



Ohio Public Employees Retirement System

July 24, 2019

Submitted via electronic filing: rule-comments@sec.gov

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: SEC Regulatory Flexibility Agenda; File No. S7-04-19

Dear Ms. Countryman:

The Ohio Public Employees Retirement System (OPERS) appreciates the opportunity to submit comments on the Securities and Exchange Commission's (SEC or Commission) Regulatory Flexibility Agenda; and in particular, the Commission's planned rulemaking regarding the use by proxy advisory firms of certain exemptions to the SEC's proxy solicitation rules. We urge the Commission to reconsider this planned rulemaking and remove the item pertaining to Rule 14a-2(b) from the Proposed Rule Stage.

OPERS is the largest public retirement system in Ohio, with more than one million active, inactive, and retired members. Almost one out of every 12 Ohioans has some connection to our System. In order to provide secure retirement benefits for our members, OPERS invests approximately \$100 billion in capital markets around the world, including holdings in more than 9,300 public companies. As a fiduciary, OPERS is required to act in the best interest of its members, and this responsibility extends to the prudent management of the investments we make with our members' retirement contributions. More than two-thirds of OPERS' annual benefit payments are funded through investment returns. As a result, OPERS is focused on maximizing value across its investment portfolio.

We firmly believe that positive shareholder engagement is an integral part of maximizing shareholder value. As such, we consider effective engagement to be a key component of our fiduciary duty to our members. OPERS regularly engages with public companies in order to establish a dialogue with boards of directors and management. These interactions allow us to better understand the viewpoints of the companies in which we are invested and provide us with opportunities to offer our thoughts and concerns regarding the maximization of shareholder value.

However, effective shareholder engagement requires that we are aware of, and able to address the many governance issues that can arise in any given year. With limited staff and resources, it is practically impossible to devote the necessary time and attention to the thousands of proxies we receive each proxy season. Consequently, it was necessary for OPERS to hire a proxy advisory firm in order to fulfill its engagement and governance obligations, and to do so in a more informed, productive, and efficient manner.

Unfortunately, proxy advisory firms are often mischaracterized as wielding undue influence over the voting decisions of their clients, but the reality is that most institutional investors take steps to avoid this. For example, OPERS has developed its own corporate governance policy and proxy voting guidelines, which have been integrated with our proxy advisor's voting platform. As a result, all votes made on OPERS' behalf are made in accordance with *our* policies and guidelines, as opposed to the proxy advisory firm's recommendations. In this way, OPERS maintains complete control over its proxy votes, though in most

cases they are functionally being cast by the proxy advisory firm. Further, we actively engage with our proxy advisor and perform monthly audits to ensure compliance with our policies and guidelines.

OPERS also depends heavily on the research reports we receive from our proxy advisory firm. These reports are critical to the internal analyses we perform before any vote is submitted. Without access to the timely and independent research provided by our proxy advisor, it would be virtually impossible to vote each of our proxies in an informed and effective manner. This is why proposals to allow issuers to pre-review or edit research reports are so troublesome. Any regulation or restriction that erodes our confidence in the objectivity of the work product we receive from our proxy advisory firm, reduces the time we have to review their research, or otherwise infringes on our ability to fully utilize the services that we, as a conscientious investor and consumer, have determined we need will materially impact our ability to hold companies accountable for decisions made at the expense of long-term shareholder value.

We respectfully request that the Commission reconsider its decision to focus its efforts and limited resources on regulating proxy advisory firms. These entities provide a necessary and valuable service to investors that wish to fully participate in the governance process and more effectively engage as shareholders. The administrative costs of attempting to recreate or duplicate the services we receive from our proxy advisory firm would be prohibitive for a public institution like OPERS. Issuer concerns regarding proxy advisory firm methodologies and decision-making processes should be addressed through collective dialogue between issuers, proxy advisory firms, and investors, not government regulation.

We urge the Commission to see proxy advisory firms for what they are – resources used by investors to efficiently and effectively exercise their ownership rights, including the right to raise objections regarding decisions that will negatively impact the value of their investments.

OPERS must be able to rely on the timeliness, independence, and objectivity of the information it receives from its proxy advisory firm. Anything less than that will materially impact our ability to appropriately exercise our rights as shareholders and fulfill our responsibility to the many public employees, retirees, and others who depend on us for their retirement security. For these reasons, OPERS respectfully requests that the SEC avoid taking any actions that would increase our costs, compress the timelines for receiving research reports, or diminish the independence of the research we receive from our proxy advisory firm.

If you have questions or comments regarding OPERS' submission, please do not hesitate to contact us.

Sincerely,



Karen Carraher
Executive Director



Patti Brammer
Corporate Governance Officer