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February 14, 2005

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street N.W.
Washington, DC 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 017

Dear Board Members:

This letter is sent on behalf of the California State Teachers' Retirement System's (CalSTRS) members. CalSTRS is the third largest public pension system in the U.S., with over \$120 billion in assets. CalSTRS manages retirement benefits on behalf of over 735,000 members and beneficiaries. CalSTRS is pleased to provide comment on the Public Company Accounting Oversight Board (PCAOB) on the Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees (The Proposal). As an investor and a fiduciary, CalSTRS is interested in the reliable transparency of the investment marketplace. Investors, professional and individual, must have audited financial statements when making decisions on public companies. Independent auditors play a critical role in this process and their independence must be assured. CalSTRS believes that its beneficiaries can only be well served by its staff and delegated fiduciaries when the audit committee and the audit firm put the concerns of the marketplace on this matter at the top of their duties. CalSTRS understands and respects the arguments of those who are concerned about regulation's impact on the ability of companies to raise capital, but the investor who risks capital must be considered as well.

CalSTRS applauds the PCAOB's leadership in this area. CalSTRS has used its judgment in assessing the independence of the auditor and established a tolerance level of 70% in favor of audit and audit related fees compared with tax and "other fees." The guidance that will be provided after the comments are completely reviewed may cause us to review our policies in this area. We believe that the proper place for this judgment to be exercised is at the audit committee level; but the audit committee must have all the facts and should pre-approve the services after finding that the services are in the best interests of the shareholders. Shareholders may not be well served when auditors provide tax planning, structuring, shelters or expatriate type services to a company that

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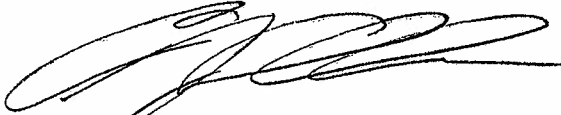
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they audit, but we are concerned about the shortage of auditing firms in this area and that is why we have adopted the tolerance level described above. We recognize that this may not be an appropriate guideline for all investors and welcome the PCAOB's final rules on the matter.

Thank-you for the opportunity to comment on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Christopher Ailman', written in a cursive style.

Christopher Ailman
Chief Investment Officer