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September 17, 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-11-06 Concept Release Concerning Management's Reports on Internal Control over Financial Reporting

Dear Ms. Morris:

The California Public Employees' Retirement System (CalPERS) is the largest US Public Pension Fund with total assets of \$215 billion. CalPERS supports both section 404 of the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission's (SEC) efforts to enforce adherence to its requirements by public companies. CalPERS submits this comment letter to assist the SEC with understanding the interest a large institutional investor has in the SEC providing issuers additional guidance regarding their internal controls which govern financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 contributes to the establishment of certainty necessary for investors to maintain confidence in the integrity of a public company's financial statements. In an attempt to assist the SEC with getting all public companies to adhere to the requirements of Section 404, CalPERS provides the following recommendations to the SEC:

- The SEC should provide an internal controls checklist that creates clarity and certainty regarding the processes to be tested and certified to, which mitigates the risks of material restatements of financial results. The checklist should be updated by the SEC, as needed.
- The SEC should provide a definition of "material weakness."
- The SEC should provide a definition of "material deficiency."

California Public Employees' Retirement System
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- The SEC should require annual certification of processes directly related to the risk of a material weakness.
- The SEC should require certification of processes not directly related to the risk of a material weakness every three years.
- The SEC should require annual certification of processes that contribute to the restatement of financial statements.
- Increase both the size of the SEC enforcement staff and its enforcement activities.
- Increase the resources available to the Public Company Accounting Oversight Board (PCAOB) allowing the enterprise to strengthen the capabilities of small and mid-size audit firms in the area of internal control certification.
- Convene a panel annually to provide input to the SEC on the effectiveness of internal controls governing company financial reports.

CalPERS is prepared to provide assistance to the SEC at its 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,



Russell Read
Chief Investment Officer

Cc: Fred Buenrostro, Chief Executive Officer, CalPERS
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