

May 17, 2017

The Honorable Paul Ryan
Longworth House Office Building, Room 1233
United States House of Representatives
Washington, DC 20515-4901

Re: The Financial CHOICE Act of 2017

Dear Speaker Ryan:

On behalf of the Council of Institutional Investors and the undersigned investors, I am writing to share with you our concerns about several provisions currently included in the Financial CHOICE Act of 2017 (Act).

The Council of Institutional Investors (CII) is a nonprofit, nonpartisan association of corporate, public and union employee benefit funds and endowments with more than 120 members with combined assets that exceed \$3 trillion. In addition, our associate (nonvoting) members include more than 50 asset management firms that manage assets in excess of \$20 trillion.

Member funds include major long-term shareowners with a duty to protect the retirement assets of millions of American workers. CII strives to educate its members and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on our members' behalf.

As significant long-term investors, CII member funds have a deep, abiding interest in ensuring that the U.S. capital markets are on a sound footing. Americans suffered enormously from the 2001 Enron scandal and the 2008 financial crisis – they lost jobs, homes and retirement savings – and we can't go back.

We are deeply troubled by provisions of the Act that would threaten prudent safeguards for oversight of companies and markets, including sensible reforms that investors need to hold management and boards of public companies accountable, and that foster trust in the integrity of the markets.

We stand ready to work with you and your colleagues in Congress to ensure that U.S. markets are safe, vibrant and fair for all investors and all Americans. Our concerns with the Act include the following five key areas:

The bill would:

1. **Set prohibitively costly hurdles on shareholder proposals.** The bill would require a shareholder wishing to put a proposal on a company's annual meeting ballot to own at least 1% of the stock for three years (the current requirement is \$2,000 worth of stock for

- one year). That would raise the ownership threshold to file a shareholder proposal to \$7.5 billion at Apple, \$3.4 billion at Exxon Mobil and \$2.6 billion at Wells Fargo, for example.
2. **Roll back curbs on abusive pay practices.** Shareholders would get an advisory vote on executive compensation only when there is undefined “material” change in CEO pay; most U.S. public companies offer investors say-on-pay votes annually. Clawbacks of unearned executive compensation would be limited.
 3. **Restrict the right of shareholders to vote for directors in contested elections for board seats.** The bill would bar the use of “universal proxy” cards that give investors freedom of choice to vote for the specific combination of director nominees they believe best serves their interests.
 4. **Create an intrusive new regulatory scheme for proxy advisors that provide shareholders with independent research they need to vote responsibly.** The bill would drive up costs for investors, and potentially would muzzle critical commentary from proxy advisory firms, and even drive some proxy advisors out of business.
 5. **Shackle the Securities and Exchange Commission (SEC), including with excessive cost-benefit analysis requirements, unwise limits on enforcement and Congressional review requirements that appear designed to foster the ability of special interests to block needed rules.** These provisions would severely undercut the SEC’s ability to fulfill its mission to protect investors, police markets and foster capital formation.

We would welcome the opportunity to continue this discussion with your office as consideration of the Act progresses. In the meantime, if you have any questions or concerns about our views, please feel free to contact me at jeff@cii.org or (202) 261-7081.

Sincerely,



Jeff Mahoney
General Counsel
Council of Institutional Investors



Marcie Frost
Chief Executive Officer
California Public Employees’ Retirement
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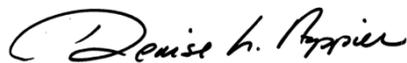
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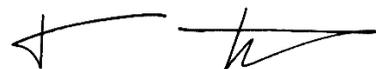
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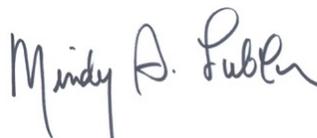


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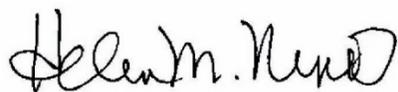
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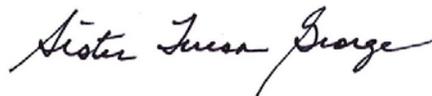


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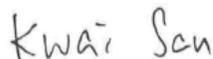
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