December 11, 2017

The Honorable Paul Ryan
Speaker of the House of Representatives
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Ryan and Leader Pelosi:

On behalf of the National Conference on Public Employee Retirement Systems (NCPERS), I am writing to relay our serious concerns with, and opposition to, H.R. 4015, the “Corporate Governance Reform and Transparency Act of 2017,” which was reported out of the House Financial Services Committee on November 15.

The legislation is riddled with worrisome provisions, premised on false assumptions, that undercut the ability of pension plans to receive independent, unbiased corporate governance research, introducing new costs and burdens to pension plans and undermining their ability to effectively exercise their fiduciary responsibilities. We are alarmed by the precedent this legislation would set.

NCPERS is the largest national, nonprofit public pension advocate, representing more than 500 funds that manage more than $3 trillion in pension assets. We strive to protect the autonomy and independence of state and local government retirement systems. H.R. 4015 would undermine this very principle.

Many pension plan administrators employ proxy advisory firms to provide them with unbiased and independent data and analytical research to help them formulate their corporate governance and proxy voting policies. In addition, in some instances our members ask the proxy advisory firms to implement their proxy voting instructions on their behalf following a plan’s guidelines. The use of proxy research reports prepared by proxy advisory firms is one important way that our members exercise their due diligence to make independent, well-informed decisions. H.R. 4015 would undermine this very principle.

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Additionally, the regulatory regime proposed under H.R.4015 is part-inappropriate and part-unnecessary, and would needlessly drive up costs for public pension plans while reducing market choice. While NCPERS welcomes the opportunity to protect public pensions, we are puzzled by the need to impose a new federal regulatory regime that is largely duplicative of existing SEC requirements that are designed to protect investors, including those for registered investment advisers under the Investment Advisers Act of 1940. Other provisions of H.R. 4015 propose to bypass free-market principles by authorizing the SEC to pre-qualify industry entrants based on a set of vague and highly subjective standards. We believe that contrary to the sponsors’ stated intent, namely to increase competition and protect investors, the heavy-handed regime would result in fewer market participants, would enhance barriers to new entrants and could potentially lead smaller proxy advisory firms to exit the industry altogether, reducing market choice for our members. In the end, H.R.4015 would increase costs, perhaps significantly increase costs, to pension plans administrators and beneficiaries while providing no additional benefits.

Public pensions play an important role in the local, state and national economies. We ask that you consider the detrimental impact that H.R. 4015 would have on the independence and financial wellbeing of public pension plans, and urge you to oppose this and any similar legislation.

NCPERS greatly appreciates your time and consideration. If there is any additional information I can provide that would assist you, please do not hesitate to contact me.

Sincerely,

Hank Kim, Esq.
Executive Director & Counsel

CC: The Honorable Pete Sessions
    The Honorable Tom Cole
    The Honorable Steny Hoyer
    The Honorable Louise Slaughter