



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Douglas J. McCarron

General President

[SENT VIA EMAIL]

July 20, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Release No. 34-60218; File No. S7-12-09

Dear Secretary Murphy:

On behalf of the United Brotherhood of Carpenters ("UBC"), I submit the following comments in response to the Securities and Exchange Commission's ("SEC") proposed rule issued on July 1, 2009, entitled "Shareholder Approval of Executive Compensation of TARP Recipients." The UBC is an international union representing construction and industrial workers in the United States and Canada who participate in nearly one hundred Taft-Hartley pension funds ("Funds") with investments assets of approximately \$40 billion. The Funds have been active institutional investors over the past three decades advocating and voting for governance and executive compensation reforms designed to enhance the long-term value of the corporations in which the funds are invested.

During the 2009 proxy season, the UBC funds held ownership positions in approximately 210 of the corporations that were recipients of financial assistance under the Troubled Asset Relief Program ("TARP"). Each of these companies, pursuant to the requirements of Section 111(e) of the Emergency Economic Stabilization Act of 2008 ("EESA"), as amended, provided investors with an opportunity to vote on an advisory management proposal to approve the compensation of corporation executives, as disclosed in their proxy statements pursuant to the SEC's compensation disclosure rules. The Funds' recent voting experience informs our comments on the proposed rule to implement the advisory vote requirement of EESA.

The explicit requirements of Section 111(e) of the EESA clearly outlined the advisory pay vote obligation imposed on TARP recipients, which facilitated good

compliance by TARP recipients in advance of implementing regulations. With regards to new Rule 14a-20, our comments are as follows:

- The SEC need not include specific requirements regarding the manner in which the advisory shareholder vote is presented. The vote language used by most TARP companies this proxy season allowed shareholders to vote to approve “the compensation of executives, as disclosed pursuant to the compensation disclosure rule of the SEC,” or a similar formulation.
- We support the idea of the TARP recipients providing a brief description of why they are providing for a separate shareholder vote on executive compensation. This requirement will be especially important if an annual advisory vote on executive pay is extended to all exchange-listed companies pursuant to further legislation and rulemaking.
- Additional disclosures in TARP recipients’ compensation discussion and analysis (“CD&A”) should not be required.
- The rulemaking should clarify by instruction that smaller reporting companies that are TARP recipients are not required to include a CD&A in their proxy statement.
- The statutory reference regarding the non-binding advisory nature of the proposal is sufficient.
- Rule 14a-6(a) under the Exchange Act should be amended to establish that registrants that are TARP recipients are not required to file a preliminary proxy statement as a consequence of the requirement to provide for an advisory executive compensation vote.

While we support the proposed new Rule 14a-20 under the Exchange Act as outlined in the proposed rulemaking, we feel it is also imperative that we express our concerns about the operation of the advisory pay vote at TARP companies and the likelihood of the expansion of an advisory pay vote obligation to all publicly-traded companies. Although these comments are not directly responsive to the issues raised in this rulemaking proposal, we feel that they are pertinent to the broader issue of an advisory pay vote at TARP recipients and potentially at a far larger universe of companies.

In its January 27, 2006 proposed rule outlining a broad set of new executive compensation disclosure requirements, including the new CD&A, the SEC stated:

The proposed revisions to the compensation disclosure rules are intended to provide investors with a clearer and more complete picture of compensation to principal executive

officers, principal financial officers, the other highest paid executive officers and directors.¹

The final rule adopted the proposed executive compensation disclosure substantially as proposed. Noting the complexity of and variations in compensation programs, the SEC adopted an approach that combined an expanded tabular approach that had begun to develop in 1992 with improved narrative disclosure that supplemented the tabular presentations. Concerning this new approach to executive compensation disclosure, the release stated:

This approach will promote clarity and completeness of numerical information through an improved tabular presentation, continue to provide the ability to make comparisons using tables, and call for material qualitative information regarding the manner and context in which compensation is awarded and earned.²

The proxy statement executive compensation disclosure that has resulted from the SEC rulemaking provides investors with a wealth of information that facilitates analysis of a company's executive compensation plan. While some investors and commentators have expressed concerns about the length and denseness of the new disclosure, those interested in understanding the essentials of an executive compensation plan can make good use of the information. Investors can indeed get "a clearer and more complete picture of compensation to principal executive officers, principal financial officers, the other highest paid executive officers and directors."

We are concerned that these goals of enhancing investor understanding of executive compensation in order to encourage plan improvements will be unintentionally undermined by the expanded use of simplistic pay plan advisory votes at potentially thousands of companies.

The UBC pension funds, like other private and public employee pension funds, hold a large number of corporate stocks in our investment portfolios. At present, UBC pension funds hold the common stock of 3,603 different corporations, and the latest financial report for the California Public Employees Pension Fund posted on the fund's website indicates that the fund holds the stock of 4,856 domestic companies. The voting rights associated with these shares are a plan asset and plan trustees have a fiduciary duty to ensure that these voting rights are exercised in the best interests of plan participants. Our trustees take this responsibility seriously and have provided for the informed analysis of proxy voting issues that are raised at portfolio companies. However, this commitment and duty will be severely challenged by the institution of a broad annual advisory vote at all listed companies. Further, such an action will undermine the goals that motivated the work to improve compensation disclosure, as casting a pay

¹ RELEASE NOS. 33-8655; 34-53185; IC-27218; FILE NO. S7-03-06, P.8

² RELEASE NOS. 33-8732A; 34-54302A; IC-27444A; FILE NO. S7-03-06. P. 11

vote at thousands of portfolio companies will have to be based on a simple checklist of plan features given the time constraints and resource limitations facing the funds.

Following the 2007 proxy season, the SEC Staff initiated a project to communicate with companies concerning their compliance with SEC's new compensation requirements. The Staff reviewed numerous companies CD&As and then communicated with them concerning disclosure shortcomings. It is our understanding that the Staff examined 350 companies as part of this project, a fraction of all listed companies. This focused examination clearly reflected an evaluation of how best to use SEC resources in an effective manner. Institutional voters attempting to vote on executive compensation on an annual basis would have to undertake a similar level of research and analysis on thousands, not hundreds, of companies. The quality of the research and analysis will be compromised as the universe of companies to which a voting requirement applies, and the resulting vote, will impart little or no important information to companies and their compensation committees.

The past proxy season advisory vote on executive compensation at TARP recipients has highlighted the shortcomings and dangers associated with a broadly applied advisory vote. The establishment of a broad annual advisory vote at all public companies would be irresponsible, undermining executive compensation reform efforts and the voting responsibilities of institutional investors.

Thank you for your close consideration of our views.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ed Durkin".

Edward J. Durkin
Director, Corporate Affairs Department