



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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RICHARD STENSRUD
Executive Director

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January 30, 2020

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

**Re: S7-22-19 Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice;
S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act
Rule 14a-8**

Dear Chairman Clayton,

On behalf of the School Employees Retirement System of Ohio (SERS), I am writing to express SERS' opposition to SEC proposals titled "Amendments to Exemptions from the Proxy Rules for Voting Advice" and "Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8." We are deeply concerned that if enacted, these proposals will negatively impact SERS' ability to effectively vote shareholder proposals.

Proxy advisory firm research plays a vital role in SERS' ability to vote proxies. In 2019, SERS voted on a total of 27,463 proxies at 2,450 public companies. We utilize a proxy advisory firm to perform proxy voting research, provide a proxy voting platform, and vote proxies on behalf of SERS in accordance with our customized voting policy. Our policy has been developed and updated over the years, and is thoroughly reviewed on an annual basis to ensure that SERS votes shareholder ballot issues in accordance with our fiduciary duty. Our custom voting policy reflects the specific Corporate Governance Principles adopted by our Retirement Board.

The proposal to amend "Exemptions from the Proxy Rules for Proxy Voting Advice" would impose burdensome regulations on proxy advisory firms to the detriment of institutional investors. The new rules would make it difficult and more costly for shareholders like SERS to work with a proxy advisory firm to implement our custom proxy voting policy. We are very concerned that SERS would be unable to fulfill its fiduciary duty to vote proxies in a way that enhances the long-term value of our fund's investment in public companies. If proxy advisory firms are subject to the additional regulations outlined in the proposal, we anticipate seeing higher costs for the services these firms provide, less competition in the marketplace, and a shortened window of time to review proxy issues before they are brought to a vote at companies' annual meetings.

SERS takes its fiduciary duty to vote proxies very seriously, and we do not have the staff or resources to commit to the high level of due diligence that is required to vote proxies without the assistance of a proxy advisory firm. We rely on the independent information provided by these types of firms in order to fulfill our obligations as shareholders and as fiduciaries. We are particularly concerned about the section of the proposal that would require proxy advisory firms to give corporations the right to review reports prior to them being shared with their clients. This will likely give corporate management undue influence over the proxy advisory firms' reports. As the client of a proxy advisory firm, SERS has voluntarily hired and paid

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for independent proxy research, not research that has been influenced by corporate management. Due to its size, SERS depends on outside consultants to provide expert advice in several areas, including proxy voting research. We are concerned that this proposal sets a dangerous precedent in which the relationship between investors and their advisors is compromised.

Further, the proposal to amend “Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8” undermines the process that smaller investors have used for years to express concerns and highlight issues at the public companies in which they invest. We believe the existing federal Rule 14a-8 is fair, and allows for shareholders to have a voice. SERS has submitted shareholder proposals to public companies in the past, and we were able to do so because we met the \$2,000 ownership requirement. The proposed changes to this rule would likely prevent us from ever filing another proposal and will likewise stifle the voices of other investors of a similar size. We firmly believe that the shareholder proposal process works best when a diverse group of interests are considered, not just those of the largest shareholders.

In their current form, it is difficult to imagine how the proposed rules regarding proxy advisory firms could possibly advance the SEC’s mission to protect investors and ensure fair markets. To the contrary, such rules intrude upon the relationship between investors and their advisors and inject expensive and unnecessary inefficiencies into the process of voting proxies. Making it more difficult for small investors to submit shareholder proposals is antithetical to promoting fairness in the market. For these reasons, we request that the SEC not move forward with the proposed rules.

Thank you for considering our views.

Sincerely,

Richard Stensrud
Executive Director

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