

Capital Market Stability
Key Advocacy Points
November 2011 – November 2012

Date	Recipient	Topic	Key Points Communicated by CalPERS
11/15/2011	U.S. Securities and Exchange Commission (SEC)	Comment Letter: Extraterritorial Private Rights of Action	<p>CalPERS believes:</p> <ul style="list-style-type: none"> Liability is a component in accountability and shareholders must be given the ability to seek redress when fraud has occurred. Investor confidence comes from strong securities laws that uphold investor rights. Shareholders must be allowed the opportunity to bring suit if they can provide sufficient evidence that some aspect of fraud occurred within the borders of the United States and the courts otherwise have jurisdiction over the parties.
1/05/2012	Commodity Futures Trading Commission (CFTC)	Meeting: Derivatives Regulation	<p>CalPERS:</p> <ul style="list-style-type: none"> Believes physical segregation of collateral was preferable to legal segregation; however, legal segregation was a step in the right direction. Encouraged extending further protections of collateral for cleared swaps. Recommended establishing a certification program as an alternative for complying with proposed business conduct standards.
1/11/2012	SEC Chairman Mary L. Schapiro	Comment Letter: Extraterritorial Private Rights of Action	<p>CalPERS:</p> <ul style="list-style-type: none"> Believes private actions overseen by sophisticated institutional investors have been a valuable complement to the SEC since the passage of the Private Securities Litigation Reform Act of 1995. Urged the SEC to recommend that Congress extend the extraterritorial scope of the antifraud private right of action under the Exchange Act to all investors who sufficiently state transnational securities fraud claims.
1/12/2012	Public Company Accounting Oversight Board (PCAOB)	Comment Letter: Auditor Independence and Audit Firm Rotation	<p>CalPERS believes:</p> <ul style="list-style-type: none"> The corporate board's audit committee should promote the rotation of the auditor to ensure a fresh perspective and review of the financial reporting framework. The PCAOB should collaborate with non-U.S. regulators and standard-setters.

Capital Market Stability
Key Advocacy Points
November 2011 – November 2012

Date	Recipient	Topic	Key Points Communicated by CalPERS
1/31/2012	Ministry of Justice – Japan	Comment Letter: Interim Proposal concerning Revision of Companies Act	<p>CalPERS believes:</p> <ul style="list-style-type: none"> • Stock exchanges should require the appointment of independent outside directors, nomination committees, and compensation committees. • The definition of “outsider” should be strengthened so that related persons of a subsidiary of the parent company are excluded. • Statutory auditors and the audit committee should have authority concerning selection and dismissal of external accounting auditors and to have concurring authority with respect to their compensation.
2/13/2012	Office of the Comptroller of the Currency, Federal Reserve System, FDIC, SEC	Comment Letter: Prohibitions and Restrictions on Proprietary Trading	<p>CalPERS believes:</p> <ul style="list-style-type: none"> • The present global system of bank regulation allows too much downside risk in the financial system. • The Volcker Rule will help reduce the risks brokerage operations pose to their financial holding companies and, if effectively implemented, will help mitigate the risks Systemically Important Financial Institutions pose to the overall financial system.
2/13/2012	SEC Chairman Mary L. Schapiro	Advocacy Letter: Financial Market Reform Priorities for the SEC	<p>CalPERS led plan sponsors and institutional investors representing over \$1.6 trillion in assets in recommending the SEC reinforce its strong investor protection focus by addressing the following near-term priorities:</p> <ul style="list-style-type: none"> • Revive the Investor Advisory Committee and appoint the Investor Advocate. • Renew rulemaking for universal proxy access. • Adopt final rules on remaining Dodd-Frank executive compensation provisions. • Continue work on International Financial Reporting Standards. • Provide for an accountable and transparent credit ratings system. • Ensure relevant ESG and diversity reporting is integrated into financial reporting frameworks.

