



California Public Employees' Retirement System
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February 21, 2018

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

Subject: H.R. 4015, THE "CORPORATE GOVERNANCE REFORM AND
TRANSPARENCY ACT OF 2017"

On behalf of the California Public Employees' Retirement System (CalPERS), I write to express our opposition to H.R. 4015, the "Corporate Governance Reform and Transparency Act of 2017," legislation which passed the House of Representatives by a vote of 238-182 on December 20, 2017, and was subsequently referred to the Senate Banking Committee (the "Committee") for consideration.

Enclosed please find our letter dated December 18, 2017, addressed to House Majority Leader Kevin McCarthy, and House Minority Leader Nancy Pelosi, outlining our substantive concerns regarding H.R. 4015. In brief, although we are in favor of ensuring that proxy advisory firms are well-regulated and transparent, we oppose H.R. 4015 because it would create an unduly burdensome regulatory regime in this area. We bring these issues to your attention prior to the Committee's consideration of H.R. 4015 and would welcome the opportunity to work with you on revisions to the legislation if the Committee acts on it.

Thank you for your time and consideration. Please do not hesitate to contact me at (916) 795-3818, if we can be of any assistance.

Sincerely,

MARCIE FROST
Chief Executive Officer

Enclosure



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December 18, 2017

The Honorable Kevin McCarthy
Majority Leader
U.S. House of Representatives
H-107, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Leaders McCarthy and Pelosi:

Subject: H.R. 4015, THE "CORPORATE GOVERNANCE REFORM AND
TRANSPARENCY ACT OF 2017"

On behalf of the California Public Employees' Retirement System (CalPERS), I write to express our opposition to H.R. 4015, the "Corporate Governance Reform and Transparency Act of 2017," which is scheduled to be considered by the full House this week.

CalPERS is the largest public, defined benefit pension plan in the United States, with approximately \$346.13 billion in global assets, as of market close December 13, 2017. CalPERS manages investment assets on behalf of more than 1.8 million public employees, retirees, and beneficiaries. As a global, institutional investor that invests in more than 11,000 public companies worldwide, we rely on the integrity and efficiency of our financial markets to furnish the long-term sustainable, risk-adjusted returns that allow us to meet our liabilities.

Although we support the House Financial Services Committee's focus on bipartisan ways to foster a system that promotes capital formation and maximizes shareowner value, we have several substantive concerns about H.R. 4015. Given the large number of public companies in which CalPERS holds voting shares, we use proxy advisory firms and other data providers to assist us with analysis of management and shareowner proposals and director elections. In providing these services to CalPERS, these firms are guided by our Governance and Sustainability Principles and proxy voting policies to efficiently provide independent research and analysis that helps to inform our voting decisions. While we are certainly in favor of ensuring that proxy advisory firms are well-regulated and transparent, we oppose efforts to create an unduly burdensome regulatory regime in this area.

H.R. 4015 would create such a regulatory regime by establishing conflict of interest management requirements that are duplicative of existing Securities and Exchange Commission (SEC) authority. Currently, shareowners pay proxy advisory firms through contractual arrangements, and this provision of H.R. 4015 appears designed to fix a problem that does not exist among contracting parties.

In addition, the bill would establish a process by which corporations have preliminary access to the proxy information that investors pay for under contracts with proxy advisory firms. At the same time, corporations that do not provide early access to their consultants' positions on items subject to shareowner votes would not be required to register with the SEC. The bill would also significantly increase proxy voting costs for investors and create additional barriers to entry for new proxy advisory firms. Finally, the bill's definition of "proxy advisory firm" makes it unclear whether the intent is to regulate the thousands of entities that provide advice to institutional investors or only the three or so that would be considered proxy advisory firms under this definition.

Considering the SEC's limited resources and ever-increasing responsibilities for addressing a broad range of emerging challenges in our securities markets, it would be imprudent to impose unnecessary requirements on the agency. As an institutional investor that uses proxy advisory services, we oppose H.R. 4015.

Thank you for your consideration of these views. Please do not hesitate to contact me at (916) 795-3818, if we can be of any assistance.

Sincerely,

MARCIE FROST
Chief Executive Officer