

Report to Colorado
PERA Board of
Trustees

From Investment
Staff

Regarding the
Colorado PERA
Iran-Related
Investment Policy

January 15, 2010





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SECTION 1

Executive Summary

Since the last *Iran-Related Investment Policy Report* on March 20, 2009, Colorado PERA staff has continued to work diligently to implement the requirements of the *Colorado PERA Iran-Related Investment Policy* (PERA's policy). Specifically, our efforts have focused on the following areas:

- Reviewing reports received from PERA's research provider to continue to update the list of companies meeting PERA's policy criteria (Phase I).
- Sending letters to two new companies identified as requiring further research (Phase II).
- Monitoring compliance with the moratorium on direct public investments enacted by the Board (Phase III).
- Obtaining and analyzing updated information about companies that had met policy criteria in the past as well as those companies that had been identified as requiring further research.

Research

As of March 20, 2009, 16 companies met the criteria specified in PERA's policy. Of those 16 companies, PERA owned direct public securities issued by eight of the companies. As of June 20, 2008, PERA enacted a moratorium in direct public investments in the eight companies of the 16 that PERA did not own.

Since the last report on PERA's policy, PERA staff has attempted to obtain and analyze all relevant publicly available information that has been published in the past 12 months on the 16 companies that had met the policy criteria in addition to several other companies identified as requiring further research. Based on this analysis, one new company, China National Petroleum Corporation, has been identified as meeting PERA's policy criteria. This company is also on PERA's Sudan list as a company with active business operations in Sudan. As such, PERA is already prohibited from holding the securities of this company. Nonetheless, China National Petroleum Corporation will be added to the list of companies upon which PERA has a moratorium for the purposes of the *Colorado PERA Iran-Related Investment Policy*.

Furthermore, as of January 15, 2010, PERA does not currently own direct public securities issued by one company, ENI S.p.A., for which PERA did own direct public securities as of March 20, 2009. Accordingly, PERA will enact a moratorium on direct public investments in this company. PERA investment managers will be notified of this moratorium on or before January 15, 2010.

Bow Valley Recommendation

As mentioned in the *Colorado PERA Iran-Related Investment Policy Report* dated September 19, 2008, the actions and circumstances surrounding Bow Valley Energy Ltd., the securities upon which PERA currently has a moratorium, warrant special consideration. Bow Valley Energy Ltd. was awarded a service contract to develop the Balal oil field in the Persian Gulf offshore of Iran in 1997. In their response letter to PERA, dated June 15, 2008, Bow Valley Energy Ltd. stated the following:

- "In 1999, Bow Valley concluded negotiations and signed Participation and Assignment Agreements with two major multi-national oil companies wherein they took over all of

Bow Valley's financial, management, operational and Duty responsibility to the Balal project."

- "Bow Valley has not invested any capital to the Balal project nor has the Company pursued any other project in Iran."
- "Bow Valley has no equity interest in oil and gas reserves, production or oil and gas revenue derived from Iran."
- "The Balal project has not been a profitable endeavour and the Company has not participated in any profit sharing or other revenue."
- "Bow Valley has now passed a Board of Directors' Resolution wherein we have renounced our investment in Iran and the Company is attempting to quit-claim any residual interest in the Balal project in order to remove our name from the title documents."

On April 30, 2009, Bow Valley Energy Ltd. was acquired by Dana Petroleum plc, a British oil and gas company. Dana Petroleum plc has no operations in Iran. In June 2009, PERA's external research provider removed Bow Valley Energy Ltd. from its list of companies meeting the policy criteria.

In light of this information, PERA staff recommends removing the moratorium placed upon Bow Valley Energy Ltd. in addition to removing the company from the list of companies that meet the policy criteria. As specified in Phase III of PERA's policy, removal of moratorium companies requires 90-days' advance notice before the effective date of any repeal of this moratorium to the public, the General Assembly, and the Governor. The effective date of the repeal of the moratorium on Bow Valley Energy Ltd. will be April 16, 2010.

Petrobras Recommendation

PERA staff has also determined that there is sufficient evidence of the elimination of ongoing investment and business activities in Iran's energy sector by Petroleo Brasileiro S.A. (Petrobras), a company that was cited in previous reports for meeting the policy criteria. On pages 55-56 of Petrobras' 2008 Form 20-F (Form filed with the SEC by non-U.S. companies with securities that trade on a U.S. exchange) filed on May 22, 2009, the following was stated:

"In 2004, we signed a service contract with the National Iranian Oil Company (NIOC) in Iran. The agreement called for seismic data acquisition and processing and the drilling of at least two exploratory wells in the Tusan block in the Iranian Persian Gulf.

To date, Petrobras has acquired and processed seismic data at a cost of approximately U.S. \$22 million and drilled two exploratory wells at a cost of U.S. \$156 million in Iran. In February 2008, we discovered evidence of hydrocarbons in the Tusan block. The discovery is not considered economically viable.

Our expenditures are reimbursed under the service contract with the NIOC only if exploration results in economically viable oil discoveries. Petrobras has not had any assets, material liabilities, revenues, or proved reserves associated with its operations in Iran in any of the last three years. The service contract with the NIOC is scheduled to expire in July 2009, and we have no additional commitments or further plans in Iran at this time."

Given this information, PERA staff has concluded that Petrobras should be removed from the list of companies that currently meet the policy criteria. Staff will continue to monitor Petrobras for future business activities in Iran's energy sector.

Summary

As of January 15, 2010, there are 16 companies that meet the criteria specified in PERA's policy. Of the 16 companies, PERA owns direct public securities issued by six of the companies. PERA has enacted a moratorium on direct public investments in the 10 companies of the 16 that PERA does not currently own. On April 16, 2010, the moratorium placed upon Bow Valley Energy Ltd. will be removed, and the company will then also be removed from the list of companies meeting the policy criteria.

Investment Staff Evaluation

For the six companies that meet the policy criteria and in which PERA holds direct public securities, PERA staff has identified and gathered updated information on each of the companies. Staff believes that this information will assist in performing the analysis required by Phase IV of PERA's policy. Phase IV of PERA's policy requires PERA staff to analyze (1) the available strategies for addressing the risk presented, (2) the materiality of the companies' Iranian operations in relation to their overall operations, and (3) the availability of alternative direct public investments providing similar diversity and return expectations. The information presented includes company specific information, oil and gas information, PERA's separate account exposure, market index weights, and historical total returns. In summary, the information presented details:

- Certain companies have unique characteristics; some so unique that they cannot be replicated by another public company.
- Based on the oil and gas data collected, none of the companies appear to have material oil and gas operations in Iran as compared to company operations as a whole. Each of the six companies holds a globally diversified portfolio of oil and gas projects of which Iran is just one of many projects. If an event were to occur that adversely impacted the company's future business prospects in Iran (e.g., sanctions, expropriation of assets, war), it is reasonable to conclude that the impact on these companies' overall operations would be minimal. From this perspective, the risk to PERA members solely related to these companies' operations in Iran is negligible.
- In total, the six companies represent 29 percent of the energy sector of the MSCI ACWI ex US index (the investable universe for the international equity asset class), approximately 42 percent of the energy sector of the MSCI EAFE index (the investable universe for international equity managers focusing on Europe, Australasia, and the Far East), and approximately 23 percent of the energy sector of the MSCI EM index (the investable universe for international equity emerging markets managers).
- Each of the six companies comprises a significant percentage of their respective country portion of the MSCI ACWI ex US index. The smallest percentage is 13 percent of the respective country weight and the largest percentage is 48 percent of the respective country weight.

Based on this work, staff concludes that none of the six companies in which PERA has holdings currently warrant divestment given the provisions of the PERA policy.

Engagement

On November 2, 2009, PERA mailed engagement letters to two companies that had recently been identified as requiring further research. PERA is seeking information directly from the companies in addition to using other information sources to determine if they meet the criteria. PERA intends to complete this research as soon as practical and will report the research progress and findings in the next *Iran-Related Investment Policy Report*.

Reporting

Staff is providing this *Colorado PERA Iran-Related Investment Policy Report* as of January 15, 2010. This report will be placed on the PERA Web site and forwarded promptly to the Governor and the General Assembly.

