



Colorado Public Employees' Retirement Association
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September 29, 2011

Public Company Accounting Oversight Board
1666 K Street, NW Suite 800
Washington, DC 20006

RE: PCAOB Rulemaking Docket Matter No. 34

Dear PCAOB:

I am submitting the following comments for the PCAOB's consideration based on a request for guidance on potential revisions to the standards of auditor's reports. These comments represent my perspective as an institutional investor of a large public pension plan.

Pass/Fail Model: We appreciate and understand the concerns regarding the current auditor's pass/fail model. However, we have not yet seen a revised model that would significantly improve how financial statements are presented to investors without offsetting drawbacks. We do believe that some adjustments to the information provided by auditors to investors can bolster the pass/fail model, and should be explored.

Auditor's Discussion & Analysis: Of all the potential changes to the current auditor reporting model, we are most supportive of adding an Auditor's Discussion & Analysis (AD&A) section. An auditor's ultimate responsibility is to investors, and therefore we believe it is critical to increase the ability for auditors and investors to communicate. Investors crave information, and there is currently little information provided by the current Pass/Fail model. We also believe there is a misunderstanding by the investor community on how audits are conducted, and therefore, how the results of the pass/fail model should be interpreted. This misunderstanding can be remedied through both educational efforts by the PCAOB and details provided within an AD&A section.

An AD&A section will give auditors the ability to point out areas in the financial statements where companies have followed the standards of GAAP, but where significant areas of judgment and estimation were required to report financial results. In addition to highlighting areas where judgment and estimation were required, we would like for auditors to provide data points, when possible, that would allow us to calculate sensitivity analyses on the more opaque sections of financial statements. We believe this information will greatly improve visibility into some of the most problematic sections of the financial statements, particularly:

- Revenue Recognition and Accounting Methodology Changes
- Asset Valuation and Unusual Transactions
- Special Purpose Vehicle (SPVs) Assets and Liabilities
- Off-Balance Sheet Items
- Restatements and Charge-Offs
- Non-Performing Assets

Like all proposed changes to auditor reporting standards, the addition of an AD&A section provides challenges and drawbacks. We view obstacles to implementation of the AD&A section to include cost, particularly potential legal challenges to AD&A statements, and standardization of AD&A reports. Legal challenges to auditor's AD&A reports are likely to arise and may ultimately be paid by investors through higher auditor fees. We also recognize that the addition of an AD&A will require more auditor billing hours. However, we are not asking auditors to expand their audit activities. We simply want auditors to provide investors more of the information they have gathered during their audit process and a reasonable subset of the audit details they already provide corporate audit committees.

As for the standardization of AD&A reports, we have no easy answer, and believe a fully developed AD&A process will take years, similar to the addition of Management Discussion and Analysis (MD&A) reports. When MD&As were first published, the information provided to investors was underwhelming, prompting the SEC to issue a series of rules in order to require and encourage companies to improve their disclosure of financial information. After decades of work by the SEC, we now believe the MD&A to be one of investor's most valuable pieces of information. We feel that the AD&A could rival the MD&A for importance to investors, yet we would hope and expect the AD&A to develop faster than the decades required for the MD&A. For faster development of the AD&A, it will be critical for PCAOB to initially set a strong standard of quality and adopt new standards quickly as the AD&A develops over time.

We appreciate the opportunity to comment on the potential changes to the auditor's reporting model, and would welcome additional opportunities to provide input to the PCAOB as this process continues.

Sincerely,



Jennifer Paquette
Chief Investment Officer
Colorado PERA