

Jack Ehnes
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April 10, 2006

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Executive Compensation and Related Party Disclosure File Number S7-03-06

Dear Ms. Morris:

We are writing on behalf of the members of the California State Teachers' Retirement System ("**CalSTRS**"). CalSTRS is the second largest public pension system in the United States, with over \$140 billion in assets that are managed on behalf of over 776,000 members and beneficiaries. Our domestic equity portfolio is comprised of the stock of over 3,000 domestic companies. In terms of market value, the domestic equity portfolio represents the overwhelming majority of our trading on national securities exchanges.

As a result of our investment strategy and our fiduciary responsibilities to our members, CalSTRS supports the efforts of the U.S. Securities and Exchange Commission to enhance disclosures regarding the compensation of executive officers and directors, related party transactions, director independence and board committee functions. Accordingly, we are submitting this letter to provide our comments on the Commission's recent rulemaking proposal, the "Executive Compensation and Related Party Disclosure," Exchange Act Release No. 53185 (January 27, 2006) (the "**Executive Compensation Rulemaking**").

We strongly support the goals of the Executive Compensation Rulemaking. We believe that it is of critical importance that shareholders actively monitor executive compensation to ensure that it is rational, based on performance, and aligned with the interests of shareholders. Shareholders cannot fulfill this function in the absence of complete, clear and comprehensive disclosure of executive compensation arrangements. In this respect, we believe that the proposed rules would enhance not only disclosures relating to executive and director compensation, related party transactions, director independence and board committee functions, but also board accountability.

Along with our support of the rulemaking, we believe that several modifications to the proposed rules would be appropriate. These modifications are discussed below.

Integrate the Compensation Discussion & Analysis and Narrative Disclosures

One of the key elements of the proposed rules is the Compensation Discussion & Analysis (the “CD&A”), which calls for a discussion and analysis of the material factors underlying compensation policies and decisions reflected in an issuer’s executive compensation arrangements. We support the idea of the CD&A but are concerned that, along with narrative disclosures that would accompany the summary compensation and supplemental tables, in total the proposed rules will lead to greatly increased length and redundancy in proxy statements. While we appreciate that the CD&A is not intended to provide the detailed disclosures that would accompany the summary compensation and supplemental tables, we also believe that the line between what should go into the CD&A versus what will be important in the narratives to the tables is not always likely to be obvious. As a result, it is highly likely that many companies will repeat or revisit topics and disclosures in both places, thereby leading to excessive length or unnecessary repetition. We believe the Commission should consider integrating the concepts and requirements of these two areas and in the process seek to clarify and focus the textual disclosure regarding compensation, such that it creates a unified and cohesive context to the presentation of quantitative information.

Compensation Committee Responsibility for CD&A

We support the Commission’s proposal to eliminate the compensation committee report. We agree with the Commission’s view that the compensation committee report has not served the purposes for which it was intended and often is nothing more than boilerplate disclosure that is of little benefit to investors. The compensation committee report served, however, one purpose that should not be abandoned - it imposed an affirmative obligation on a compensation committee to assume responsibility for at least a portion of the executive compensation disclosures in the annual report or proxy statement. Since the compensation committee report will be replaced by the CD&A, we urge the Commission to consider requiring an affirmative statement by the compensation committee that it has reviewed and approved the CD&A disclosure. We believe that this requirement would serve two purposes. First, it would ensure that the committee has read the CD&A and approved its disclosures. Second, and perhaps more importantly, it may influence a compensation committee to be more active in the preparation of the CD&A disclosures.

Continue to Require a Performance Graph

The Executive Compensation Rulemaking eliminates the requirement that issuers include a performance graph in its proxy materials or Form 10-K. We do not think that the Commission should eliminate this disclosure. The performance graph plays an important role in executive compensation disclosure that none of the proposed additions to executive compensation addresses – it allows an investor to compare executive compensation on one

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hand and the issuer's performance vis-à-vis its peers on the other. Accordingly, we urge the Commission to continue to require that an issuer include a performance graph in its executive compensation disclosures.

Disclosure Regarding Non-Executive Officer Employees

While we believe that this disclosure is not a substantive one for shareholders who are reviewing executive compensation as an aid in understanding the pay-for-performance link and the alignment with shareholder interest, we have no quarrel with those who would include this disclosure on an annual basis. We do believe that increased disclosure should result in added value to the shareholders and that disclosure should not be practiced for its own sake. In our view, with the exception of relatively few companies, it is rarely the case that the compensation paid to a non-executive officer is material to investors. Since marquee employees such as Barry Bonds, Howard Stern, or Katie Couric are not responsible for a principal business unit, division or function (or perform similar policy making functions for an issuer), it is unlikely that their compensation will raise the issues that executive compensation is intended to address.

Related-Party Transactions

We do not believe that the threshold for disclosing related party transactions should be raised from \$60,000 to \$120,000. While the individuals categorized above do not have any responsibility for principal business units or divisions, the board members do have such obligations and act as fiduciaries for shareholder interests. Disclosure of relationships that may give rise to conflicts is important for the directors of the corporation. Rather than weakening this disclosure requirement, the Commission should consider strengthening it and have it appear on a real time basis.

Conclusion

In closing, we wish to reiterate our support for the Commission's efforts. The Executive Compensation Rulemaking represents the latest chapter in the Commission's continuing efforts to provide investors with a complete picture of the executive compensation arrangements of the companies in which they have invested. There are, however, modifications that we believe should be made. We hope that this letter is helpful in identifying such modifications.

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Thank you for considering our comments. Should you have any questions or concerns, please contact the undersigned at (916) 229-3706.

Sincerely,

A handwritten signature in cursive script that reads "Jack Ehnes". The signature is written in dark ink on a light background.

Jack Ehnes

Chief Executive Officer

cc: The Honorable Christopher Cox
The Honorable Paul Atkins
The Honorable Roel Campos
The Honorable Cynthia Glassman
The Honorable Annette Nazareth