CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers'
Retirement System
Investments
100 Waterfront Place, MS-04
West Sacramento, CA 95605-2807
(916) 414-7410 Fax (916) 414-7442
asheehan@calstrs.com

September 30, 2011

Ms. Mary L. Shapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Ms. Shapiro,

We are writing to you on behalf of the members of the California State Teachers' Retirement System (CalSTRS). As you are probably aware, CalSTRS was established for the benefit of California's public school teachers over 95 years ago and is currently the largest teacher pension fund in the United States. The CalSTRS portfolio is currently valued at approximately $140 billion and serves the investment and retirement interests of nearly 852,000 plan participants. The long-term nature of CalSTRS' liabilities, and our responsibilities as a fiduciary to our members, makes us keenly interested in the boards of directors that represent our interests as shareholders.

We are writing this letter to encourage the SEC to consider Lender-Directed Voting initiative (LDV) proposed by Edmon W. Blount, executive director of the Center for the Study of Financial Market Evolution (CFSME). As a large institutional investor with mostly indexed holdings share lending is a practical way to enhance returns for our beneficiaries. Additionally, CalSTRS is dedicated to pursuing good governance and actively votes its proxies and engages companies. Unfortunately, under the current voting rules CalSTRS cannot vote the proxies of shares we have on loan despite the fact we remain the long-term beneficial owner. In order to preserve our governance rights, CalSTRS has implemented a policy of recalling all shares prior to record date and forgoing lending income. Our lenders have become quite adept at recalling shares prior to annual meetings, which are generally the same time each year. However, the short window between announcement and record date and the random nature of special meetings makes it much more difficult to recall shares.

CalSTRS believes that LDV can potentially alleviate the conflict long-term investors have between lending and shareholder voting. Under LDV investors such as CalSTRS could be more judicious in pulling back shares. This could allow us to increase share lending revenue with out sacrificing the governance of the companies we own. Additionally, issuers would benefit from increased voter participation as unvoted broker shares would be voted and the markets could have increased liquidity as share lending would remain more stable around record dates.

We encourage the Commission to consider the CFSME LDV framework as a potential option to allow long-term shareowners to maximize lending income and exercise their voting rights. In addition the CFSME LDV proposal would have market wide benefits of improving voter participation and market liquidity.

If you wish to discuss this letter please do not hesitate to contact me at (916) 414-7410 or asheeehan@calstrs.com.

Sincerely,

Anne Sheehan
Director of Corporate Governance

cc: Luis A. Aguilar, Commissioner
Troy A. Paredes, Commissioner
Elisse B. Walter, Commissioner