

May 4, 2009

Hon. Christopher Dodd  
Chairman  
Senate Committee on  
Banking, Housing, and Urban Affairs  
SD-534 Dirksen Senate Office Building  
Washington, DC 20510-6075

Hon. Richard Shelby  
Ranking Member  
Senate Committee on  
Banking, Housing, and Urban Affairs  
SD-534 Dirksen Senate Office Building  
Washington, DC 20510-6075

Dear Chairman Dodd and Ranking Member Shelby:

We are writing to commend your leadership in addressing the critical need to reform the regulation of the U.S. financial system, including the oversight of systemic risk, in order to restore the integrity and effectiveness of our capital markets. We strongly urge that, as a crucial part of such overall reform, the Securities and Exchange Commission must have the independence, robust regulatory authority, staffing, and budgetary resources necessary to effectively fulfill its unique mission of investor protection.

The undersigned State and local government pension funds and plan sponsors from across the country represent more than 7.8 million active and retired employees with combined assets of \$872 billion and annual payments to retirees and their families totaling more than \$50 billion. Public plans as a whole distribute more than \$160 billion annually in retirement and disability benefits. To discharge that responsibility, we are inherently long-term investors in the capital markets, providing patient capital with a decades-long investment horizon. Because of the sheer size of our plans and the need to diversify to provide sound investment returns, we are broadly invested throughout the capital markets in most asset classes. Accordingly, the public plan community has a particularly strong and continuing interest in the overall health and integrity of the U.S. financial markets.

We depend upon the SEC to help protect that interest. Congress established the SEC to serve as the “investor’s advocate.” In the wake of recent market events, it is difficult to imagine a more compelling need for a strong, independent regulator with a proven record of expertise and experience to oversee and advocate the interests of investor protection. Accordingly, we strongly support the new SEC Chairman Mary Schapiro’s commitment to vigorously carry out this mission. To provide the SEC with the opportunity to do so, as your Committee develops legislation to revamp the current system of financial regulation, we respectfully request that the following principles be given careful consideration with respect to the future role of the SEC—

- Congress established the SEC as an independent agency, and such independence has been critical to the SEC’s historical success as regulator. Such independence must continue under a revamped financial regulatory regime.

Hon. Dodd and Hon. Shelby

May 4, 2009

Page 2

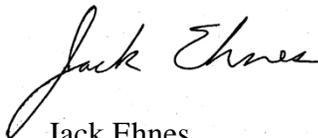
- The SEC must maintain robust regulatory and enforcement authority over securities market transactions and trading practices, the policing of market professionals, and the disclosure and accounting standards which provide investors with the tools and market information necessary to make sound investment decisions and to participate in meaningful corporate governance dialogue seeking the transparency and accountability necessary to avoid recurrence of the recent examples of excess at the expense of investors.
- We believe that the SEC has historically demonstrated ample expertise and experience to most effectively carry out these critical regulatory functions. While we recognize the difficulty in drawing the precise boundary between systemic risk regulation on the one hand and oversight of market integrity and conduct and investor protection on the other, we strongly encourage that such regulatory boundary be drawn with the utmost care so that the SEC retains the full array of regulatory functions, authorities, and tools necessary to deter market misbehavior and enforce the law where violations do occur, in order to discharge its unique and fundamental mission of investor protection. At the same time, the SEC's oversight and protection of the integrity of capital markets would make an important contribution to effective systemic risk regulation.
- Within the reality of the current overall Federal budget constraint, the SEC must be given the staffing and budgetary resources necessary to be a vigorous regulator. An emerging market problem that is addressed promptly by strong regulatory action avoids a much more costly government intervention later.

We appreciate very much your consideration of the perspective of the public pension plan community on these issues. As long-term institutional investors with a uniquely strong interest in the overall health and integrity of the U.S. financial markets, we look forward to working with you and your Committee in support of comprehensive financial regulatory reform.

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.

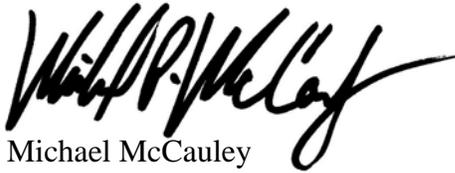


Denise L. Nappier  
Connecticut State Treasurer  
Connecticut Retirement Plans and Trust Funds

Hon. Dodd and Hon. Shelby

May 4, 2009

Page 3



Michael McCauley  
Senior Corporate Governance Officer  
Florida State Board of Administration



Sally Choi  
General Manager  
Los Angeles City Employees' Retirement System



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



Michael A. Perez  
General Manager  
Los Angeles Fire and Police Pensions



Thomas P. DiNapoli  
New York State Comptroller  
New York State Common Retirement Fund



Ben Westlund  
Oregon State Treasurer  
Oregon Public Employees Retirement Fund



Chris De Rose  
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



Theresa Whitmarsh  
Acting Executive Director  
Washington State Investment Board

cc: Hon. Jack Reed, Chairman  
Hon. Michael Enzi, Ranking Member  
Hon. Harry Reid, Majority Leader  
Hon. Mitch McConnell, Minority Leader