Ohio Retirement Systems

Damon Asbury
Executive Director
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215
Telephone: (614) 227-4090

Richard Curtis
Executive Director
Highway Patrol Retirement System
6161 Busch Blvd., Suite 119
Columbus, Ohio 43229
Telephone: (614) 431-0781

William Estabrook
Executive Director
Ohio Police and Fire Pension Fund
140 East Town Street
Columbus, Ohio 43215
Telephone: (614) 228-2975

Laurie Hacking
Executive Director
Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
Telephone: (614) 222-0011

James R. Winfree
Executive Director
School Employees Retirement System of Ohio
300 East Broad Street, Suite 100
Columbus, Ohio 43215
Telephone: (614) 222-5853

Keith Overly
Executive Director
Public Employees Deferred Compensation
250 Civic Center Drive
Columbus, Ohio 43215
Telephone: (614) 466-7245

June 4, 2004

Letter of Comment No: 3252
File Reference: 1102-100

Director of Major Projects—File Reference No. 1102-100
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 Director:

The Ohio Retirement Systems (ORS) collectively manage $134 billion in assets and serve 1.5 million Ohioans. We are writing to you in support of the Financial Accounting Standards Board's Exposure Draft regarding share-based payments, which requires the expensing of all share-based payments awarded to employees, including stock options. We believe that stock options granted to employees, directors and non-employees are compensation and have a cost. Therefore, companies should be required to include these costs as an expense on their reported income statements and disclose their valuation assumptions.

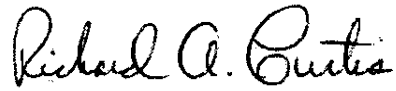
ORS strongly supports the proposed rules contained in the Exposure Draft and commends the Financial Accounting Standards Board (FASB) for addressing this important issue. Contrary to claims made by critics of the FASB Exposure Draft, merely providing for enhanced disclosures without a stronger accounting standard will not adequately remedy the present situation. Under the present inadequate accounting standard, compensation expense is omitted from the income statement and thereby distorts net income, earnings per share, and other key financial metrics that investors rely on when making investment decisions.

Audited financial statements should provide comprehensive, relevant, and accurate information to investors about a company's financial condition rather than reflect an overly optimistic view of the numbers, absent certain expenses, that inures to the benefit of management rather than investors. Requiring all options to be expensed, coupled with the meaningful disclosure of relevant assumptions, should result in higher quality, comparable financial statements.

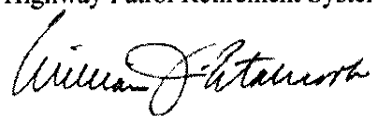
Furthermore, the proposed FASB disclosures will provide investors with more meaningful information about the number and value of share-based payments and the methodology used to value the awards. This information will give investors the ability to more accurately evaluate the cost and potential dilution of shareholder value represented by these awards and result in a more reliable estimate of the cost of stock-based compensation arrangements.

We urge FASB to proceed as soon as possible in finalizing this important proposed accounting standard as it is a significant step forward in providing investors with more accurate and reliable financial information.

Respectfully,



Richard Curtis
Executive Director
Highway Patrol Retirement System



William Estabrook
Executive Director
Ohio Police and Fire Pension Fund

Laurie Hacking
Executive Director
Public Employees Retirement System of Ohio

Damon Asbury
Executive Director
State Teachers Retirement System of Ohio

James R. Winfree
Executive Director
School Employees Retirement System of Ohio

Keith Overly
Executive Director
Public Employees Deferred Compensation

cc: Robert H. Herz, Chair, FASB
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