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February 3, 2020

Sent via email to rule-comments@sec.gov

Vanessa A. Countryman
Secretary, Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Re: Comments concerning S7-23-19

Dear Secretary Countryman:

The State Board of Administration (SBA) of Florida is writing with comments concerning the Commission's proposed rules on shareowner proposal resubmission thresholds. **In sum, we feel that both proposals S7-22-19 and S7-23-19 represent a hindrance to improving corporate governance and our ability as investors to perform oversight of our investments and our fiduciary duty.** We question the need and rationale for these proposals as we feel these aspects of the proxy voting system currently function quite well, and it is concerning that the Commission has not yet taken action on other aspects of the proxy voting system in desperate need of attention.

The SBA manages the assets of the Florida Retirement System (FRS), one of the largest public pension plans in the United States with 1.1 million beneficiaries and retirees. The SBA's investment and corporate governance activities focus on enhancing share value and ensuring that public companies are accountable to their shareowners with independent boards of directors, transparent disclosures, accurate financial reporting, and ethical business practices. The SBA takes steps on behalf of its participants, beneficiaries, retirees, and other clients to strengthen shareowner rights and promote leading corporate governance practices among its equity investments in both U.S. and international capital markets.

Voting on shareowner proposals represents an important aspect of our corporate governance activities. Annual meetings represent a necessary function of accountability in a capitalistic society. SBA holds interests in more than 10,000 companies worldwide, and we take voting at these companies very seriously. Often other shareowners make proposals in advance of an annual meeting that are presented to us for a vote on the proxy. We support about half of the proposals made by other shareowners, as they generally concern issues to improve core corporate governance practices or expand reporting around an issue with considerable risk. Some proponents are fellow institutional investors and some are individuals. We aren't concerned with the origination of the idea; we vote according to the proposal and the company where it is presented. It doesn't matter to us who proposes it, or where else they have proposed it, or what type of investor they are. We consider the

individual situation at the company and the idea on its merits, and then we vote according to our corporate governance policies and fiduciary duty.

The focus on the proposer having "a meaningful stake" or imposing costs on the company is undue. The entirety of the shareowner base can speak for itself on the suitability of the proposal. If the proposal is to advance a special interest, it will not appeal to the broad ownership and will fail. And there need be no cost to the proposal; companies aren't required to spend any money at all in deflecting or rebutting the proposal. We fail to see the problem in allowing an advisory proposal to be voted on by the shareowner base.

We have provided comments below according to the numbering of the questions as presented in the proposed rules, but we would like to offer the following general commentary on the proposal as well. Many investors have asked the Commission for improvements in the proxy voting system for crucial elements like vote confirmation and tabulation, and for critical changes in the voting process itself, such as for universal proxies in the instance of proxy contests. These requests go back more than a decade. It is vexing to see the Commission devote time and effort to the two current rule proposals concerning shareowner proposals and changes in regulation of proxy advisors. **We don't see any evidence of unnecessary costs to issuers in the current system, and we fail to see any benefit of the proposed rules.** We urge you to turn your attention to more urgent matters that would instead strengthen investors' rights.

Our comments to the questions posed in the release follow below. We also urge you to closely consider the comments from the CFA Institute and the Council of Institutional Investors (CII), of which we are a member. Thank you for your consideration of these significant issues. If you have any questions, please contact Michael McCauley, Senior Officer—Investment Programs and Governance, at [redacted], or governance@sbafla.com.

Sincerely,

Ashbel C. Williams
Executive Director & CIO

**SBA's commentary to questions within the Proposed Rules**
(we have not commented on every question so number ordering is discontinuous)

1. No, we are not concerned that the present threshold value of $2,000 held for one year is too low. If the Commission seeks to update the values, perhaps an inflation index is proper. We see no reason for a longer holding period and find any benefit doubtful. The proposed value changes seem arbitrary.

2. The Commission should consider the fact that the current values do not place undue stress on investors or companies. As an investor in thousands of companies in the broad U.S. market, we are not presented with too many proposals. There isn't a burden on our voting obligation arising from "overuse" of the 14a-8 rule. We appreciate the efforts of other investors who make proposals and prefer to be given the opportunity for a vote, alongside the spectrum of ownership. These votes inform the company as well as the market. We also fail to see how shareowner proposals present a burden to companies. They are almost universally advisory in nature, and the company doesn't have to spend time or resources arguing against it when they can just allow it to go to shareowners for a vote.

