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November 30, 2015

Via E-Mail: rule-comments@sec.gov

Brent J. Fields, Secretary
Office of the Secretary
U.S. Securities Exchange Commission
100 F Street NE
Washington, DC 20549

**Re: File No. S7-20-15 – Effectiveness of Financial Disclosures About Entities
Other Than the Registrant – Regulation S-X**

Dear Mr. Fields:

On behalf of the California Public Employees' Retirement System (CalPERS), thank you for the opportunity to provide our comments on financial disclosure requirements in Regulation S-X for certain entities other than a registrant.

CalPERS is the largest public defined benefit pension fund in the United States with approximately \$300 billion in global assets. CalPERS' Investment Office mission is to manage its assets in a cost effective, transparent and risk –aware manner in order to generate returns to pay benefits. We manage these assets on behalf of more than 1.72 million public employees, retirees, and beneficiaries.¹

CalPERS adopted a set of ten Investment Beliefs intended to provide a basis for strategic management of CalPERS investment portfolio in its fiduciary role as an asset owner and manager. Investment belief 4 states, "Long-term value creation requires effective management of three forms of capital – financial, physical and human."² Accordingly, we are strong advocates of reform that ensures the continual improvement and integrity of financial reporting.³

We understand that some of the disclosure requirements in Regulation S-X have remained largely the same for many years, and the Securities Exchange Commission

¹ CalPERS Facts at a Glance, November 2015 <https://www.calpers.ca.gov/docs/forms-publications/facts-at-a-glance.pdf>

² Investment Committee, Agenda Item 6a, Adoption of CalPERS Investment Beliefs, September 16, 2013. <https://www.calpers.ca.gov/docs/forms-publications/calpers-beliefs.pdf>

³ CalPERS Global Governance Principles, California Public Employees' Retirement System, Section 4. Integrity of Financial Reporting, Updated March 16, 2015. <https://www.calpers.ca.gov/docs/forms-publications/global-principles-corporate-governance.pdf>

(SEC, Commission) through this comment request is soliciting comments on how investors use these disclosures to make investment and voting decisions. We commend the Commission's objective of improving disclosure requirements.

CalPERS agrees with the SEC on the need to improve disclosure requirements in Regulation S-X. CalPERS views corporate financial reporting as integral to the capital markets by providing transparent and relevant information about the economic performance and condition of businesses. Critical to improved disclosures is the need to ensure financial reporting disclosures are meaningful, understandable, timely, complete, reliable, relevant, comparable and consistent to enable investors to evaluate risks and returns and make capital allocation decisions. CalPERS believes that changes to Regulation S-X disclosures that embody these characteristics could enhance the information provided to investors and promote efficiency, competition and capital formation.⁴

The SEC's request covers:

- Rule 3-05, Financial Statements of Businesses Acquired or to be Acquired;
- Rule 3-09, Separate Financial Statements of Subsidiaries Not Consolidated and 50 Percent or Less Owned Persons;
- Rule 3-10, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered and
- Rule 3-16 Financial Statements of Affiliates Whose Securities Collateralize an Issue Registered or Being Registered.

Rule 3-05 Financial statements of businesses acquired or to be acquired and related requirements

Rule 3-05 requires more disclosure as the size of the acquisition, relative to the size of the registrant, increases based on the test results (Investment Test, Asset Test and Income Test). The matrix table outlined in the Division of Corporation Finance, Financial Reporting Manual, Section 2030, *Financial Statement Periods Required Under S-X-3-05* is helpful and should be formally referenced in the updating of Rule 3-05. The matrix clearly articulates if the greatest of the three calculations exceeds specific thresholds, then certain reporting years are necessary in furnishing separate audited annual and unaudited interim pre-acquisition financial statements. CalPERS agrees that as the acquisition threshold increases, that a second and a third fiscal year of Rule 3-05 Financial Statements should be required when each of the acquisition thresholds is met.

⁴ Footnote 16 of the Request for Comments, File No. S7-20-15, "Section 3(f) of the Securities Exchange Act of 1934, Commission's consideration in addition to the protection of investors, promotion of efficiency, competition and capital formation.", page 7. <http://www.sec.gov/rules/other/2015/33-9929.pdf>

Include smaller reporting, emerging growth companies and foreign private issuers

CalPERS does not agree with different disclosure requirements based on different types of entities in similar situations outlined in Rule 3-05. The provision of greater transparency and visibility to investors is of paramount importance. Transparency should apply to reporting entities, whether smaller reporting companies, emerging growth companies or foreign private issuers. We believe different application guidance results in unnecessary complexity, potential inconsistencies, and may not provide information necessary to investors. Therefore, CalPERS recommends having the same requirements for smaller reporting companies, emerging growth companies, and when applicable, foreign private issuers under Regulation S-X.