SECTION 2

Colorado PERA Iran-Related Investment Policy

Adopted January 18, 2008, and revised March 20, 2009

PERA will initiate a phased strategy to address PERA's direct public investments in foreign companies doing business in the Islamic Republic of Iran. The strategy will address and will include a number of actions, up to and including possible divestment. PERA recognizes the federal government has sole responsibility for the conduct of American foreign policy. PERA is acting out of a fiduciary concern for the welfare of its members' assets, which requires a broad horizon and sensitivity to the potential risks posed by investment in Iran.

The United States prohibits loans from U.S. financial institutions and direct investment in the Iranian energy and defense sectors. The U.S. government can also impose economic sanctions on foreign companies investing in Iran's petroleum and natural gas sector. It is widely reported that Iran supports terrorism, supplies explosively formed penetrators for use against our troops in Iraq, continues to develop the infrastructure to support advanced nuclear technology, and that its president publicly calls for the destruction of the State of Israel.

PERA must be managed for the benefit of the members, retirees and beneficiaries, and this policy is developed to address the potential for risk presented by pension fund investments in companies doing business in Iran.

Accordingly, the PERA Board of Trustees adopts a policy consisting of the following phases:

- Phase I: Commencing immediately, staff shall undertake research to identify a list of public companies doing business in Iran which meet the following criteria: (This list will be developed through staff research of publicly available information that may include the retention of external third party researchers and/or other information provided by other public funds, pension systems, and investor organizations.)
 1. That have made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20,000,000 or more, in Iran's energy sector; or
 2. Are engaged in business with any Iranian organization labeled by the U.S. government as a terrorist organization; or
 3. Are engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

The Board may determine that a company has taken sufficient steps to mitigate risks presented by Iranian investments or that there is sufficient evidence of an elimination of ongoing Iranian investment or business activities to warrant removal of a company from the list (removal of moratorium companies requires 90-day advance notice as specified in Phase III).

- Phase II: Upon a company being included on the list that meets the criteria set forth under Phase I in which PERA holds a direct public investment, staff shall within 30 days after identifying such a company, engage such company and ask them to:
 1. Provide a detailed description of the nature, extent, duration, and full history of the companies' business activities in Iran;
 2. Provide an explanation as to how these activities are consistent with a sound and prudent long-term investment strategy;

3. Report how they are engaging the government of Iran regarding its conduct and how they are mitigating investment risks posed by doing business in Iran;
 4. Report whether substantial action has been taken to affect the policies and practices of the government of the Islamic Republic of Iran; and
 5. Additionally, staff shall, where practical, confer and work with other pension systems and investor organizations regarding information stemming from their engagement with such companies and potentially cooperate in taking joint action in engaging such companies.
- Phase III: Upon a company being included on the list that meets the criteria set forth under Phase I, the Board enacts a moratorium on direct public investments in companies in which PERA currently holds no interest. The moratorium shall apply upon the date that staff determines such a company meets the criteria. The Board shall give 90-days' advance notice before the effective date of any amendment or repeal of this moratorium to the public, the General Assembly, and the Governor.
 - Phase IV: Within 90 days after engaging such a company, staff shall evaluate the companies' responses and determine if they have taken sufficient steps to minimize risk to PERA and/or whether additional time is required to effectively engage such company. If not, staff shall analyze:
 1. The available strategies for addressing the risk presented;
 2. The viability of working with other interested parties and investors to affect the policies and practices of companies with business operations in Iran;
 3. The materiality of the company's Iranian operations in regards to their overall operations; and
 4. The availability of alternative direct public investments providing similar diversity and return expectations.
 - Phase V: Staff shall report to the Board its findings, actions, and recommendations concerning individual companies on the list as changes to the list warrant, but not less than annually. This report shall be made available to the public and forwarded to the General Assembly and the Governor; provided, however, the first public report shall be made no later than March 21, 2008. Should adequate mitigation of risk not be possible, the PERA Board of Trustees, consistent with its fiduciary obligations and responsibilities, will thereafter direct staff to:
 1. Withhold additional or new direct public investments in non-complying companies; and/or
 2. Divest current direct public investments in the companies.

Section 3

Review of Staff Activities (January 18, 2008 – January 15, 2010)

January 18–March 21, 2008

- Made initial contact with two independent research providers (January 25)
- Discussed product offering with first research provider (January 29)
 - What could they provide
 - Current clients they are serving with similar needs
 - What would it cost
 - What research is currently available
 - How much customization would be required to meet PERA's criteria
 - How long would it take to obtain a list customized to PERA's criteria
- Agreed to send PERA a proposal and agreement
- Discussed product offering with second research provider (January 29)
 - What could they provide
 - Current clients they are serving with similar needs
 - What would it cost
 - How much customization would be required to meet PERA's criteria
 - How long would it take to obtain a list customized to PERA's criteria
 - Research provider indicated that it would be about three months, or perhaps sooner, to provide a list that met PERA's criteria
- Received proposal from first research provider interviewed that included a sample report and a draft of an agreement for research services (January 30)
- Forwarded job description for Investment Analyst to Human Resources (January 29)
- Posted job announcement in *Denver Post* and on CFA Web site (beginning February 3)
- Conducted first interviews (February 14, 15, 19, 26, 29, and March 6). Conducted second interviews week of March 10
- Held follow-up conversation with research provider regarding criteria wording (February 7). Also discussed inclusion of subsidiaries and nuclear power plants on the list – agreed to create a watch list for companies that do not have involvement in Iran
- Signed contract with research provider (February 13)
- Received initial set of reports from research provider (February 15). Prepared detailed list of questions related to criteria wording, questions on specific companies on the list and also companies excluded from the list (February 25). Held conversation regarding questions and definition of “investing in Iran” (February 26)
- Compared JCRC list (initially received in 2007) to research provider list (February 19)

- Evaluated exposure (domestic equity and fixed income) to companies on both the JCRC list and the research provider list as of December 31, 2007 (February 25). Considered needs for creating security identifiers for relevant companies and report description needs
- Conducted conference calls with two large public pension plans to discuss what each fund has done to date (February 13)
- Received updated JCRC list (February 25)
- Received new research provider report (March 3)
- Updated comparison of JCRC list and research provider list (March 7)
- Contacted JCRC to request information regarding JCRC list criteria (March 7)
- JCRC responded to PERA. JCRC will request AIPAC to follow up on PERA request (March 9)
- Completed initial review of research provider's report and list (March 14)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (March 14–March 20)

March 21 – June 20, 2008

- Sent letters to all 31 companies identified in the March 21, 2008, report as part of Phase II of the *Colorado PERA Iran-Related Investment Policy* (March 21)
- Enacted a moratorium on three companies identified in the March 21, 2008, report as part of Phase III of the *Colorado PERA Iran-Related Investment Policy* (March 21)
- Updated the portfolio accounting system to identify securities issued by the three companies meeting the policy criteria with a purchase moratorium in effect (March 21)
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying the managers of the moratorium (March 21)
- Hired Investment Analyst (March 24)
- Conducted conference call with AIPAC regarding their methodology in selecting companies for divestment (March 31)
- Reviewed security holdings and transactions to verify compliance with moratorium (April 1)
- Received new research provider report (April 1). Prepared and sent a detailed list of questions to research provider regarding the findings in their April 1 report (April 8). Received response from research provider (April 10)
- Conducted conference call with research provider to further discuss their research (April 11). Received follow-up answers from research provider in response to additional questions posed during April 11 conference call (April 14). Sent research provider further questions on their findings (April 15). Received response from research provider (April 16). Received another response from research provider regarding unresolved questions remaining from our April 11 conference call (April 17)

