



February 3, 2020

Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

Re: File Nos. S7-22-19 Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

Dear Madam Secretary:

The State of Wisconsin Investment Board (SWIB) objects to the proposal titled "Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice". SWIB does not agree with the rationale laid forth by the SEC for these changes, and more importantly, these proposed rules would negatively impact SWIB's ability to cast votes at shareholder meetings in the best economic interest of its beneficiaries. The United States capital markets provide economic growth and opportunity, but need to be fair and open, with minimal intervention to operate efficiently. Rules such as these provide barriers which inhibit these benefits and harm investors.

SWIB is responsible for investing over \$110 billion in assets for more than 635,000 Wisconsin Retirement System (WRS) participants. The WRS is the eighth largest public pension fund in the United States and the twenty fifth largest public or private pension fund in the world. In addition, we are one of the only fully funded pension plans and have award winning Board of Trustees for its governance of the WRS. Proxy voting is not only a fiduciary duty, but also a critical lever to encourage constructive practices and maintain corporate accountability to shareholders.

Given the substantial volume of meetings and proposals SWIB votes each year<sup>1</sup>, proxy advisors play a critical role in ensuring operational efficiency. Proxy advisors provide useful research and analysis before votes are cast, saving staff time and resources. The requirements under the proposed rules, which would allow an issuer a review period before investor clients, would delay the receipt of proxy research and greatly inhibit SWIB's capability to make timely voting decisions consistent with our serving our pensioners. This delay in receiving proxy research and recommendations will likely impact SWIB's capacity to share information with investment staff, converse with issuers on ballot items, and would ultimately weaken the overall thoroughness of the review process. Moreover, allowing issuers to view proxy research in advance of investor clients diminishes the service institutions such as SWIB are paying for, and essentially places the interests of issuers above those of shareholders.

The proposed rules will also have an adverse effect on proxy advisors' operations and research quality. Given issuers will have first rights to any analysis, over time proxy advisors' independent review could skew

---

<sup>1</sup> In 2019 SWIB cast over 13,000 votes at ~ 1,300 domestic meetings

to a more issuer friendly analysis. This bias would create additional difficulty for investor clients like SWIB to review ballot issues and make a fully informed decision. Proxy advisors would also likely incur additional operational costs due to the administration and legal requirements under the proposed rules, cost that would ultimately be passed on to investor clients. These costs could create an additional barrier to entry in the proxy advisor space, a space that is already largely dominated by only a few firms. Ultimately, large asset owners like SWIB may be forced to react to these issues by adding additional staff in order to fulfill our fiduciary responsibility, unnecessarily adding expenses to the pension plan and harming the retirees we serve.

One of the principal arguments set forth by the SEC alleges that proxy advisory firms are prone to errors. Through conversations with issuers and SWIB's own experiences, informational errors are seldom an issue, and when they do happen, they rarely impact the final vote. The lack of errors is further substantiated by the Council of Institutional Investors (CII) review last year. CII found in a frequently referenced report by the American Council on Capital Formation (ACCF), less than .5% of shareholder meetings were noted as having a proxy advisor error. This review was based on two different proxy advisors over a three-year period<sup>2</sup>.

A second argument made by the SEC against proxy advisors is that they exert an undue influence regarding how institutional investors vote. While proxy advisors are a critical tool to help SWIB meet its fiduciary duties, the perspective of these advisors represents only one point of view. SWIB, like many other pension funds and large institutional investors, allocates resources internally to track and determine votes using their own proxy voting guidelines. This is illustrated by the fact year over year SWIB routinely cast votes in opposition to our proxy advisor's policy<sup>3</sup>.

Our concerns regarding the outcomes of these rules are consistent with the Council of Institutional Investors, who provided insightful commentary on the matter<sup>4</sup>. In summary, we request that the SEC does not move forward with the proposed rules regarding proxy advisors. As we state above, the proposed rules would be addressing insignificant issues and would have significant negative consequences for asset owners like SWIB.

We appreciate your time and attention on this matter, and please contact us with any questions you might have.

Regards,

---

<sup>2</sup> Letter from Kenneth A. Bertsch, on behalf of Council of Institutional Investors. to The Honorable Jay Clayton, Chairman, Securities and Exchange Commission, (Oct 24, 2019), [https://www.cii.org/files/issues\\_and\\_advocacy/correspondence/2019/20191024%20SEC%20comment%20letter%20proxy%20advisor%20accuracy.pdf](https://www.cii.org/files/issues_and_advocacy/correspondence/2019/20191024%20SEC%20comment%20letter%20proxy%20advisor%20accuracy.pdf)

<sup>3</sup> On average over the last 2 years SWIB has voted differently from its proxy advisor ~11% of the time at domestic meetings

<sup>4</sup> Letter from Kenneth A. Bertsch and Jeffrey P. Mahoney, on behalf of Council of Institutional Investors. to Vanessa Countryman, Secretary, Securities and Exchange Commission, (Jan 30, 2020), [https://www.cii.org/Files/issues\\_and\\_advocacy/correspondence/2020/20200130%20PAF%20comment%20letter%20FINAL.pdf?utm\\_source=1-30-20+-+Weekly+Governance+Alert+Vol+25+Issue+5&utm\\_campaign=1-30-20+-+Weekly+Governance+Alert+Vol+25+Issue+5&utm\\_medium=email](https://www.cii.org/Files/issues_and_advocacy/correspondence/2020/20200130%20PAF%20comment%20letter%20FINAL.pdf?utm_source=1-30-20+-+Weekly+Governance+Alert+Vol+25+Issue+5&utm_campaign=1-30-20+-+Weekly+Governance+Alert+Vol+25+Issue+5&utm_medium=email)



David Villa  
Executive Director & Chief Investment Officer

[REDACTED]  
[REDACTED]



Brian Hellmer  
Managing Director, Global Public Markets

[REDACTED]  
[REDACTED]



Tom Robinson  
Head of Corporate Governance

[REDACTED]  
[REDACTED]