



California State Teachers'
Retirement System
Anne Sheehan, Director
Corporate Governance, Investment Office
100 Waterfront Place, MS-04
West Sacramento, CA 95605-2807
916-414-7410
asheehan@calstrs.com

April 14, 2016

Mr. Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NW
Washington, DC. 20549-1090

Re: File Number S7-27-15, Release No. 34-77172 – Request for Comment –
Proposed Rulemaking, Concept Release on Transfer Agent Regulations

Dear Mr. Fields,

I am writing on behalf of the members of the California State Teachers' Retirement System (CalSTRS) to the Securities and Exchange Commission (SEC, Commission) request for comment on the proposed rulemaking concept release on *Transfer Agent Regulations*. Thank you for the opportunity to provide a long-term investor's perspective on the functions of transfer agents and related industry segments critical to the proper functioning of the National Clearance and Settlement of securities transactions (National C&S System). Key to investors is not only the National C&S System but also the oversight and regulation over entities that clear trades, provide custodial and safeguarding services, and perform other "back-office" functions within the securities industry.

CalSTRS' mission is to secure the financial future and sustain the trust of California educators. We serve the investment and retirement interests of 896,000 plan participants. CalSTRS is the largest educator-only pension fund in the world with a global investment portfolio valued at approximately \$179 billion as of February 29, 2016.¹ The long-term nature of CalSTRS liabilities, its overall stewardship of the fund and the CalSTRS Board's fiduciary responsibility to its members, makes the fund keenly interested in the rules and regulations that govern the securities market. We have a vested interest in ensuring shareholder protections are safeguarded within these rules and regulations.

¹ CalSTRS at a Glance, February 29, 2016 <http://www.calstrs.com/glance>, CalSTRS Current Investment Portfolio, asset allocation mix and current market value as of February 29, 2016 <http://www.calstrs.com/current-investment-portfolio>.

CalSTRS supports the SEC updating transfer agent rules especially since these were adopted in 1977 and remain essentially unchanged. We appreciate the thorough history of transfer agent services and applicable regulations in this concept release. We acknowledge the importance and need of understanding the industry's history and transformation to renovate and improve current transfer agent regulations. We understand there are benefits to issuers by identifying beneficial owners to perform corporate actions, study patterns and investment decisions of their shareholders, as well as understanding the significant changes in their shareholder base. While we appreciate these benefits, it is critical to investors such as CalSTRS to ensure revised regulations do not deprive investors and intermediaries of the anonymity they have currently.

Four specific areas that should be highlighted:

1. Proxy Tabulator
2. End-to-End Vote Confirmation
3. Non-Objective Beneficial Owners and Objective Beneficial Owners
4. Bank and Broker Dealer Record Keeping

1. Annual Meeting, Proxy-Related Services and Security Holder Services and Communications – Proxy Tabulator

We agree the process in the U.S. for distributing proxy materials and soliciting, tabulating and verifying votes by security holders is complex with an additional layer of complexity with respect to beneficial security holders. One of the key rights of security holders is the right to vote their shares on matters that affect the companies. CalSTRS is a strong advocate that voting of proxies is not only a fiduciary duty but likewise the execution of proxies is an important shareholder right. Inherent in this right, is the importance of an issuer's appointment of a vote tabulator, inspector of elections and/or proxy tabulator to enable shareholders to confirm positively whether shares have been voted as instructed. Also, whether their votes were not modified and votes were properly recorded. It is critical that the tabulator be able to confirm that aggregate positions were voted in accordance with the nominee's instruction, that the nominee will then be able to confirm back to its client that the client's vote was received on a timely basis, accurately recorded and included in the final tabulation of votes – completing the confirmation "chain" from tabulator to nominee to shareholder.

2. End-to-End Voting confirmation – Auditable Voting Systems

The need for end-to-end auditable and or voter verifiable systems must have stringent integrity properties to ensure shareholders that their votes were not modified. We understand the challenges that innovations in trading and equity products have placed on the proxy voting process. This was outlined in an August 2011, Report of Roundtable on Proxy Governance at the University of Delaware, Alfred Lerner College of Business & Economics, John L.

Weinberg Center for Corporate Governance.² CalSTRS participated in this roundtable and agrees with the recommendations that are directly addressed in the SEC's request for comment on Transfer Agents. In addition to providing investors with confirmation of their votes, the proxy voting systems as a whole should be regularly audited and confirmed to be accurate, reliable and efficient. We are a strong advocate that Transfer Agents maintain a copy of their Annual Study of Evaluation of Internal Accounting controls, Rule 17Ad-13.

3. Non-Objecting Beneficial Owners (NOBOs) and Objecting Beneficial Owners (OBOs)

Non-Objecting Beneficial Owners (NOBOs) allow their brokers to release their names and addresses, while Objecting Beneficial Owners (OBOs) regard their anonymity critical to their financial privacy. CalSTRS supports the default to be OBO unless a beneficial shareholder specifically provides instructions as a NOBO. CalSTRS strongly recommends the SEC maintain rules preserving NOBO and OBO designations.

4. Bank and Broker Dealer Recordkeeping for Beneficial Owners - Registration and Sharing of information

We agree that transfer agents provide critical recordkeeping and transfer services to registered owners. Current processes do not allow transfer agents' visibility beyond the master security holder file and therefore do not provide recordkeeping and transfer services to beneficial owners who hold in street name. However, if the Commission were to require certain registrants to pass through security holder information regarding beneficial owners to transfer agents, CalSTRS continues to support the privacy of beneficial owners and does not support any changes which would allow transfer agents additional visibility to information about beneficial owners. If the Commission requires registrants to pass through security holder information to transfer agents we believe this information should be solely for the transfer agent's legal/compliance purposes and should not be information that transfer agents share in return for compensation.

Additionally, investors who hold in street name and are the beneficial owners receive recordkeeping and transfer services by the intermediary through broker-dealers or banks. We understand that although these services may be nearly identical to the services provided to registered owners by transfer agents, banks and brokers, which are used by beneficial owners, are not typically required to register as transfer agents. In spite of distinguishing securities as entitlements rather than as Qualifying Securities that trigger the requirement for registration, CalSTRS believes banks and brokers that provide investors critical transfer processing and recordkeeping should be required to register with the Commission as a transfer agent. Beneficial owners should be able to avail themselves to investor protections imposed on transfer agents. CalSTRS believes these protections should be applicable to beneficial owners by requiring banks and brokers to register.

² Report of Roundtable on Proxy Governance: Recommendations for Providing End-to-End Vote Confirmation, Weinberg Center for Corporate Governance, The Roundtable and its Members, August 2011.
<http://sites.udel.edu/wccg/files/2012/04/end-to-end-vote-confirmation.pdf>

Mr. Brent J. Fields, SEC
Transfer Agent Regulations
4/14/2016
Page 4

We hope our summary perspective as a long-term investor provides insight to what we deem critical to regulation changes for Transfer Agents. If you would like to discuss this letter further, please feel free to contact me at my number above or Mary Hartman Morris at 916-414-7412, MMorris@CalSTRS.com.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anne E. Sheehan".

Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Cc: Philip Larrieu, Associate Portfolio Manager, Corporate Governance – CalSTRS