- Compared JCRC research (received February 2008) and provider research (April 1) for each company on a project by project basis in an effort to corroborate findings and determine if cited companies meet PERA's policy (April 14–16)
- Used Bloomberg research to determine if each cited company had publicly traded debt or equity (April 17)
- Searched the following Web sites for company activities in Iran in an effort to independently corroborate provided research: U.S. Department of Energy, U.S. Department of State, Congressional Research Service, Library of Congress, Reuters, Bloomberg, and brokerage research sites in addition to the individual Web sites of each cited company (April 18–22)
- Retrieved the annual reports and Forms 20-F (Form filed with the SEC by non-U.S. companies with securities that trade on a U.S. exchange) for each subject company for the years that company was believed to have conducted operations in Iran (April 22)
- Examined annual reports and other SEC filings in order to identify and calculate the value of subject companies' Iran investments (April 24–30)
- Reviewed security holdings and transactions to verify compliance with moratorium (May 1)
- Received new research provider report (May 1). Prepared and sent a detailed list of questions to research provider regarding the findings in their May 1 report (May 2). Received response from research provider (May 5)
- Prepared and sent a detailed list of questions to AIPAC regarding their research findings; also requested an updated research report (if one was available) (May 5)
- Sent e-mails directly to the investor relations departments of those remaining companies that had not yet replied to PERA's engagement letter sent on March 21 (May 6–8)
- Met with PERA's equity and fixed income teams to outline steps necessary to develop a framework for implementing Phase IV of the Iran-Related Investment Policy (May 16 and 21)
- Reviewed security holdings and transactions to verify compliance with moratorium (June 2)
- Received new research provider report (June 2)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (May 29–June 11)

June 20 – September 19, 2008

- Enacted a moratorium on five additional companies identified in the June 20, 2008, report as part of Phase III of the *Colorado PERA Iran-Related Investment Policy* (June 20)
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying the managers of the moratorium (June 20)
- Used Bloomberg research to identify actively traded securities issued by the five additional companies meeting PERA's policy criteria with a purchase moratorium in effect (June 23)
- Updated the portfolio accounting system to identify securities issued by the five additional companies meeting PERA's policy criteria with a purchase moratorium in effect (June 24–26)

- Reviewed security holdings and transactions to verify compliance with moratorium (July 1)
- Received new research provider report (July 1)
- Acquired equity and fixed income index constituent data. Identified the constituent securities within these indices issued by the eight companies that met the criteria but do not have a purchase moratorium in effect, which will be referred to hereafter as the “eight companies with PERA holdings.” Calculated the sector and geographical weightings of these companies within each respective index (July 2–23)
- Requested that PERA’s custodian bank determine the potential active risk associated with removing the eight companies with PERA holdings from the respective equity benchmarks (July 8)
- Read the annual reports, SEC filings, and other public documents issued by each of the eight companies with PERA holdings in order to collect relevant information for each company (July 9–16)
- Used Bloomberg research to identify actively traded securities issued by the eight companies with PERA holdings (July 15–18)
- Updated the portfolio accounting system to identify securities issued by the eight companies with PERA holdings (July 21–24)
- Sent research provider questions on their research (July 22). Received response from provider (July 23)
- Inquired of certain external equity managers regarding preliminary thoughts on potential replacement investments (July 22–August 5)
- Retrieved monthly return data for the fixed income securities of the eight companies with PERA holdings (July 24)
- Gathered, interpreted, converted, and verified oil and gas reserve data for the eight companies with PERA holdings (July 28–August 1)
- Received monthly equity return data from PERA’s investment consultant for the eight companies with PERA holdings (July 29)
- Received active risk analysis from custodian bank (July 31)
- Reviewed security holdings and transactions to verify compliance with moratorium (August 1)
- Received new research provider report (August 1)
- Gathered research from major brokerage firms on the eight companies with PERA holdings. Read and synthesized research. Began preparing detailed analyses on these companies in order to better understand their history, structure, risks, opportunities, revenue and profit drivers, and future prospects (August 5–September 10)
- Sent research provider additional questions on their research (August 11). Received response from provider (August 14)
- Reviewed security holdings and transactions to verify compliance with moratorium (September 2)
- Received new research provider report (September 2)

- Evaluated PERA's exposure (equity and fixed income) to the securities of the eight companies with PERA holdings as of the close of business on September 5, 2008 (September 8)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (August 27–September 9)

September 19 – November 21, 2008

- Collected and analyzed information on the current status of the Iran divestment policies of 22 other public pension funds (September 19–October 22)
- Reviewed security holdings and transactions to verify compliance with moratorium (October 1)
- Received research provider updated report (October 1)
- Sent e-mails directly to the investor relations departments of the three remaining companies with PERA holdings that had not yet replied to PERA's engagement letter sent on March 21, 2008 (October 8)
- Read the annual reports, SEC filings, and other public documents issued by each of the eight companies with a purchase moratorium in effect in order to collect relevant information for each company (October 9–November 21)
- Acquired equity index constituent data for the MSCI indices utilized by PERA as benchmarks as of October 16, 2008. Identified the constituent securities within these indices issued by the eight companies with PERA holdings. Calculated the energy sector weightings of these companies within each respective index (October 16)
- Reviewed security holdings and transactions to verify compliance with moratorium (November 3)
- Received research provider updated report (November 3)
- Evaluated PERA's exposure (equity and fixed income) to the securities of the eight companies with PERA holdings as of the close of business on November 7, 2008 (November 10)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (October 27–November 10)

November 21, 2008 – January 16, 2009

- Reviewed security holdings and transactions to verify compliance with moratorium (December 1)
- Received research provider updated report (December 1)
- Read the annual reports, SEC filings, and other public documents issued by each of the eight companies with a purchase moratorium in effect in order to collect relevant information for each company (October 9–January 7)

- Evaluated PERA's exposure (equity and fixed income) to the securities of the eight companies with PERA holdings as of the close of business on December 29, 2008 (December 30)
- Reviewed security holdings and transactions to verify compliance with moratorium (January 5)
- Received research provider updated report (January 5)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (December 15–January 7)

January 16 – March 20, 2009

- Used Bloomberg research to identify actively traded securities issued by the 16 companies meeting PERA's policy criteria (January 20–26)
- Updated the portfolio accounting and trading systems to identify securities issued by the 16 companies meeting PERA's policy criteria (January 26–February 11)
- Gathered, interpreted, converted, and verified oil and gas reserve data for the eight companies without PERA holdings (January 27–February 20)
- Received research provider updated report (February 2)
- Reviewed security holdings and transactions to verify compliance with moratorium (February 2)
- Retrieved monthly return data for the equity securities of the eight companies without PERA holdings (February 3)
- Acquired equity and fixed income index constituent data for the MSCI and Lehman indices utilized by PERA as benchmarks. Identified the constituent securities within these indices issued by the eight companies without PERA holdings. Calculated the relevant sector and country weightings of these companies within each respective index (February 6-10)
- Received research provider updated report (March 2)
- Reviewed security holdings and transactions to verify compliance with moratorium (March 2)
- Evaluated PERA's exposure (equity and fixed income) to the securities of the eight companies with PERA holdings as of the close of business on March 5, 2009 (March 6)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (February 20–March 11)

March 20, 2009 – January 15, 2010

- Reviewed security holdings and transactions to verify compliance with moratorium (April 1)
- Received research provider updated report (April 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (May 1)

- Received research provider updated report (May 1)
- Used Bloomberg research to identify actively traded securities issued by the 16 companies meeting PERA's policy criteria (May 18-22)
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying the managers of the moratorium (May 19)
- Updated the portfolio accounting and trading systems to identify securities issued by the 16 companies meeting PERA's policy criteria (May 26-June 18)
- Reviewed security holdings and transactions to verify compliance with moratorium (June 1)
- Received research provider updated report (June 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (July 1)
- Received research provider updated report (July 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (August 3)
- Received research provider updated report (August 3)
- Reviewed security holdings and transactions to verify compliance with moratorium (September 1)
- Received research provider updated report (September 1)
- Retrieved the 2008 annual reports and Forms 20-F for each subject company. Extracted and compiled descriptions of business activities in Iran. Assessed whether subject companies met policy criteria (September 15-November 3)
- Requested updated research on company activity in Iran from AIPAC (September 29). No response received to date
- Reviewed security holdings and transactions to verify compliance with moratorium (October 1)
- Received research provider updated report (October 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (November 2)
- Received research provider updated report (November 2)
- Sent letters to two newly identified companies as part of Phase II of the *Colorado PERA Iran-Related Investment Policy* (November 2)
- Read the annual reports, SEC filings, and other public documents issued by each of the six companies with PERA holdings in order to collect relevant information for each company (November 3-December 7)
- Acquired equity and fixed income index constituent data for the MSCI and Lehman indices utilized by PERA as benchmarks. Identified the constituent securities within these indices issued by the six companies with PERA holdings. Calculated the relevant sector and country weightings of these companies within each respective index (November 9, 13)
- Gathered, interpreted, converted, and verified oil and gas reserve data for the six companies with PERA holdings (November 16-December 4)
- Retrieved monthly return data for the equity securities of the six companies with PERA holdings (November 18)