   The vast majority of the proposals filed by individual shareowners concern topics worthy of shareowner attention and present valid solutions. Many of them pass with a majority of the vote or garner a considerable minority. We fail to see where the problem is in the current system, and we don't see any rationale for why the Commission has proposed these rules.
3. A tiered approach is arbitrary and unnecessary.
4. The present time and value combination is sufficient and has not led to abuse. Proposals have not increased over time. There's no reason to begin with shareowner proposals as the first step in attempting to improve the proxy voting system.

10. A percentage of market capitalization test/threshold would result in absurdly high dollar value thresholds and disenfranchise the vast majority of investors.
11. If the values are increased under the proposal, aggregation of holdings should be allowed.
12. Up to five investors should be allowed to aggregate holdings.
13. A lead co-filer designee is appropriate.
16. Rule 14a-8 should be amended to remove the requirement for a proposal to be presented at a shareowner meeting in person. This is an archaic requirement as most investors vote by proxy well in advance of the meeting, and very few investors attend annual meetings. There is no advantage to investors to having the proposal presented at the meeting; it only serves as a hindrance to investors wishing to make proposals. Most investors do not live within close proximity to the annual meeting location, so this requirement imposes significant travel costs. For institutional investors that are broadly invested in the market, it greatly increases the cost of making a proposal without any commensurate benefit or proper rationale.
17. No, there is no evidence that fraud or inappropriate submissions have occurred. Shareowners should be able to use representatives, just as companies use outside counsel, with no impediments.
18. There is no need for additional information or documentation. Submission of proof of ownership is enough to demonstrate the principal-agent relationship.
22. A shareowner proposal is meant to allow an *owner* to propose an idea to *other owners* for a vote. In itself, it is a reasonable and standalone request. If the proponent wishes to engage with management, that is up to them but it shouldn't be a requirement. Shareowner proposals are about more than communicating with management or company representatives; they allow shareowners to communicate with each other. That is an understated benefit to these proposals.

And it isn't about allowing a proponent access to the *company's proxy*, but rather allowing investors to communicate with each other on their collectively-owned proxy statement.

27. Likewise, no. A vote among owners is self-evident. Companies shouldn't be forced to engage either.
29. This amendment seems to be addressing an obscure possibility rather than fixing a problematic occurrence. Why restrict an agent from representing two persons? As mentioned previously, there are travel costs associated with presenting proposals. It's unnecessary to restrict an agent from duly performing their work for a verified shareowner.
31. How would requiring a natural-person standard apply to funds?
32. We vote on the merits of the idea. We aren't concerned with whether the proposal has been submitted by the same proponent before.
34. There is no reason to limit the total number of proposals submitted per company. There's no evidence of abuse of the current system. The commitment to detail here is appreciated but it would be better placed on the actual and known problems in the proxy voting system.
35. That limit already exists, and it is the number of companies at which the proponent meets the ownership thresholds of value and length of holding period. We do not want to impede the investor's ability to make proposals within its portfolio. The full shareowner base can then decide by their vote what is appropriate at each company.
37. The thresholds proposed are arbitrary, and there is no evidence that a change in the thresholds is needed. There's no evidence of abuse.
38. Disallowing a proponent to refile if the proposal has failed to achieve majority support for three years is appropriate. A two-year cooling off period is acceptable. This can be done without changing the resubmission thresholds.
39. The cost to companies of a resubmitted proposal is entirely up to them, and in general, the costs in the proposed rules seem to be exaggerated or a willful misuse of shareowner money. In the case of the resubmission thresholds, the costs purportedly paid by companies are even more incongruous. It doesn't make a lot of sense that issuers would choose to spend large resources fighting a proposal that previously received single digits of support.
45. The momentum requirement is arbitrary. There's no compelling evidence for it.

**Economic analysis**

1. The benefits of shareowner proposals are difficult to quantify, but immense. The ability of owners to have a say on corporate governance at annual meetings is a foundational element of capitalism. These proposed rules bring unnecessary impediments to this process without justification or need.