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Via E-Mail gzalm@iasb.org

Gerrit Zalm, Chairman of the Trustees
International Accounting Standards
Committee Foundation
(IASC Foundation)
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Chairman Zalm:

Proposals and Issues for the IASC Foundation Constitution Review

I am writing on behalf of the California Public Employees' Retirement System (CalPERS). As the largest public pension system in the U.S., CalPERS manages approximately \$248 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 International Accounting Standards Board (IASB).

CalPERS agrees with the importance of reinforcing confidence in the IASB to set financial accounting standards in the public interest by helping to ensure that the creation of IFRSs is not beholden to special interests. We do understand though, the IASB has no authority to impose its standards on countries and does not have a direct reporting mechanism to governments or other public officials. CalPERS supports the

growing need to monitor the use and rigorous application of the standards to ensure comparable global financial reporting. 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 IFRS standard-setting and the role investors play in that process.

Monitoring Group: Creation & Membership

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 to form the Monitoring Group as an improvement 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. CalPERS supports the creation of a Monitoring Group in order to create a direct link of public accountability to official institutions. **However, 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. CalPERS does not see the need to continue the Trustee Appointments Advisory Group as the proposed constitution amendments identify similar responsibilities of the Monitoring Group.

IASB: Changes in the Constitutional Language

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

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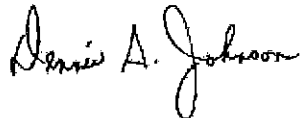
IASB's membership should be expanded to 16 members but rather emphasize the need for annual assessment of skill-sets to ensure diversity and equivalent representation by stakeholders as well as timely, proper succession planning.

Voting Majorities

CalPERS does not support the Trustees' proposal to maintain the supermajority requirement in the IASC Foundation's Constitution. CalPERS believes if the IASB's Board membership reflects the selection criteria as proposed (and includes an annual skill-set assessment to ensure diversity of professional representation, background and experience) with equitable stakeholder representation that voting standards should be set at a majority threshold. The majority vote threshold should apply to publication of an exposure draft, a discussion paper and International Financial Reporting Standards.

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

Sincerely,



Dennis Johnson, CFA
Senior Portfolio Manager
Corporate Governance

cc: The Honorable Christopher Cox, Chairman – SEC
Anne Stausboll, Interim CIO – CalPERS
Eric Baggesen, Senior Investment Officer – CalPERS