- Reviewed security holdings and transactions to verify compliance with moratorium (December 1)
- Received research provider updated report (December 1)
- Evaluated PERA's exposure (equity and fixed income) to the securities of the six companies with PERA holdings as of the close of business on December 7, 2009 (December 8)
- Reviewed security holdings and transactions to verify compliance with moratorium (January 4)
- Received research provider updated report (January 4)
- Prepared *Iran-Related Investment Policy Report* for Board of Trustees (November 2–January 6)

Section 4

Company Response Letters

In compliance with Phase II of the *Colorado PERA Iran-Related Investment Policy*, on March 21, 2008, PERA sent letters to 31 companies. The letters requested information relating to the criteria specified in Phase I, asked the companies to provide and report on the items specified in Phase II, and also requested information on their business activities within Iran. The letters were sent via Federal Express courier, and PERA received delivery verification notices for each letter. Between May 6 and May 8, and again between October 8 and October 13, 2008, PERA staff sent e-mails directly to the investor relations departments of the companies who had not yet responded. On November 2, 2009, PERA sent letters to two additional companies that had recently been identified as possibly meeting policy criteria. Each company's response status is summarized below. Companies highlighted in red text currently meet the criteria in PERA's policy and are listed in Section 5 of this report.

	Company	Company Responsive to PERA Communications
1	Belorusneft & Belneftekhim	No
2	Bow Valley Energy Ltd.	Yes; June 15, 2008
3	China National Offshore Oil Corporation (CNOOC)	Yes; April 18, 2008
4	China National Petroleum Corporation	No
5	China Petroleum & Chemical Corporation (Sinopec)	No
6	Cygam Energy Inc.	No
7	Empresa Nacional del Petroleo (ENAP)	Yes; April 21, 2008
8	ENI S.p.A.	Yes; March 31, 2008
9	Essar Oil Limited	No
10	GAIL (India) Limited	No
11	Gazprom Neft JSC	No
12	Gazprom OAO	No
13	GS Engineering & Construction Corporation	No
14	GVA Consultants	No
15	Indian Oil Corporation Limited	No
16	INPEX Corporation	Yes; April 16, 2008
17	Linde AG	Yes; April 9, 2008
18	Liquefied Natural Gas Limited (LNGL)	No
19	Lukoil OAO	No
20	Oil & Natural Gas Corp. Ltd. (ONGC)	No
21	Oil India Limited	No
22	OMV AG	Yes; April 15, 2008
23	Petroleo Brasileiro S.A. (Petrobras)	Yes; April 25, 2008
24	Petroliaam Nasional Bhd (Petronas)	No
25	PTT Exploration & Production	No
26	Repsol YPF	Yes; April 3, 2008

	Company	Company Responsive to PERA Communications
27	Royal Dutch Shell Plc	Yes; April 10, 2008
28	Sasol Ltd.	No
29	Siemens AG	No
30	Statoil ASA ¹	Yes; April 21, 2008
31	The Siam Cement PCL	Yes; April 11, 2008
32	Total S.A.	Yes; April 17, 2008
33	Ulan-Ude Aviation Plant JSC	No

¹ StatoilHydro ASA changed its name to Statoil ASA on November 1, 2009.

Section 5

Iran-Related Companies Meeting Criteria as of January 15, 2010

1. Bow Valley Energy Ltd.

Bow Valley Energy Ltd. is a Canadian natural resources company. According to the company's 2007 Annual Information Filing "since its inception in 1996, Bow Valley has been focused principally on sourcing, evaluating, and acquiring international oil and natural gas properties with exploration and exploitation potential....Bow Valley owns oil and natural gas assets in the United Kingdom and Alaska. Bow Valley is engaged in a full-cycle exploration and production program that entails land acquisition, seismic purchase and interpretation, drilling, facilities and pipeline construction, and the production of oil and natural gas."¹

Bow Valley Energy Ltd meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

2. China National Petroleum Corporation

China National Petroleum Corporation (CNPC) is a Chinese oil and gas company. "CNPC is China's largest oil and gas producer and supplier, as well as one of the world's major oilfield service providers and a globally reputed contractor in engineering construction, with businesses covering petroleum exploration & production, natural gas & pipelines, refining & marketing, oilfield services, engineering construction, petroleum equipment manufacturing and new energy development, as well as capital management, finance and insurance services."²

China National Petroleum Corporation meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

3. China Petroleum & Chemical Corporation (Sinopec)

China Petroleum & Chemical Corporation (aka Sinopec) is a Chinese energy and chemical company. "China Petroleum & Chemical Corporation is an energy and chemical company, which through its subsidiaries, engages in integrated oil and gas, and chemical operations in the People's Republic of China. Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines; refining crude oil into finished petroleum products, and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a range of chemicals for industrial uses."¹

China Petroleum & Chemical Corporation meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

4. ENI S.p.A.

"ENI S.p.A. is an Italy-based company producing, supplying and distributing petroleum and natural gas, as well as producing electricity and offering engineering, construction and petrochemical services. The Company operates in three segments: Exploration and Production, which is involved in the exploration and production of hydrocarbons; Gas and Power, which is involved in all phases of the gas business and electricity generation activities, and Refining and Marketing, which is involved in the refining and marketing of petroleum products."¹

¹ Company description information sourced from Reuters.

² Company description information sourced from Company Web site.

ENI S.p.A. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

5. GAIL (India) Limited

GAIL (India) Limited is a natural gas company in India. “The Company operates through its business segments, which include gas transmission, petrochemicals, liquid hydrocarbons, LNG, LPG transmission and marketing, exploration and production (E&P), and coal bed methane (CBM).”¹

GAIL meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

6. Gazprom OAO

Gazprom OAO is a Russian oil and gas company. “Gazprom OAO and its subsidiaries operate a gas pipeline system. The Company provides production of oil and oil products. It is also an exporter of gas to European countries. Its principal activities include exploration and production of gas; transportation of gas; domestic and export sale of gas; production of crude oil and gas condensate, and processing of oil, gas condensate and other hydrocarbons and sales of refined products. Other activities primarily comprise banking, construction and media. The Company operates through six segments: production of gas, transport, distribution, production of crude oil and gas condensate, refining and other.”¹

Gazprom OAO meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

7. GS Engineering & Construction Corporation

“GS Engineering & Construction Corp., formerly LG Engineering & Construction Co., Ltd., is a Korean company involved in civil, architectural, and environmental engineering. The Company specializes in the construction of oil, gas, and petrochemical plants, and power and electrical plants; the construction of environmental facilities; the construction of commercial and residential buildings, and the provision of remodeling services. It is also engaged in feasibility studies; the gathering, analysis and evaluation of data on proposed projects; consulting services; the operation and maintenance of completed plants; design engineering services, including concept design, reserve design, basic design, detailed design, and production design; procurement services, and facilities-commissioning and start-up services.”¹

GS Engineering & Construction meets criteria (1) - a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

8. INPEX Corporation

“INPEX Corporation, headquartered in Tokyo, Japan, is a supplier of oil and natural gas. The Company primarily is engaged in the exploration for, and the development, supply and shipping of natural resources such as petroleum and natural gas. The Company has major exploration projects in Indonesia, Australia, the Timor Sea Joint Petroleum Development Area (JPDA), the Caspian Sea area, the Middle East and South America.”¹

INPEX meets criteria (1) - a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

¹ Company description information sourced from Reuters.

² Company description information sourced from Company Web site.

