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July 10, 2017

Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
110 F Street, N.E.
Washington D.C. 20549

Re: Human Capital Management Disclosures Rulemaking Petition –

Dear Chairman Clayton,

We write on behalf of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). First of all, thank you again for taking the time to make the SEC's Investor Advisory Committee so welcome for its first meeting under your leadership. We greatly appreciated your participation in the first session on capital formation, and having some more informal time with you over lunch.

The SEC's mission is vitally important to our funds, for both the investor protection role, but equally for its focus on capital formation. Our pension funds rely upon investment returns to fulfill our fiduciary duty to our members, and nothing could be more important than ensuring the health of the capital markets, which in turn support economic growth and employment across the nation. Section 1.c. of the Core Principles for Regulating the Financial System¹ states that the current administration will "foster economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry." We are delighted to see the importance of healthy capital markets reflected in the Core Principles for Regulating the U.S. Financial System, and fully support this focus on capital formation.

With this in mind, our funds have been strong supporters of data disclosure and corporate reporting which allow investors to better allocate capital to those companies which can drive value creation over the long term. Both of our funds have a long history of actively engaging our portfolio companies. A focus of our engagements has been the importance we place on well managed financial capital and also human capital. In many sectors the value of human capital to performance drives business success, be it in service industries or

¹ See, <https://www.whitehouse.gov/the-press-office/2017/02/03/presidential-executive-order-core-principles-regulating-united-states>, dated February 03, 2017

technology. It's long been understood in the business community that managing human capital is vital to performance, and poor standards can bring risks.

For this reason, we have been working with a varied group of investors to identify the relevant, material human capital issues which investors would find useful to be disclosed. It's a complex subject, and an important one for company performance, and ultimately for the wider economy. As supporters of the recent rulemaking petition on human capital management² it is our hope you will see this as an opportunity for the SEC to open a consultation around disclosure on this subject.

As highlighted by BlackRock in its recent report³ on its Investment Stewardship Engagement Priorities for 2017-2018, "in light of evolving market trends like shortages of skilled labor, uneven wage growth, and technology that is transforming the labor market, many companies and investors consider human capital management a competitive advantage." Given the growing interest by investors, including mainstream managers (such as BlackRock) plus the research showing the importance of human capital management to company performance, we see potential value in the SEC hosting a discussion on the topic, perhaps through a roundtable.

We do appreciate that the SEC has a formidable workload and limited resources, which you are tasked with managing in the best interests of all investors. However, as you are encouraging investors to provide input on topics of interest, our funds suggest that the capital formation agenda would be better informed if it were to include improved disclosure on a vitally important driver of performance – human capital management.

Thank you in advance for your consideration. We look forward to future discussions on this and other issues of importance to investors. Please know that we stand ready to assist you and SEC staff in any way that is helpful as you develop your work program.

Sincerely,



ANNE SIMPSON
Investment Director
Sustainable Investments
California Public Employees Retirement System



ANNE SHEEHAN
Director of Corporate Governance
California State Teachers' Retirement System

² See Rulemaking petition to require issuers to disclose information about their human capital management policies, practices and performance, File No. -711, July 6, 2017. <https://www.sec.gov/rules/petitions/2017/petn4-711.pdf>

³ See, [BlackRock Investment Stewardship Engagement Priorities for 2017-2018](#), dated March 2017