



**ILLINOIS STATE BOARD OF INVESTMENT**

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Via Email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Via U.S. Postal Service

September 28, 2007

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

**Re: File Numbers S7-16-07 and S7-17-07**

Dear Secretary Morris:

I am writing on behalf of the Illinois State Board of Investment (Board) to comment on both the U.S. Securities and Exchange Commission's (SEC) proposed rules regarding shareholder resolutions related to the election of directors and the questions posed by the SEC regarding the filing of non-binding resolutions under Rule 14a-8.

In the Board's opinion, the SEC should reject both proposed rules in their current form and should not make any changes to shareholders' rights to file non-binding resolutions.

The Board has fiduciary responsibility for and invests on behalf of the State Employees' Retirement System of Illinois, Illinois General Assembly Retirement System and the Judge's Retirement System of Illinois, whose combined fund assets total approximately \$12.5 billion.

Last year, the federal courts determined that, under the SEC's current rules, investors have the right to raise the issue of shareholder-nominated board candidates being included on the company's proxy solicitation through the shareholder resolution process.

As a result, this year, the proxy access issue came to a vote at Hewlett-Packard and UnitedHealth. At both companies, these resolutions received extraordinarily high levels of support. These developments constitute an improvement in our corporate governance system. There is no evidence that the return of the proxy access issue to the shareholder resolution system has harmed investors, companies or the markets.

Nonetheless, the first SEC proposal would flatly roll back investor rights in this area. The second proposal would place restrictions on shareholders' exercise of those rights

that would effectively make those rights a dead letter. Moreover, the second proposal does further injury to investors by raising the possibility of various dramatic rollbacks of shareholder rights to bring resolutions in general.

With the recent corporate scandals, including backdating of management stock options and unjustified executive pay awards, there clearly remain serious deficiencies in the board oversight of corporate management. By proposing to limit the right of shareholders to hold boards accountable through director elections with its proposed rules, the SEC will erode investor confidence in "fair, orderly, and efficient markets" in direct contradiction to its stated mission.

Finally, with the announced departure of Commissioner Roel Campos and other potential changes at the Commission, the SEC should defer action on these far-reaching proposed rules until a full complement of Commissioners is able to give any proposed changes its full attention.

In the Board's opinion, the SEC should withdraw both of its proposed rules and instead allow shareholders to continue to road test the new opportunities available as a result of the AIG decision. Moreover, the Board sees no need for the SEC to make any changes in Rule 14a-8 and would oppose any changes in the rules regarding non-binding resolutions.

Sincerely,

ILLINOIS STATE BOARD OF INVESTMENT

A handwritten signature in black ink, appearing to read "William R. Atwood", is written over a horizontal line.

William R. Atwood  
Executive Director

C: Michael Goetz  
Chairman