

April 7, 2009

The Honorable Mary Schapiro  
Chairman  
The U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

**Re: Principles of Financial Regulation Reform**

Dear Chairman Schapiro:

On behalf of the undersigned public pension funds, plan sponsors, and listed endorsers representing more than 6.5 million members with combined assets exceeding \$947 billion, we are writing to offer a set of principles that we believe should be embodied within a regulatory financial market system designed to instill trust, integrity, and confidence in the investors, beneficiaries, and stakeholders of the global capital markets.

It is our collective and resolute belief that these principles will significantly contribute to the solutions that will ultimately make the U.S. markets more effective in contributing to a sustainable functioning global financial system. We stand ready, individually and collectively, to help make that happen.

The Principles of Financial Regulation Reform were developed by U.S. public pension funds and plan sponsors over the last several months in response to the unprecedented instability of worldwide markets. We are in strong agreement with the Council of Institutional Investors' position that, "the global financial crisis has unmasked weaknesses in U.S. regulation of the capital markets and has badly shaken trust in those markets." The ability to quickly, yet effectively, restore trust and accountability in the U.S. financial markets will be critical to protecting against further erosion of the financial wellbeing of all global capital market beneficiaries.

Sensible regulatory structures must be rebuilt and modernized to not only address U.S. stakeholder interests; but, contribute to a sustainable long-term global financial market platform. We agree with the International Corporate Governance Network in that, "there will therefore need to be a regulatory response with heightened international coordination and one which encourages markets to take a longer term perspective." Thus, the following Principles seek to restore confidence in the capital market system by addressing transparency, independence, governance, investment opportunities, and systemic risk.

**Principles of Financial Regulation Reform:**

**Transparency** – The provision of greater transparency and visibility to investors, regulators and other market participants is of paramount importance. Market structures must insure the appropriate disclosure of all financial security trading activity (listed and over-the-counter), participant accounting (on and off balance sheet), credit rating agency activity and counterparty exposure. Disclosure of this information must protect proprietary property while enabling sufficient access for the various participants (regulators, intermediaries, investors and capital raising enterprises) to adequately understand and assess the risks attached to their activities.

**Independence** – There is a need to reassert the independent mission of the regulating agencies to protect the investor and stability of the system. Realignment and restructuring the existing regulatory agencies to eliminate forum shopping is desirable. The application of similar rules to institutions performing similar marketplace functions and provision for the necessary flexibility for regulators to respond swiftly to new product innovations and evolving market practices are critical. NRSRO regulatory reform requiring greater transparency and independence is needed.

Re-establishment of the SEC’s role as a voice and protector of investors is overdue and critical. The Agency requires adequate tools, staffing and financial resources to carry out its mission of investor protection. Regulatory changes need to recognize that investor protections must be tailored to the type of investor and type of investment product, rather than a “one-size-fits-all” approach. For example, enhanced protections for institutional investors may take the form of tools (e.g., enhanced disclosures by issuers) that such sophisticated investors may use to protect themselves, in contrast to “bright line” regulatory requirements to protect retail customers of standardized investment products.

**Corporate Governance** – Recognition of the role institutional investors perform in the capital markets, and their attendant responsibilities and obligations, is vital. While institutional investors support greater shareholder rights they also recognize the responsibility which comes with such rights and their need to stay vigilant in the capital markets. Providing a forum for institutional investors to communicate with policy makers on developments in the markets enables institutional investors to assist financial market regulators by serving as an “early warning” system on market developments that raise systemic risk and overall market stability, prudential, or investor protection concerns.

**Investment Opportunities** – The ability to invest, consistent with fiduciary responsibilities, in an unconstrained investment opportunity set is critical to enable public pension funds to meet their obligations. Any limitations on the universe of available investments will potentially reduce the ability of these funds to generate the needed returns and may increase the risk of the plan.

**Systemic Risk** – For this purpose, systemic risk is defined as the potential of widespread financial losses or market disruption caused by:

- The failure of an institution with a likely consequence of further defaults and organizational failure.
- A market with one-sided (purchase or sale) participation that causes destabilizing short-term price shifts with the potential to cause significant organizational or institutional failures.

Mitigation of systemic risk in the financial markets appears best facilitated by an independent entity with funding autonomy, enforceable data collection powers, the capability to analyze the collected data to identify pending risks, and the duty to disclose the metrics indicative of the perceived risks. Information accessible to this entity must include any type of transactional, financial instrument, asset and liability data associated with any market participant. Proprietary information collected in this activity needs to be kept confidential while aggregated metrics must be publicly disclosed.

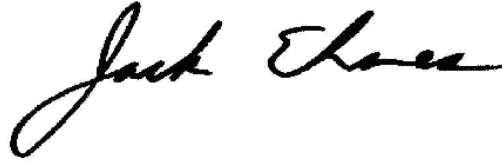
Utilization of this information to mitigate the perceived systemic risks could be coordinated through the established financial regulatory channels to avoid jurisdictional confusion. Global coordination of this activity is extremely desirable to maximize the efficacy of the effort.

In summary, we the undersigned and additional listed endorsers of the Principles of Financial Regulation Reform believe addressing these reform areas will significantly contribute to the restoration of confidence in the capital market system.

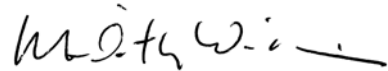
Sincerely,



Anne Stausboll  
Chief Executive Officer  
California Public Employees' Retirement System



Jack Ehnes  
Chief Executive Officer  
California State Teachers' Retirement System



Meredith Williams  
Executive Director  
Colorado Public Employees' Retirement Assoc.



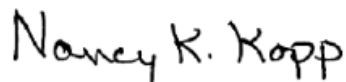
Denise L. Nappier  
Connecticut State Treasurer  
Connecticut Retirement Plans and Trust Funds



Gregg Rademacher  
Chief Executive Officer  
Los Angeles County Employees' Retirement Assoc.



Michael A. Perez  
General Manager  
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Thomas P. DiNapoli  
New York State Comptroller  
New York State Common Retirement Fund



Ben Westlund  
Oregon State Treasurer  
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Chief Executive Officer  
Ohio Public Employees' Retirement System



Judith A. Parker  
Interim Executive Director  
State Universities Retirement System of Illinois



Gail L. Hanson  
Deputy Executive Director  
State of Wisconsin Investment Board

**At the writing of this letter, the following additional public pension funds, plan sponsors, and institutional investors have publicly agreed to endorse the Principles of Financial Regulation Reform:**

- British Columbia Investment Management Corporation: Representing 8 Pension Plans in British Columbia
- Global Currents Investment Management, LLC
- Local Authority Pension Fund Forum: On behalf of 49 British Pension Funds
- Universities Superannuation Scheme
- Walden Asset Management