



California Public Employees' Retirement System

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The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Minority Member  
Committee on Financial Services  
U.S. House of Representatives  
2004 Rayburn House Office Building  
Washington, DC 20515

February 25, 2020

**Subject: H.R. 5929, The "Shareholder Political Transparency Act of 2020"**

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the California Public Employees' Retirement System, I write to express support for legislation scheduled for markup in your Committee that would require the Securities and Exchange Commission (SEC) to adopt rules that require issuers to disclose detailed information about their political spending to the SEC and shareholders in specified quarterly and annual reports.

As the largest public defined benefit pension fund in the United States, we manage approximately \$400 billion in global assets on behalf of more than 1.9 million public employees, retirees, and beneficiaries. Our duty to pay benefits decades into the future requires that we take a long-term view in assessing whether the companies that we hold in our portfolio are effectively managed. Financial reporting plays an integral role in this assessment by providing transparent and relevant information about the economic performance, conditions, and operations of the companies in which we invest.

Our Governance & Sustainability Principles call for responsible board oversight including disclosures of corporate charitable and political activity to ensure alignment with business strategy and to protect assets on behalf of shareowners. As fiduciaries, we need to know how

our capital is being used, including if and when political expenditures are made. We have consistently supported enhanced disclosure of such spending since the SEC received a petition in 2011 to require U.S. public company disclosure of charitable and political expenditures.

Importantly, in the landmark case *Citizens United v. FEC*, 588 U.S. 310 (2010), the U.S. Supreme Court based its ruling in large part on the ability of shareholders to raise objections through shareholder engagement. In particular, the Court found that “[w]ith the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for this positions and supporters. Shareholders can determine whether their corporation’s political speech advances the corporation’s interests in making profits, and citizens can see whether elected officials are ‘in the pocket’ of so-called moneyed interests.” 540 U.S. at 259 (opinion of Scalia, J.).

While transparency is slowly improving through shareholder engagement and companies’ voluntary adoption of political spending disclosure policies and board oversight procedures, the information that is provided by reporting corporations in most cases is neither comprehensive nor consistent. Given the disparate nature of voluntary efforts, SEC rulemaking would bring clarity and consistency in the format and scope of disclosures and provide a cost-effective alternative to private ordering. Furthermore, political expenditure disclosure is consistent with the SEC’s requirement for public companies to disclose meaningful financial information and would encourage prudent use of corporate shareowner resources for political activities.

Thank you for considering our views. We look forward to continuing to work with Congress and the SEC to implement these important disclosures. Please do not hesitate to contact me directly at (916) 795-3818, or your staff can contact Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance.

Sincerely,

Marcie Frost  
Chief Executive Officer

cc: The Honorable Bill Foster, Member, Committee on Financial Services  
Danny Brown