

Jack Ehnes  
Chief Executive Officer



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January 10, 2017

The Honorable Jeb Hensarling  
Chairman, House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

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The Honorable Maxine Waters  
Ranking Member, House Committee on Financial Services  
4340 Thomas P. O'Neill, Jr. Federal Office Building  
Washington, DC 20515

RE: [H.R. 78](#) – SEC Regulatory Accountability Act

Dear Chairman Hensarling and Ranking Member Waters:

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS) to express our concerns regarding the SEC Regulatory Accountability Act – H.R. 78.

CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We serve the investment and retirement interests of more than 914,000 plan participants.<sup>1</sup> CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$193 billion as of November 30, 2016.<sup>2</sup> We have a vested interest in ensuring shareholder protections are safeguarded within the U.S. Securities and Exchange Commission's (SEC) rules and regulations, and thereby are keenly interested in the rules and regulations that govern the securities market. CalSTRS fully supports the mission of the SEC, which is to protect investors, maintain fair, orderly and efficient markets, promote competition and facilitate capital formation.

As a long-term shareholder, and fiduciary to California's teachers, we believe it is vital to avoid unnecessary regulatory costs that could obstruct the efficiency of the capital markets and the economy. CalSTRS relies heavily on the SEC shareholder protections in allocating capital on behalf of California teachers. However, CalSTRS is unclear on how the provisions of H.R. 78 would improve the cost-effectiveness of the SEC rulemaking process with the addition of these cumbersome, unnecessary and seemingly duplicative steps. As you know the Office of Inspector General, Office of Audits (OIG) issued a report, *Use of the Current Guidance on Economic Analysis in SEC Rulemakings*, which provided six recommendations to strengthen the SEC's economic analysis process. The report by the OIG found in its sample review that the SEC "followed the spirit and intent of the Current Guidance as well as ...justification for the rule, considered alternatives and integrated

<sup>1</sup> CalSTRS Popular Annual Financial Report: <http://www.calstrs.com/calstrs-popular-annual-financial-report>

<sup>2</sup> CalSTRS Current Investment Portfolio for the period ending November 30, 2016.  
<http://www.calstrs.com/current-investment-portfolio>

The Honorable Jeb Hensarling and The Honorable Maxine Waters

January 9, 2017

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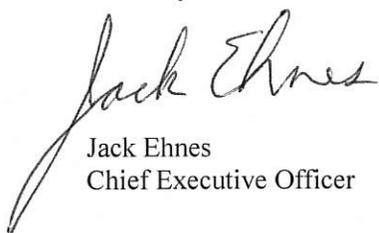
the economic analysis into the rulemaking process.”<sup>3</sup> The proposed “SEC Regulatory Accountability Act” requires the SEC to address any industry’s or consumer group’s concerns on the potential costs or benefits in its final rule, including an explanation of any changes that were made in response to these concerns and if not incorporated, reasons why.

Since this report, the Division of Economic and Risk Analysis (DERA) at the SEC has devoted considerable resources to integrate the six recommendations, having already addressed what is being proposed in the “SEC Regulatory Accountability Act.” We fully endorse the SEC’s current process, which ensures a robust cost benefit analysis in rulemakings. The SEC, DERA and Office of the General Counsel are highly committed to a cost effective rulemaking process as evidenced by the current diligent economic analysis in the SEC proposed and final rulemakings.

The proposed amendments to Section 23 of the Securities Exchange Act of 1934 through H.R. 78 are unnecessary as DERA currently fulfills the actions outlined in this bill. We believe H.R. 78 is redundant and unneeded with the steps already taken by the SEC in their economic analysis processes. Also alarming is that H.R. 78 is being brought directly to the House Floor for action without any consideration or vetting by the Committee on Financial Services. CalSTRS does not support circumventing the vetting process with an immediate vote, bypassing comprehensive safeguards. If this bill is pushed through an immediate vote, we are concerned important rulemakings to enhance investor protection will cease at the SEC, thereby impacting shareholder protections and the mission of the SEC.

We respectfully ask that our views be entered into the record. We would be happy to discuss our perspective on this issue with you or your staff at your convenience. Thank you for your consideration.

Sincerely,



Jack Ehnes  
Chief Executive Officer

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<sup>3</sup> U.S. Securities and Exchange Commission, Office of Inspector General, Office of Audits, *Use of the Current Guidance on Economic Analysis in SEC Rulemakings*, Report No. 518, June 6, 2013. <https://www.sec.gov/oig/reportspubs/518.pdf>