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November 13, 2018

Jay Clayton, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SEC File No. 4-725
Comments on Statement Announcing SEC Staff Roundtable on the Proxy Process

Dear Secretary Clayton:

I am writing as Trustee of the New York State Common Retirement Fund (Fund) and administrative head of the New York State and Local Retirement System (System) to provide comments pursuant to the Securities and Exchange Commission's (SEC) File No. 7-725 pertaining to "Comments on Statement Announcing SEC Staff Roundtable on the Proxy Process."

As the third largest public pension fund in the United States, with an estimated $207.4 billion in assets under management as of March 31, 2018, I have a fiduciary duty to invest those assets prudently and for the exclusive benefit of the System's more than one million state and local government employees, police officers and firefighters, retirees, and beneficiaries. As a long-term investor, the Fund maintains diversified investments across multiple asset classes; its largest allocation is to domestic equities, including approximately 3,000 publicly-traded companies.

I appreciate the opportunity to comment on these important topics, as the Fund is a significant market participant which actively uses SEC Rule 14a-8 and the proxy voting process.

The robust shareholder proposal process, as currently structured and administered under SEC Rule 14a-8, works well for investors, public companies and capital markets. Any changes to Rule 14a-8 that would strip shareholders of their current rights, including those proposed both legislatively and by business groups, are not necessary and would be inconsistent with the SEC's mission of investor protection and maintenance of efficient markets. I hope the SEC considers the following comments and protects the rights of all shareowners and their ability to promote corporate transparency and accountability through the use of SEC Rule 14a-8 and the proxy voting process.

Shareholder Proposals

SEC Rule 14a-8 must be protected in its current form. The Fund believes that shareholder proposals are an essential engagement tool to promote corporate transparency and accountability, and to provide an opportunity to bring specific issues to the attention of boards, management and fellow investors.

Consistent with its investment philosophy, the Fund files shareholder proposals with public companies in its portfolio regarding environmental, social and governance (ESG) factors that can have a material impact on risk and return. A thriving economy, efficient markets, and companies that embrace the best ESG practices are important factors in ensuring the long-term value of the Fund's investments. ESG factors can have a profound impact on both risks and returns, so it is vital to evaluate the long-term impact that such factors may have on the performance of a business.

Annually, the Fund develops an engagement program based on various ESG priorities. The priorities are developed by assessing key factors, including new and emerging ESG issues that pose investment risks, as well as market conditions. When filing a shareholder proposal, the Fund seeks a productive dialogue with the company. This includes discussing the proposal with the company, allowing the company an opportunity to highlight its work on the given issue, and working together to address the Fund's concerns. If the company and the Fund reach an agreement regarding the implementation of the proposal, the Fund withdraws the proposal.

As an institutional investor that employs indexing strategies, the shareholder proposal process is an important risk mitigation tool for the Fund. Indexing strategies do not readily lend themselves to selling a company's stock entirely as a means of mitigating investment risk. Instead, we encourage companies to address material ESG issues that could jeopardize long-term financial performance.

Some corporations and their trade associations argue that investors "hijack" the proxy process to pursue "political goals unrelated to business growth." These statements are hyperbolic and inaccurate representations of the motives of investors who pursue active ownership strategies. That argument is directly at odds with the 1,200 signatories to the United Nations Principles for Responsible Investment, representing over $70 trillion in assets under management, who have committed to consider ESG factors because these factors affect shareowner value. Additionally, there is significant data and research to support the long-term economic value of ESG factors to investors and corporations. This is why hundreds of global companies demonstrate leadership and transparency on ESG factors.

The shareholder proposal process, in its current form, is functioning effectively and provides benefits for investors and companies. It's a key tool for shareholders to protect long-term financial performance and accountability, while allowing companies to exclude frivolous proposals that seek to micromanage or encroach on management's ordinary business judgment.

Changes to Rule 14a-8 such as those advanced legislatively and by various business groups would only serve to insulate boards and management from the owners of the company, and limit shareowners' rights. The trend of increasing investor support for shareholder proposals should only

invite policy enhancements that reinforce the Rule 14a-8 process, not policies that would infringe on the ownership rights of shareholders.

