CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

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November 18, 2010

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

RE: Shareholder Approval of Executive Compensation and Golden Parachute Compensation
File Numbers S7-30-10 and S7-31-10

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 $140 billion and serves the investment and retirement interests of 847,000 plan participants.

The Securities and Exchange Commission (SEC) has provided an impressive and organized response to the passage of the Dodd-Frank legislation and as an active owner, CalSTRS congratulates you on your able response. As a long-term source of patient capital with investments in the broad US market represented by indices like the Russell 3000, we remain keenly interested in executive compensation, as we believe it is one of the most visible tools that can demonstrate alignment between the interests of executives and shareholders. We also believe that the design and execution of executive compensation plans is an important marker for the strength of the board of directors, especially the Compensation Committee of these boards. We also believe that requiring institutional investment managers to report to the SEC on their annual execution of proxy votes related to executive compensation is an important and necessary step in the enhancement of transparency. We appreciate the opportunity to comment on both proposed rules and are taking the opportunity to offer our comments in this single letter.

Say-on-Pay

As you aware, CalSTRS is a supporter of the Dodd-Frank Wall Street Reform and Consumer Protection Act and we believe that the Act was a necessary response to a catastrophic economic event where governance and accountability were not represented in the market failures. While we acknowledge that investors can always register a vote against the pay practices of their portfolio companies by voting against the directors who sit on the Compensation Committees, we believe that the separate advisory vote on Say-on-Pay is better way to communicate views on executive compensation.

CalSTRS believes that a thorough review of pay practices is an important fiduciary duty that both boards of directors and investors should exercise with diligence and care. We believe this review of compensation should be coupled with a Say-on-Pay vote on a periodic basis, preferably on an annual basis. As articulated in the CalSTRS Executive Compensation Model Policy Guidelines, published by CalSTRS in May of 2009, we believe preparing a formal executive compensation policy and obtaining the shareowners' advisory vote has several advantages, including:

- It articulates and reinforces a comprehensive long-term view of the executive compensation program;
- It provides a baseline for evaluating the effectiveness of executive compensation programs over time;
- It provides a comprehensive checklist of topics compensation committees should consider as part of their oversight role;
- It provides owners with appropriate input with respect to the policies under which companies will implement and operate executive compensation programs;
- It will enhance efficiency, provide consistency, and may reduce the instances in which the company and shareholders are surprised by outcomes related to the compensation program, thereby reducing the negative reaction in the marketplace to specific events.

Under the Proposed Rule, companies would be required to seek shareholder approval on the frequency of the Say-on-Pay vote. As proposed, companies would have to give shareholders the opportunity to vote on the proxy card for a frequency of every one, two, or three years. Although CalSTRS favors an annual shareholder approval of executive compensation, we support the Commission's Proposal to allow shareholders the opportunity to vote on the frequency of such votes. We feel it is important for companies to respect the will of the shareholders and implement the frequency that receives the highest vote.

Golden Parachute Compensation

CalSTRS has long had a policy regarding contractual arrangements employed by companies. We believe it is important for companies to clearly disclose the parameters under which they will utilize employment, severance or other contractual agreements, if at all. Most often the "golden parachutes" described in the Commission's Proposed Rule are obligations laid out in these types of contractual agreements. The Commission's Proposed Rule to require disclosure with respect to golden parachute compensation arrangements in proxy solicitations in connection with an acquisition, merger, or proposed sale or disposition is entirely appropriate. We believe this type of disclosure is an important step to providing more transparency into the costs associated with these types of transactions. We believe that the proposed rule's requirement that, where the agreements have not been subject to the periodic Say-on-Pay votes, a separate shareholder vote on the agreements will be a signal to shareholders and issuers alike of the importance of the executive compensation issue.

Require Institutional Investment Managers to Report on Executive Compensation Matters

CalSTRS makes all of its proxy votes public and posts them both on its own website[1] and on the *Proxy Democracy*[2] website as a matter of routine. We have done this for several years and believe that it provides our beneficiaries and other market participants with important information on our policies and the execution of the Teachers' Retirement Board's discretion on these issues. We support the SEC's proposed rules on reporting requirements for Section 13(f) filers on the Say-on-Pay votes, the frequency of such votes and the Golden Parachute agreements as well. As these managers are already reporting their complete proxy votes on Form N-PX, we do not believe that this is an undue burden and we will encourage all of our external investment advisers to prepare for the implementation upon finalization of the rule.

We appreciate the opportunity to comment on these proposed rules. If you would like to discuss this letter further, please feel free to contact me at the number set forth above.

Sincerely,

Anne Sheehan
Director of Corporate Governance

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[1] http://www.calstrs.com/CorporateGovernance/index.aspx#Voting
[2] http://www.proxydemocracy.org/