



February 3, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609
via email at rule-comments@sec.gov

RE: File Number S7-23-19 (Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8)

Dear Ms. Countryman:

The Los Angeles County Employees Retirement Association (LACERA) appreciates the opportunity to submit comments in response to the Securities and Exchange Commission's (SEC or Commission) December 4, 2019, proposed rulemaking regarding procedural requirements and resubmission thresholds under Exchange Act Rule 14a-8 (Proposed Rulemaking).¹ LACERA is the largest county pension system in the United States, with over \$60 billion in plan assets as of January 31, 2020, including equity holdings in approximately 2,800 U.S. companies. LACERA's mission is "to produce, protect, and provide the promised benefits" for about 170,000 beneficiaries.

As outlined in our comments submitted in advance of the Commission's November 15, 2018, Roundtable on the Proxy Process, we believe that sound corporate governance practices at the firms in which we invest help generate long-term economic performance and safeguard our interests as providers of long-term capital to U.S. financial markets.² We consider proxy votes to be plan assets and a fundamental component of how LACERA advocates prudent governance practices in our portfolio holdings. We therefore urged – and continue to urge – the Commission to prioritize efforts to strengthen investors' franchise and the integrity of our proxy votes by ensuring end-to-end vote confirmation and enacting the Commission's 2016 proposed universal proxy rule. We remain of the view that the integrity of investors' franchise is the paramount priority for the U.S. proxy system.

Our comments on the Proposed Rulemaking are guided by our *Corporate Governance Principles*, which consider that investors with a reasonable ownership interest in a firm should have the right to put forward a resolution for investors' consideration and vote at the firm's annual meeting.³ We believe that the current rules and conditions in place under Rule 14-8a are adequately functioning to ensure investors' reasonable ability to submit resolutions. The Proposed Rulemaking is unnecessary and may present undesirable impediments to investors' ability to present such proposals.

¹ United States Federal Register. Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8. Securities and Exchange Commission. File Number S7-23-19. December 4, 2019. Available at: <https://www.federalregister.gov/documents/2019/12/04/2019-24476/procedural-requirements-and-resubmission-thresholds-under-exchange-act-rule-14a-8>.

² LACERA. Letter to the U.S. Securities and Exchange Commission. October 30, 2018. Available at: <https://www.sec.gov/comments/4-725/4725-4587744-176291.pdf>.

³ LACERA. *Corporate Governance Principles*. March 2019. Available at: <http://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/CorpGovPrinciples.pdf>.

Shareholder Proposals Are Limited in Volume

Shareholder proposals have consistently constituted only 2% of LACERA's total proxy votes cast for each of the past three years. Director nominees represent the most prevalent topic of our proxy votes (about two-thirds of total votes), followed by various capital structure, investor rights, and compensation-related matters. We do not consider the volume of shareholder proposals to be excessive.

Shareholder Proposals Enable Private Ordering and Are Beneficial

Although LACERA has rarely sponsored shareholder proposals, we welcome the opportunity to consider and vote on proposals as a means to facilitate market dialogue on emerging topics, encourage company adoption of governance practices in line with our policies, and enable companies to respond to investor support for proposals with suitable policies without introducing market-wide regulation. As long-term investors, we note that numerous governance practices have emerged through shareholder proposals, such as annual elections for directors, majority voting standards for uncontested director nominees, and proxy access provisions by which investors may put forth alternative nominees for consideration under specified terms and conditions in company bylaws. Each of these practices – espoused by LACERA's own *Corporate Governance Principles* – are now practiced by the vast majority of large cap companies in the U.S. market and many small- and mid-cap companies as well. As proposals have evolved to increasingly target material issues at companies with reasonable requests for enhanced disclosure or risk mitigation policies, so too has LACERA's support level. In the fiscal year ending June 30, 2019, LACERA supported 82% of shareholder proposals.

The Proposed Rulemaking Further Constrains Investor Input at Multiclass Companies

The Proposed Rulemaking's increased resubmission thresholds may further impede investors' ability to encourage governance reforms at some of the largest companies in the U.S. market. Currently half of the top ten Russell 3000 U.S. index constituents have weighted, multi-class voting structures, meaning that many diversified institutional and retail investors alike maintain investment exposures to these companies. While weighted voting typically denies proposals the ability to garner majority support, proposals may be a means for a company to measure outside investor support for proposed governance reforms. The SEC should study the impact of the Proposed Rulemaking on investors' ability to bring proposals at multi-class companies prior to finalizing any new rules.

We appreciate this opportunity to provide comments. Please contact the undersigned at 1 (626) 564-6000 or jgrabel@lacera.com if you would like to further discuss any of the above remarks.

Sincerely,



Jonathan Grabel
Chief Investment Officer

CC: The Honorable Jay Clayton, Chair
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner