



California State Teachers'
Retirement System
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January 23, 2019

The Honorable Maxine Waters
Chairwoman, Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

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State Controller

Betty Yee

Director of Finance

Keely Bosler

State Treasurer

Fiona Ma

The Honorable Patrick T. McHenry
Ranking Member, Committee of Financial Services
United States House of Representatives
Washington, D.C. 20515

Superintendent of

Public Instruction

Tony Thurmond

Re: H.R. 624, Promoting Transparent Standards for Corporate Insiders Act

Dear Chairwoman Waters and Ranking Member McHenry:

CalSTRS was established more than 100 years ago to provide retirement benefits for California's public school teachers and is the largest educator-only pension fund in the world. The CalSTRS portfolio is currently valued at approximately \$215 billion, which we carefully invest, as patient capital with a long-term investment horizon, to meet the retirement needs of almost 950,000 plan participants and their families.¹

We are writing to express our support for H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act, that would request the Securities and Exchange Commission (the "Commission" or the "SEC") to carry out a study of whether Rule 10b5-1 should be amended. We strongly support the recommended study you propose and respectfully request that the Commission consider amendments that would require 10b5-1 plans to adopt the following protocols:

- Company and company insiders should only be permitted to adopt Rule 10b5-1 trading plans when they are permitted to buy and sell securities during company-adopted trading windows.
- The ability of issuers and issuer insiders to adopt multiple trading plans should be limited.

¹ California State Teachers' Retirement System Current Investment Portfolio as of December 31, 2018. <http://www.calstrs.com/current-investment-portfolio> and At-a-Glance <http://www.calstrs.com/glance>.

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- Plans should be subject to a delay between adoption and the execution of the first trade for such plan.
- The frequency that issuers and issuer insiders may modify or cancel the plans should be limited.
- Companies and company insiders should disclose Rule 10b5-1 program adoptions, amendments, terminations and transactions.
- Boards of companies that have adopted Rule 10b5-1 plans should adopt policies that require the monitoring of plan transactions.

Company insiders should not be allowed to use Rule 10b5-1 plans for the benefit of their own trading, and at the detriment of other investors. Over the past several years there have been extensive academic studies and prominent media articles that have discussed suspicious trading activity by some corporate insiders. Corporate insiders have used 10b5-1 plans to conceal trades based on insider information. We believe the above recommended amendments would substantially improve Rule 10b5-1 by closing these loopholes.

While we recognize the Commission has limited resources, we believe H.R. 624 is an important step to limit abusive trading practices and aligns with the SEC's mission to "protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation". We strongly support this important bi-partisan legislation that will benefit institutional investors, other market participants and the capital markets.

We would be happy to discuss our perspectives with you or your staff at your convenience. Should you have any immediate questions or wish to discuss our concerns, please contact Aeisha Mastagni, Portfolio Manager, Investments by phone at 916-414-7418 or by email at amastagni@calstrs.com.

Sincerely,



Jack Ehnes
Chief Executive Officer