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Director of Major Projects—File Reference No. 1102-100 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Letter of Comment No: 3855 File Reference: 1102-100

Dear Director:

The Los Angeles County Employees Retirement Association's (LACERA) Board of Investments appreciates the opportunity to provide the Financial Accounting Standards Board (FASB) with its views regarding proposed accounting rules that, if adopted, would require corporations to expense stock options, stock awards, and other share-based compensation in the company's financial statements.

LACERA's Board of Investments is responsible for the management of \$29.26 billion in public pension fund assets providing retirement benefits for 87,745 active employees and 47,233 retired members. LACERA distributes approximately \$1.3 billion each year in benefit payments. Almost 70% of these payments come from investment earnings. Consequently, investor confidence in the market place is critical to accomplishing LACERA's mission.

LACERA's Board of Investments has adopted Corporate Governance Principles to safeguard and promote the economic interests of its active and retired members <u>and</u> to communicate to Corporate America the importance of fiduciary duty, integrity, and transparency. LACERA believes that financial transparency is a basic shareholder right and critical for an institutional investor's understanding of an organization's financial activities.

LACERA firmly supports regulatory actions that are consistent with these Corporate Governance Principles. Therefore, LACERA endorses FASB's efforts to improve financial reporting standards and disclosure requirements for stock options, and the adoption of the FASB's proposed revisions to Statement 123, *Accounting for Stock-Based Compensation*, requiring companies to expense all equity-based compensation.

Respectfully submitted,

Chief Executive Officer

MDR:SM:jm LetterToFASB.doc

cc: Members, Boards of Investments and Retirement

Senator Barbara Boxer, Senator Dianne Feinstein

Congressman Richard H. Baker, Congressman David Dreier

Congresswoman Nancy Pelosi, Congresswoman Lucille Roybal-Allard

Congresswoman Maxine Waters, Congressman Henry A. Waxman

Congressman Xavier Becerra, Congresswoman Diane Watson