COLORADO PERA®

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

March 28, 2011

David A Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Via Electronic Submission

Re: RIN 3038-AD15 &3038-AD16: Proposed Rule on Position Limits for Derivatives

Dear Mr. Stawick;

The Colorado Public Employees Retirement Association ("PERA") appreciates the opportunity to provide the Commodity Futures Trading Commission (the "Commission") with our views on the recently released draft rules on position limits for commodities futures and swaps.

Established by the Colorado General Assembly in 1931, the Colorado Public Employees' Retirement Association (PERA) provides retirement and other benefits to the more than 473,000 current and former employees of over 400 government and public employers in Colorado. By state law, the management of the public employees' retirement funds are vested in PERA's Board of Trustees. As of December 31, 2010, PERA is the 21st largest public pension plan in the United States, managing approximately $40.6 billion in assets on behalf of its members.

The Trustees have established a Statement of Investment Policy and a Strategic Asset Allocation for PERA. As part of this process, in 2008, the Trustees approved an allocation of up to 1% of PERA's assets to be invested in diversified, unlevered commodities strategies. PERA, with the assistance of its investment consultant, conducted an extensive search for external, diversified, unlevered commodities managers. There were fewer than five investment managers who offered products that met PERA's requirements for scale, expertise, risk management and performance.

PERA is generally supportive of the Commission's efforts to enhance the futures and swaps regulatory framework. However, we are concerned about the potential adverse impact that the Commission's position limits proposal may have on PERA's ability to implement our commodities mandates and thereby on our ability to provide diversification and inflation protection to PERA's members. We have concerns that position limits may have significant unintended consequences both on the broad commodities markets and specifically on institutional investors, such as PERA. Some of these unintended consequences may include:

- Market participants may elect to reduce or eliminate their participation in the U. S. futures, options and swap markets in favor of overseas markets that do not impose comparable compliance challenges. This could have an adverse impact on liquidity and cost.

- The compliance risk associated with position limits may have the unintended effect of causing some entities to reduce or avoid using futures, options or swaps to manage risk. Such entities may determine that it is safer to avoid the futures and swap markets than face potential CFTC penalties for position limit violations. This could have an adverse impact on liquidity and cost.

- Counterparties who have historically been willing to take the opposite side of a particular trade, may be prevented from doing so based on the structure of position limits, the risk management and swap dealer exemptions, and the aggregation rule. This could have an adverse impact on liquidity and costs.

- Specific to PERA and other institutional investors, if the futures, options and swaps markets shrink as a result of position limits, it could have an adverse impact on PERA's ability to implement its strategic allocation to commodities in a cost effective manner and with a set of external managers that meet its return and risk management requirements. This could negatively impact our ability to diversify our plan and to provide our members with the best external commodities management consistent with our requirements.

- Also, unique to PERA and other institutional investors, if strict position limits are set too low, the limitations on the activities of investment managers too restrictive or if the Commission does not make allowances for diversified, unlevered commodity investors, PERA may be forced to reduce its position with its existing managers and to hire additional managers. This could increase our costs and risk while reducing the efficiency of the strategic allocation to commodities. This could unnecessarily deprive PERA of choosing the manager that it has deemed the most appropriate given our objectives.

While PERA is not necessarily against the concept of position limits if there were clear empirical data to support their need, we are concerned that in the absence of such data, the Commission's choice to proceed with the position limits proposal could be deleterious to institutional investors, such as PERA. As such, PERA encourages the Commission to follow the legislative language and Congressional intent of the Act by adopting position limits only "as appropriate," where strictly needed and without impeding the ability of institutional investors, such as PERA, to implement its strategic investment objectives. We further encourage the Commission to recognize that investors in a broad-based, fully collateralized commodity index are not speculating on the direction of commodity prices, but are seeking to reduce financial and inflation risk. In doing so, we are bringing liquidity to US markets while facilitating the hedging that is done by commodity producers.

If the Commission does decide to impose position limits as proposed, we would urge the Commission to consider a safe harbor for those types of investments that are diversified, unlevered, collateralized, commodity index strategies. This is consistent with Congressional intent: Senator Lincoln in a letter to the Commission on position limits dated December 15th, 2010, reiterated her earlier sentiments on this issue by encouraging the Commission, in its implementation of position limits, to "differentiate between trading activity that is unleveraged or fully collateralized, solely exchange-traded, fully transparent, clearinghouse guaranteed and poses no systemic risk and highly leveraged swaps trading."

Again, we appreciate the opportunity to express our views on position limits, and the Commission's consideration of the impact of this proposal on institutional investors, such as PERA when assessing the position limits proposal. Please feel free to contact me, should you have any questions or would like to discuss this matter in more detail.

Respectfully submitted,

Jennifer Paquette

Jennifer Paquette
Chief Investment Officer