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January 19, 2010

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

RE: Facilitating Shareholder Director Nominations  
File Number S7-10-09

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 96 years ago and is currently the second-largest public pension system in the United States. The CalSTRS portfolio is currently valued at approximately \$135 billion and serves the investment and retirement interests of over 833,000 plan participants. CalSTRS appreciates the opportunity to provide additional comments on the Securities and Exchange Commission's (SEC or Commission) Proposed Rule Facilitating Shareholder Director Nominations (Proposed Rule). As we detailed in our original comment letter<sup>1</sup> and again in a subsequent letter<sup>2</sup>, CalSTRS strongly supports the Proposed Rule.

In response to your request for additional comments regarding the Proposed Rule, we are writing to reiterate our support for a uniform, federal proxy access standard. Some opponents of the Commission's Proposed Rule favor what is commonly referred to as "private ordering", whereby companies and shareholders could establish their own access procedures through the corporate bylaw process.

CalSTRS is opposed to "private ordering" for several reasons. Many of the supporters of "private ordering" point to the recently enacted Delaware law clarifying that bylaws establishing a proxy access procedure are permissible. This argument is fundamentally flawed as only 57.1% of companies in the Russell 3000 are incorporated in Delaware<sup>3</sup>. This

<sup>1</sup> CalSTRS original comment letter is available online at <http://www.sec.gov/comments/s7-10-09/s71009-471.pdf>

<sup>2</sup> CalSTRS subsequent comment letter is available online at <http://www.sec.gov/comments/s7-10-09/s71009-573.pdf>

<sup>3</sup> The Limits of Private Ordering: Restrictions on Shareholders' Ability to Initiate Governance Change and Distortions of the Shareholder Voting Process, prepared by Beth Young, Senior Research Associate, The

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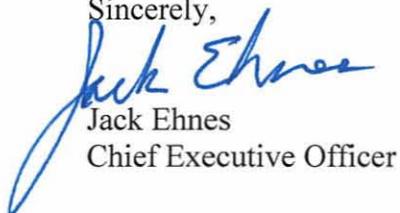
Page 2

leaves approximately 42.9% of companies not incorporated in Delaware and thus not subject to the recent law. To make matters increasingly difficult for shareholders, many companies employ supermajority vote requirements to amend company bylaws. To be exact, 39.1% of companies in the Russell 3000 still have supermajority vote requirements to amend bylaws<sup>4</sup>. Lastly, a small number of companies, 7.5% in the Russell 3000, have a multiple class structure with disparate voting rights<sup>5</sup>. In multiple class structures one class of stock is afforded greater voting power which can greatly influence vote outcomes distorting the alignment between voting power and shareholder economic interest. All of these obstacles reinforce the need for a uniform proxy access standard.

Finally, we would like to stress the need for swift action by the SEC in determining a federal proxy access regime. Those companies most in need of shareholder representation in their boardrooms are the companies most likely to be resistant to a shareholder proposed proxy access rule. In addition, "private ordering" would delay much needed changes to these board rooms by requiring shareholders to first place a bylaw amendment on the ballot and wait until the following year to propose board candidates. As any investor can attest, the financial markets move very quickly and require prompt action. It is unreasonable to require shareholders to wait two years before initiating change at a company, especially when the need for change is triggered by underperformance at the company.

For the reasons described above and in our previous letters, we urge the Commission to move forward and adopt a market-wide, uniform proxy access rule. Proxy access will finally provide shareholders a meaningful voice in the nomination process and will be the greatest advancement of shareholder rights in decades. Thank you for the renewed opportunity to comment on this very important issue. If you would like to discuss this letter, please feel free to contact me at the number set forth above.

Sincerely,



Jack Ehnes  
Chief Executive Officer

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Corporate Library for the Council of Institutional Investors and the Shareholder Education Network, November 2009.

<sup>4 5</sup> The Limits of Private Ordering: Restrictions on Shareholders' Ability to Initiate Governance Change and Distortions of the Shareholder Voting Process, prepared by Beth Young, Senior Research Associate, The Corporate Library for the Council of Institutional Investors and the Shareholder Education Network, November 2009.