Improved comparative prior period information

Current shareowners and potential investors would benefit from improved comparative information from the prior period that reflects significant changes such as workforce reductions and facility closings. This type of pro forma information should be clearly segregated and included in appropriate disclosure.

Need for Timely Information

Timely detailed information on how the company proposes to finance the acquisition is critical to investors. Significant acquisitions and or mergers, such as the current mergers of many large accelerated filers in the past year, can be a lengthy process with multiple filings over a year or two prior to the consummation of this type of deal. Although the merger process may be announced in one month, it may take many additional months before the acquirer announces the issuance of Senior notes to finance a portion of the cash consideration component of an acquisition. Given the timing, detailed and timely updates are critical.

Additionally, shareowners are often asked to approve the proposed merger of companies in advance of being provided all the financial details of the transaction. As an example, CalPERS voted on a proposed merger at a special meeting in March, 2015. The consummation of this merger continues to be extended pending divestments required by the Department of Justice. Investors would benefit with more timely and detailed disclosures in proxy materials and in the current Regulation S-X Rule 3-05 requirements. Therefore, we are against any move to reduce the information that is currently being provided. We also see the need in reconciling accounting standards disclosure requirements to Rule 3-05 financial statement requirements, though noting, Reg. S-X is more detailed and requires historical financial statements of the acquired entity, whereas the accounting standards do not.

Specifically, when shareowners are provided an opportunity to vote on an acquisition or merger, shareowners would benefit with requirements providing for earlier disclosures without waiting the approximate 75 days allowed by Rule 3-05.

SEC's diligent review of Pro Forma Information

It is extremely important to CalPERS that the SEC continues its robust review and comments on companies' registration statements on Form S-4 and ensures the basis of pro forma presentation meet the requirements of Regulation S-X.

Pro Forma 3-05 and 3-09, Separate financial statements of subsidiaries not consolidated and 50 percent or less owned persons

CalPERS uses pro forma information in understanding the proposed underlying capital structure of an acquisition or merger. Pro Forma information is a vital part of shareowners' analysis and understanding of a significant acquisition. Detailed adjustments should be provided to show how the acquisition might have affected the financial statements had it occurred at an earlier time. CalPERS recommends that the SEC consider expanding and leveraging pro forma financial information to include acquisitions that exceed 20 percent of one of the relevant tests and requires shareowner approval of the acquisition. It is critical to investors to receive pro forma information when a pending business is individually significant or when the aggregate effect of individually insignificant acquisitions completed during the current fiscal year becomes significant. It is also important that pro forma information is received more frequently than currently required and even when historical financial information is not required.

Rule 3-09 requires financial statements for significant Investees rather than all Investees that may affect a registrant's financial statements. CalPERS recommends that when a registrant has multiple equity method Investees that disaggregated information and other disclosure enhancements should be considered to provide additional and more accurate information to investors. We also support requirements to present separately each significant Investee and reconcile the disclosures to the amounts recognized in a registrant's financial statements.

Rule 3-10 and Rule 3-16 - Risks to Investors

We agree with the SEC that Rule 3-10 which requires separate financial disclosures by issuers of guaranteed debt and guarantors of those securities is important to investors in separately evaluating the likelihood of payment by the issuer and guarantors. Disclosures required by Rule 3-16 are important to investors as these disclosures facilitate an evaluation of an affiliate's ability to satisfy its commitment in the event of a default by a registrant. We agree with alternative disclosures when the two primary conditions including (1) that the subsidiary issuers/guarantors are 100% owned by the parent, and (2) that the guarantees are "full and unconditional are met. We support the Rule 3-16, requiring financial statements as though the affiliate were a registrant, despite the fact that the collateral pledge is not considered a separate security.

Other Requirements

In 2009, the Commission mandated that all public companies disclose their financial statements using eXtensible Business Reporting Language (XBRL). CalPERS views XBRL as an opportunity to leverage data, enhance analysis, and improve company comparisons, by using this technology to adopt an integrated reporting framework. CalPERS believes that structured XBRL can play a crucial role in facilitating data submissions to increase reliability, completeness and comparability in corporate reporting. Use of XBRL can enhance how companies utilize technology and create value through integrated reporting on the management of three forms of capital – financial, physical and human capital.

Other Comments

Companies Reporting in International Financial Reporting Standards – Cross Border Transactions

CalPERS is a global investor in companies reporting in International Financial Reporting Standards (IFRS) and supports high quality global standards. We believe that requiring audited financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) is unnecessary when a company already has financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board and does not provide additional value to institutional investors such as CalPERS. We also support the SEC's acceptance of audited financial statements performed in accordance with either the AICPA auditing standards or International Standards on Auditing (ISAs).

Thank you for the opportunity to provide our comments. If you have any questions, please do not hesitate to contact me at [REDACTED] or [REDACTED].

Sincerely,



JAMES ANDRUS
Investment Manager,
Global Governance

cc: Anne Simpson, Investment Director, Global Governance