



# National Conference on **Public Employee Retirement Systems**

*The Voice for Public Pensions*

February 3, 2020

Chairman Jay Clayton  
Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

RE: File No. S7-22-19, Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

Chairman Clayton:

Thank you for the opportunity to comment on the Securities and Exchange Commission's (SEC) proposed rule entitled "Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice." The National Conference on Public Employee Retirement Systems (NCPERS) is the largest national, nonprofit public pension advocate, representing more than 500 funds that manage more than \$3 trillion in pension assets. We are concerned the SEC's proposed changes to the exemptions for proxy voting advice will have a detrimental effect on state and local governmental pensions' access to timely, independent corporate governance research.

Pension plan administrators frequently work with investment advisors or proxy advice firms to provide them with independent analysis of corporate governance and proxy voting policies. Administrators rely on this information to do their due diligence when it comes to managing the investments of the fund. It is critical this information be unbiased.

Under the proposed rule, the SEC would amend its solicitation rules to codify the interpretation that proxy voting advice furnished by a proxy advisor is subject to proxy rules. Additionally, the SEC increases the requirements for proxy voting advice to be exempt for the proxy filing requirements. These changes would have a direct impact on public pension administrators' access to the accurate, timely information they have hired the advisory firms to provide.

First, the rule proposes an additional requirement for disclosure of any material conflicts of interest through a specific, detailed disclosure to qualify for an exemption. This disclosure would add an unnecessary step as many proxy advisory firms already have policies and procedures to address conflicts of interest. Many are also registered with the SEC as investment advisers and are already required to identify conflicts. The new requirement would also increase the administrative burden on proxy advice firms and lead to higher costs for the pension funds that pay for their services.

Second, despite the concern regarding conflicts of interest, the SEC proposes to threaten the independence of proxy voting advice by allowing corporations to review and suggest edits to reports before they are delivered to clients. This will allow corporations to interfere with a transaction between the shareholder and the proxy advice firm. It would also inhibit pension

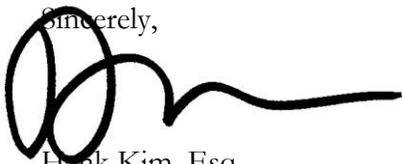
administrators' ability to make decisions for the plan based on impartial analysis. The proposed review and response period will delay pension funds' access to the report limiting their time for analyzing the data in advance of the proxy vote.

Third, the SEC proposes a new requirement for the final proxy voting advice to include a hyperlink that leads to the corporation's statement about the proxy voting advice. This is completely unnecessary as corporations are already permitted to file supplemental material under existing proxy rules. The SEC is once again adding a duplicative process that will only delay access to accurate analysis.

State and local pensions play an important role in their local communities, and their ability to continue this role depends on responsible management and investment of the pension fund assets. To meet their fiduciary duty, fund administrators rely on the expert advice of investment advisers and proxy advice firms to provide timely analysis to inform proxy voting policies. The SEC's proposal will only undermine this relationship while providing no real additional protections for shareholders. The SEC is adding additional burdens that will only increase the cost of this advice for plans and threaten the independence of the information they receive.

We respectfully ask the SEC to not pursue this proposal. We thank you for the opportunity to comment and please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'Hank Kim', written over the word 'Sincerely,'.

Hank Kim, Esq.  
Executive Director & Counsel