



Russell Read

Chief Investment Officer

P.O. Box 2749

Sacramento, CA 95812-2749

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

Telephone: (916) 795-3400

May 18, 2007

J. Gordon Seymour

Office of the Secretary

Public Company Accounting Oversight Board

1666 K Street N.W.

Washington, D.C. 20006-2803

RE: Rulemaking Docket Matter No. 023 – Proposed Auditing Standard – Evaluating Consistency of Financial Statements and Proposed Amendments to Interim Auditing Standards (PCAOB Release No. 2007-03)

Dear Mr. Seymour:

I am writing you on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is the largest US Public Pension Fund with total assets of \$245.7 billion and more than 1.5 million members. CalPERS is pleased to provide the Public Company Accounting Oversight Board (Board) with comment regarding the proposed changes to its auditing standards in light of Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections, and Proposed Statement of Financial Accounting Standards, The Hierarchy of Generally Accepted Accounting Principles. This proposed new auditing standard on evaluating consistency would supersede AU sect 420 and conforming amendments to AU sec. 508 Reports on Audited Financial Statements of its interim auditing standards.

CalPERS supports the proposed auditing standard which provides the auditor guidance on evaluating whether the financial statements are consistent with prior years' financial statements retrospectively when financial statements reflect a change in accounting principle and therefore, will appear different from those previous years' financial statements on which the auditor previously reported. We support the Board's efforts to revise its auditing standards in recognition of the Financial Accounting Standards Board's (FASB) revised accounting and disclosure requirements.

CalPERS, as a significant institutional investor supports the efforts of the Board to ensure strong market regulation and enforcement designed to protect investors, ensure integrity in the capital markets and provide adequate disclosure to protect the integrity of a company's financial reporting.

CalPERS believe the proposed auditing standard provides assurance that auditors are provided adequate direction and reflect the changes to the accounting requirements made by FASB statement 154. As an investor and to provide better transparency, CalPERS supports the changes that require auditors to expand their report/opinion to address why there have been restatements and the reason for the misstatement. We also support the proposal that the auditor reporting requirements should apply to all restatements. This additional requirement is in line with the spirit of Sarbanes-Oxley Act of 2002, Section 404 and would provide additional clarity on potential internal control weaknesses and/or issues.

Additionally, we support the Board's decision to delete the Generally Accepted Accounting Principles (GAAP) hierarchy from the auditing standards if it is included in the accounting standards.

CalPERS is prepared to provide assistance to the PCAOB at its request. Please contact Dennis Johnson, Senior Portfolio Manager – Corporate Governance at (916) 795-2731 if there are questions or if we can be of further assistance.

Sincerely,



Russell Read
Chief Investment Officer

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