CHIEF AUDITOR'S REPORT
December 2005

SUBJECT	DATE OF ASSIGNMENT	STATUS
1. Biennial Audit Plan	June 2005	A quarterly status report is presented as Agenda Item #4 showing all progress towards completion of the Biennial Audit Plan as of September 30, 2005.
2. Financial Statement Audit	On-going Workload	The independent financial statement auditors, Deloitte & Touche, completed its audit of CalPERS' financial statements for the year ended June 30, 2005 and presented an unqualified opinion at the November 2005 Finance Committee meeting Deloitte will present the management letter at the February 2006 Finance Committee meeting.
3. Fixed Income Trading System (BlackRock) compliance review.	June 10, 2005	Complete. Testing of applicable investment policies in the BlackRock system and evaluation of internal controls over system access is complete. The Investment Office is preparing a response to the audit. A final report will be issued December 2005.
4. CalPERS / CalSTRS Audit Coordination	June 10, 2005	Met with CalSTRS and developed protocols for coordinating school district audit information. Established quarterly meetings beginning September 30, 2005. First quarterly meeting was deferred. Will resume next quarter.
5. Monitoring and Responding to Exposure Drafts and Proposals	Ongoing Workload	The Financial Accounting Standards Board voted to add a project to its agenda studying pension accounting. Specifically, FASB will take a fresh look at its guidance in Statements 87, "Employers' Accounting for Pensions," and 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The first part of the two-phase project is expected to be completed by the end of 2006. That phase would require companies to show on their balance sheets any assets or liabilities from overfunded or underfunded pensions. The currently prevailing practice is to show those figures in footnotes. The next phase will be much more complex and could include the elimination of smoothing, the practice of spreading out the estimated value of pensions over a period of time as a way to counter rate volatility.
6. Reportable Significant / Material Findings	Ongoing Workload	No new issues to report.