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Nancy M. Morris, Secretary

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-1090

RE: File Number S7-13-07 Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP

Dear Ms. Morris:

I am writing you on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is the largest US Public Pension Fund with total assets of \$247.7 billion and more than 1.5 million members. CalPERS is pleased to provide comment to the Securities and Exchange Commission (Commission) on the proposed rule which would allow foreign private issuers to prepare their financial statements in accordance with International Financial Reporting Standards without reconciliation to U.S. GAAP.

As a significant institutional investor with a very long-term investment horizon, CalPERS has a vested interest in maintaining the efficiency of the capital markets and the integrity of financial statements. We believe that all investors would benefit from having consistent high quality financial reporting standards and support the goal of convergence to International Financial Reporting Standards (IFRS).

We support the Commission's long advocated stance in reducing disparity between the accounting and disclosure practices of the U.S and other countries as a means to facilitate cross-border capital formation while ensuring adequate disclosure for the protection of investors and the promotion of fair, orderly and efficient markets. The development of a single set of high-quality globally accepted accounting standards which enhance comparability and provide needed transparency are important to investors such as CalPERS. We commend the Commission for its forward looking process to assist with the development of high quality global accounting standards.

CalPERS understands that the quality of financial reports can be influenced by a variety of unique factors besides accounting standards including governance practices, the

accounting education system, the legal regime and regulatory bodies. CalPERS supports the incremental change to allow the acceptance of IFRS-based accounting standards for foreign private issuers without reconciliation to U.S. GAAP even with the given baseline of factors that may either enhance or undermine the quality of financial statements.

However, we caution the Commission to consider the timing to allow a foreign private issuer to file financial statements without reconciliation to U.S GAAP as currently required under Item 17 or 18 for Form 20-F.

After reviewing the many issues outlined in the Commission's call for comment and many of the comment letters listed to date, we would suggest that the following issues be studied and vetted more closely before adopting the proposed rule to ensure that unintended consequences do not occur with removal of this reconciliation. Issues include:

- More than 100 countries have adopted IFRS, however many countries use “country-specific versions”, “carve out versions”, “jurisdiction-based”, or “endorsed” IFRS. Many of these differences occur because of securities (company) law adopted by individual countries. We suggest a proactive effort to provide for a more uniform IFRS through a standardized reconciliation process. We ask that the Commission and joint regulatory bodies such as the International Organization of Securities Commissions (IOSCO), provide guidance to move towards a more uniform IFRS. **We recommend the reconciliation not be to U.S. GAAP but to the IASB published IFRS.**
- Similarly, there is concern that consistent auditing and enforcement of the application of IFRS does not currently exist to ensure completeness and accurate disclosures to provide credibility and integrity of financial reporting. **Do auditors look to the International Auditing and Assurances Standard Board or the Public Company Accounting Oversight Board for auditing guidance and standards?** This issue should be resolved prior to implementation of the proposed rule.
- Industry accounting guidelines and standards are defined by FASB whereas currently, there are not current industry accounting standards developed in IFRS and published by the IASB. **However, we do not believe that this difference should delay the move toward IFRS.**
- Addressing the funding of the two standard setters – FASB, since 2003, has been receiving funding through fees levied on Commission registrants whereas IASB is funded privately through contributions. The funding source could have a perceived negative effect since it may appear the IASB's independence may be compromised. **What steps could be taken to ensure that no perceived conflict of interest exists?**
- Which Board will be the ongoing standard setter to provide guidance - **FASB or IASB? Or possibly a new entity?**
- Should accounting standards be principles-based versus the current rules based U.S. GAAP? **CalPERS supports principles-based accounting through a defined conceptual framework.**

- Are there educational consequences in developing accountants and auditors expertise in the use of IFRS? ***We believe there is a balance in standardization of accounting and the development of professional judgment. We agree that a significant education drive should include professional training and education of accountants, auditors and students.***

CalPERS supports the Commission's efforts to allow foreign private issuers to file their financial statements in accordance with IFRS. However, it is important to note before implementing the proposed rule, we encourage the Commission to address the issues outlined above as well other concerns of investors. Additionally, CalPERS does not believe acceptance of IFRS-based accounting standards should be contingent on convergence of U.S. and IFRS standards.

We thank the SEC for its ongoing diligence in developing robust standards that will ensure the integrity of public financial statements. CalPERS is prepared to provide assistance to the SEC upon request. Please contact Dennis Johnson, Senior Portfolio Manager–Corporate Governance at (916) 795-2731 if there are questions or if we can be of further assistance.

Sincerely,



cc: Fred Buenrostro, Chief Executive Officer, CalPERS
Anne Stausboll, Chief Operating Investment Officer, CalPERS
Christy Wood, Senior Investment Officer, CalPERS
Peter Mixon, General Counsel, CalPERS
Dennis Johnson, Senior Portfolio Manager, CalPERS