

September 23, 2019

William Hinman  
Director, Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: [Announcement Regarding Rule 14a-8 No-Action Requests](#)

Dear Director Hinman:

We are writing on behalf of the California State Teachers' Retirement System ("CalSTRS"). CalSTRS was established for the benefit of California's public-school teachers over 100 years ago and is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$238 billion<sup>1</sup>. We serve the investment and retirement interests of more than 949,000 plan participants and their beneficiaries. The long-term nature of CalSTRS liabilities and its responsibilities as a fiduciary to our members, make 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 the Securities and Exchange Commission's (SEC, Commission) rules and regulations.

On September 6, the Commission announced<sup>2</sup> several key changes to its process of administering Exchange Act Rule 14a-8, specifically with regards to no-action requests related to shareholder proposals. Most notably, the Commission announced that it may only respond verbally instead of in writing to some no-action requests. The announcement further states that staff may decline to state a view altogether on any particular request. While we appreciate the Commission's desire to focus on efficiently and effectively providing guidance, we are concerned that the announced changes will negatively impact the current process in which no-action requests are resolved.

We view Commission staff as an important mediator between shareholders and management in the proper application of Exchange Act Rule 14a-8. While the Commission is not required to respond to no-action requests, it has historically done so to assist both companies and shareholders in complying with proxy rules<sup>3</sup>. Staff's views and opinions on no-action requests have been accepted by both sides in many instances. Written responses from staff has provided clarity and transparency to all parties and reduced the occurrence of litigation. While it is not clear how the changes described in the announcement will be implemented in practice, currently the transparency of staff issued views help to inform and guide key stakeholders.

While we can appreciate the Commission has limited resources, we feel strongly this should not impact Rule 14a-8 handling of shareholder proposals. Furthermore, the complete absence of a staff view will lead

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<sup>1</sup> As of August 31, 2019

<sup>2</sup> Announcement Regarding Rule 14a-8 No-Action Requests: <https://www.sec.gov/corpfin/announcement/announcement-rule-14a-8-no-action-requests>

<sup>3</sup> SEC Division of Corporation Finance, Staff Legal Bulletin No. 14: <https://www.sec.gov/pdf/cfslb14.pdf>

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to ambiguity in next steps for all involved parties. We are concerned that lack of staff guidance will result in meritorious shareholder proposals being excluded from proxy ballots. This lack of guidance, combined with a company's fear of entering litigation, may also inadvertently make way for the inclusion of shareholder proposals that are not appropriate.

In light of these concerns, we urge the Commission to reconsider the changes described in its September 6 announcement. The changes threaten to upset a system of checks and balances that has worked for both shareholders and management for more than a decade. The Commission has a fundamental mission of protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation; we view the Commission's response to no-action requests as important to meeting this mission.

Thank you in advance for your consideration, and we appreciate the opportunity to share CalSTRS perspective on this important issue. If you would like to discuss this letter further, please contact me, at (916) 414-7418 or by email at [amastagni@calstrs.com](mailto:amastagni@calstrs.com) to set up a discussion.

Sincerely,



Aeisha Mastagni  
Portfolio Manager

Cc: Jay Clayton, Chairman - [chairmanoffice@sec.gov](mailto:chairmanoffice@sec.gov)  
Robert J. Jackson Jr., Commissioner - [CommissionerJackson@sec.gov](mailto:CommissionerJackson@sec.gov)  
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