



August 12, 2016

Ms. Phoebe W. Brown  
Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, D.C. 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 034: *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion (PCAOB Release No. 2016-003)*

Dear Madam Secretary:

We are submitting the following comments for the PCAOB's consideration in response to a request for comments on the proposed Auditor's Reporting Model (PCAOB Release No. 2016-003). These comments represent our perspective as institutional investors for a large public pension plan representing more than 500,000 current and retired members and over \$45 billion in assets.

We believe the PCAOB's latest proposal on the Auditor's Reporting Model provides a good first step in increasing investor's transparency into the auditing process, while not overburdening corporations. We appreciate the opportunity for real communication between investors and auditors, even if it is a one way dialogue. We see the introduction of a modern auditor report as an opportunity to increase reciprocal dialogue between investors and management on accounting and auditing issues. This in turn, should provide auditors and audit committees more insight into investors' desired level of audit scrutiny. We look forward to increased insight into the audit process, giving us the ability to better evaluate the performance of auditors, management, and audit committees.

From our experience working alongside many buy-side and sell-side investors, there remains an expectation gap between how investors believe audits are conducted relative to what is actually being performed by auditors. The addition of "critical audit matters" to the auditor's report will be helpful in educating investors on the audit process. That said, we encourage the PCAOB to consider taking additional steps to help educate investors on the audit process and help investors understand the standards via a more user friendly format.

Below are a few potential projects that might be helpful to close the expectation gap:

- Create a framework for finance professors to help emerging financial professionals understand the role and responsibility of auditors
- Work with investor professional organizations to incorporate auditing topics into their educational programs/efforts
- Start a PCAOB education portal with video lessons on the audit process and overviews of auditing issues presented in a user friendly manner

While we are supportive of the changes and expansion of the Auditor's Reporting Model, we have reservations on the materiality standard set on the financial statements as a whole. As a user of financial statements, and the ultimate payor of auditing costs, we believe the value of increased transparency associated with a lower materiality threshold greatly outweighs the cost. In addition, materiality is an opaque topic for investors, and investors could benefit from a requirement for auditors to discuss their definition of materiality within the auditor's report.

We appreciate the PCAOB giving us the opportunity to comment on potential changes to the Auditor's Reporting Model, and would welcome additional opportunities to provide input to the PCAOB as this process continues.

Sincerely,



Jennifer Paquette  
Chief Investment Officer  
Colorado PERA



Amy C. McGarrity  
Deputy Chief Investment Officer  
Colorado PERA