



**Board of Administration**  
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April 3, 2006

The Honorable Christopher Cox  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-9303

**RE: Draft Report: SEC's Advisory Committee on Smaller Public Companies**

Dear Chairman Cox:

The California Public Employees' Retirement System (CalPERS) is the largest U.S. public pension fund with over \$200 billion in total assets. CalPERS' U.S. equity investments cover the entire spectrum of market capitalization in the U.S. public equity markets. CalPERS is a long-term shareowner and supports market regulation and enforcement that protects investors and ensures integrity in the marketplace.

CalPERS believes the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) provides an appropriate and necessary framework for addressing the shortcomings exposed in the marketplace as a result of the high profile corporate failures in 2001 and 2002. The application of Section 404 of Sarbanes-Oxley moves public companies in the direction of implementing and maintaining internal controls that work effectively. Maintaining these internal controls provides greater integrity to the financial reports of companies that trade in the U.S. public markets. The accuracy of financial reports enables investors to have the opportunity to better assess the risks and rewards for their investments.

CalPERS continues to support and embrace Congress' intent as embodied in Sarbanes-Oxley and we believe Sarbanes-Oxley should remain intact to protect shareowners that invest in publicly traded securities. CalPERS believes it would be inappropriate to adopt the SEC's Advisory Committee on Smaller Public Companies (Committee) recommendation to provide micro capitalization and small capitalization companies relief from complying with Section 404 of Sarbanes-Oxley. Providing relief from compliance with Section 404 of Sarbanes-Oxley to 80 percent of the U.S. public equity market capitalization would undermine the integrity of financial statements on which investors rely. Further, such an exemption would introduce additional risks and uncertainty into the marketplace.

**California Public Employees' Retirement System**  
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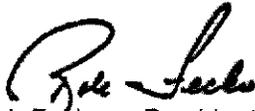
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In addition, it is CalPERS' understanding that a legal issue may exist as to whether the SEC has authority to exempt small and micro capitalization companies from the purview of section 404.

In closing, CalPERS opposes the dilution of Sarbanes-Oxley. We will continue to look to the appropriate regulators to ensure that implementation is rational and sustainable.

Thank you for considering this very important matter. Please contact Dennis Johnson, Senior Portfolio Manager-Corporate Governance at (916) 795-2731 if there are questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Feckner". The signature is fluid and cursive, with the first name "Rob" being more prominent than the last name "Feckner".

Rob Feckner, President  
Board of Administration

Cc: CalPERS Board of Administration  
CalPERS Executive Staff  
Christianna Wood, Senior Investment Officer  
Dennis Johnson, Senior Portfolio Manager