Resubmission Thresholds

The Fund believes that raising thresholds for resubmitting shareholder proposals would preclude shareholder consideration of many important governance proposals that seek to enhance long-term shareowner value. It has been the Fund's experience that it often takes several years for a proposal relating to emerging issues to gain enough support from investors to achieve double-digit votes. Most often, these proposals eventually receive substantial or majority support, and many companies adopt the proposals as company policy.

For example, when shareowners first filed proposals encouraging board diversity, they initially received votes in the low single digits. Now, because of the persistent efforts of shareowners, board diversity policies have received high votes. This includes majority support for board diversity shareholder proposals, as was the case with the Fund's 2016 board diversity proposal at Fleetcor Technologies, Inc., which received 61% support from shareowners.

Issues raised by shareowners can have a significant impact on the company's long-term success. In 2015, the GAO released a report examining gender diversity on corporate boards. The report highlighted the slow pace toward parity and research supporting positive financial performance and better decision-making on gender-diverse boards. The GAO report confirmed the importance of board diversity for the economic success of companies, and the need for investors to have the ability to engage with companies on the issue. If resubmission thresholds had been increased by bills like H.R. 10 or H.R. 5756, during the nascent stages of board diversity proposals, shareowners would have been thwarted in advancing this emerging issue that we believe has resulted in improved value for shareowners.

Proponents of increasing resubmission thresholds argue that an increase in shareowners' filing shareholder proposals on so-called "special interest topics" alleged to be unrelated to significant business matters is burdensome to companies and warrants an increase in the resubmission thresholds. However, this argument fails to recognize that Rule 14a-8 already allows companies to exclude proposals that relate to management functions or are insignificant to the company's business. Additionally, since 2010, there have been only 35 instances of refiling after a vote of less than 20% for two or more years; this statistic demonstrates that current thresholds adequately protect against perceived resubmission abuses.

Shareholder proposals are an efficient means by which shareowners can communicate with their portfolio companies on issues of importance to their investments. Raising resubmission thresholds would be inconsistent with the SEC's mission of protecting investors and maintaining efficient markets, would weaken corporate accountability, and would dramatically diminish shareowners' current rights.

Ownership Thresholds

Shareowners, large and small, play an integral role in encouraging improved corporate behavior on a host of issues including executive compensation, excessive risk taking, labor standards and climate change. Shareowners of varying sizes should be able to file shareholder proposals. But recently, the United States House of Representatives has considered legislative changes to increase ownership thresholds for filing shareholder resolutions. These changes would greatly limit the pool of investors able to submit proposals. For example, H.R. 10 would restrict the right to submit a proposal to shareholders who hold one percent of a company's stock for three years. This would deprive most shareowners, including the Fund, of the ability to file proposals. To illustrate, under the this one percent threshold, an investor would have to own nearly $10 billion in Apple Inc. shares for three years in order to be eligible to submit a shareholder proposal to that company. Thus, even with over $2.5 billion in Apple Inc. stock in its portfolio, we would be unable to file a shareholder proposal on behalf of the Fund — a scenario that we find absurd.

The SEC should not limit the voices of investors, including those smaller "mom and pop investors," by increasing the current ownership thresholds for filing shareholder proposals. Shareowners of all sizes should have the same rights to file shareholder proposals, and the current thresholds protect that right.

Proxy Advisory Firms

The Fund believes that the proposed actions intended to alter the current business operations of proxy advisory firms, including the creation of a new federal regulatory scheme, are unnecessary and would weaken corporate accountability to shareowners, undercut the invaluable independence of the proxy advisory firms that investors retain, and could dramatically increase the cost of research to investors like the Fund. Like other sophisticated institutional investors, the Fund contracts with proxy advisory firms. These firms provide cost-efficient, informed and independent research, analysis and advice for institutional shareowners, which often hold thousands of companies in their investment portfolios.

While the Fund and many other investors vote their shares based on their own independent voting guidelines, these firms provide independent advice that we consider in making those proxy voting decisions.

Recent legislative proposals, such as H.R. 4015, would establish a new federal regulatory scheme for advisory firms. Among the regulatory changes, H.R. 4015 would grant companies the right to review the proxy advisory firms' research reports before the paying customers and mandate that the proxy advisory firms hire an ombudsman to receive and resolve corporation's complaints.

