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April 20, 2009

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

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Ms. Murphy and Commissioners:

Re: File Number S7-27-08 Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

I am writing you on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is the largest public pension fund system in the U. S. CalPERS manages approximately \$172 billion in assets providing retirement and health benefits for nearly 1.5 million members.

CalPERS is pleased to provide comment to the Securities and Exchange Commission ("Commission", "SEC") on the proposed Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards ("IFRS") by U.S. Issuers. CalPERS supports the use of quality, fully transparent, timely and comparable financial reporting.¹ We believe this is accomplished through the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") working towards convergence to develop a single set of high quality accounting standards. We agree that as capital markets have become increasingly global, U.S. investors have a corresponding increase in international investment opportunities.² However, it is of critical importance that financial reporting provide for reliable, high

¹ CalPERS letter to SEC (Nancy M. Morris) regarding File No. S7-13-07, Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with IFRS without Reconciliation to U.S. GAAP, September 24, 2007.

² CalPERS letter to SEC (Nancy M. Morris) regarding File No. S7-20-07 Concept Release – Allowing U.S. Issuers to Prepare Financial Statements in Accordance with IFRS, November 14, 2007.

quality, transparent and comparable information for users in making economic decisions. **It is essential that the SEC affirms its priority commitment to accounting standards designed to serve the needs of capital providers.** We are concerned with the proposed roadmap as the Commission is proposing amendments to various regulations, rules and forms that would permit early use of IFRS. We believe the decision to have a concrete final timetable may not necessarily provide for different evolving scenarios to accomplish the critical goal of a single set of high quality accounting standards applied throughout the globe.

Overview – Milestones

We support the need to establish an overall plan in moving towards the adoption of a single set of high quality, transparent and comparable accounting standards, and are in general agreement with developing a framework to accomplish this. However, we do not believe that a go-or-stop decision set in this framework is helpful but rather prefer the Commission annually review the current state of each of the milestones and assess the steps needed to reach satisfactory achievement of a global single set of high quality accounting standards.

Milestone 1 – Improvements in Accounting Standards

The SEC should insist on quality of accounting standards above convergence. The roadmap should be amended to reduce the unnecessary complexity that has developed under IFRS and that the reduction of differences between IFRS and U.S. GAAP can no longer be considered the priority that may supersede the objective of high quality standards.

We encourage the SEC to confirm conditional support for the IASB as global accounting standard-setter. We understand that some interpreted Mary L. Schapiro's remarks at confirmation hearings as not providing this support for the IASB. CalPERS suggests that Chairman Schapiro publicly provide this support but state conditional requirements to move towards supporting the IASB as the global accounting standard-setter.

We agree that it is important that accounting standards be established under a robust, independent process that includes due process which allows input from investors and other affected parties. We agree and feel it is imperative that accounting standards improve the accuracy and effectiveness of financial reporting and the protection of investors, resulting in higher quality financial reporting relative to the standards being replaced. We feel strongly that political influences should not play into the role of the independent accounting standard-setter.

Milestone 2 – Accountability and Funding of the IASC Foundation

We feel strongly that the mandate, governance and funding of the International Accounting Standards Committee Foundation (IASC Foundation) be clarified and improved.³ We believe the SEC should foster a comprehensive review of the IASC Foundation's governance framework. We do not necessarily agree that the current governance and responsibilities of the Monitoring Group represent global stakeholders. We believe that the Monitoring Group's role should be limited to monitoring the IASC Foundation's operations and not those of the IASB. We believe a functional Monitoring Group would entail a high degree of accountability and representation from the investment community, analysts, auditors, preparers and national and regional regulators.

Moreover in our opinion, the true priority is the establishment of a stable, independent funding framework for the IASC Foundation to enhance independence. Establishing a stable, transparent funding framework for the IASC Foundation would significantly reduce the concern that financial pressure could compromise the independence of the IASB's decision-making. We find it inappropriate that the Monitoring Group was formed without having established a link to the key issue of sustainable funding for the IASC Foundation.

