



**STATE OF WASHINGTON  
STATE INVESTMENT BOARD**

*2100 Evergreen Park Dr SW - P.O. Box 40916 - Olympia, Washington 98504-0916  
(360) 956-4600 - FAX (360) 956-4785*

November 14, 2018

Mr. Brent Fields  
Secretary  
Securities and Exchange Commission  
100 F Street N.E.  
Washington, D.C. 20549-1090  
Via email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Dear Mr. Fields

The Washington State Investment Board (WSIB), representing \$130 billion in invested assets on behalf of more than 780,000 fund beneficiaries, appreciates this opportunity to provide comments related to our industry's proxy voting system in advance of the November 15, 2018 Securities and Exchange Commission (SEC) Roundtable on the Proxy Process.

The WSIB is a long-term institutional investor responsible for managing 17 retirement funds for public employees, teachers, school employees, law enforcement officers, firefighters, judges and others. Our agency also manages investments for 16 other public trust funds in support of industrial insurance, colleges, universities, developmental disabilities and wildlife protection.

In 2017, the WSIB voted on 3,602 U.S. corporate shareholder meetings and cast proxy votes on more than 35,000 proposals dealing with the election of directors, executive compensation and other vital governance issues. Our guideposts for proxy voting include issues such as sustainability, diversity and the need ensure companies are focused and enabled when it comes to long-term investment strategies rather than being distracted by short-term market movements.

We are encouraged to see the SEC's open call to investors, companies and other stakeholders as it dutifully considers the operational complexity and integrity of the proxy voting process. Our market economy and its participants depend on a proxy voting system that is able to stay on pace with modern standards for accountability, transparency, reliability, technology and efficiency. The WSIB's mission of maximizing investment returns at prudent levels of risk on behalf of our beneficiaries is indelibly linked to the need for cost-effective functionality in the proxy system.

The WSIB supports the SEC's review of this system, and our position on specific issues is generally aligned with the details provided by the Council of Institutional Investors (CII) in its November 8, 2018 letter to Secretary Fields. To further clarify several specific views in a concise summary, we offer the following four points:

- **Proxy Vote Confirmations and Assurance**

Today's proxy process offers too little systematic assurance that investors' proxy votes are correctly fulfilled, counted and made to fully represent shareholders' views. Vote confirmation methods within the existing proxy plumbing maze are too often episodic and/or opaque. A comprehensive review and distilling of the mechanics of proxy voting should take advantage of technological advancements to ensure accurate, transparent vote confirmation, which in turn will allow institutional investors like the WSIB to assure beneficiaries that fiduciary duties are being fulfilled.

- **Proxy Research and Voting Services**

The WSIB believes that a strong, hands-on corporate governance program is a cornerstone for asset stewardship. The proxy ballot is one of the most effective tools we have for being able to fulfill our Board-approved proxy voting policies. However, ballots alone are not the only vital tool in the process. Ballots are only as good as our ability to understand, evaluate and aggregate them in a system where finite staff resources must come to terms with broad exposure to the markets and the pressing demands of a consolidated proxy season. Our governance duties and the scale of our investment program require that we have access to competitive, independent proxy research services in support of our staff's implementation of voting. We oppose legislative proposals (recently, H.R. 4015) that would impose harmful constraints on the ability of proxy research firms to serve investor clients with timely, cost-effective intelligence and proxy data. Any regulatory or legislative framework applied to proxy services must not allow the companies that may receive unwanted research findings to delay or interfere with the delivery of those findings to investors who are dutifully paying for these valuable third-party proxy research services.

- **Universal Proxy Ballots**

The WSIB strongly believes the SEC should issue a final ruling on proposed amendments that would require the use of universal proxy cards in contested director elections. The use of universal proxy ballots is a common sense provision that supports the fundamental right of shareholders to elect directors of their choosing. Current voting rules hamper our ability to carry out our fiduciary duty in cases where board seats are being contested. In 2017, about 63 percent of the WSIB's proxy voting activities pertained to the election of directors. Reasonable provisions for mandatory universal proxy cards for all contested elections would guarantee shareholders a fair and expedient method for voting regardless of whether they vote in person or by proxy. The delivery of high-quality and timely proxy research is a careful and complicated process, and we believe any potential review of that process should take into account the realities and intricacies of the research business.

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- **Shareholder Proposals**

The WSIB does not typically sponsor shareholder proposals, but we do value and embrace our right as a shareholder to consider any substantive issue that is fairly raised by the shareholder community. We believe that companies and investors alike have mutual interest in a system that creates an orderly, even-handed protocol for the expression of shareholder views. Such a protocol must enable both the shareholder voice and the ability of boards and management to effectively hear investor views on specific measures. In general, we believe shareholder resolutions provide a net benefit by compelling companies to hear nonbinding but often meaningful suggestions as an outgrowth of marketplace debate on substantive issues that may affect long-term performance. A viable, well-balanced set of rules governing shareholder proposals will enable investors to bring forth ideas while still enabling companies to work as effective, focused strategists for the long run. We believe that Rule 14a-8 of the Securities Exchange Act of 1934 provides a balance of enabling forces when it comes to the raising and hearing of material proposals from shareholders. Therefore, we are generally supportive of the current rules in this regard, and we see no reason for an upheaval or a broad reformulation in this area.

The WSIB appreciates the SEC's need to strike a balance among various competing interests in any review of the proxy process. We respectfully remind you that this proxy system represents far more than a transactional pipeline for processing ballots – it's essentially a central nervous system for conveying strategic information and distinct viewpoints between investors and companies that make up the capital markets value chain.

Sincerely,



Theresa Whitmarsh  
Executive Director



Gary Bruebaker  
Chief Investment Officer

CC: WSIB Board Members