CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers'
Retirement System
Investments
100 Waterfront Place, MS-04
West Sacramento, CA 95605
(916) 414-7400 Fax (916) 414-7533
cailman@calstrs.com

September 14, 2009

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Proxy Disclosure and Solicitation Enhancements
File Number S7-13-09

Dear Ms. Murphy,

We are writing to you on behalf of the members of the California State Teachers' Retirement System (CalSTRS). CalSTRS was established for the benefit of California's public school teachers over 90 years ago and is currently the second-largest public pension system in the United States. The CalSTRS portfolio is currently valued at approximately $125 billion and serves the investment and retirement interests of nearly 800,000 plan participants. The long-term nature of CalSTRS' liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in enhanced proxy disclosure. We welcome the opportunity to provide comments on the Securities and Exchange Commission's (Commission) Proposed Rule: *Proxy Disclosure and Solicitation Enhancements*. Corporate Governance is an integral part of the investment management plan at CalSTRS and we regard our management of proxies and other corporate actions as seriously as any other plan asset.

Transparency and disclosure are underlining tenets of all the CalSTRS Corporate Governance Principles; therefore, we overwhelmingly support the Commission's goal to provide greater disclosure in the proxy statement. Given the recent collapse of the financial markets, oversight and accountability are of increasing importance to investors, and any additional disclosure that will provide CalSTRS better tools to exercise its role as a fiduciary is a welcome change.

Enhanced Compensation Disclosure

CalSTRS believes that a thorough review of pay practices is an important fiduciary duty that both boards of directors and institutional investors should exercise with diligence and care. We believe the enhanced compensation disclosure the Commission is proposing will further allow investors to make more informed decisions about executive compensation practices at the companies in which we own shares.

In May of this year CalSTRS released its Principles for Executive Compensation and Executive Model Policy Guidelines and subsequently forwarded the principles and guidelines to 300 of our largest portfolio holdings. The principles and guidelines are comprehensive in nature but not proscriptive as we understand companies will have unique challenges and needs. Our principles specifically address the issue of risk as it is related to compensation:

> "The role of risk in the context of the executive compensation program, should include both a defensive perspective (how the committee ensures potential compensation does not incentivize excessive risk), and an offensive perspective (how the program is designed to incentivize appropriate risk and aligns the interests of management with those of long-term owners)."[1]

We therefore support the Commission's goal to provide investors with additional disclosure around specific risk and its connection to compensation.

Enhanced Director and Nominee Disclosure

We support the Commission's proposal to improve the disclosure for directors and nominees, specifically related to individual skill-sets. We agree with the Commission in that the current qualification disclosure requirements "have resulted in more general information about the qualifications of the board as a whole, but not more specific discussions of the background and skills of individual directors." [2] We believe detailing each director's experience, qualifications and attributes that qualify that person to be a director can only benefit shareholders by providing a holistic picture of how that director benefits the company and the shareholders' investment.

As the world becomes increasingly global, the oversight responsibilities of board members are expanding exponentially. An individual's past experiences are key to determining the candidate's qualifications to serve as a board member and shareholder representative; therefore, we support the Commission's proposal to require disclosure of any directorships held by each nominee during the past five years at public companies.

In addition to the above described proposed disclosures the Commission requested comments on the significance of corporate board diversity to market participants. CalSTRS wholeheartedly believes corporate board diversity is an important issue. Over the past several years, both our (United States) academic and business communities have focused greater attention on the influence of gender, racial and cultural diversity on boards of directors and in organizational contexts generally. The changing demographics

[1] See CalSTRS Executive Compensation Model policy Guidelines, http://www.calstrs.com/Investments/index.aspx
[2] Securities and Exchange Commission, Release Nos. 33-9052; 34-60280; IC-28817; File No. S7-13-09, pg. 26-27

of the United States and the increasing international exposure of many U.S. companies makes it important that corporate boards have a wide-range of cultural backgrounds and a breadth of experiences.

The current crisis demonstrates that no one group has exclusive right and/or control over the intellectual and business acumen needed to ensure that our economy and by extension, the world's economy, prospers. At CalSTRS, we have demonstrated our commitment to this issue by submitting proposals to companies asking them to consider diversity as a criterion in their board recruitment process during the most recent proxy season. Of the eight proposals submitted, we withdrew five after we engaged the companies and together came up with mutually agreeable solutions to consider diversity when recruiting new board members. We were encouraged by this response from our portfolio companies and we believe that this issue, along with the issue of director qualifications and access to the corporate proxy ballot augments the need for strong and transparent operation of Nominating Committees.

CalSTRS recently hosted a meeting on the issue of Diversity on Corporate Boards at Stanford Law School. CalSTRS partnered with the California Public Employees' Retirement System and the Arthur and Toni Rembe Rock Center on Corporate Governance and is pleased to report that the event was well attended and inspired other investors to view this issue as a shareholder governance and return issue.

Company Leadership Structure

As a matter of policy, CalSTRS supports the concept of an independent non-executive chairman, who has not had a substantive employment relationship with the company during the past five years. We support this concept by casting "for" votes for shareholder proposals seeking separation of a company's chairman and chief executive officer. If a company chooses an alternate leadership structure, such as a lead independent director, we think disclosing why that leadership structure is appropriate for the company is vital information for shareholders. The recent market downturn has heightened awareness around board responsibility and oversight. Understanding a corporation's leadership is important to CalSTRS as we exercise our fiduciary duty to review and vote proxies on behalf of our members.

Risk Management Process

Again, we support the Commission's proposal to require additional disclosure about the board's involvement in the risk management process of a company. The main responsibility of a board of directors is to oversee the company's long-term strategy to create value for its investors, but an important adjunct to this responsibility is the board's understanding of risk and its mitigation.

Risk management is often a topic we discuss with companies through our various engagement efforts. However, we do not feel that the disclosure on this issue is robust or thorough enough to give investors a useful picture of the risks facing the companies in which they invest. The discussion of risk and return often arises out of discussions regarding the design of incentive compensation structures that emphasize growth over profit or adding long-term value to shareholders. We believe that requiring additional disclosure in this area will empower Compensation Committees in particular to be more vigorous in their reviews of such packages.

Compensation Consultant Disclosure

CalSTRS believes compensation consultants can provide valuable services to a corporate board, but it is important that any potential conflicts of interests are addressed. Many consultants have expertise in a wide variety of areas and may provide services outside the scope of compensation. There is an inherent conflict if revenues received from other services are larger than those received through a consultant's compensation advice. Although we are supportive of full and comprehensive disclosure around services provided by consultants, CalSTRS prefers compensation consultants be completely independent by not providing additional services to the board. We believe full disclosure around all services provided by consultants will go a long way towards minimizing conflicts and allow shareholders to make a judgment about the independence of the compensation advice given.

Reporting Voting Results on Form 8-K

We support the Commission's proposal to provide a more timely disclosure of voting results. We believe technological advances with regards to proxy voting and the tabulation of votes makes it easier to confirm a final vote count. The current requirement to disclose proxy results in the companies Form 10-Q or Form 10-K can often lead to vote disclosures months after the annual meeting. Issues voted on at a company's annual meeting directly affect investors, and as the Commission proposes, we believe the vote result should be disclosed as quickly as possible.

We applaud the Commission for continuing its efforts to protect shareholder interests by increasing transparency and disclosure; we appreciate the opportunity to provide comment on the Proposed Rule. If you would like to discuss this letter further, please feel free to contact me at the number set forth above.

Sincerely,

Christopher Ailman
Chief Investment Officer