Milestone 3 - Improvement in the Ability to Use Interactive Data for IFRS Reporting

CalPERS supports the use of interactive data (Extensible Business Reporting Language – XBRL) for IFRS reporting. We would expect that the taxonomies to be required for IFRS-basis entities be no less robust than those being considered for firms reporting currently on a U.S. GAAP basis. Additionally, it is important to note that we believe auditors must provide a clear opinion on the integrity and faithfulness of the interactive data reporting. Without such an opinion, investors will not be able to rely on the reported data.

Milestone 4 – Education and Training

CalPERS agrees that significant training will need to take place to ensure U.S. investors, accountants, auditors, students and all users of financial reporting are fully trained and understand IFRS. We believe this is a major challenge and believe significant progress will need to be achieved in order to establish a sound foundation for successful adoption of IFRS in the U.S.

³ CalPERS letters to the IASC Foundation (Tamara Oyre) regarding the Review of the Constitution, Public Accountability and the Composition of the IASB, September 20, 2008

Since sufficient resources and incentives are key to training, the Commission should address how this would be accomplished. The costs could include: hiring additional competent people trained in IFRS, training existing people, making necessary modifications to companies' information technology systems to address the significant differences in accounting conventions, funding major changes in accounting education, and recruiting and training IFRS accounting professors and public company auditors.

Also, auditors play a vital role in the integrity of financial reporting and it is this role that provides investors with confidence in the efficiency of capital markets. U.S. auditors would need to be as well versed in IFRS as they are currently in U.S. GAAP. It is important to ensure that an independence standard for auditors is defined and consistently applied. The independence of the auditor is critical to the gate keeping/investor protection role of auditors.

Auditors by the nature of their responsibilities should be able to facilitate global consistency in the application of IFRS. However, in practice, with various jurisdiction-based IFRS standards, unless reconciliation to one global set of standards is required, then global consistency will be difficult to achieve.

CalPERS believes that joint regulatory bodies, such as the International Organization of Securities Commissions (IOSCO) developing an information-sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulators' ability to identify and address inconsistent and inaccurate application of IFRS.

Milestone 5 – Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors

CalPERS does not support the Commission's proposal regarding the limited early use of IFRS. We understand that there may be some benefit since issues can be addressed at a smaller level with only 110 companies versus 10,000 firms at one time. However, we are not convinced that the reduction in the comparability among U.S. issuers and the need for familiarity with both sets of accounting standards is overall beneficial to investors.

Milestone 6 – Anticipated Timing of Future Rulemaking by the Commission

We support and agree with a mandatory, rather than an optional use of IFRS by U.S. issuers. CalPERS is concerned that two sets of standards may inevitably lead to companies arbitrating which standard to use and this may negatively impact both the quality of financial reporting and the reputation of both IFRS and U.S. GAAP.

Milestone 7 - Implementation of the Mandatory Use of IFRS

Comparability is a crucial promise of IFRS along with the importance of consistency of adoption and enforcement practices across jurisdictions. CalPERS does not necessarily see the benefit of a proposed phase-in of mandatory implementation of IFRS. We are concerned that the phasing-in of the Sarbanes-Oxley Section 404 reporting requirements for all U.S. companies is still not complete. CalPERS is troubled that this example of phasing-in (after six years where there are still significant numbers of U.S. companies that do not yet report on the adequacy of their internal controls and include their auditor's opinion) may be reflective of phasing-in IFRS.

Transition and Timing

The Commission's proposed roadmap still has aspects that need to be studied, vetted and addressed before allowing U.S. issuers to adopt filing its financial statements using only IFRS. Imperative to this process is the need for shareowner and investor input as the Commission determines what would be necessary to reach an appropriate level of acceptance and understanding to allow U.S. issuers the choice to prepare its financial statements in accordance with IFRS as published by the IASB. However, we do not support indefinitely postponing decisions on adopting IFRS and believe after the SEC has gained comfort with a reformed IASC Foundation and IASB that the Commission signal through the joint work of the FASB and IASB the importance of moving towards a single set of high quality, fully transparent, timely, comparable and robust standards. CalPERS hope that considerable cooperation between the boards will facilitate this objective.

To facilitate providing the Commission CalPERS perspective, we have enclosed copies of the letters referenced in the footnotes.

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

Sincerely,



Mary Hartman Morris
Investment Officer

cc: Joseph A. Dear, Chief Investment Officer – CalPERS
Eric Baggesen, Senior Investment Officer - CalPERS

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