NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

Statement of New York City Comptroller Scott M. Stringer on the April 19th Discussion Draft of the Financial CHOICE Act of 2017 (Act)

New York, NY, April 25, 2017 – As Comptroller for the City of New York, I am the chief investment advisor and custodian of assets of the five New York City Pension Funds (NYC Pension Funds) and a trustee of four of them.

The NYC Pension Funds are long-term shareowners of more than 3,000 U.S. public companies and are the fourth largest public pension system in the United States, with $170 billion in assets under management. Our funds have likely filed more than 1,000 shareholder proposals, almost certainly more than any other institutional investor in the world, with a record dating back 30 years.

Section 844 of the draft Act includes provisions that would dramatically change the shareholder proposal process, and block the ability of the NYC Pension Funds to submit shareholder proposals. Currently, under the U.S. Securities and Exchange Commission (SEC) Rule 14a-8, shareowners who own 1% or $2,000 worth of outstanding shares for at least one year can submit a single proposal to be included in a public company's proxy statement. Section 844(b) of the draft Act would eliminate the $2,000 threshold and require investors to hold a minimum of 1% of the issuer's voting securities over a three- year holding period.

The NYC Pension Funds have a proud record of engaging our portfolio companies on a broad range of environmental, social, and corporate governance issues, and thereby working to enhance long-term shareowner value, often through shareowner proposals. Despite being among the largest pension investors in the world, we rarely hold more than 0.5% of any individual company, and most often hold less. As a result, the Act, if enacted, would effectively prevent our funds entirely from participating in the shareholder proposal process.

Shareholder proposals have been an important tool for the NYC Pension Funds to prompt constructive engagement on specific concerns that benefit the investing public, both financially and socially. A few of our most recent and most impactful efforts directly resulting from our shareholder proposals include the following:

In 2014, we launched the Boardroom Accountability Project—an effort to enact proxy access on a company-by-company basis in the U.S. market. At the time, just a handful of U.S. companies had proxy access bylaws, which allow shareowners to nominate one or more directors to a company's board of directors, and require the company to list those nominees on the company's proxy voting card. Today more than 400 companies, including 58% of the S&P 500, have proxy access bylaws. A July 2015 study by economic researchers at the SEC analyzed the public launch of the Boardroom Accountability Project and found a 0.5% average increase in shareowner value at the targeted firms. The findings were consistent with the 2014 CFA Institute study that found that proxy access on a market-wide basis has the potential to raise U.S. market capitalization by as much as 1%, or $140 billion.

The NYC Pension Funds for many years have fought for strong policies to enable boards to claw back compensation from senior executives responsible for egregious misconduct that causes financial or reputational harm to their companies. In 2013, we successfully negotiated this enhancement to Wells Fargo's clawback policy. The policy then enabled the Wells Fargo board of directors to announce in September 2016 that it would recoup $41 million from CEO John Stumpf and $19 million from former Senior Vice President Carrie Tolstedt in order to hold them financially accountable for the credit card scandal which cost 5,300 lower-level employees their jobs and cost Wells Fargo $185 million in fines and penalties.

Our shareholder proposals have encouraged many companies to adopt anti-discrimination practices, including stepping up board diversity and disclosing data on work force composition by race and gender. Studies have found that board and workforce diversity enhances financial returns. The NYC Pension Funds were early and vocal proponents of corporate policies against workplace discrimination based on sexual orientation or gender identity. Now, almost 90% of Fortune 500 companies prohibit discrimination based on sexual orientation, and two-thirds prohibit discrimination based on gender identity.

Our diversity focus has recently expanded to include gender pay equity. We filed proposals at major insurance and health care companies—two industries that have the highest adjusted gender pay gaps in the nation—to disclose information on how they address gender pay equity. In response:

- AIG released information on how it reviews employee salaries and has worked to ensure women and men are compensated equally;
- Aflac committed to disclosing its female to male salary ratio, opportunities for advancement, and details on board oversight of compensation and benefits in its next Corporate Social Responsibility report;
- Allstate committed to publish a diversity report discussing its annual compensation review process, gender pay equity adjustment policies, opportunities for advancement, and details on board oversight of diversity efforts; and
- Anthem and UnitedHealth Group agreed to conduct additional analyses on gender pay equity.

The following are among other policies advocated over the years in our shareholder proposals that now have wide acceptance:

- Substantial independent majorities on boards of directors
- Enhanced standards of independence for members of company audit and compensation committees
- Independent nominating committees
- Annual election of all directors
- Majority vote standards in election of directors
- Annual sustainability reporting
- Shareholder advisory votes on executive compensation
- Emphasis on performance-based awards in executive compensation; and
- Shareholder votes to ratify auditors

All of the above achievements and many more were made possible because of the NYC Pension Funds' long standing right and ability to file shareholder proposals—a right and ability that would be pointlessly eviscerated by the passage of the Act.

Should the Financial Services Committee desire greater details about the impact of the draft Act on the work of the New York City Comptroller's Office and the NYC Pension Funds, please reach out to Michael Garland in our Office at mgarlan@comptroller.nyc.gov or (212) 669-2517.

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