

Via Email

October 4, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick T. McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: H.R. ____, To amend the Securities Exchange Act of 1934 to improve the governance of multi-class stock companies, to require issuers to make annual diversity disclosures, and for other purposes.

Dear Madame Chairwoman and Ranking Member McHenry:

We are writing to express support for draft legislation under consideration during the United States House of Representatives Financial Services Committee hearing, to be held October 5, 2021, to amend the Securities Exchange Act of 1934 to strengthen corporate governance disclosures and provisions of publicly listed companies, including related to multi-class stock companies and diversity disclosures (Draft Bill).

The Los Angeles County Employees Retirement Association (LACERA) is the largest county pension system in the United States, with approximately \$73 billion in plan assets as of September 30, 2021, including equity holdings in about 2,400 U.S. companies. LACERA's mission is "to produce, protect, and provide the promised benefits" for over 170,000 beneficiaries who serve the most populous county in the nation. We encourage public policies governing financial markets that promote sustainable value to enhance our ability to fulfill our mission.

The provisions of the Draft Bill are consistent with LACERA's own [Corporate Governance and Stewardship Principles](#) which articulate our views on best practices to protect and promote value creation at portfolio companies.

First, LACERA believes that investors should have voting rights proportionate to their economic interests. Multiclass ownership structures may entrench certain investors and management, insulating them from acting in the interests of all investors. LACERA supports the

Draft Bill's provisions to prohibit, on a prospective basis, the listing of any security of an issuer that has two or more classes of stock with unequal voting rights for more than a certain period of years without periodic approval by shareowners. We consider this "sunset" requirement to be a reasonable step towards promoting the principle of "one share, one vote."

Second, LACERA also encourages all corporate boards to be composed of highly qualified individuals who are best positioned to oversee the company's strategy for creating and sustaining value. We think boards should give consideration to ensuring that directors possess a diverse set of relevant skills, experiences, and backgrounds, inclusive of diverse gender, racial, and ethnic backgrounds, disability status, and the LGBTQ community. A diverse and inclusive board is better positioned to effectively deliberate and oversee business strategy in investors' interests. We therefore support the Draft Bill's provisions to encourage adequate disclosure of the diversity of listed companies' board of directors and senior executives on a self-identified basis.

Lastly, LACERA believes financial rules and regulations should promote fair, orderly, and competitive markets and provide for investor protections. We support the Draft Bill's provisions to clarify that the U.S. Securities and Exchange Commission (SEC) has the authority to issue other rules and regulations to require the stock exchanges to maintain and improve their corporate governance-related listing standards in a manner that the SEC determines necessary or appropriate for the protection of investors. Consistent rules are paramount for orderly and fair capital markets, upon which we depend to generate value and pay member benefits.

As providers of capital to U.S. financial markets, we believe the Draft Bill would enhance investor protections, facilitate clear market information by which investors make decisions, and strengthen the SEC's capacity to promote orderly, consistent market rules. We note and welcome that the Draft Bill also reflects the sound legislative policy recommendations of the SEC's Office of the Investor Advocate.

Thank you for your consideration. Please contact me if you would like to further discuss.

Sincerely,



Jonathan Grabel
Chief Investment Officer

CC: The Honorable Brad Sherman, Chair, Subcommittee on Investor Protection,
Entrepreneurship and Capital Markets, Committee on Financial Services, United States
House of Representatives