**Capital Market Stability
Key Advocacy Points
November 2011 – November 2012**

Date	Recipient	Topic	Key Points Communicated by CalPERS
2/28/2012	PCAOB Chairman James R. Doty	Comment Letter: PCAOB Proposed Auditing Standards	<p>CalPERS believes the external auditor is responsible for:</p> <ul style="list-style-type: none"> Establishing the terms of the audit engagement with the audit committee. Obtaining information from the audit committee that is relevant to the audit. Disclosing the audit strategy and timing. Timely observations arising from the audit that are significant to financial reporting.
3/8-9/2012	SEC Commissioners	Meeting: Financial Market Reform Priorities for the SEC	CalPERS led a group of public pension officials in a series of meetings with each of the SEC Commissioners to discuss investors' near-term priorities for the agency.
3/16/2012	Honorable Harry Reid – U.S. Senate Office of the Majority Leader Honorable Mitch McConnell – U.S. Senate Office of the Minority Leader	Advocacy Letter: Jumpstart our Business Startups (JOBS) Act	<p>As a significant provider of capital to U.S. markets, CalPERS:</p> <ul style="list-style-type: none"> Recognizes the important role capital formation plays in job growth and the overall health of the U.S. economy. Believes it imperative that the U.S. Senate's JOBS Act be amended to reflect the concerns raised by SEC Chairman Schapiro as they relate to important investor protections – disclosure, accounting and auditing matters.
3/27/2012	PCAOB PCAOB Investor Advisory Group Taskforce	Meeting & Roundtable: Auditor Firm Independence and Rotation	<p>CalPERS:</p> <ul style="list-style-type: none"> Believes regulators should do more to improve transparency, credibility and accountability of financial statements by improving rules relating to “going concern” issues. Presented findings from investor survey which demonstrate over 90% of respondents believe the concept of “going concern” to be very to somewhat important. Recommended the PCAOB revise its audit standards to require an auditor to use information gathered during the audit and also from other sources. Recommended the SEC consider enhanced disclosures of risks, and also how risks are mitigated.

**Capital Market Stability
Key Advocacy Points
November 2011 – November 2012**

Date	Recipient	Topic	Key Points Communicated by CalPERS
7/10/2012	U.S. House Committee on Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises	Testimony: The Impact of Dodd-Frank on Customers, Credit, and Job Creators	<p>CalPERS:</p> <ul style="list-style-type: none"> Presented overview of how CalPERS benefits from effective financial markets regulation. Provided CalPERS views on the positive impact of the Dodd-Frank Act. Described six criteria for smart regulation: <ol style="list-style-type: none"> Be complete and coordinated Allow for the proper exercise of roles and responsibilities Ensure transparency Address conflicts of interest and perverse incentives Allow for the financing of legitimate strategies Be proportionate Highlighted critical elements of “unfinished business” vital to promoting the safety and soundness of capital markets: <ol style="list-style-type: none"> Derivatives Regulation The Volcker Rule Alignment of Interest Credit Rating Agency Reform Shareowner Rights – Investor Protection Regulatory Agency Funding
7/30/2012	Scott Garrett, Chairman; and, Maxine Waters, Ranking Member, U.S. House Financial Services Committee Subcommittee on Capital Markets	Advocacy Letter: Fostering Innovations Act (HR 6161)	<p>CalPERS:</p> <ul style="list-style-type: none"> Urges the House Subcommittee to resist efforts to direct the SEC to revise the definition of “accelerated filer” in the Fostering Innovations Act in order to prevent more issuers to avoid Sarbanes-Oxley Section 404(b) requirements. Believes investors benefit from the assurances provided by independent auditors about issuers’ internal controls.
9/7/2012	NYSE Euronext NASDAQ	Advocacy Letter: SEC Listing Standards for Compensation Committees	<p>CalPERS recommends:</p> <ul style="list-style-type: none"> Implementation of robust listing requirements on standards for compensation committees prior to the 2013 proxy season.