



Colorado Public Employees' Retirement Association

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July 8, 2013

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

RE: Proposed *Auditing Standard, Related Parties*, Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards (PCAOB Rulemaking Docket Matter No. 038) (Related Parties Proposal)

Dear Office of the Secretary:

I am submitting the following comments in response to the PCAOB's request for guidance on revisions to related party auditing standards. As an institutional investor with \$40 billion in assets, Colorado PERA has a keen interest in improvements to auditing standards. Colorado PERA provides retirement and other benefits to 500,000 current and former employees of more than 500 public entities in the state of Colorado.

Recognizing that accounting misstatements are often linked to related party transactions, we are supportive of the PCAOB's continued efforts to strengthen related party auditing standards. Also, as investors, we are often concerned that related party transactions may occur at the expense of a company's owners for the benefit of a company's management, and therefore, believe these transactions should gain higher levels of scrutiny from auditors. Further scrutiny and disclosure of related party transactions will go a long way to improve investors' confidence in audited financial statements, which we believe in the long-run will benefit corporations, auditors, and investors.

We believe the draft proposal provides a reasonable compromise to improve the current standards. The proposed changes will benefit the users of financial statements, but do not appear to place too high a burden on the preparers or auditors of financial statements. We believe the additional requirements for auditors are reasonable and are valuable steps to improve auditing quality, such as requiring a minimum level of communication and disclosure with the audit committee.

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We are encouraged that the draft standards include not only enhanced requirements to identify significant unusual transactions, but also further requirements for auditors to understand the structure and business rationale of the transactions. The draft standard's requirement for auditors to obtain support in order to verify that related party transactions were conducted at arm's-length seems like a particularly effective step.

Related party transactions are too infrequently discussed between investors and management, which we believe is partly due to a lack of sufficient disclosure in the financial statements. Related party transactions provide a great example where auditors can provide investors more disclosure on a critical issue. Auditor disclosures on related party transactions would provide investors more information to begin a conversation with management about their related party transactions, which would provide even more scrutiny beyond the services that auditors already provide investors.

We appreciate the opportunity to comment on potential changes of the auditing standards for related party transactions, and would welcome additional opportunities to provide input to the PCAOB as this process continues.

Sincerely,



Jennifer Paquette
Chief Investment Officer
Colorado PERA