



December 16, 2020

**VIA EMAIL**

Vanessa A. Countryman  
Office of the Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

**RE: File No. PCAOB-2020-01 Revisions to Auditor Independence Standards**

Dear Secretary Countryman,

On behalf of the Colorado Public Employees' Retirement Association (Colorado PERA, or PERA), thank you for the opportunity to file public comment regarding proposed amendments by the Public Company Accounting Oversight Board (PCAOB) concerning standards of auditor independence. I respectfully submit the following comments in opposition to the PCAOB's amendments, and urge the U.S. Securities and Exchange Commission (SEC) to reconsider the potential effects of weakened standards.

Colorado PERA is the state's largest public pension plan, managing more than \$50 billion in assets on behalf of more than 600,000 current and former public employees and their beneficiaries. PERA has long placed paramount importance on audit integrity and oversight at public companies, and we value the role of the SEC and PCAOB in protecting that integrity for the benefit of investors and capital markets.

Since its founding in 2003, the PCAOB has covered many important issues in its standard setting process. However, we believe one issue, auditor independence, has not received the attention it deserves considering its importance to investors and markets. The loss of investor confidence in auditor independence has afflicted markets in the past, and the SEC and PCAOB should act with prudence when making changes to the independence standards.

While we understand the potential benefits of the PCAOB's and SEC's efforts to streamline and amend the independence standards, we believe a more comprehensive review of the PCAOB's independence standard is warranted. Such review should include input from all stakeholders and a thorough economic analysis to establish whether amendments to rules and standards still protect investor interests and the

integrity of capital markets, as well as to inform the appropriate direction for any subsequent regulation.

On the contrary, the PCAOB's amendments were proposed without provision of opportunity for market participants to file public comment, and without due consideration of potential economic impacts. Without a comprehensive review, the loosening of standards for auditor independence and audit quality sends the wrong message to both auditors and audit committees. In particular, this de-regulation suggests we have solved the auditor independence issue, which appears to contradict findings of the PCAOB's own inspection staff, who continue to flag concerns pertaining to auditor independence.

The PCAOB's minimal work on the independence standard, and subsequent deferment of that responsibility to the SEC, sets the wrong tone for addressing the issue of auditor independence, which was central to the foundation of the PCAOB. We are concerned that loosening rules that govern non-audit services may prove to be a slippery slope of lowered standards that would harm investors as they have in the past. The potential damage these amendments could cause through the erosion of trust in U.S. markets could far outweigh perceived benefits.

We urge the Commission to carefully consider the proposed amendments and their potential impacts to the integrity of both audits and markets. If the SEC is supportive of changes to auditor independence standards, we would urge the Commission to require the PCAOB to engage in appropriate analysis and outreach, and to develop more robust and timely disclosure terms in order to give audit committees a better understanding of how and why auditor independence rules are being altered.

Thank you for considering public comment in your reflection of amendments to the PCAOB's standards of auditor independence. We sincerely appreciate the Commission's time and attention to Colorado PERA's perspective as an institutional investor, and we welcome additional opportunities to provide input to the SEC & PCAOB as this process continues.

Sincerely,

Amy C. McGarrity  
Chief Investment Officer  
Colorado Public Employees' Retirement Association