



California Public Employees' Retirement System

Executive Branch

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

August 20, 2019

**Subject: August 21, 2019 Open Meeting**

Dear Chairman Clayton,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing regarding the recent public announcement that the Securities and Exchange Commission (Commission or SEC) will meet on August 21, 2019 to consider publishing guidance regarding the proxy voting responsibilities of investment advisers and the applicability of the proxy rules to proxy voting advice. CalPERS is concerned that such significant public policy changes should be made through a standard rulemaking process including formal notice and comment, rather than through an informal process without public input.

CalPERS is the largest defined benefit public pension fund in the United States with approximately \$376 billion in global assets. CalPERS invests these assets on behalf of more than 1.9 million members, retirees, and beneficiaries. We aim to provide responsible and efficient stewardship of the System to deliver sustainable, long-term investment returns. As a long-term institutional investor, we are strong advocates for good governance and the protection of investor rights. We are concerned that new Commission interpretations or guidance may adversely impact our contractual relationships with our chosen proxy service providers and inhibit our ability to obtain timely, independent, and cost-effective research.

The Council of Institutional Investors (CII) recently wrote to you on this topic.<sup>1</sup> We add this letter in support of CII's position. We share the concerns CII expressed in its letter and further

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<sup>1</sup> Letter from Jeffrey Mahoney, General Counsel, Council of Institutional Investors, to Jay Clayton, Chairman, Securities and Exchange Commission (Aug. 15, 2019), [https://www.cii.org/files/issues\\_and\\_advocacy/correspondence/2019/August%2015%202019%20letter%20to%20Chairman%20Clayton%20final.pdf](https://www.cii.org/files/issues_and_advocacy/correspondence/2019/August%2015%202019%20letter%20to%20Chairman%20Clayton%20final.pdf).

emphasize the U.S. Department of the Treasury recommendation “that the SEC and CFTC avoid imposing substantive new requirements by interpretation or other guidance.”<sup>2</sup>

If major changes to policies relating to responsibilities of investment advisers or the applicability of the proxy rules to proxy voting advice are to be made, CalPERS would appreciate the opportunity to be heard via a formal rulemaking process including notice and public comment. Thank you for your attention. We welcome the opportunity to further discuss these issues. If you have any questions or need additional information, please contact Don Pontes, CalPERS Investment Director, at Don.Pontes@calpers.ca.gov.

Sincerely,

Marcie Frost  
Chief Executive Officer

cc: The Honorable Robert J. Jackson Jr., Commissioner, U.S. Securities and Exchange Commission  
The Honorable Hester M. Peirce, Commissioner, U.S. Securities and Exchange Commission  
The Honorable Elad L. Roisman, Commissioner, U.S. Securities and Exchange Commission  
The Honorable Allison Herren Lee, Commissioner, U.S. Securities and Exchange Commission

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<sup>2</sup> U.S. Department of the Treasury, A Financial System That Creates Economic Opportunities, Capital Markets 9-10 (Oct. 2017), <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>.