CalPERS

California Public Employees' Retirement System
Investment Office
400 Q Street, Sacramento, CA 95811 |Phone: (916) 795-3400 | Fax: (916) 795-3365
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

Mr. Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, N.E., Washington, D.C. 20549-1090

December 11, 2018

Subject: File Number 4-725; Staff Roundtable on the Proxy Process

Dear Mr. Fields and Commissioners:

On behalf of the California Public Employees' Retirement System (CalPERS), we would like to thank the Securities and Exchange Commission (SEC) for the opportunity to provide comments on File Number 4-725 regarding its review of the proxy voting and solicitation process and related rules for shareowner meetings.

CalPERS is the largest public pension fund in the United States (U.S.) with approximately $346 billion in global assets. We have a duty to deliver retirement and health benefits to more than 1.8 million workers, retirees, and beneficiaries. As a significant long-term shareowner, we need to ensure that our commitments will be honored over the long term.

We have a special interest in a proxy system that promotes efficient and accessible voting mechanisms that allow shareowners to participate in general meetings and implement their voting responsibilities on major decisions in person or remotely. Given our long-term view and our fiduciary duty to our members, we have a vested interest in a corporate proxy system that operates pursuant to high standards of accountability, accuracy, integrity, and transparency.

We would like to highlight the following topics as CalPERS' highest priorities related to the proxy process:

Shareowner Proposals
As outlined in the CalPERS Governance and Sustainability Principles (Principles), we believe that shareowners should have the right to sponsor resolutions; therefore, we support maintaining an effective and efficient process for the submission of shareowner proposals. In our experience, when companies receive our proposal, their most likely response is to engage with CalPERS, which leads to the proposal being withdrawn. In our view, amending the minimum thresholds is unnecessary, as we have yet to detect any clear signs of abuse in filing or resubmitting proposals. In fact, shareowner proposals represent a very small percentage of

actual votes taken. For example, CalPERS' 2018 proxy votes[1] for U.S. companies included 3,146 meetings with 26,174 total proposals. Of the total proposals, just 486 – or 2% – were shareowner proposals.

Increasing the thresholds will reduce company and shareowner engagement, thus exacerbating an existing weakness in our system given that there is relatively little company engagement with shareowners. Under the current system, companies sometimes initially refuse to engage with even large shareowners on critical issues. For example, recently we have made attempts to engage a number of companies on corporate board diversity and many of those companies were not responsive to our request to engage. Making it harder to file shareowner proposals will give companies another reason to dismiss or avoid a request to engage with shareowners.

Though advisory in nature, we strongly believe that shareowner proposals that are approved by a majority of votes cast should be implemented by the board.

Universal Proxy Cards
CalPERS supports the adoption of mandatory universal proxy cards to facilitate the shareowner voting process in contested elections. Opposing sides engaged in the contest should utilize a proxy card naming all management nominees and all dissident nominees, providing every nominee equal prominence on the proxy card. We believe that shareowners should have the ability to vote for any combination of director candidates in contested elections. We have long supported a proxy voting system that works without the need of physical presence to vote for the full slate of director candidates and the current proxy voting process does not provide shareowners with an efficient and cost-effective way to exercise this right. So, we ask the SEC to adopt necessary technical fixes to the bona fide nominee rule and adopt a mandatory universal proxy card.

Proxy Advisory Firms
CalPERS' proxy voting decisions are guided by our Principles and Investment Beliefs and are executed by internal staff; therefore, we contract with and pay for proxy advisory services as a tool for research and voting efficiency, only. It is necessary for shareowners such as CalPERS to comply with their fiduciary duties by voting thousands of proxies. So, although we are supportive of efforts to ensure advisory firms are transparent, accountable, and free of material conflicts, we do not support an unduly burdensome regulatory regime for proxy advisory firms that would unnecessarily increase costs and reduce efficiency in exercising our proxy votes.

In general, we support full and complete disclosure of policies and procedures for interacting with issuers and shareowners and handling appeals of proxy advisory firm vote recommendations; however, we are opposed to any proxy rule changes that will grant issuers undue influence over the research that proxy advisory firms provide.

Vote Confirmation and Technology
We support making reasonable technological enhancements to increase transparency, efficiency, and quality of data to ensure the integrity of the U.S. proxy voting system. There are

---

[1] Year-to-date

no material deficiencies in the current process that will change voting outcomes. To the extent that there are technological solutions that would better promote end-to-end vote confirmation, we think that those efficient solutions should be pursued to support greater vote certainty.

We would like to thank the SEC for considering our comments. If you have any questions or wish to engage further on these issues, please contact Don Pontes at [redacted] or [redacted].

Sincerely,

MARCIE FROST
Chief Executive Officer