



Commonwealth of Pennsylvania  
**State Employees' Retirement System**  
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April 2, 2007

Ms. Nancy M. Morris  
 Secretary  
 Securities and Exchange Commission  
 100 F Street, NE  
 Washington, DC 20549-1090



**Re: File Number S7-24-06**

Dear Ms. Morris:

I am writing on behalf of the State Employees' Retirement System ("SERS"), one of the oldest and largest pension systems in the United States, managing over \$32 billion for the exclusive benefit of SERS' 213,000 members and beneficiaries.

I wish to express SERS' strong support for the Sarbanes Oxley Act ("SOX") and for the Security and Exchange Commission's ("SEC" or "Commission") interpretive guidance to management on the implementation of Section 404, SOX's internal control provisions.

Section 404 of the Sarbanes-Oxley Act of 2002 has been critical in rehabilitating investor confidence and restoring the overall integrity of the United States ("U.S.") capital markets over the past several years. Therefore, we strongly support the SEC's interpretive guidance, Management's Report on Internal Control Over Financial Reporting.

As a longstanding member of the Council of Institutional Investors ("CII"), SERS has been at the forefront of the national debate on the importance of enhancing auditing and accounting standards and related corporate governance issues. Peter M. Gilbert, SERS Chief Investment Officer, has been a member of CII's Board of Directors and its Policies committee which have been active proponents of the benefits of SOX. In that regard, SERS supports the views expressed by the CII in its letter to you dated February 13, 2007, addressing the Commission's implementation of Section 404.

Page 2

Nancy M. Morris, Secretary  
Securities and Exchange Commission

In addition, during the past year Mr. Gilbert served as Co-Chair of a joint Task Force formed by the Council of Institutional Investors ("Council" or "CII") and the National Association of Corporate Directors ("NACD"), which specifically researched the controversy surrounding the implementation of SOX and Section 404. The end result of this research was a report in January 2007 entitled: "*Looking Back, Looking Forward: Recommendations on Majority Voting, Section 404 and Executive Compensation.*" The most relevant finding of this Task Force specifically addressed this issue with the following language:

Strengthened internal controls have increased investor confidence in the accuracy of U.S. corporate financial disclosures. Implementation costs, particularly for smaller companies, remain a concern. Management and external auditors should work to make the process more cost efficient.


***Despite that challenge, task force members believe Section 404 must not be weakened. (Emphasis added.)***

SERS is supportive of the SEC's determination that all public companies covered by the reporting requirements must adhere to the same standards. Investors must be able to rely on the fact that all publicly traded companies provide the same level of assurance that their internal controls are satisfactory. We also agree with the Commission that the implementation can be scaled to reflect the operating realities of small companies.

SERS also supports the Commission's view that management must continue to obtain evidence every year about the operating effectiveness of internal controls and that the key controls must continue to be tested annually.

SERS has over \$9 billion of its assets exposed to the U.S. capital markets which would be at risk if the investor protections provided by SOX were diminished. We strongly urge the SEC to implement its "guidance to management on the implementation of Section 404" without weakening any of its provisions.

Sincerely,



Eric Henry  
Executive Director