



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

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R. Dean Kenderdine
*Executive Director
Secretary To The Board*

September 28, 2007

Ms. Nancy Morris, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

**Re: Shareholder Proposals Relating to the Shareholder Proposals
and Electronic Shareholder Communications (File Number: S7-
16-07)**

Dear Ms. Morris:

I am writing on behalf of the Board of Trustees of the State Retirement and Pension System of Maryland (System) to comment on the Securities and Exchange Commission's (Commission) interpretive and proposing release to clarify the meaning of the exclusion for shareowner resolutions relating to the election of directors that is contained in Rule 14a-8(i)(8) under the Securities and Exchange Act of 1934 (Release).

The System is a cost-sharing multiple-employer public employee retirement system established by Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland in order to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 14-member Board. The System's assets at June 30, 2007 were \$39.4 billion, of which \$17.2 billion was invested in the shares of U.S. stocks.

The System strongly opposes the Release and urges the Commission not to adopt the proposal as currently drafted. The Release effectively bars shareowner proxy access resolutions without providing investors any meaningful alternative approach to proxy access. As the "investor's advocate," the Commission should not adopt the Release unless and until a proxy access approach can be developed and adopted that meaningfully protects investors' rights.

The proposed 5% ownership requirement to nominate directors is a step in the right direction, but for the reasons outlined in the Council of Institutional Investors' comment letter dated September 18, 2007, regarding the Release, is still too high a threshold to replace directors who fail.

The System considers the proxy process to be a vitally important tool in communicating with the Board, management and other investors on key governance issues such as governance reforms and executive compensation, as well as responsibility issues that include climate change and workforce diversity.

There is a long history of positive results from shareholder resolutions, demonstrated by companies making specific reforms, changing policies and increasing transparency. Annually, approximately one-quarter to one-third of resolutions are withdrawn because constructive dialogue with companies results in win-win agreements. The rising support votes for shareholder resolutions across a range of environmental, social and governance topics is evidence of the mounting importance of shareholder resolutions to the general investing public.

The Commission asks for comments on the right of a company to “opt-out” of the shareholder resolution process, either by obtaining approval from shareholders through a proxy vote, or, if sanctioned under State law, by having a Board vote authorizing it to opt out. Either option would have significant negative consequences. The most unresponsive companies would be most likely to opt-out because resolutions are an important mechanism to strengthen corporate accountability. Additionally, the lack of uniform rules that would result from an opt-out option would be a complicating factor for both investors and companies.

The Release asks, “Should the Commission adopt a provision to enable companies to follow an electronic petition model for non-binding shareholder proposals in lieu of 14a-8?” We strongly oppose this proposed change. The current resolution process ensures that management and the Board focus a reasonable amount of attention to the issue at hand as they must determine their response to the shareholder proposal. In addition, each and every investor receives the proxy and has the opportunity to consider the issue.

To substitute a chat room or other form of electronic petition for the current proxy process erodes significantly a valuable fiduciary responsibility. Chat rooms and electronic forums are welcome approaches for enhancing communication with investors, but in addition to the existing shareholder’s right to file resolutions, not at the expense of it.

In its Release, the Commission also asks for comments on increasing the votes required for resubmitting shareholder resolutions to 10% after the first year, 15% after year two, and 20% thereafter, compared to current thresholds of 3%, 6% and 10%, respectively. Raising the thresholds as proposed would make it much more difficult for investors to resubmit proposals for a vote, thus further insulating management from shareholder opinion. Over the last 40 years, many proxy topics initially received very modest levels of support, only to garner increased support over time as shareowner awareness and knowledge increased. Adding more restrictive thresholds on resubmitting resolutions simply makes it harder for investors seeking constructive engagement with companies. Hence, we oppose changes in the resubmission thresholds.

The System's support for meaningful proxy access is shared by a growing number of shareowners. During the 2007 proxy season, three proxy access shareowner resolutions were presented for a vote and all received significant support. Non-binding resolutions were approved by shareowners of Cryo-Cell International, Inc. and United Health Group Incorporated. A binding resolution at Hewlett-Packard Company received 42.95 percent of the for-and-against votes cast by shareowners according to Institutional Shareholders Services.

The solution to this problem is, most emphatically, not to prohibit proxy access proposals. Rather, the solution lies in developing a mechanism that will provide investors with another tool to communicate with Boards of Directors, managements, and other investors about critical governance and responsibility issues.

We urge the SEC to uphold the right of investors to sponsor resolutions for a vote at stockholder meetings. The proposals described in the Release are contrary to constructive investor-management relations.

The System appreciates the opportunity to provide its views on this matter.

Sincerely,



R. Dean Kenderdine
Executive Director
Secretary to the Board

Cc: Board of Trustees