



Russell Read, Ph.D., C.F.A.

Chief Investment Officer

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Telephone: (916) 795-3400

November 14, 2007

Nancy M. Morris, Secretary

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-1090

RE: File Number S7-20-07 Concept Release Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards (IFRS)

Dear Ms. Morris:

I am writing you on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is the largest U.S. Public Pension Fund with total assets of \$246.4 billion. We provide retirement and health benefits to approximately 1.5 million public employees, retirees and their families and more than 2,500 employers. CalPERS is pleased to provide comment to the Securities and Exchange Commission (Commission) on the concept release which would give U.S. issuers the option of filing with the Commission financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

As a large institutional investor with a very long-term investment horizon, CalPERS has a vested interest in maintaining the efficiency of the capital markets and the integrity of financial statements. We believe that all investors would benefit from having consistent high quality financial reporting standards. CalPERS supports the goal of convergence of IFRS and U.S. generally accepted accounting principles (U.S. GAAP).

As an investor, CalPERS believes the development of a single set of high-quality, globally accepted accounting standards, which would enhance comparability and provide needed transparency, will facilitate cross-border capital accessibility and formation. However, we believe that standards must ensure adequate disclosure for the protection of investors and believe there are ***a number of important issues that need to be addressed prior to giving U.S. issuers the option of preparing financial statements in accordance with IFRS.*** CalPERS set forth similar concerns in our letter of September 24, 2007 to the Commission on the subject of foreign private issuers filing in accordance with IFRS without reconciliation to U.S. GAAP.

**California Public Employees' Retirement System
Lincoln Plaza East - 400 Q Street, Suite E4800 - Sacramento, CA 95811**

The Effect of IFRS on the U.S. Public Capital Market

CalPERS believes maintaining high quality financial reporting is important to the competitiveness of U.S. markets. CalPERS believes the Sarbanes Oxley Act of 2002 (SOX) created many benefits for investors through additional disclosure, transparency and protections for investors. We also agree that there is a valuation premium for companies that cross-list on U.S. exchanges.¹ CalPERS believes corporate value is increased through transparent, high quality, financial reporting, which in turn may provide companies a competitive advantage in attracting capital.

CalPERS fully supports convergence to a single set of high quality international financial reporting and disclosure standards that results in companies reporting the true economics of transactions. We believe the cost of capital is related to the quality of a company's financial reporting. However, we do not believe that there will be a negative effect on the U.S. public capital markets if U.S. issuers are not allowed to report in accordance with either IFRS or U.S. GAAP at this time. CalPERS understands that certain U.S. multinationals that have a majority of their operations in countries that require IFRS may have a desire to have the option to prepare financial statements solely in accordance with IFRS. However, we are not aware of any negative consequences if the Commission continues to require U.S. issuers to report in accordance with U.S. GAAP, with the exception of the cost of dual reporting requirements for multinational companies.

Convergence of IFRS and U.S. GAAP

CalPERS agrees with the Commission's premise that if there is a robust and active process in place for converging IFRS and U.S. GAAP, then it is likely that the current differences between the two standards will be minimized in due course. The 2006 Memorandum of Understanding between the FASB and IASB indicated that a common set of high quality global standards remains the long-term strategic priority and set out a work plan with specific long- and short-term projects. Although CalPERS does not believe that convergence should occur with an artificial completion date, we do believe that setting a target date with specific milestones may provide the impetus to address the many issues that still exist and that have made investors concerned about whether the convergence process is robust and effective. However, we do not agree that a moratorium on issuance of new standards is in the best interest of investors and shareowners.

¹ Testimony and cited studies, October 24, 2007 Before the Subcommittee on Securities, Insurance and Investment of the U.S. Senate Committee on Banking, Housing and Urban Affairs on "International Accounting Standards: Opportunities, Challenges and Global Convergence Issues."

