The Honorable Richard C. Shelby  
Chairman  
Committee on Banking, Housing, and Urban Affairs  

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate  
Washington, DC 20510  

September 19, 2016  

Re: Proposed Legislation H.R 5311 – Corporate Governance Reform and Transparency Act, 2016  

Dear Mr. Chairman and Ranking Member Brown:  

I am writing on behalf of Wespath Benefits and Investments (Wespath) to share our concerns about proposed legislation (H.R. 5311) currently under consideration in the U.S. House of Representatives relating to the activities of proxy advisory firms.  

Wespath manages $21 billion in assets\(^1\) on behalf of 100,000 pension participants of The United Methodist Church and more than 100 United Methodist-affiliated institutional clients. We are the largest denominational investor in the United States and among the 100 largest U.S. pension funds.  

Wespath actively integrates environmental, social and governance (ESG) factors into our investment decisions as we believe it is fundamental for long-term value creation. Active ownership, including proxy voting, is an integral element of our investment strategy and is a responsibility that we take very seriously on behalf of our participants. Proxy advisory firms play a vital role in the successful completion of this task. First, these firms provide research that helps inform our voting decision-making; second, these firms assist us in executing our proxy voting guidelines in a thoughtful yet efficient manner.  

The proposed legislation will require that proxy advisory firms (1) provide companies advance copies of their recommendations and the research informing their reports, (2) enable companies to review and challenge the proxy advisory firms about their recommendations, and (3) appoint an “ombudsman” to resolve issues that companies raise.  

After extensive discussions with our proxy voting advisors (Glass Lewis and ISS) and global investor peers, Wespath believes that the unintended consequences of the proposed legislation will outweigh any potential benefits. Moreover, we believe that it may negatively impact our ability to vote in the best interest of our participants, potentially undermining our role as fiduciaries.  

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\(^1\) As of September 2016.
Our main concerns are:

- **Inability to make informed voting decisions in a timely manner**
  Wespath has investments in more than 5,500 companies around the world. Approximately 78% of these companies hold their Annual General Meetings (AGMs) during “peak proxy season” (April – June). The proxy advisory firms play a key role in gathering, analyzing and summarizing pertinent information (from public material and obtained through direct contact with companies throughout the year) that can inform each voting decision.

  If the proposed legislation is implemented, we anticipate considerable challenges to the proxy advisory firms’ ability to issue vote recommendations in a timely manner. Given the tight timing that already exists for our own internal review of proxy research and voting decision-making, we are concerned that we may not be able to make informed voting decisions during the required time periods.

- **Increase in costs for proxy advisory firms, pension funds and their beneficiaries**
  We anticipate an increase in costs for voting services if proxy advisory firms require additional personnel to engage with companies during peak season and appoint ombudsmen.

  The proxy advisory firms’ current business models are designed to engage with companies, as part of their research process throughout the year and to contact companies during peak season for clarification on specific issues. Proxy advisory firms also hire seasonal personnel that provide support during peak season so that research can be produced on time.

  If the proposed legislation is implemented, we believe that current business models may be negatively impacted, most likely driving up costs and thereby impacting pension funds and their beneficiaries.

- **Restrictions on hiring the proxy advisory firm of choice**
  After careful due diligence, Wespath has chosen two proxy advisory firms that help inform our voting decisions. Our primary advisor (Glass Lewis) was selected for the quality of its research and service, as well as its technical capabilities. If the proposed legislation is implemented, we believe there is a real risk that our advisor might go out of business as a result of the increased costs detailed above. This will prevent us from hiring our preferred proxy voting advisor and will negatively impact competition in the market for proxy advisory services.

Thank you for taking the time to review and understand Wespath’s perspective on these important issues. If you have any further questions, please direct them to my colleague Daniela Jaramillo, djaramillo@wespath.org, who leads our corporate governance and proxy voting activities.

Sincerely,

[Signature]

David H. Zellner
Chief Investment Officer
cc:  The Honorable Michael D. Crapo, Chairman, Subcommittee on Securities, Insurance, and Investment, Committee on Banking, Housing, and Urban Affairs
    The Honorable Mark Warner, Ranking Member, Subcommittee on Securities, Insurance and Investment, Committee on Banking, Housing, and Urban Affairs
    The Honorable Bob Corker, Committee on Banking, Housing, and Urban Affairs
    The Honorable David Vitter, Committee on Banking, Housing, and Urban Affairs
    The Honorable Patrick J. Toomey, Committee on Banking, Housing, and Urban Affairs
    The Honorable Mark S. Kirk, Committee on Banking, Housing, and Urban Affairs
    The Honorable Dean Heller, Committee on Banking, Housing, and Urban Affairs
    The Honorable Tim Scott, Committee on Banking, Housing, and Urban Affairs
    The Honorable Ben Sasse, Committee on Banking, Housing, and Urban Affairs
    The Honorable Tom Cotton, Committee on Banking, Housing, and Urban Affairs
    The Honorable Michael Rounds, Committee on Banking, Housing, and Urban Affairs
    The Honorable Jerry Moran, Committee on Banking, Housing, and Urban Affairs
    The Honorable Jack Reed, Committee on Banking, Housing, and Urban Affairs
    The Honorable Charles E. Schumer, Committee on Banking, Housing, and Urban Affairs
    The Honorable Robert Menendez, Committee on Banking, Housing, and Urban Affairs
    The Honorable John Tester, Committee on Banking, Housing, and Urban Affairs
    The Honorable Jeff Merkley, Committee on Banking, Housing, and Urban Affairs
    The Honorable Elizabeth Warren, Committee on Banking, Housing, and Urban Affairs
    The Honorable Heidi Heitkamp, Committee on Banking, Housing, and Urban Affairs
    The Honorable Jeb Hensarling, Chairman, Committee on Financial Services, United States House of Representatives
    The Honorable Maxine Waters, Ranking Member, Committee on Financial Services, United States House of Representatives
    The Honorable Shawn P. Duffy, Committee on Financial Services, United States House of Representatives
    The Honorable John C. Carney, Committee on Financial Services, United States House of Representatives