Letter of Comment No: 324/ A-File Reference: 1102-100



Ohio Public Employees Retirement System

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-PERS (7377) www.opers.org

August 5, 2004

Robert H. Herz, Chair Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1102-100, Exposure Draft, Proposed Statement of Financial Accounting Standards, Share-Based Payment, an amendment of FASB Statements No. 123 and 95

Dear Mr. Herz:

The Ohio Public Employees Retirement System (OPERS) is a \$60.05 billion fund serving three quarters of a million Ohioans, making the system the 10th largest state pension fund in the U.S. We recently wrote to the Financial Accounting Standards Board (FASB) in strong support of the FASB Exposure Draft regarding share-based payments, which requires the expensing of all share-based payments awarded to employees, including stock options.

By way of follow-up to our previous letter, we are writing to you this time to strongly urge FASB <u>not</u> to postpone the implementation of mandatory stock option expensing standard until 2006. We do not believe that any further delay or study of this issue is warranted. In addition, we also applaud the 760 companies that to-date have demonstrated leadership on this issue by agreeing to expense stock options on a voluntary basis prior to the FASB implementation date in 2005.

We believe that all stock options granted to employees, directors and non-employees are compensation and have an associated cost. Therefore, companies should be required to include these costs as an expense on their reported income statements and disclose their valuation assumptions. In the absence of mandatory stock options expensing, it is estimated by Bear Stearns that the 2003 reported operating earnings of the 100 largest Nasdaq-traded companies would have been reduced by 44% had they been required to expense stock option compensation.

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Investors need accurate, timely information to serve as the basis for making informed investment decisions. Any further delay in requiring the mandatory expensing of all stock options will only continue to mislead investors with incomplete and inaccurate earnings information. We urge you to implement the FASB Exposure Draft on stock options in 2005 as originally proposed.

Sincerely, Laure Fron Lackery

Laurie Fiori Hacking

Executive Director

cc: William H. Donaldson, SEC Chair

Senator Richard C. Shelby Senator Paul S. Sarbanes

Congressman Michael G. Oxley Congressman Richard H. Baker

Bryan Corbett, Counsel, Senate Committee on Banking, Housing and Urban Affairs

Jeffrey P. Mahoney, FASB