, and an NRSRO must adhere to this self-executing provision irrespective of whether the Commission prescribes factors the NRSRO must take into consideration. Based on this self-executing provision the Commission suggests that it preliminarily believes it would be appropriate at this time to defer prescribing factors an NRSRO must take into consideration with respect to its internal control structure. COPERA believes the Commission should not defer prescribing factors an NRSRO must take into consideration with respect to its internal control structure at this time. Rather, the Commission should consider internal control procedures that:

- Set forth a basic definition of internal controls to be used by the NRSROs and the SEC staff in its inspections
- Set forth a definition of material weakness which clearly sets out what would be a serious deficiency in internal controls that would prevent the internal controls from achieving their objective
- Define what the objectives of the internal controls are, and are not, in terms of assurance to investors
- Set forth basic components of internal control
- Set forth the fundamental steps for the management process of internal control

B. CONFLICTS OF INTEREST RELATING TO SALES AND MARKETING

Since the financial crisis there has been much debate regarding what extent conflicts of interest may have played in the crisis. It is essential that the Commission consider rules that leave no doubt as to what constitutes a conflict of interest and the consequences when conflicts of interest are discovered. COPERA supports the Commission's proposed prohibition in which the NRSRO issues or maintains a credit rating where a person within the NRSRO who participates in the sales or marketing of a product or service of the NRSRO or a product or service of a person associated with the NRSRO also participates in determining or monitoring the credit rating, or developing or approving procedures or methodologies used for determining the credit rating, including qualitative or quantitative models. As proposed, the standard appears to be based on the idea that a conflict occurs if it deviates from the NRSROs methodology. The Commission could further strengthen the proposed prohibition by better defining "sales and marketing", and "product or service", and address the potential that conflicts could affect the NRSRO's methodologies and procedures.

F. CREDIT RATING METHODOLOGIES

Credit rating methodologies are one of the most import issues being addressed in the Commission's proposed rules. To rebuild the confidence of investors it is imperative that methodologies employed for determination of a credit rating are unbiased, accurate, based on qualitative and quantitative data and models, and are stringently adhered to by NRSROs. While requiring the board of directors to review and approve methodologies has the potential to add an additional level of credibility to the NRSRO's methodologies, there is no requirement that directors have the technical knowledge, expertise, or skills required to develop credit rating methodologies, or that the board be composed of no less than a majority of independent directors. A greater level of confidence in the methodologies employed by NRSROs would be achieved if the Commission requires NRSROs to have methodologies reviewed by outside, independent experts who would then report their findings to the board of directors prior to the board voting on proposed methodologies. Having a truly independent review of the methodologies will further enhance the elimination of any potential conflict of interest that could occur if the board of directors has the sole responsibility of reviewing and approving the methodology.

I. STANDARDS OF TRAINING, EXPERIENCE, AND COMPETENCE

In any professional field, knowledge and expertise of the job is critical. The proposed rule will allow each NRSRO to design and administer standards for training, experience, and competence. Identification of the objective – the production of accurate ratings – and the standards to achieve that objective are again left as a self-executing requirement of the NRSRO. While each NRSRO may require a certain degree of individual customization to fit the type of ratings being issued, many aspects of determining a credit rating are universal. The Commission should provide a set of minimum standards and requirements for experience, testing and certification that must be incorporated by the NRSRO when developing standards of training, experience, and competence. Standards should include individual sector experience, minimum education such as an MBA, and certifications such as a CFA, which includes a strong ethics standard.

J. UNIVERSAL RATING SYMBOLS

As proposed, it appears this rule will require NRSROs to do an assessment of potential default and rating symbols would have to be clearly defined. However the rule doesn't require that rating symbols would have to be designed to clearly reflect the potential degree of default. As such, the idea that the rule will correct the discrepancy between what AAA means in the
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municipal or corporate debt context and what it means in the structured product context does not appear to be met.

COPERA has been a strong advocate for viable credit rating references as documented in our comment letter regarding File Number S7-07-11, References to Credit Ratings in Certain Investment Company Act Rules and Forms. We would like to again highlight what elements should be taken into account and considered when determining credit ratings and the symbols attached to those ratings:

- They can't be manipulated by market participants
- They be reflective of market factors that may vary by sector or industry
- They use appropriate metrics to capture the nuances of different industries
- They 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
- Be conflict free – their payment for services can't come from issuers or investment banks
- Be held professionally liable for ratings.

Further, COPERA believes it is imperative that the substitute methodology chosen is consistently adopted and applied across relevant regulatory agencies.

COPERA thanks the Commission for the opportunity to comment on the proposed rule change. COPERA does not take lightly the fiduciary role we have to our 475,000 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 NRSRO system that investors can utilize.

Most sincerely,

Gregory W. Smith
Chief Operating Officer / General Counsel