9. Liquefied Natural Gas Ltd. (LNGL)

“Liquefied Natural Gas Limited is engaged in the development of liquefied natural gas (LNG) production plants to facilitate the production and sale of LNG in Australia.”¹

LNGL meets criteria (1) - a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

10. Lukoil OAO

“Lukoil is a vertically integrated Russian oil and gas company. The main activities of the Company are exploration and production of oil and gas, production of petroleum products and petrochemicals, and marketing of these outputs. Most of the Company’s exploration and production activity is located in Russia, and its main resource base is in Western Siberia. Lukoil owns modern refineries, gas processing and petrochemical plants located in Russia, Eastern Europe and near-abroad countries. Most of the Company’s production is sold on the international market. Lukoil petroleum products are sold in Russia, Eastern and Western Europe, near-abroad countries and the USA. Lukoil is carrying out international exploration and production projects in Kazakhstan, Egypt, Azerbaijan, Uzbekistan, Saudi Arabia, Iran, Colombia, Venezuela, Cote d’Ivoire, and Iraq.”²

Lukoil meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

11. Petroliam Nasional Bhd (Petronas)

Petroliam Nasional is the Malaysian national oil company. “Petronas’ business has grown to encompass the full spectrum of oil and gas operations, both locally and globally, in the areas of upstream oil and gas exploration and production (E&P) to downstream oil refining; marketing and distribution of petroleum products; trading; gas processing and liquefaction; gas transmission pipeline network operations; marketing of liquefied natural gas (LNG); petrochemical manufacturing and marketing; shipping; and property investment. According to Bloomberg the company is also involved in upstream and downstream ventures in Vietnam, China, Pakistan, the Philippines, and the Middle East, and has interests in Australia and Argentina.”²

Petroliam Nasional meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

12. Royal Dutch Shell Plc

Royal Dutch Shell Plc is an oil and gas company headquartered in the Netherlands. “Royal Dutch Shell Plc (Shell) is engaged in all principal aspects of the oil and natural gas industry, and also has interests in chemicals and additional interests in power generation and renewable energy (mainly in wind and advanced solar energy). The Company operates in five segments: Exploration & Production, which searches for and recovers oil and natural gas around the world and is active in 38 countries; Gas & Power, which liquefies and transports natural gas, and develops natural gas markets and related infrastructure; Oil Products, which include all of the activities necessary to transform crude oil into petroleum products and deliver these to customers worldwide; Chemicals, which produces and sells petrochemicals to industrial customers globally, and Other Industry Segments and Corporate, which include Renewables and Hydrogen.”¹

¹ Company description information sourced from Reuters.

² Company description information sourced from Company Web site.

Royal Dutch Shell Plc meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

13. Sasol Ltd.

“Sasol Limited is an integrated oil and gas company with substantial chemical interests. Sasol mines coal in South Africa. The Company also has chemical manufacturing and marketing operations in Europe, Asia, and the Americas. Its larger chemical portfolios include monomers, polymers, solvents, olefins, surfactants, surfactant intermediates, comonomers, waxes, phenolics, and nitrogenous products.”¹

Sasol Ltd. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

14. Statoil ASA

“Statoil ASA is an integrated oil and gas company. The Company's focus is on exploration, development and production of oil and natural gas from the Norwegian Continental Shelf.”¹

Statoil ASA meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

15. Total S.A.

Total S.A. is an oil company headquartered in France. “Total S.A. together with its subsidiaries and affiliates, is an integrated oil and gas company. With operations in more than 130 countries, Total engages in all aspects of the petroleum industry, including upstream operations (oil and gas exploration, development and production, liquefied natural gas) and downstream operations (refining, marketing, and the trading and shipping of crude oil and petroleum products). Total also produces base chemicals (petrochemicals and fertilizers), chlorochemicals, intermediates, performance polymers, and specialty chemicals for the industrial and consumer markets.”¹

Total S.A. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

16. Ulan-Ude Aviation Plant JSC

“Ulan-Ude Aviation Plant JSC is a Russian company specializing in the production of military and civilian helicopters and airplanes.”²

Ulan-Ude meets criteria (3) – a company that is engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

¹ Company description information sourced from Reuters.

² Company description information sourced from Company Web site.

SECTION 6

PERA Holdings of Iran-Related Companies Meeting Criteria as of January 15, 2010

To develop the following information, PERA used an identification date of December 7, 2009. The following table indicates which companies are (a) on the list meeting the policy criteria, and (b) are or are not held by PERA in separate account portfolios. One new company, China National Petroleum Corporation, has been identified as meeting PERA's policy criteria since the last report to the Board of Trustees. One other company, Petroleo Brasileiro S.A. (Petrobras), has since been removed from the list of companies meeting the policy criteria.

Company Name	Date Added to PERA List	Market Value
Bow Valley Energy Ltd.	March 21, 2008	–
China National Petroleum Corporation	January 15, 2010	–
China Petroleum & Chemical Corporation (Sinopec)	March 21, 2008	–
ENI S.p.A.	March 21, 2008	–
GAIL (India) Ltd.	June 20, 2008	–
Gazprom OAO	March 21, 2008	\$ 25,642,500
GS Engineering & Construction Corp.	March 21, 2008	–
INPEX Corporation	June 20, 2008	–
Liquefied Natural Gas Ltd. (LNGL)	June 20, 2008	–
Lukoil OAO	March 21, 2008	\$ 8,817,155
Petroliam Nasional Bhd (Petronas)	March 21, 2008	–
Royal Dutch Shell Plc	March 21, 2008	\$ 44,808,930
Sasol Ltd.	June 20, 2008	\$ 2,181,869
Statoil ASA	March 21, 2008	\$ 9,878,182
Total S.A.	March 21, 2008	\$ 33,685,318
Ulan-Ude Aviation Plant JSC	June 20, 2008	–

Section 7

Iran-Related Companies Meeting Criteria as of January 15, 2010, With Purchase Moratorium in Effect

Company Name	Date Moratorium Enacted
Bow Valley Energy Ltd.	March 21, 2008
China National Petroleum Corporation	January 15, 2010
China Petroleum and Chemical Corporation (Sinopec)	June 20, 2008
ENI S.p.A.	January 15, 2010
GAIL (India) Ltd.	June 20, 2008
GS Engineering & Construction Corporation	March 21, 2008
INPEX Corporation	June 20, 2008
Liquefied Natural Gas Ltd. (LNGL)	June 20, 2008
Petroliam Nasional Bhd (Petronas)	March 21, 2008
Ulan-Ude Aviation Plant JSC	June 20, 2008

Section 8

Information on Companies Meeting Criteria with PERA Holdings

Phase IV of PERA's policy requires PERA staff to analyze (1) the materiality of a company's Iranian operations in regards to the company's overall operations and (2) the availability of alternative direct public investments providing similar diversity and return expectations.

For each of the six companies meeting PERA's policy criteria in which PERA has holdings, PERA staff has gathered the following information:

- Company specific information – relevant data regarding the company including information that addresses the company's unique characteristics
- Oil and gas information – each of these companies provides information on the geographic break-out of their oil and gas reserves. Companies typically disclose proved and unproved reserves as well as the discounted future cash flows relating to proved reserves. Proved reserves are those quantities of petroleum deemed to be recoverable in future years using known techniques. Crude oil is measured in millions of barrels, which is abbreviated mmbbl. Natural gas is measured in billions of cubic feet, which is abbreviated bcf. The conversion of a company's reserves, whether they be in liquid or gaseous form, into crude oil is reported in barrel oil-equivalent or boe units. This report measures barrel oil-equivalent units in millions, which is abbreviated mmboe.
- Separate account exposure – PERA's equity and fixed income exposure
- Index weights – the performance for each of PERA's portfolios is benchmarked against broad index measures. The international equity portfolios are benchmarked against the following indices:
 - MSCI All Country World Index excluding US (includes developed and emerging market countries)
 - MSCI Europe, Australasia, and Far East Index
 - MSCI Emerging Market Index

These indices are a representation of PERA's investable universe. The sector and country representation are important characteristics that define a company's risk and return expectations. Each of these companies is included in the Energy sector, and each company is a significant portion of their country weight.

PERA staff has gathered information showing the respective weights for each company's securities within the relevant equity index, within the Energy sector of the relevant equity index, and within the country portion of the relevant equity index.

PERA's fixed income portfolios are benchmarked against the following indices:

- Lehman Universal (includes emerging market and high yield fixed income securities as well as the Lehman Aggregate)
- Lehman Aggregate (includes Treasury, government-related, asset-backed, mortgage-backed, and corporate fixed income securities)

PERA has fixed income holdings in three of the companies identified as meeting PERA's policy criteria. For each of these three companies, PERA staff has gathered information showing the respective aggregate weights within the relevant fixed income indices for all of the company's securities.

- Historical Equity Total Returns – the one-, three-, and five-year total returns for each company's equity securities.

