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December 29, 2005

The Honorable Christopher Cox  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

**Re: Petition for Rulemaking Regarding Shareholder Communications (File No. 4-493)**

Dear Chairman Cox:

We are writing on behalf of the members of the California State Teachers' Retirement System (CalSTRS). The purpose of this letter is to express our concerns regarding the petition for rulemaking submitted by the Business Roundtable regarding shareholder communications (Rulemaking Petition). While we support the Rulemaking Petition's call for an evaluation of the current system for shareholder communications with a view towards improvement, we do not support the specific actions proposed by the Rulemaking Petition.

CalSTRS is the third largest public pension system in the United States, with over \$137 billion in assets that are managed on behalf of over 755,000 members and beneficiaries. Our domestic equity portfolio is valued at \$57 billion and is comprised of the common stock of over 2,800 domestic companies. In terms of market value, the domestic equity portfolio represents the overwhelming majority of our trading on national securities exchanges. As a result of our investment strategy and our fiduciary responsibilities to our members, CalSTRS supports the exploration of ways to enhance communications between companies and shareholders.

CalSTRS has long been an active participant in the development of the current infrastructure by which shareholder communications take place. CalSTRS participated in the development of the first electronic voting platform with the Independent Election Corporation of America (IECA), a predecessor to Automatic Data Processing Corporation (ADP) which was acquired by ADP in 1992. In response to perceived deficiencies in the shareholder communications process in 1993, CalSTRS, along with issuers, transfer agents, proxy solicitors, custodian banks, and several of its investment managers, formed ADP's Steering Committee (Steering Committee). What is most notable about the Steering Committee is its membership and its operation. The Steering Committee is comprised of representatives of all of the participants in the shareholder communications process, ADP, as the intermediary, is subject to an agreed

upon measurement and reporting process on a weekly basis. ADP's execution of the proxy and communications process is audited by an independent Inspector of Elections, and an independent audit firm, both chosen by the Steering Committee. In our view, this structure enhances the integrity and transparency of the process for all parties, a loss or diminution of authority for such a body would be a disservice to all participants.

The Steering Committee has been an active participant in the development of the proxy solicitation process. It participated in the evaluation of fees associated with the process and took steps that led to the abandonment of the manual, paper-driven process that previously governed shareholder communications. Most importantly, the Steering Committee played a significant role in the establishment of an electronic process which lowered the cost of shareholder communications, enhanced accountability and improved transparency.

We believe that the efforts of the Steering Committee have provided benefits to the market which could not have been achieved without the cooperative effort of all the constituencies represented in the process. In this regard, we do not believe that the constituencies to this process are served well by having one constituency dictate the process for all; instead, the lesson learned from the operation of the Steering Committee is that all of the participants in the shareholder communications process must cooperate to achieve the best results. Accordingly, we do not support any change to the system that does not allow for a similar degree of participation by all of the constituencies represented in the process.

The current system provides both transparency and integrity. It mitigates the conflict of interest that would result if the body with an interest in the outcome of a shareholder vote also was the only party that was responsible for the generation of shareholder communications regarding the vote and the accurate tabulation of the vote. This is especially true with regard to issues where there may be a conflict of interest between shareholders and management. For this reason, CalSTRS does not support changes to the system that would allow such a conflict of interest to exist without corresponding safeguards in place that would mitigate such a conflict of interest.

The current system also provides confidentiality to participants and beneficial owners. While CalSTRS has little need for confidentiality due to its status as a public pension fund, confidentiality is important to the ability of many of its investment managers to execute their investment strategies. As a result, the loss of confidentiality may compromise returns for plan participants. For this reason, CalSTRS does not support proposals that would impair confidentiality, including the proposed elimination of the ability of shareholders to elect to be Objecting Beneficial Owners.

For the foregoing reasons, and particularly the specific deficiencies described above, we cannot support the actions called for by the Rulemaking Petition. In this regard, it should be

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noted that ultimately shareholders bear the costs for the trading execution that is done on exchanges, the communications between companies and shareholders, and even the regulation of the investment process. We are unaware of any substantial adverse sentiment from shareholders regarding the issues raised by the Rulemaking Petition. While the current system may not be perfect, we do not believe that wholesale change to a familiar and successful process should be made at the impetus of any one party in the process.

Notwithstanding our concerns regarding the Rulemaking Petition, to the extent that the Rulemaking Petition suggests the continued need for an overall broad review of shareholder communications, CalSTRS supports such an endeavor. In fact, CalSTRS provided testimony to the New York Stock Exchange Proxy Working Group in its review of the issue earlier this year. We are committed to ensuring integrity, reliability and confidentiality in the shareholder communication process and believe that any review must be guided by these considerations.

If you would like to discuss this letter, please feel free to contact me. Thank you for allowing me to comment on this matter.

Sincerely,

A handwritten signature in blue ink that reads "Jack Ehnes". The signature is written in a cursive, flowing style.

Jack Ehnes  
Chief Executive Officer

cc: The Honorable Cynthia Glassman  
The Honorable Paul Atkins  
The Honorable Roel Campos  
The Honorable Annette Nazareth  
Alan Beller  
Elizabeth Murphy