

Commonwealth of Pennsylvania Public School Employees' Retirement Board 5 North Fifth Street Harrisburg, PA 17108

Barbara Hafer, Chair

June 22, 2004

Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: 5015 File Reference: 1102-100

Re: File No. 1102-100

Dear Sir or Madam:

The Pennsylvania Public School Employees' Retirement System (PSERS), the 14th largest public pension fund in the nation and the 21st largest among public and corporate pension funds in the U.S., managing more than \$48.2 billion in assets and representing more than 246,000 active school employees and 145,000 retirees, supports the Financial Accounting Standards Board's exposure draft regarding share-based payments. PSERS thanks the FASB for its leadership on this important issue.

The quality and comparability of audited financial statements of U.S. companies is of utmost importance to PSERS, which has a very significant stake in the U.S. capital markets. About 45 percent of PSERS' pension assets are invested in domestic equities, and another 15 percent are invested in domestic bonds. Given this commitment to the U.S. markets, high-quality financial statements are of critical importance to PSERS.

The exposure draft correctly recognizes that stock options and other equity awards are a compensation expense that should be recognized and included in reported income statements. Mere disclosure of the impact of these awards via footnotes - as currently permitted under U.S. accounting rules - is inadequate and impairs the ability of investors to compare financial statements and fully understand the impact of these compensation vehicles.

The proposed change, along with the proposed disclosures, will improve the quality, transparency and comparability of financial statements, and will foster global accounting convergence.

PSERS applauds the FASB for taking the lead on this important issue. If you have any questions, please contact our Executive Director, Jeffrey B. Clay, at 717-720-4749.

Sincerely,

Sarban Hofer Barbara Hafer

cc: Robert H. Herz, Chair, FASB

Pennsylvania Congressional Delegation

Roy Kienitz, Deputy Chief of Staff, Office of the Governor