



California State Teachers'
Retirement System
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June 10, 2016

The Honorable Jeb Hensarling
Chairman, House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, House Committee on Financial Services
4340 Thomas P. O'Neill, Jr. Federal Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

As the CEO of CalSTRS I am writing to share the views of our Investment staff on two bills scheduled to be marked up in the House Financial Services Committee on June 15th: HR 5311, the Corporate Governance Reform and Transparency Act of 2016 and the Investment Advisers Modernization Act of 2016.

CalSTRS was established over 100 years ago to provide retirement benefits for California's public school teachers and is the largest educator-only pension fund in the world. The CalSTRS portfolio is currently valued at approximately \$190 billion, which we carefully invest, as patient capital with a long-term investment horizon, to meet the retirement needs of over 900,000 plan participants and their families.

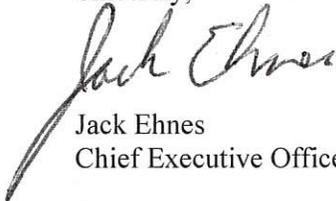
We strongly oppose H.R. 5311, the Corporate Governance Reform and Transparency Act of 2016. This legislation which seeks to impose new regulatory burdens and restrictions on proxy advisors is wholly unnecessary, could weaken the governance of public companies in the U.S. and does not reflect the needs of the customers of proxy advisory firms who are primarily institutional investor such as CalSTRS. As a large institutional investor which holds over 7000 public companies in our investment portfolio, we use proxy advisors to help inform our proxy voting at our portfolio companies. Investors such as CalSTRS are the main clients of the services of proxy advisory firms. Proxy advisory firms provide useful research regarding the governance and finances at these companies to supplement our own due diligence and research and play an important and helpful role in enabling cost effective proxy voting with respect to these 7000 companies in our investment portfolio. We do not outsource our proxy voting to these proxy advisors. Rather, our Investment staff, in consultation with our governing Teachers' Retirement Board, develops carefully thought-out proxy voting guidelines, and then we vote our own proxies based on those well-established guidelines. While we understand some funds may utilize proxy advisory firms to assist them in executing their proxy voting responsibilities, the SEC has taken steps to make sure investors are properly carrying out their due diligence obligations. In fact as recently as 2014, the SEC acknowledged the important role the proxy advisors play in the oversight of proxy voting of fund fiduciaries and 2014 issued updated regulatory guidance on the responsibilities of Investment Advisers who utilize proxy advisory firms in

their proxy voting. In addition, the SEC has authority under current law to address any conflicts at these proxy advisory firms. Accordingly, we believe that the existing SEC regulatory regime already protects our interests well with respect to proxy advisory firms and that new legislation such as H.R. 5311 is both unnecessary and counter-productive.

We also would like to share our serious concerns about the Investment Advisers Modernization Act of 2016, authored by Mr. Hurt. This legislation amends current law relating to private fund advisers purportedly "to make it more efficient for private equity advisers to comply with the law". "Private fund advisers" implies a certain type of investor -- private. In fact, public pension funds such as CalSTRS representing 900,000 California public school teachers are very much invested in these very private funds and support the current law with respect to registration of these advisers and oversight by the SEC of these funds. This proposed legislation would actually roll back the important investor protections provided to funds like CalSTRS from Dodd Frank which required transparency in the form of registration and certain reporting from these fund advisers. This legislation will enable private fund advisers to retreat back into the shadows by exempting them from certain disclosure requirements they must now undertake to investors and to the SEC. The information provided by these required disclosures has helped to expedite the elimination of certain type of fund adviser fees that we regard as inappropriate, such as monitoring fees charged by certain private fund advisers. Accordingly, I would strongly urge you and your colleagues to oppose this legislation and not rollback these important transparency and reporting requirements which provide critical investor protection provided to CalSTRS and other public pension funds.

We call upon you to oppose both of these bills.

Sincerely,



Jack Ehnes
Chief Executive Officer