The Fund adamantly rejects the types of "reforms" included in H.R. 4015. The independence of proxy advisors is absolutely essential, and if firms are required to obtain corporate review and rebuttals before releasing their research to customers, that independence would be compromised, depriving public pension funds and other institutional investors of a vital resource. Such a requirement would also delay investors' access to research in the already constricted time frame

available to consider ballot issues and develop independent voting decisions. Consequently, H.R. 4015 would likely result in higher costs for the Fund and other institutional investors — potentially much higher costs if investors seek to maintain current levels of scrutiny.

Proponents who are in favor of creating a regulatory scheme for proxy advisory firms have voiced erroneous assertions that proxy advisory firms dictate proxy voting results and that institutional investors utilizing proxy advisors do not make their own voting decisions. I personally review and approve the Fund's own independent Proxy Voting and Corporate Governance Guidelines. In 2018, the Fund voted on nearly 30,000 agenda items on its portfolio companies' proxy statements, and every single one of those items was voted pursuant to the guidelines, which state: "proxy voting decisions are based on internal reviews of available information relating to items on the ballot at each company's annual meeting…The Fund analyzes a variety of materials from publicly available sources, which include but are not limited to, U.S. Securities and Exchange Commission (SEC) filings, analyst reports, relevant studies and materials from proponents and opponents of shareholder proposals, third-party independent perspectives and studies, and analyses from several corporate governance advisory firms." Let me reiterate that all of our proxy voting decisions are made *independently* and in the best interest of our System's participants.

The attack on proxy advisory firms by some corporations, their trade associations and astroturf organizations is a just another way to suppress the shareholder voice and weaken our rights, as owners of corporations, to hold boards and management accountable. Any changes to alter the current business operations of proxy advisory firms would make it harder for shareowners to get the information we need and is not the type of "corporate governance reform" investors have requested, want, or need.

U.S. Proxy Voting Infrastructure

As Trustee of the Fund, I have a fiduciary duty to manage the System's assets prudently, and a core component of that stewardship extends to proxy voting. Because of this responsibility, the Fund believes a reliable, transparent and cost-effective system for voting proxies is essential.

Unfortunately, the current system of voting proxies is littered with inefficiencies and an unacceptably large margin for voting and tabulation error. Because of the complexity of intermediary chains and challenges around fungible shares, investors lack confidence that their shares are always fully and accurately voted or even counted. Recently contested issues at shareowner meetings have only drawn greater attention to these issues.

The Fund welcomes the SEC's comprehensive review of the U.S. proxy voting infrastructure with the goal of creating a reliable, transparent and cost-effective system for voting proxies.

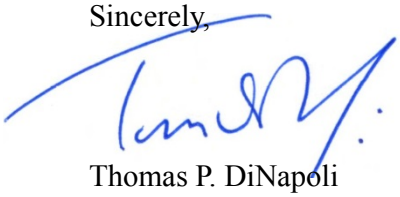
Additionally, the Fund believes that the SEC should move ahead with its universal proxy proposal, and fix a long-standing problem that affects the most consequential and contested proxy votes. Given the scope of the Fund's investments, voting by proxy, instead of attending annual general meetings in person, is necessary.

Under current proxy rules, however, shareowners voting by proxy find themselves disadvantaged when voting for directors in a contested election. Shareowners may select only one proxy card containing a slate of director candidates — either the card advanced by the company, which typically names only company selected nominees, or the card advanced by dissident shareholders, which typically names only shareholder nominees. Because they cannot pick and choose from nominees on both proxy cards, shareholders voting by proxy are prevented from voting for a full slate of nominees of their choice, unless their chosen nominees all appear on the same proxy card. Indeed, in certain contested elections, the Fund has been in that position; that is, it has not been able to vote for all its chosen nominees. By comparison, shareholders attending a meeting in person cast a ballot that includes the names of all duly nominated candidates, regardless of whether that candidate is a company nominee or a shareholder dissident nominee, and may select from any of them.

Because proxy voting is one of the primary means by which shareholders act to manage and preserve their investments, I believe as a fiduciary that there should be no distinction between the franchise of a shareholder attending a meeting in person and that of a shareholder voting by proxy. The Fund would greatly appreciate the SEC's efforts to eliminate this anomaly.

The Fund appreciates the opportunity to comment on these important topics. We trust that the SEC will thoroughly examine the input from all shareowners and ensure their current rights are not diminished or taken away. On behalf of the more than one million members, retirees and beneficiaries of the System for whom the Fund invests, thank you for your attention to these comments.

Sincerely,



Thomas P. DiNapoli
State Comptroller