September 15, 2009

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

RE: File No. S7-13-09

Dear Secretary Murphy:

The General Board of Pension and Health Benefits of The United Methodist Church (General Board) is the largest faith-based pension fund in the United States, managing more than $14 billion in assets on behalf of 74,000 active and retired clergy and lay employees of the Church. We are submitting comments on the Securities and Exchange Commission’s (SEC) proposed rule entitled, “Proxy Disclosure and Solicitation Enhancements.”

Compensation Discussion and Analysis Disclosure

The General Board shares the SEC’s concern regarding corporate executive compensation packages that are structured to reward short-term results or encourage excessive risk taking by decision makers. Because such pay packages may signify a material risk to the company’s financial well being, we support the proposed rule’s enhancement of executive compensation risk disclosure.

As an investor, we certainly would benefit from knowing if companies factor compensation risk into their overall corporate risk profile so long as responsibility for monitoring the assessment of such risk within business units is clearly identified. Without such identification, companies may choose to address the proposed disclosure requirement by stating, “No material adverse effect is believed to exist” - a response similar to that frequently given for the required disclosure of material environmental liabilities.

We believe the proposed rule should be revised to clarify who is responsible for monitoring the assessment of compensation risk within business units.

Enhanced Director and Nominee Disclosure

The General Board also supports expanding the description of director nominee qualifications to include, as proposed, membership on corporate boards held within the past five years and the existence of any legal proceedings within the past 10 years. Just as board monitoring and oversight
duties were enhanced by Sarbanes-Oxley in 2002 and the modifications to the NYSE listing requirements in 2003, so disclosure of director qualifications should be similarly enhanced. Investors must have sufficient information if they are to make informed decisions on proxy ballots. When voting, they should be able to evaluate the composition of the entire board, even when the company employs staggered board elections.

The General Board also enthusiastically supports amending Item 407(c)(2)(v) to require disclosure of additional factors such as gender and ethnic diversity when selecting director nominees.

For many years, the General Board has supported diversity on corporate boards and has urged nominating committees to include diversity criteria in their director qualifications policy. We believe diverse boards offer companies a broader range of experiences to draw upon and may help facilitate decision-making based on perspectives that are inclusive of the many company stakeholders including customers, employees, suppliers and communities. Several research studies suggest a positive correlation between board diversity and shareholder value.¹

**New Disclosure about Company Leadership Structure and the Board’s Role in the Risk Management Process**

We support the SEC’s proposal to require companies to explain “whether and why they have chosen to combine or separate the principal executive officer and board chair positions.”

The General Board regularly raises such issues concerning board leadership with companies in our portfolio and has filed numerous shareholder resolutions seeking to separate the position of chairperson of the board from that of the chief executive officer (CEO). We believe the chairperson of the board is accountable to shareholders while the CEO, representing management, is accountable to the board of directors. In our view, there is an inherent conflict of interest when both positions are held by the same person. We recognize, however, that corporate leadership is not “one-size-fits-all,” and would expect, at the least, a company to explain why it believes its leadership structure is in the best interests of the shareholders.

**New Disclosure Regarding Compensation Consultants**

The dangerous lack of disclosure and oversight that characterized many corporate audit committees in the early part of this decade are now being recognized as risks for compensation consultants as well. Just as auditor independence was, in some cases, compromised by fees generated for consulting services, compensation consultant independence may also be questioned if consultants receive fees from other engagements with the company. We encourage the SEC to require disclosure of the nature and extent of all services provided by compensation consultants.

(and affiliates) to the company (and affiliates) and to aggregate fees by amounts paid for executive compensation and other services.

**Reporting of Voting Results on Form 8-K**

Representatives from the General Board regularly attend company annual meetings where, in our experience, preliminary shareholder resolution and other proxy voting results are announced. Beginning in 2009, however, we witnessed a new trend at annual meetings as companies began to withhold disclosure of preliminary proxy vote results, choosing instead to report simply that items had either “passed” or “failed” and informing attendees that full results would be published in a future Form 10-Q. We observed this situation at the annual meetings of Halliburton, Freeport McMoRan and Standard Pacific Corporation, to mention a few.

If companies are unable to announce vote results at the annual meeting, we believe they should disclose the results within a reasonable period of time, such as in the proposed Form 8-K filing. This should not be a burdensome requirement as often there are other matters on the ballot requiring the prompt filing of a Form 8-K (an approved change to the company’s employee stock ownership plan, for example.) In the event of technical difficulties or in cases where a close vote leads to a recount, extensions can be allowed until the matter is resolved.

The General Board is pleased to offer these comments in response to the SEC’s File No. S7-13-09. Thank you for considering our position.

Sincerely,

David H. Zellner
Chief Investment Officer