The Case for a Single Set of Globally Accepted Accounting Standards and the International Accounting Standard Setter

Independence is critical to a sustainable, well governed International Accounting Standards Board (IASB). Along with the Financial Accounting Standards Board's (FASB's) role in convergence, we see both accounting setters as key players to the development of a single set of high quality, globally accepted accounting standards. The independence of the FASB has been strongly protected to ensure it is able to develop unbiased standards designed to provide transparency for investors. More recently, Congress enhanced the independence of the FASB by providing independent funding. We are concerned that the independence of the IASB may be compromised by its current source of funding which includes companies and accounting firms. Even though the International Accounting Standards Committee Foundation (IASC Foundation), the overseer of the IASB, has proposed a broad-based open-ended funding that will have contributions country-specific based on a proportionate basis using gross domestic product as a measurement to share the costs, we are not confident at this point that these steps will ensure an independent well-governed IASB that is free of potential influences.

CalPERS also questions whether the IASB currently has the enforcement infrastructure to ensure compliance with international standards. As an investor, we believe it is critical that a rigorous international regulatory oversight infrastructure be developed to ensure adequate protections for investors prior to convergence. We also believe that auditors play a vitally important role in ensuring these protections through effective audits and advocacy by auditors for investors. CalPERS is not aware of a single regulator or law enforcement agency that is responsible for enforcement of international accounting standards. This issue must be fully addressed before one international financial reporting standard can be successful.

Education and Training

CalPERS agrees that a significant training effort is needed to ensure 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 needs to be achieved in order to establish a sound foundation for successful acceptance of IFRS in the U.S.

Since sufficient resources and incentives will be key to training, the Commission should address how such significant training will be provided. Costs would include the hiring of additional people competent in IFRS reporting standards, the training of existing people, modifying companies' systems for the significant differences in accounting conventions and funding of the major changes required in accounting education. It is difficult to assess the overall cost, other than to say that it would certainly be significant.

Auditing

Auditors play a vital role in the integrity of financial reporting and it is this role of auditors that provides investors with confidence in the efficiency of capital markets. U.S. auditors will need to be as well versed in IFRS as they are currently in U.S. standards. CalPERS believes that if there is a demand for auditors well versed in IFRS, the larger accounting/auditing firms will accept this opportunity and incur the costs necessary to train staff. Also, the larger accounting firms already may have the existing expertise in foreign offices or in U.S. offices that currently serve multinational clients. However, smaller auditing firms may move more slowly in justifying and absorbing these costs. This may result in an increase in auditor concentration in the larger audit firms.

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

Additionally, the issue of oversight of the auditors needs to be directly addressed. Would the Commission continue with its mandate under SOX that the PCAOB continue to set auditing standards and guidance for U.S. public companies or would the International Accounting and Assurances Standards Board (IAASB) with IASB eventually take the place of the PCAOB and the FASB so that oversight of U.S. public companies in large part based outside of the U.S.? These remain unanswered questions that deserve extensive public discussion.

Regulation

CalPERS agrees 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.

Transition and Timing

The Commission's concept release focuses on many issues that need to be studied, vetted and addressed before giving U.S. issuers the option of preparing their financial statements using 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.

As the FASB and IASB continue the path of convergence and the strategic adoption of IFRS, CalPERS believes the role of the FASB should be equal to the IASB in the development of future accounting standards. It is critically important to investors that a comparable, transparent and consistent financial reporting structure is assured before we replace U.S. GAAP standards. Improvement and quality are key to the path of one international financial reporting standard.

CalPERS thanks the Commission for its ongoing diligence in developing robust standards that will ensure the integrity of financial reporting standards. CalPERS would be pleased to assist the Commission in this endeavor. Please contact Dennis Johnson, Senior Portfolio Manager of Corporate Governance at (916) 795-2731 if there are questions or if we can be of further assistance.

Sincerely,



cc: Fred Buenrostro, Chief Executive Officer, CalPERS
Anne Stausboll, Chief Operating Investment Officer, CalPERS
Christianna Wood, Senior Investment Officer, CalPERS
Peter Mixon, General Counsel, CalPERS
Dennis Johnson, Senior Portfolio Manager, CalPERS