CalPERS

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Vanessa Countryman
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

March 21, 2019

Subject: Request for Comment on Earnings Release and Quarterly Reporting; Release No. 33-10588

Dear Secretary Countryman:

On behalf of the California Public Employees' Retirement System (CalPERS), I write in support of the Securities and Exchange Commission's (SEC) ongoing efforts to reduce excessive burdens on reporting companies while maintaining and enhancing disclosure effectiveness and investor protections. Specifically, I write to provide a strong endorsement for the existing framework of quarterly and annual reporting. Given our support for the existing framework, we did not answer the 46 questions which address changes that we believe may result in unintended consequences that weaken rather than strengthen the existing system.

As the largest defined benefit public pension fund in the United States (US), we manage approximately $350 billion in global assets on behalf of more than 1.9 million public employees, retirees, and beneficiaries. Our fiduciary duty requires that we assess whether the companies that we hold in our portfolio are effectively managed. Timely and rich financial reporting plays a vital role in this assessment by providing transparent and relevant information about the economic performance, conditions and operations of businesses.

The current quarterly reporting structure plays a key role in supporting an investor's ability to analyze and measure a company's success in managing both financial and non-financial risks; particularly those that we believe have a long-term impact on risk and return. Quarterly reporting provides timely information, reduces information asymmetry, improves transparency, allows investors to observe trends, and may reduce the probability of insider trading. Accordingly, quarterly reporting has become a substantial and critical device in investor decision-making and strategic thinking.

Often, it is argued that providing transparency through quarterly reporting forces short-term thinking by company management. However, there is little acknowledgement of the potential consequences for the US market if the quarterly discipline is removed and management decides to keep material information to itself for longer periods of time. The auditor review and certification requirements embedded in the 10-Q, coupled with a company's desire to avoid correcting an 8-K when the 10-Q is filed, creates a certain discipline for management that would get lost if the 10-Q is eliminated. Therefore, enhancing 8-K requirements would not suffice if the 10-Q backdrop is removed.

As an institutional investor with a long-term investment horizon, CalPERS favors a financial reporting structure focused on long-term growth and sustainability, but with the nearer term transparency to enable effective decision-making. Long-term for us means decades, and a critical component of long-term sustainability is a company's ability to manage ongoing risks. As outlined in our Governance and Sustainability Principles, "Corporate directors and management should have a long-term strategic vision that, at its core, emphasizes sustained shareowner value and effective management of both risk and opportunities in the oversight of financial, physical, and human capital." For these reasons, we have continuously pushed for publicly listed companies to move beyond short-term behavior and decision-making, but we think that eliminating quarterly reports is not the right answer. We do believe there are specific reforms that would be supportive of a longer-term focus, including disclosure of high-quality, comparable, decision-useful environmental, social and governance information, as well as discouraging companies from voluntarily providing forward earnings guidance.

Our belief that corporate transparency is an essential aspect of US public markets leads us to support the existing framework of quarterly and annual reporting. Therefore, we support and encourage the SEC to continue with required quarterly reporting, as currently structured.

Thank you for considering my comments. If you have any questions or wish to engage further on this issue, please contact Don Pontes, CalPERS Investment Director, at [redacted].

Sincerely,

Marcie Frost
Chief Executive Officer

cc: Ben Meng, CalPERS Investment Officer
Don Pontes