Gazprom OAO

Company Specific Items

- Russia's largest company
- Russian government owns 50.002 percent¹
- Former Gazprom chairman Dmitri Medvedev was elected President of Russia in 2008; the current CEO of the company is characterized as a Putin ally
- Gazprom accounts for 25 percent of Russia's tax revenues²
- Controls 17 percent of the world's natural gas reserves³
- Controls 69 percent of Russia's natural gas reserves⁴
- World's largest producer of natural gas⁵
- Produces 83 percent of Russia's natural gas⁶
- Operates the largest gas transmission network in the world⁷
- Supplies one-third of Western Europe's natural gas imports⁸
- Has interests in two phases of developing one natural gas field in the Persian Gulf offshore of Iran.⁹ Also has exploration projects in nine other countries across three continents¹⁰
- The valuation of the company's reserves versus the company's implied valuation based on equity prices indicates significant potential for appreciation¹¹

There is no other publicly traded Russian energy company with these unique characteristics.

¹ Gazprom 2008 Annual Report, p. 61

² Hoover's, Inc. 2009

³ Gazprom in Figures 2004-2008, p. 5

⁴ Gazprom in Figures 2004-2008, p. 5

⁵ Hoover's, Inc. 2009

⁶ Gazprom in Figures 2004-2008, p. 5

⁷ Gazprom Questions and Answers 2009, pp. 34-35

⁸ Gazprom Questions and Answers 2009, p. 52

⁹ Reuters

¹⁰ Gazprom in Figures 2004-2008, pp.19-27

¹¹ Based on PERA external manager data

Oil and Gas Information

Gazprom's public documents only disclose proved reserves located in Russia.

Proved Reserves (Categories A+B+C₁)¹ (data as of December 31, 2008)

		mmboe
Natural Gas Reserves	33.12 trillion cubic meters ²	195,000 ³
Liquid Hydrocarbons Reserves		
Crude Oil	1.60 billion tons ⁴	11,678 ⁵
Gas Condensate	1.29 billion tons ⁶	9,416 ⁷
Total Proved Reserves		216,094

Geographical Distribution of Proved Natural Gas Reserves (Categories A+B+C₁)⁸ (data as of December 31, 2008)

		%
Russia	Ural Federal District	73.2%
	Arctic Shelf	14.3%
	Southern Federal District	7.8%
	Privolzhskiy Federal District	2.3%
	Siberian Federal District	1.2%
	Other Territories	1.2%
	Total	100.0%

¹ The reserves presented here were calculated under the Russian reserve system, which is different than the Securities and Exchange Commission's accepted methodology. The Russian reserves system is based solely on an analysis of the geological attributes of reserves and takes into consideration the actual physical presence of hydrocarbons in geological formations or the probability of such physical presence. Explored reserves are represented by categories A, B, and C₁; preliminary estimated reserves are represented by category C₂; prospective resources are represented by category C₃; and forecasted resources are represented by categories D₁ and D₂. Explored natural gas reserves in categories A, B, and C₁ are considered to be fully extractable (Gazprom in Figures 2004-2008, pp. 12-13).

² Gazprom in Figures 2004-2008, p. 14

³ (33.12 trillion m³) (35.315 ft³/1 m³) = 1,170 trillion ft³
(1,170 trillion ft³) (1 billion boe/6 trillion ft³) = **195.0 billion boe**
1 m³ = 35.315 ft³

⁴ Gazprom in Figures 2004-2008, p. 14

⁵ (1.60 billion tons) (7.299 bbl/1 ton of crude oil) = **11.67840 billion bbls or boe**
1 ton of crude oil = 7.299 bbl

⁶ Gazprom in Figures 2004-2008, p. 14

⁷ (1.29 billion tons) (7.299 bbl/1 ton of crude oil) = **9.41571 billion bbls or boe**

⁸ Gazprom in Figures 2004-2008, p. 15

Lukoil OAO

Company Specific Items

- Russia's second largest company¹
- Largest privately owned oil and gas company in the world by proved reserves of oil²
- Second largest privately owned oil and gas company in the world by proved hydrocarbon reserves (ExxonMobil is the largest)³
- The only privately owned Russian oil company whose share capital is dominated by minority shareholders⁴
- Vertically integrated as it explores, produces, refines, and sells oil and oil products through its gas station network, which consists of almost 6,100 stations located throughout Russia, the Baltics, Central and Eastern Europe, and the US⁵
- Owns eight refineries,⁶ four of which are in Russia, which accounts for 16 percent of Russia's refining capacity⁷
- Controls 18.3 percent of Russia's proved oil reserves⁸
- Accounts for 18.4 percent of Russia's crude oil production⁹
- Had a 61 percent exploration success rate in 2008¹⁰
- Has had exploration projects in three oil fields in Iran since 2003 in addition to having 15 other exploration projects in 2008 outside of Russia in eight other countries across three continents¹¹

There is no other publicly traded Russian energy company with these unique characteristics.

¹ Hoover's, Inc. 2009

² Lukoil Factbook 2009, p. 2

³ Lukoil Factbook 2009, p. 2

⁴ Lukoil Factbook 2009, p. 18

⁵ Hoover's, Inc. 2009

⁶ Lukoil Factbook 2009, p. 43

⁷ Lukoil Analyst Databook 2009, p. 2

⁸ Lukoil Factbook 2009, p. 18

⁹ Lukoil Factbook 2009, p. 18

¹⁰ Lukoil 2008 Annual Report, p. 24

¹¹ Lukoil 2008 Annual Report, p. 28

Oil and Gas Information

Proved Crude Oil and Natural Gas Reserves¹ (data as of December 31, 2008)

		mmboe	%
Russia	Western Siberia	10,494	54.3%
	Timan-Pechora	3,017	15.6%
	Ural region	2,165	11.2%
	Volga region	1,670	8.6%
	Other in Russia	234	1.2%
	Outside Russia	1,754	9.1%
Total Proved Reserves		19,334	100.0%

As can be seen in the above table, Lukoil reports 9.1 percent outside of Russia. Based on the disclosures related to international projects seen below, the crude oil and natural gas reserves (and the discounted future cash flows relating to those reserves) reported outside of Russia are located in five countries. Iran is not one of those five countries.

Proved Crude Oil Reserves in International Projects² (data as of December 31, 2008)

	mmbbl	%
Azerbaijan	18	3.0%
Kazakhstan	535	90.4%
Egypt	11	1.9%
Uzbekistan	27	4.6%
Colombia	1	0.2%
Total	592	100.0%

Proved Natural Gas Reserves in International Projects³ (data as of December 31, 2008)

	bcf	%
Azerbaijan	532	7.6%
Kazakhstan	2,026	29.1%
Uzbekistan	4,414	63.3%
Total	6,972	100.0%

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves⁴ (data as of December 31, 2008)

	million \$	%
International	1,515	3.5%
Russia	41,055	94.2%
Group's share in equity companies	1,006	2.3%
Total	43,576	100.0%

¹ Lukoil Factbook 2009, p. 25

² Lukoil Analyst Databook 2009, p. 7

³ Lukoil Analyst Databook 2009, p. 9

⁴ Lukoil 2008 Annual Report, p. 153

Royal Dutch Shell Plc

Company Specific Items

- The world's second largest (by market capitalization) publicly traded oil company
- With approximately 45,000 gas stations, Shell is the world's largest single-branded fuel retail network¹
- Explores and produces oil and natural gas. Liquefies and transports natural gas. Develops wind power to generate electricity. Converts coal into chemical feedstocks and energy. Extracts bitumen from oil sands in Canada and converts it to synthetic crude oils²
- Has 102,000 employees in more than 100 countries and territories³
- Operates 40 refineries worldwide⁴
- In 2005, Shell completed development work on offshore fields off Iran. Since then, the fields have been producing with the National Iranian Oil Company responsible for all aspects of the operations. Shell will continue to receive revenues from this project until all of its development costs and the remuneration fee stipulated in the agreement have been recovered, which is expected to occur by 2012⁵
- In 2007, Shell and Repsol, a Spanish oil company, entered into a contract to develop another natural gas field in the Persian Gulf offshore of Iran⁶
- In addition to the one active project in Iran, Shell has exploration and production activities in 36 other countries across six continents⁷

There is no other publicly traded international energy company with these unique characteristics.

