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September 20, 2008

Via E-Mail constitutionreview@iasb.org

Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London
EC4M 6XH
United Kingdom

Dear Ms. Oyre:

Re: July 2008 International Accounting Standards Committee Foundation (IASC Foundation), Review of the Constitution, Public Accountability and the Composition of the International Accounting Standards Board (IASB), Proposals for Change, Request for Comments by September 20, 2008

I am writing on behalf of the California Public Employees' Retirement System (CalPERS) CalPERS is the largest public pension system in the U.S., and manages approximately $227 billion in assets providing retirement and health benefits for nearly 1.5 million members.

As a long-term provider of capital, CalPERS has a great interest in seeking improvement in the integrity of financial reporting. CalPERS also has interest in the IASC Foundation's efforts to develop, in the public interest, a single set of high quality, understandable, and enforceable global accounting standards that require high quality, transparent, and comparable information in financial reporting.

Thank you for the opportunity to comment on proposals and issues for the Constitution Review, specifically on two issues – one related to the Foundation in terms of its governance and public accountability (the creation of a Monitoring Group) and another concerning the composition of the IASB. The IASC Foundation Constitution sets out both the governance structure and the operating procedures of the Foundation and IASB.

Investor viewpoints are at the core of financial reporting standards and should continue to be a crucial driver in setting standards and amending the constitution of the IASC Foundation. CalPERS has a keen interest in the governance of International Financial Reporting Standards (IFRS) standard-setting and the role investors play in that process. We do not believe the proposed constitution changes provide for a legitimate role for

investors and shareowners in their capacity as providers of long-term capital to the global markets. CalPERS recommends that the Trustees and the Constitution Review Committee ensure that investors and shareowners are included into the constitutional provisions as it will not only strengthen the standing and effectiveness of the Foundation but also continue the acceptance of IFRS.

I. Questions related to the Monitoring Group

Q1 Do you support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions?

CalPERS agrees with the Trustees' need to demonstrate the organization's public accountability and recognize its recent improvements to the IASB's due process. CalPERS views the proposal as an attempt to strengthen the legitimacy and governance of the IASB and agrees with the need to establish a means of accountability to those governmental authorities charged with protecting investors and regulating capital markets. However, we recommend the IASC Foundation address the most important priority which is to establish a stable, independent funding framework to improve the current funding means. It is unfortunate the constitution review does not address the need of the IASC Foundation to establish a sustainable funding model.

Q2 The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organizations with a link to public authorities. While recognizing that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organizations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.

We strongly recommend the constitution provide a clear and limited scope of the Monitoring Group's role. The governance arrangements of the Monitoring group should be transparent and free from political interference and should not have the ability to influence the standard setting process. We do not agree that the Monitoring Group should consist only of public regulators and international institutions. CalPERS believes that significant direct investor representation, specifically institutional providers of capital, should be included alongside the proposed representation of governmental and intergovernmental entities on the Monitoring Group of the IASC Foundation.

CalPERS regards the inclusion of institutional providers of capital on the Monitoring Group as critical during this time of accounting convergence and

believes investor representation will not only strengthen the monitoring and review function to ensure that the Trustees of the IASB fulfill their constitutional and governance obligations, but also provide inherent transparency to bolster the credibility of the IASB's independence as a global accounting standard setter.

Q3 The Trustees will remain the body primarily responsible for the governance of the organization and the oversight of the IASB. Their responsibility to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRS to review the Trustees' fulfillment of their constitutional duties. Does the formation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19 appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

Addressed in Q2 response.

Q4 Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group? The Trustees would welcome any additional comments related to the Monitoring Group proposal.

CalPERS does not see the need to continue the Trustee Appointments Advisory Group. CalPERS supports the significant involvement of investors in the Trustee oversight body.

II. <u>Questions related to the IASB's composition</u>

Q5 Do you support the principles behind expanding the IASB's membership to 16 members in order to ensure its geographic diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?

CalPERS supports the IASC Foundation's continuance that the main qualifications for membership of the IASB Board shall be professional competence and practical experience. However, just as the IASB's constitution identifies geographical representation, to ensure the IASB is not dominated by any particular constituency or geographical interest, we would suggest the skill-sets of the group be assessed annually to ensure diversity of professional representation, background and experience.

The assessment of skill-sets and professional backgrounds should also ensure appropriate representation by key stakeholders in the development of accounting

standards. Key stakeholders include issuers of financial reporting, directors of issuers (stewardship), regulators, auditors, creditors, current and potential investors and shareowners (institutional providers of capital). We believe if the IASB Board membership consists of part-time members, that representation by all key stakeholders be equivalent in assigning membership. CalPERS does not have a position on whether IASB's membership should be expanded to 16 members but rather emphasize the need for annual assessment of skill-sets to ensure diversity and equivalent representation by stakeholders as well as timely, proper succession planning.

Q6 Do you agree with the geographical formulation suggested by the Trustees?

Addressed in Q5 response.

Q7 The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

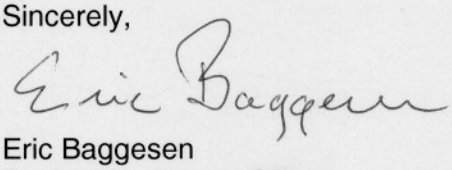
As emphasized in Q5 response, CalPERS believes if the IASB Board membership consists of part-time members, that representation by all key stakeholders be equivalent in assigning membership.

In summary, CalPERS recommends that the IASC Foundation:

1. Consider that investor viewpoints are at the core of financial reporting standards and should continue to be a crucial driver in setting standards and amending the constitution of the IASC Foundation.
2. Address the most important priority which is to establish a stable, independent funding framework.
3. Ensure the Monitoring group be transparent and free from political interference and should not have the ability to influence the standard setting process.
4. Ensure that significant direct investor representation, specifically institutional providers of capital, are included as representatives.
5. Ensure the IASB Board membership consists of representation by all key stakeholders and if part-time members are appointed, be equivalent in assigning membership.
6. Emphasize the need for annual assessment of skill-sets to ensure diversity and equivalent representation by stakeholders as well as timely, proper succession planning.

Thank you for considering our comments. If you would like to discuss any of these points, please do not hesitate to contact Mary Hartman Morris at 916-795-4129.

Sincerely,



Eric Baggesen
Senior Investment Officer

cc: The Honorable Christopher Cox, Chairman – SEC
Gerrit Zalm, Chairman of the Trustees – IASC Foundation
Anne Stausboll, Interim Chief Investment Officer - CalPERS
Mary Hartman Morris, Investment Officer - CalPERS