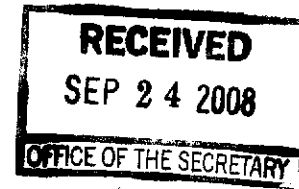


California State Teachers'
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September 23, 2008

Florence E. Harmon, Acting Secretary
Securities and Exchange Commission
100 F St. NE
Washington, DC 20549-9303



**Re: California State Teachers' Retirement System Petition for Rulemaking
Concerning Shareholder Ratification of Auditors**

Dear Ms. Harmon:

Pursuant to SEC Rule of Practice 192(a), the undersigned hereby petition the Securities and Exchange Commission ("Commission") to amend 17 CFR § 240.10A-3 ("Rule 10A-3") to require that issuers submit their choice of auditor to a non-binding vote of shareholders for ratification ("Proposed Rule"). Currently, Rule 10A-3(b)(2) states that the audit committee "must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged . . . for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer . . ." We believe that a rule requiring issuers to submit an audit committee's choice of auditor to a vote of shareholders will strengthen auditor independence and integrity.

Auditor ratification has become an industry "best practice" with over 79% of firms in California State Teachers Retirement System's ("CalSTRS") portfolio placing their auditors up for ratification, according to a survey performed by CalSTRS in 2008 ("CalSTRS Survey"). In total, nearly 95% of the S&P 500 and 70-80% of smaller companies allow shareholders to ratify their choice of auditor.¹ The CalSTRS Survey, summarized below, illustrates that smaller companies are less likely to allow auditor ratification:

¹ THE DEPARTMENT OF THE TREASURY, ADVISORY COMMITTEE ON THE AUDITING PROFESSION, *Draft Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury*, at VII:14 (May 5, 2008) ("Draft Report").

Market Cap	Percentage of Companies that do not Allow Auditor Ratification
Over \$10 Billion	5.75%
Between \$5 and \$10 Billion	12.25%
Between \$1 and \$5 Billion	17.90%
Between \$250 Million and \$1 Billion	23.97%
Below \$250 million	27.93%

These statistics are further confirmed by an analysis of Corporate Governance Quotient ("CGQ") profiles compiled by the RiskMetrics Group, which rates over 7,400 companies on corporate governance matters.² The analysis shows that only 12.1% of profiled companies listed on the Russell 3000 did not seek to have their auditor ratified at their most recent annual meeting.³ However, of those Russell 3000 firms that did not seek shareowner ratification, 90.56% were small cap firms. This is an area where the best practices are actually to be found overseas; in the U.K., for example, the external auditor appointment is always subject to a binding annual vote.

For companies that currently enable such shareholder ratification, the advisory vote is important tool for shareholders to express concerns about a company's relationship with its auditor. While auditor ratification has the potential to improve corporate governance, many companies do not allow shareholders to vote on the company's selection of auditor. In CalSTRS' survey, the following reasons were given by companies for not allowing ratification:

1. The company would not know what to do if shareholders did not ratify its choice of auditor.
2. The company does not have a choice in the selection of auditor, so ratification would be of little practical value.
3. The company is unable to determine appropriate timing of auditor ratification by shareholders because its annual meeting does not coincide with the selection of auditor.

However, these objections are easily addressable. First, if shareholders do not ratify a companies' selection of an auditor, the company could do 1 of 3 things: (1) it could replace the auditor immediately; (2) if immediate change of auditor is not practical, a company could commit to review its selection of auditor and change auditors when practical; or (3) it could keep the same auditor and address shareholder concerns regarding the auditor.

Second, even if a company has no choice but to keep the same auditor, submitting the company's choice of auditor to a shareholder vote can have an impact on corporate

² The database is available at <http://www.issproxy.com/issgovernance/esg/cgq.html>.

³ The Risk Metrics Group profiled 2,977 companies listed on the Russell 3000.