



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

20 October, 2010

Dear Ms. Murphy,

Re: Concept Release on the U.S. Proxy System, File Number s7-14-10

Universities Superannuation Scheme ("USS") is the second largest pension fund in the United Kingdom, with assets of over \$47 billion. USS is an active and responsible shareholder in more than 60 US companies.

USS welcomes the opportunity to comment on the US proxy voting system. As an institutional investor, proxy voting is one of the most important tools USS has to meet its commitment to being an active owner of the companies in which it invests. Accordingly, USS applauds the SEC for undertaking its review. USS considers the Concept Release on the US Proxy System, Release No. 34-62495, File Number S7-14-10 ("Release"), as timely and important. USS has experienced difficulties in the past in ensuring votes cast through our service providers arrive at the investee company. Therefore USS appreciates the opportunity to offer comments, which are summarized below in the order of their presentation in the Release.

III. Accuracy, Transparency and Efficiency of the Voting Process

1. Section III.A: Imbalances in Broker Votes. USS understands that in the event of voting imbalances, SEC regulations do not currently require that broker-dealers use a particular allocation methodology to determine whether, and to what extent, investors will be permitted to vote. USS recommends that preference be given to shares not purchased on margin. In addition, USS believes that broker-dealers should disclose their allocation methods to investors each proxy season. USS believes that it would be helpful if each broker-dealer reported at least annually to clients and the SEC on the prevalence of voting imbalances, at a minimum, on an aggregate basis.

USS considers the prevalence of voting imbalances would be reduced if the reconciliation date (record date) were closer to the meeting date. In the UK, the reconciliation date is 48 hours prior to the meeting. Given the greater reliance on electronic communications and the reduction in the use of physical share certificates, a long period between the reconciliation date and the meeting date should no longer be required.

2. Section III.B: Vote Confirmation. Given the importance of proxy voting in the execution of shareholder rights, and the impact that outcomes may have on the company, it is essential that both shareholders and companies are able to confirm and audit the outcome of the vote. The proxy vote system should provide a complete end-to-end confirmation for votes cast. Such a system would increase the integrity of the voting process and the meeting outcomes. USS supports the creation of an audit trail using a system of unique identifiers.

Section III.C: Proxy Voting by Institutional Securities Lenders. USS considers stock lending a valid and important investment activity that generates significant income for USS's beneficiaries. In many other countries, USS is able to recall its stock after receiving notice of the meeting prior to the record date. The SEC should adopt a system which would allow shareholders who do loan shares to have the opportunity to recall shares for voting purposes. For instance, the SEC might consider the process allowed under Delaware law for dual record dates – whereby there is a separate notice date for the distribution/receipt of proxies and the record date for the reconciliation of shares, which would be closer to the meeting date. This would allow lenders to recall shares on loan before the voting record date. As discussed above (under III.A.), USS supports moving the reconciliation date closer to the meeting date. This would ensure proxy materials were distributed as currently, but shareholders would have the opportunity to vote their full holdings at shareholder meetings.

3. Section III.D: Proxy Distribution Fees. USS believes that issuers should continue to be ultimately responsible for paying the costs of proxy distribution. The SEC and other parties should continue to seek the simplification of the proxy distribution and voting chain in light of developing technological solutions.

IV. Communications and Shareholder Participation

4. Section IV.A: Communication and Shareholder Participation. USS believes that there should be transparency around the shareholder register to encourage accountability and communication between shareholders and issuers. Non-objecting beneficial owner (NOBO) status should be the default position unless a shareholder affirmatively opts to have its identity withheld from the issuer. The decision to use the NOBO or objecting beneficial owner (OBO) status should be taken by the beneficial shareholder, and not the broker or custodian. OBO's could be periodically (annually) polled as to their desire to remain an OBO. However, the ability to elect for or maintain OBO status should not be revoked.

Issuers should be afforded the ability to freely communicate, subject to anti-fraud rules, with shareholders in regard to proxy issues during the time period between the release of the proxy materials and the shareholder meeting, provided no solicitation of votes is involved. Intermediaries should be required to transfer electronic and/or written communications by the company and other shareholders to and between shareholders who have not objected to receiving such proxy communications, provided actual incremental costs involved are paid by the party initiating the communication.

Communication initiators and receivers should be able to specify reasonable parameters for distribution of communication (e.g., only shareholders above a certain size, only institutional investors).

Electronic shareholder forums have had limited use to date, but should be encouraged in conjunction with the use of unique shareholder identifying codes to encourage dialogue between issuers and shareholders.

USS encourages the SEC to take additional measures to facilitate and enhance investor-to-investor and issuer-investor communication. USS applauds the SEC for the rules adopted in 2007 to exempt electronic shareholder forums from most of the proxy solicitation rules. USS would support additional measures to facilitate informed discussion among investors.

5. Section IV.B: Means to Facilitate Retail Investor Participation. USS views the recent elimination of discretionary voting by brokers as a major step forward for the integrity of the US proxy voting system. USS also supports measures to educate retail investors regarding the proxy process and promote retail investor access to websites which post the proxy votes or recommendations of institutional investors and proxy voting advisors in advance of the AGM.
6. Section IV.C: Data Tagging Proxy-Related Materials. USS supports the use of standardized data-tagging for proxy-related materials and voting results. USS encourages the SEC to convene an advisory group to assist with identifying information that should be tagged. Proxy vote reports by institutional investors should also be tagged to encourage the generation of comparative data. Data-tagging would increase transparency and expand shareholders' ability to track governance practices, compare practices among peers, make informed voting decisions and follow the results of shareholder meetings.

V. Relationship between Voting Power and Economic Interest

7. Section V.A: Role of Proxy Advisory Firms. USS is concerned about the potential conflict of interest experienced by some proxy voting advisory firms in providing proxy voting recommendations to shareholders and consulting services to corporations. USS believes that these service areas should be completely separated. Proxy advisory firms should disclose the

means by which they ensure that their voting recommendations are independent and not influenced by the fees they receive for services to corporate clients.

In addition to disclosing conflicts, USS supports increased disclosure of the criteria and processes that proxy advisory firms use to formulate their recommendations and corporate governance ratings. USS is concerned that some proxy advisory firms base their recommendations on a one-size-fits-all approach to governance. If additional disclosure in this area is provided, then investors can determine whether the advisory firm's recommendations are appropriate for their particular approach.

Additional disclosure would also help issuers and investors identify inaccuracies or incomplete data. To minimize the likelihood of such errors (and therefore minimize investor votes based on such errors), USS considers it best practice if proxy advisors submit a draft report to issuers prior to the report's publication for the limited purpose of ensuring that the voting recommendations are based on accurate issuer data.

Additionally, institutional investors that delegate proxy voting responsibilities to investment managers or proxy firms should be required to report publicly on how those votes were cast.

8. Section V.C: "Empty Voting" and Related "Decoupling" Issues. USS considers the concerns around empty voting will be lessened if the reconciliation date is closer to the meeting date (see above, sections III.A and C). Shortening the time period between the two dates will also reduce the risk of stock positions changing and thereby empty voting occurring. USS considers empty voting by long-term institutional investors to be a symptom of the long record date and generally not used as a manipulative device.

USS is grateful to the SEC for undertaking its comprehensive review of the US proxy voting system and appreciates the opportunity to comment on the Release. USS believes that the Release is an important step in improving the efficiency and transparency in the US proxy voting system.

Yours sincerely,



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