¹ Shell 2008 Annual Report and 20-F, p. 1

² Shell 2008 Annual Report and 20-F, p. 1

³ Shell 2008 Annual Report and 20-F, p. 1

⁴ Shell 2008 Annual Report and 20-F, p. 45

⁵ Shell 2008 Annual Report and 20-F, p. 27

⁶ Shell 2008 Annual Report and 20-F, p. 27

⁷ Shell 2008 Annual Report and 20-F, p. 19

Oil and Gas Information

Proved Crude Oil and Natural Gas Reserves¹ (data as of December 31, 2008)

	mmboe	%
Europe	3,203	29.3%
Africa	874	8.0%
Asia-Pacific	1,594	14.6%
Middle East, Russia, CIS ²	3,898	35.7%
US	1,002	9.2%
Other Americas	344	3.2%
Total Proved Reserves	10,915	100.0%

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves² (data as of December 31, 2008)

	\$ million	%
Europe	6,731	37.4%
Africa	3,692	20.5%
Asia-Pacific	3,736	20.8%
Middle East, Russia, CIS	1,242	6.9%
US	1,762	9.8%
Other Americas	832	4.6%
Total	17,995	100.0%

Royal Dutch Shell includes Iran in its Middle East, Russia, CIS category. Since Royal Dutch Shell reports having oil and gas production in nine countries within this category (Abu Dhabi, Egypt, Iran, Kazakhstan, Oman, Pakistan, Qatar, Russia, Syria),³ it is reasonable to assume that this category includes proved reserves within at least nine countries. In terms of total reserves, Royal Dutch Shell reports 35.7 percent within this category. However, discounted future net cash flows associated with this category are approximately seven percent of the company's overall total. Furthermore, other countries within this category are amongst the world's largest holders of crude oil and natural gas reserves (e.g., Russia, Qatar, Kazakhstan).

¹ Shell Annual Report and Form 20-F 2008, p. 23. Includes proved developed and undeveloped reserves of Shell subsidiaries and Shell's share of equity-accounted investments. These reserve amounts do not include Shell's proved oil sands reserves in Canada since SEC regulations define these reserves as mining-related and not part of conventional oil and gas reserves.

² Shell Annual Report and Form 20-F 2008, p. 169

³ Shell Annual Report and Form 20-F 2008, p. 30

Sasol Ltd.

Company Specific Items

- Established in 1950 by the South African government.¹ Listed on the Johannesburg Stock Exchange in 1979 and on the New York Stock Exchange in 2003²
- The sixth largest company (by market capitalization) listed on the Johannesburg Stock Exchange³
- South African government owns 8 percent⁴
- Alternative energy company. Sasol mines coal in South Africa and produces natural gas in Mozambique. This coal, together with Mozambican natural gas, is converted into fuels using proprietary technology. This fuel is then marketed through Sasol's network of 411 gas stations (9.4 percent of South Africa market)⁵
- The world leader in producing synthetic fuel employing CTL (coal-to-liquid) and GTL (gas-to-liquid) technology⁶
- Proven and probable coal reserves of 3,877 million tons, which are all located in South Africa.⁷ For reference, Peabody Energy is the world's largest private sector coal company⁸ with proven and probable reserves of 9,200 million tons⁹
- Operates the only inland crude oil refinery in South Africa¹⁰ (three others coastally located and not owned by Sasol)
- Produces crude oil offshore of Gabon and natural gas in Mozambique. Also has exploration projects in Mozambique, South Africa, Gabon, Papua New Guinea, Australia, and Nigeria¹¹
- In partnership with the National Petrochemical Company of Iran, Sasol signed a joint venture agreement in 2003 to construct a polymer plant in Iran. The plant became fully operational in February 2009¹²
- Has activities in 30 countries across five continents¹³

There is no other publicly traded South African energy company with these unique characteristics.

¹ Sasol 2009 20-F, p. 30

² Sasol 2009 20-F, p. 31

³ Sasol 2009 20-F, p. 34

⁴ Sasol 2009 20-F, p. 31

⁵ Sasol 2009 20-F, p. 52

⁶ JP Morgan, African Equity Research, Sasol, Ltd., May 12, 2006, p. 3

⁷ Sasol 2009 20-F, p. 120

⁸ Peabody Energy 2008 Annual Report, p. 1

⁹ Peabody Energy 2008 Annual Report, p. 18

¹⁰ Sasol 2009 20-F, p. 39

¹¹ Sasol 2009 20-F, p. F-33

¹² Sasol 2009 20-F, p. 32

¹³ Sasol 2008 Annual Report, pp. 4-5

Oil and Gas Information

Proved Reserves¹ (data as of June 30, 2009)

	Crude Oil & Condensate Reserves	Natural Gas Reserves	Total Reserves	
	mmbbl	bcf	mmboe	%
Mozambique	5.6	1643.8	279.6 ²	97.5%
Other Areas	7.2	0	7.2	2.5%
Total	12.8	1643.8	286.8	100.0%

In terms of total proved reserves, Sasol reports 2.5 percent outside of Mozambique. Since Sasol's involvement in Iran is limited to the construction of a petrochemical complex, it would appear that Sasol does not have any proved reserves in Iran.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves³ (data as of June 30, 2009)

	South African Rand, million	%
Mozambique	2,710.8	73.4%
Other Areas	981.5	26.6%
Total	3,692.3	100.0%

Discounted future net cash flows associated with the Other Areas category are 26.6 percent of the company's overall total. Given its operations in Iran, it is reasonable to conclude that Sasol has no discounted future net cash flows from proved reserves in Iran.

¹ Sasol 2009 20-F, p. G-4

² (1,643.8 billion ft³) (1 billion boe/6,000 billion ft³) = 0.2740 billion boe or 274.0 million boe
5.6 mmbbl + 274.0 mmboe = **279.6 mmboe**

³ Sasol 2009 20-F, p. G-6

However, Sasol does report geographic information relating to its revenues, operating profit, and assets (data as of June 30, 2009):

(South African Rand, million)	Total Revenue	%	Operating Profit/(Loss)	%	Total Consolidated Assets	%
South Africa	125,417	64.1%	25,727	104.3%	93,739	64.8%
Mozambique	282	0.1%	92	0.4%	5,300	3.7%
Nigeria	556	0.3%	(717)	-2.9%	1,947	1.3%
Rest of Africa	6,306	3.2%	337	1.4%	1,176	0.8%
Germany	8,824	4.5%	(3,504)	-14.2%	7,969	5.5%
Italy	3,567	1.8%	(155)	-0.6%	2,282	1.6%
Rest of Europe	19,510	10.0%	609	2.5%	7,550	5.2%
US	13,549	6.9%	258	1.0%	6,459	4.5%
Rest of N. America	1,178	0.6%	71	0.3%	156	0.1%
South America	2,211	1.1%	668	2.7%	192	0.1%
Southeast Asia and Australasia	3,532	1.8%	186	0.8%	1,924	1.3%
Iran	1,934	1.0%	1,080	4.4%	7,541	5.2%
Qatar	27	0.0%	(223)	-0.9%	5,544	3.8%
Rest of Middle East and India	3,877	2.0%	552	2.2%	1,278	0.9%
Far East	4,876	2.5%	(315)	-1.3%	1,597	1.1%
Total	195,646	100.0%	24,666	100.0%	144,654	100.0%

Source: Sasol 2009 20-F, p. F-39

Based on the above disclosure, Sasol's operations in Iran comprise:

- One percent of its total revenue
- Approximately 4 percent of its total operating profit
- Approximately 5 percent of its total assets

Given this, Sasol's operations in Iran do not appear to be material as compared to the company's operations as a whole.

Statoil ASA

Company Specific Items

- Established in 1972 by the Norwegian government. Listed on the Oslo and New York Stock Exchanges in 2001¹
- Norwegian government owns 66.4 percent of the company²
- Norway's largest oil and gas company³
- Second largest supplier of natural gas to Europe⁴
- World's third largest net seller of crude oil⁵
- In addition to oil and gas exploration, production, processing, and distribution, Statoil owns 2,300 gas stations in nine northern European countries⁶
- Has three projects in Iran: (1) Statoil is the operator for three of the planned development phases of an offshore natural gas field in the Persian Gulf, (2) Statoil has an interest in a field close to the Iraqi border that it has explored, and (3) Statoil is currently exploring another field in southwestern Iran⁷
- Announced that it will not make any future investments in Iran under the present circumstances. But Statoil is committed to fulfilling its current contract obligations⁸
- Has exploration activities in 20 countries outside of Norway across five continents⁹

There is no other publicly traded Norwegian energy company with these unique characteristics.

