CalPERS

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August 19, 2010 Via e-mail: director@fasb.org

Russell G. Golden, Technical Director
FASB Members
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden & Board Members:

Re: File Reference No. 1840-100

I am writing on behalf of the California Public Employees' Retirement System (CalPERS), the largest public pension fund in the United States with approximately $206 billion in global assets and equity holdings in over 9,000 companies. CalPERS provides retirement benefits to over 1.5 million public workers, retirees, and their families and beneficiaries. As a significant institutional investor with a long-term investment horizon, CalPERS has a vested interest in maintaining the integrity and efficiency of the capital markets. CalPERS philosophy is to promote best practices that facilitate integrity in financial reporting.

Thank you for the opportunity to comment on the Exposure Draft (ED) on proposed accounting standards update, Contingencies (Topic 45), Disclosure of Certain Loss Contingencies. CalPERS supports the Financial Accounting Standards Board's (FASB, Board) proposed changes of the disclosure threshold. The proposed threshold expands the population of loss contingencies and leads to more timely disclosure of remote loss contingencies.

Although this ED scales back some of the improvements proposed in 2008, CalPERS is generally supportive of this and agrees that enhanced disclosures of loss contingencies recognized as liabilities in a statement of financial position improves current accounting practices and provides financial statement users with important, timely information. CalPERS, as a long-term investor, believes that disclosing contingent liabilities, such as quantifiable environmental liabilities, assists investors in assessing future cash flows associated with loss contingencies. We agree that disclosures should include information about the risks loss contingencies pose to an entity and its potential and actual effects on the entity's financial position, cash flows and results of operations.

CalPERS believes it is important to require the disclosure of expert estimates advanced as testimony in litigation. This requirement should also include estimates provided on a non-confidential basis through the discovery process. CalPERS is concerned that the ED provides inadequate guidance on the types of information and scenarios to disclose. Specifically, liability scenarios that render these staged disclosure principles to be operational in practice. Prior to finalizing the Statement, the Board should provide additional examples, including the types of information that must be included in the event of product liability claims.

CalPERS supported and commented in August 2008[1] to the FASB on the need to improve and increase disclosures of certain loss contingencies that would assist users in assessing the likelihood, timing and amounts of cash flows associated with loss contingencies. Additionally, we reinforced the need for extensive disclosure in addition to quantitative disclosures (claim amount for asserted litigation contingencies), other relevant nonprivileged information and information about possible recoveries from insurance in a tabular reconciliation. CalPERS continues to support the decision of the Board to require tabular reconciliation in interim and annual financial statements, and believes the significant benefits in these disclosures add additional value to investors.

As referenced in our previous letter, CalPERS does not agree that a contingency or contingencies must meet a “severe impact” standard, which is a higher threshold than material. We do not believe it is in the best interests of investors to increase the threshold from material to severe impact since material is defined as matters that are important enough to influence a user’s decisions. The new requirement for disclosure of remote/severe liabilities creates, in principle, an expanded obligation for disclosure, but leaves a loophole of discretion that may allow the financial statement preparer to fail to disclose a large claim if the management deems such claim to be “frivolous with an artificially inflated amount.” Clarification will prevent this exception from diluting the intention of the proposed standard.

Since the Board eliminated a requirement for management disclosure of its worst-case liability estimate and based the principal disclosure obligations on publicly available, nonprivileged information, CalPERS supports aggregating the qualitative and quantitative disclosures, provided all reasonable estimates and details of the claim are included. CalPERS believes transparent disclosure benefits all users of financial statements and provides a tool to gauge risks that impact a company’s financial position. This tool further assists in identifying the risks and rewards of a company. CalPERS does not support the exemption of

[1] CalPERS Comment letter to FASB, Rile Reference No. 1600-100 Proposed Statement – Disclosure of Certain Loss Contingencies – FASB Statements No. 5 and 141 ® Business Combinations, August 8, 2008.

nonpublic entities from the tabular reconciliation disclosures or the deferment of the effective date.

Lastly, CalPERS supports the Securities and Exchange Commission's requirements to provide financial statement information in the Extensible Business Reporting Language (XBRL) interactive data format. This format should include the qualitative disclosure and quantifiable tabular requirements in this ED.

Thank you for considering our comments. If you would like to discuss, please call me at (916) 795-4129.

Sincerely,

Mary Hartman Morris

MARY HARTMAN MORRIS
Investment Officer
Global Equity

Enclosure: August 8, 2008 Letter on File # 1600-100 – Disclosure of Certain Loss Contingencies

cc: Joseph A. Dear, Chief Investment Officer – CalPERS
Eric Baggesen, Senior Investment Officer – CalPERS
Anne Simpson, Senior Portfolio Manager – CalPERS