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**Via: SEC website link – File No. 4-600**

August 3, 2011

Mr. James L. Kroeker  
Chief Accountant  
U.S. Securities & Exchange Commission  
Office of the Chief Accountant  
100 F Street, NE  
Washington, DC 20549-1090

Dear Mr. Kroeker:

**Re: File No. 4-600 - Work Plan for the Consideration of Incorporating International Financial (IFRS) Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation – U.S. Securities & Exchange Commission Staff Paper**

Thank you for the opportunity for the California Public Employees' Retirement System (CalPERS) to provide our comments on the SEC's "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting system for U.S. Issuers." CalPERS is the largest public pension plan in the United States, with approximately U.S. \$237 billion in global assets and equity holdings in over 9,000 companies in 47 markets. CalPERS invests these assets on behalf of more than 1.6 million public workers, retirees, and their families and beneficiaries in order to fund retirement and health benefits.

CalPERS commends the SEC for its leadership efforts to consider whether and how IFRS will be incorporated into the financial reporting system for U.S. issuers. CalPERS Core Principles of Accountable Corporate Governance support convergence to one set of high- quality global accounting standards.

Convergence to a single set of high-quality, international accounting standards is critical in the wake of the recent global financial crisis, particularly in light of recognition by the G20 that the need for convergence is a market fundamental. Accounting is vital to ensuring that investors, like CalPERS, are provided information from which they can understand global business and finance. CalPERS believes that capital markets would benefit from the development of global accounting standards that could accommodate the increasing complexity of business.

CalPERS participated in the SEC's roundtable on IFRS standards in Washington, DC on July 7, 2011. We agreed with many of the panelists on the benefit of high-quality, global accounting standards and the need to address the same issues outlined in the SEC's October 2010 Progress Report on incorporating IFRS into the U.S. financial reporting system. We believe global accounting standards need to:

- Focus on the pre-eminence of investors and investors' needs;
- Provide balanced representation of qualified investors on standard setting boards and advisory committees;
- Be consistently interpreted and applied; and
- Be consistently audited and enforced.

CalPERS supports the SEC's efforts in addressing outstanding issues and challenges as it moves forward with incorporating IFRS into the financial reporting system for U.S. issuers. With this in mind, we provide the following comments:

### **Guidance on Implementation – Application and Effective Date / Transition**

Uncertainty is costly; lack of clarity in the timeline makes it hard for investors to know when and how to prepare and is an obstacle to committing resources toward movement to IFRS. CalPERS believes the SEC should move forward with adoption of IFRS, while permitting sufficient time for necessary improvements and allowing for an effective date with sufficient notice to allow for preparation, including three year retrospective application. Retrospective application is essential to understanding the trends in data and differences that are fundamental to investor analysis.

Our preference would be for a single effective implementation approach to ensure comparability. This will allow investors and issuers to be better prepared and able to provide retrospective data for analysis. We do not necessarily see the benefit of early adoption or a phased approach that allows the largest issuers to utilize early adoption.

### **Framework**

#### ***Role of the Financial Accounting Standards Board***

We agree that the FASB must play an active role in the development, amendment and promotion of accounting standards. We support the continuance of FASB's mission to "establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports." The FASB should have an ongoing, significant role and continue to be instrumental in global standard setting. The development of IFRS will benefit considerably from US participation through the FASB. The FASB's role in endorsement must be structured so the decision process is robust. We agree with the SEC's proposal to allow the FASB the ability to amend standards where public interest, investor needs or local circumstances require or if the quality or application is inappropriate. We suggest the FASB, in its active role, create a pre-determined decision and quality control process to help limit divergence and differences

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stemming strictly from national regimes when possible. The FASB must remain independent in this role and not be influenced or subject to political pressures.

### **Benefits and Risks**

The benefits of moving to a high-quality, global accounting standard are indeed relevant to global investors, especially since other major markets such as Europe and Canada have already moved to IFRS. The SEC staff paper addresses the benefits and risks of condorsement. It is critical for the SEC to develop and define a clear tailored transition strategy if the condorsement path is adopted.

The focus on investors and investor representation, where standards are consistently interpreted and applied to ensure comparability –with consistent audit application and enforcement – are integral to adoption of one set of high-quality, global accounting standards. CalPERS believes that the SEC has the opportunity to effectively improve accounting standards, and to regain and increase investors' trust in financial reporting.

Thank you for considering our comments on these issues. Should you wish to discuss any of these points, please do not hesitate to call me at 916-795-9672, or contact my colleague, Bill McGrew, at 916-795-2431.

Sincerely,

ANNE SIMPSON  
Senior Portfolio Manager  
Investment Office

cc: Joseph Dear, Chief Investment Officer – CalPERS  
Eric Baggesen, Senior Investment Officer – CalPERS  
Bill McGrew, Portfolio Manager – CalPERS  
Mary Hartman Morris, Investment Officer – CalPERS