¹ StatoilHydro 2008 20-F, p. 9

² StatoilHydro 2008 20-F, p. 166

³ Hoover's, Inc. 2009

⁴ StatoilHydro 2008 20-F, p. 7

⁵ UBS

⁶ Hoover's, Inc. 2009

⁷ StatoilHydro 2008 20-F, p. 59

⁸ StatoilHydro 2008 20-F, p. 59

⁹ StatoilHydro 2008 20-F, p. 16

Oil and Gas Information

Proved Reserves¹ (data as of December 31, 2008)

	mmboe	%
Norway	4,529	81.1%
Outside Norway	1,055	18.9%
Total Proved Reserves	5,584	100.0%

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves² (data as of December 31, 2008)

	NOK million	%
Norway	146,238	78.8%
Outside Norway	39,377	21.2%
Total	185,615	100.0%

Statoil also reports geographic information relating to its share of the average daily production of its international oil and gas projects (data as of December 31, 2008):

	Average daily entitlement production (mboe/day)	%
Canada	22.3	7.7%
United States	17.5	6.0%
Venezuela	16.7	5.8%
Algeria	30.4	10.5%
Angola	117.0	40.3%
Libya	5.2	1.8%
Nigeria	7.7	2.7%
Azerbaijan	56.4	19.4%
Russia	5.7	2.0%
United Kingdom	9.1	3.1%
China	1.6	0.6%
Iran	0.8	0.3%
Total Daily Production	290.4	100.0%

In terms of total reserves, Statoil reports 18.9 percent outside of Norway. Discounted future net cash flows associated with proved reserves outside of Norway are 21.2 percent of the company's overall total. Since Statoil reports oil and gas production data in 12 countries, it is reasonable to assume the Outside Norway category includes proved reserves within at least 12 countries. Within those twelve countries, the average daily oil and gas production from Statoil's Iran activities contribute 0.3 percent to its overall daily oil and gas production.

¹ StatoilHydro 2008 20-F, p. 271

² StatoilHydro 2008 20-F, p. 274

Total S.A.

Company Specific Items

- Fifth largest (in terms of market capitalization) publicly traded integrated international oil and gas company in the world¹
- Incorporated in 1924
- Has operations in 130 countries on five continents with approximately 97,000 employees²
- Engages in both upstream (exploration, development, and production) and downstream (refining, marketing, shipping) operations. Total also has interests in the coal mining and power generation sectors
- Owns 16,425 gas stations worldwide³
- Holds largest market share of refining/marketing in Western Europe⁴
- Holds largest market share of marketing in Africa⁵
- Active in Iran since 1954⁶
- Current activities in Iran consist of being reimbursed by the Iranian government for past activities related to two contracts signed in 1995 and 1999 for oil and gas blocks.⁷ Total's oil production in Iran for 2008 was less than 0.5 percent of the company's worldwide production⁸

There is no other publicly traded French energy company with these unique characteristics.

¹ Total Factbook 2008, p. 1

² Total Factbook 2008, p. 1

³ Total Factbook 2008, p. 120

⁴ Total Factbook 2008, p. 112

⁵ Total Factbook 2008, p. 112

⁶ Total Factbook 2008, p. 70

⁷ Letter received by Colorado PERA from Total S.A., April 17, 2008

⁸ Total Factbook 2008, p. 49

Oil and Gas Information

Proved Reserves¹ (data as of December 31, 2008)

	mmboe	%
Europe	1,815	17.4%
Africa	3,646	34.9%
N. America	206	2.0%
Asia-Pacific	658	6.3%
Rest of World	1,640	15.7%
Equity affiliates and non-consolidated subsidiaries	2,493	23.8%
Total Proved Reserves	10,458	100.0%

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves² (data as of December 31, 2008)

	€million	%
Europe	4,437	27.8%
Africa	8,080	50.5%
N. America	408	2.6%
Asia-Pacific	1,663	10.4%
Rest of World	1,398	8.7%
Total	15,986	100.0%

Total includes Iran in its Rest of World category. The Rest of World category is comprised of the following 14 countries: Qatar, United Arab Emirates, Yemen, Oman, Iran, Syria, Venezuela, Argentina, Bolivia, Trinidad & Tobago, Colombia, Kazakhstan, Azerbaijan, and Russia³. In terms of total proved reserves, the 14 countries that comprise the Rest of World category represent 15.7 percent of the company's overall total proved reserves. Discounted future net cash flows associated with this category are approximately nine percent of the company's overall total.

¹ Total Factbook 2008, p. 52

² Total 2008 20-F, p. S-8

³ Total 2008 20-F, p. 9

Separate Account Exposure (data as of December 7, 2009)

	Equity Exposure	Fixed Income Exposure	Total Exposure
Gazprom OAO	\$16,497,633	\$9,144,867	\$25,642,500
Lukoil OAO	\$5,892,155	\$2,925,000	\$8,817,155
Royal Dutch Shell Plc	\$44,808,930	–	\$44,808,930
Sasol Ltd.	\$2,181,869	–	\$2,181,869
Statoil ASA	\$6,748,019	\$3,130,163	\$9,878,182
Total S.A.	\$33,685,318	–	\$33,685,318
			\$125,013,954

Index Weights

Equity (data as of November 13, 2009)

	MSCI ACWI ex US Energy Sector Weight	MSCI EAFE Energy Sector Weight	MSCI EM Energy Sector Weight	MSCI ACWI ex US Respective Country Weight
Gazprom OAO	3.7%	N/A	12.3%	28.7%
Lukoil OAO	1.7%	N/A	5.9%	13.6%
Royal Dutch Shell Plc	11.9%	22.2%	N/A	40.7%
Sasol Ltd.	1.4%	N/A	4.7%	10.5%
Statoil ASA	1.8%	3.3%	N/A	47.7%
Total S.A.	8.5%	16.0%	N/A	12.8%
	29.0%	41.5%	22.9%	

- The energy sector of the MSCI ACWI ex US index (the investable universe for the international equity asset class) is comprised of 111 equities. The seven equities of the above six companies that are members of the index's energy sector represent 29 percent of the entire sector.
- The energy sector of the MSCI EAFE index (the investable universe for international equity managers focusing on Europe, Australasia, and the Far East) is comprised of 42 equities. The four equities of the above three companies that are members of the index's energy sector represent 41.5 percent of the entire sector.
- The energy sector of the MSCI EM index (the investable universe for international equity emerging markets managers) is comprised of 47 equities. The three equities of the above three companies that are members of the index's energy sector represent 22.9 percent of the entire sector.
- Each of the six companies comprises a significant percentage of their respective country portion of the MSCI ACWI ex US index. The smallest percentage is approximately 13 percent of the respective country weight and the largest percentage is approximately 48 percent of the respective country weight.

Index Weights

Fixed Income (data as of November 9, 2009)

	Lehman Universal Foreign Agency Sector Weight	Custom EM Foreign Agency Sector Weight	Lehman Universal Energy Sector Weight	Lehman Aggregate Energy Sector Weight	Custom EM Energy Sector Weight	Lehman Universal Respective Country Weight	Lehman Aggregate Respective Country Weight	Custom EM Respective Country Weight
Gazprom OAO	3.3%	21.0%				23.8%		16.0%
Lukoil OAO			1.5%		17.6%	2.1%		1.6%
Statoil ASA			5.4%	5.9%		29.5%	54.5%	

- Fixed income securities issued by three of the 16 companies that meet the policy criteria are held by PERA within its separate accounts.
- Each of the three companies comprises a significant percentage of their respective sector and/or country portion of the fixed income indices of which they are a member.

Historical Equity Total Returns¹

	Ticker	1-Year	3-Year	5-Year
Gazprom OAO	GAZ.GR	17.3%	-17.0%	10.5%
Lukoil OAO	LKOH.RX	58.2%	-8.3%	15.8%
Royal Dutch Shell	RDSB.LN	15.3%	-2.4%	5.6%
Sasol Ltd.	SOL.SJ	31.4%	6.9%	17.4%
Statoil ASA	STL.NO	28.5%	3.0%	16.0%
Total S.A.	FP.FP	16.1%	0.1%	7.1%

¹ Returns are calculated from month-end prices, are denominated in U.S. dollars, and are as of October 30, 2009.