



**Legal Office**  
P.O. Box 942707  
Sacramento, CA 94229-2707  
Telecommunications Device for the Deaf - (916) 795-3240  
(916) 795-3675 FAX (916) 795-3659

December 10, 2009

Via E-Mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

Dear Ms. Murphy,

**Re: References to Ratings of Nationally Recognized Statistical Rating Organizations** –Release 334-9069, File Nos. S7-17-08, Su-18-08 and S7-19-08

I am writing on behalf of the California Public Employees Retirement System (CalPERS), which is the largest public pension plan in the United States with approximately \$200 billion in assets and equity holdings in over 9,000 companies. We are closely concerned with the reform of national recognized statistical rating organizations, or credit ratings agencies as they are more generally known. We appreciate the opportunity to provide further comment on a number of points relevant to the reforms you are undertaking in order to improve both transparency and accountability in this vital, but flawed, section of the market.

In response to the proposal, CalPERS offers the following comments:

1. We recommend that disclosure requirements be extended to all offerings, including private placements such as Regulation D offerings. This would be consistent with CalPERS view that transparency through disclosure is a fundamental part of effective reform. Furthermore, the requirements for this should be consistent and comprehensive. In short, we do not agree that there should be exceptions for sophisticated investor offerings. We are concerned that failing to extend the disclosure requirements to all offerings would allow issuers to use private placements to avoid transparency.
2. We suggest that liability for intentional misconduct, recklessness and negligence be extended to credit ratings agencies by the elimination of the Rule 436(g) exemption. This should be done in such a way as to not cause federal pre-emption, thereby allowing injured investors to pursue state statutory and common law remedies in appropriate state court forums.
3. We recommend that the proposed disclosures distinguish between corporate debt and structured finance products. We believe that there is a good basis for this distinction, as structured finance products are inherently different than the

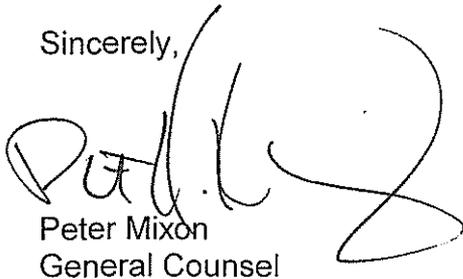
Elizabeth M. Murphy  
Secretary, SEC  
December 10, 2009  
Page - 2 - of 2

corporate and municipal bonds traditionally rated by credit ratings agencies. They require different models, assumptions, and analysis.

4. Finally, we recommend that the preliminary (or provisional) rating, in addition to the final rating made by an agency be disclosed. We recognize your concern that this requirement might impede communication between the rating agency and the issuer, but on balance we believe that investors' interests would be better served by this additional disclosure. We see this having an additional benefit which is to remove the incentive for ratings agencies to provide overly flattering results in the preliminary round in the hope of winning business for the final assessment.

Thank you for considering our comments. If you would like to discuss any of these points, please do not hesitate to contact me directly at (916) 795-3675.

Sincerely,



Peter Mixon  
General Counsel

cc: Joseph A. Dear, Chief Investment Officer – CalPERS  
Eric Baggesen, Senior Investment Officer – Global Equities  
Curtis Ishii, Senior Investment Officer – Fixed Income  
Anne Simpson, Senior Portfolio Manager – Global Equities