Dear Ms. Morris

Comments on Shareholder Proposals Relating to Directors; File Numbers S7-16-07 and S7-17-07

The following comments are submitted by the UK Local Authority Pension Fund Forum, which comprises 44 local authority pension funds with aggregate assets of over £80 billion. In the 17 years since its inception, LAPFF has worked consistently to improve corporate governance best practice in the UK. While it is the UK regime that informs our position on proxy access at US companies, we are very aware of the corporate governance culture in the US. Our member funds have a fiduciary duty to act in the best interest of their scheme members and with a significant proportion of pension fund assets allocated to US equities, this duty naturally extends to the US as well.

We are writing to you in support of a separate submission by the UK Universities Superannuation Scheme (USS) and other global institutional investors, and our submission follows in the main their analysis. LAPFF has also written separate letters to the commissioners of the SEC on 30 August 2007 to set out our fundamental position on the issue.

We oppose the rollback of shareholder rights proposed in S7-17-07, which would only reinforce the growing belief amongst global investors that the US regulatory environment favours company insiders at the expense of outside shareholders. We believe that adoption of S7-17-07 would negatively impact valuation of US companies over the long term.

While we support proxy access rights for shareholders, we believe that S7-16-07 sets forth a process which is unworkable, and we do not support it. Our objections include:

- The ownership threshold required for filing a proxy access bylaw resolution should be substantially lower than five percent and not distinguish between short-term and long-term owners.
• The onerous disclosure provisions of S7-16-07 would unduly hinder shareholder communication and effectively preclude use of the process
• Shareholder forums should not replace use of advisory shareholder resolutions as a tool for communication between boards and the company’s entire shareholder base, and
• Advisory shareholder resolutions are an important communication tool that should not be curtailed.

SEC action on these proposals will send a strong signal about whether (a) directors are accountable to shareholders; (b) shareholders at US companies have meaningful remedies when directors are ineffective; and (c) costly and disruptive corporate control contests or acquisitions will remain the primary vehicles for fixing poorly run US companies. In addition, many of us are located in markets that allow shareholders to remove ineffective directors and/or more easily put candidates up for election at the annual meeting. Those shareholder rights are rarely used and have not been disruptive in our markets. However, we believe that they have made our markets stronger and more competitive by boosting the quality, independence and responsiveness of candidates put forth by companies. Similar rights to provide real director accountability to shareholders are sorely needed in the US.

We hope this letter will be helpful and are attaching detailed comments to further explain our objections to S7-16-07. Feel free to contact Ebba Schmidt at PIRC Ltd. (contact details below) if you have questions or need additional information.

Yours sincerely,

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Detailed Comments on S7-16-07

The following comments on S7-16-07 are submitted in support of the 2 October 2007 letter from the UK Local Authority Pension Fund Forum, the members of which hold assets of over £80 billion.

Why we support proxy access

As major investors in public equity markets around the world, we have a broad perspective on how corporate governance practices in the US fit within an increasingly competitive global marketplace. The harsh reality is that US corporate governance practices are on a relative decline compared to other leading markets. One fundamental concern is that directors at most US large companies are not accountable to shareholders through election. Research and data from the Pensions Investment Research Consultants Ltd (PIRC) show that approximately 80% of US S&P500 companies do not have majority voting in place for director election and directors can therefore currently be sure to be elected in an uncontested election. The so-called “plurality plus” solution does not, in our view, adequately address this concern. In addition, Governance Metrics International ranks the US behind Canada, the UK and Australia in overall quality of company corporate governance. We see the US as being at a critical point where negative investor perceptions are gaining such momentum that further adverse regulatory developments will affect valuation of US companies relative to other leading markets.

Recent research out of the University of Michigan and Northwestern University has concluded that boardroom culture in the US discourages effective monitoring of company management and actually punishes directors for taking actions to promote shareholder interests.

Our experiences (with limited exceptions) have underscored the accuracy of these findings. We see this as especially troublesome because the US legal and regulatory systems are built on the presumption that directors effectively protect the interests of shareholders.

In addition, recent market turmoil emanating from the US has reminded us that the vast majority of shareholder losses (although certainly not all) from corporate fraud over the last decade have occurred at US companies. While passage of the Sarbanes Oxley Act and new stock exchange listing standards did much to address some causal factors and restore investor trust, political winds in the US have recently swung toward rolling back investor protections. This does not give us confidence about future rights of shareholders in the US. Actions of the SEC on the proposals will have ramifications for how we and other investors evaluate US companies.

Retain current approach to determining filing thresholds

The threshold for filing a binding bylaw resolution should not be set so high as to effectively preclude access to the proxy. The proposed five percent threshold would do just that and should be lowered substantially. The Council of Institutional Investors has evaluated holdings data on typical large, mid and small cap companies and determined that the ten largest pension fund holders would not own enough of a combined position to meet the proposed
threshold. Since pension funds are the largest filers of shareholder resolutions, it appears that S7-16-07 was drafted so as to effectively render its proxy access rights illusory.

We also oppose creation of artificial distinctions between short-term and long-term shareholders. We believe that attempts to use proxy access for short-term manipulation will be rejected in a vote of all shareholders. Other markets that allow proxy access do not preclude short-term owners from nominating directors, and it has not been problematic.

We think the SEC should follow the approach currently taken in its regulations and set the threshold for filing shareholder resolutions as the lesser of a dollar amount or percentage holding, with no prior holding period requirement. That could resolve concerns about a flat percentage holding threshold being prohibitively high. We note that current limitations on resubmission of shareholder resolutions would adequately protect companies from harassment by shareholders that do not have significant shareholder support.

**Required disclosures should not be so onerous as to preclude use of the process**

The proposal also contains a number of provisions regarding disclosures that would be required of shareholders proposing a bylaw resolution on access to the proxy or submitting a director candidate pursuant to a bylaw that has been adopted. While it is important to provide all shareholders with information relevant to the identity of resolution proponents, we consider the level of disclosure contained in the proposal to be unnecessary.

Submission of a resolution seeking adoption of a shareholder right that is commonplace in other markets is unlikely (by itself) to constitute an attempt to influence or effect a change in control. We fear that many of the detailed disclosure requirements in S7-16-07 would be so onerous as to effectively block use of the new process and hinder shareholder communications.

For example, we see no reason to require detailed shareholder disclosures about communications with other shareholders or the company over the previous year merely because the shareholders are offering a proxy access resolution that implements their existing corporate governance policies or guidelines. Similarly, submission of a board candidate or short slate (without any actual intent to influence or effect a change in control) is implicitly contemplated by the rule and should trigger no more onerous reporting than what is already required for candidates put forth by the company.

**Advisory shareholder resolutions should not be discouraged**

We are strong supporters of the use of advisory shareholder resolutions as a much-needed vehicle for directors to receive unbiased input from a company’s entire shareholder base – not just the vocal activists that can monopolize debate on many issues. Inclusion of proposals in S7-16-07 that would operate to reduce future use of this important communication tool
would only serve to insulate companies from reality. Given that US companies tend to be widely held and that the recent research cited above found it is difficult for directors to represent the interests of shareholders, we see no reason to jettison a mechanism that helps to keep boards in touch with their shareholders and ascertain support for emerging issues.

Resolutions that receive little shareholder support can already be excluded under Rule 14a-8 (cited above) from future proxies and offer no threat to companies. The advisory resolution process is an effective way to channel those debates through a formal process that is visible to both the company and all its shareholders. While we have no objections to experimenting with shareholder forums on a pilot basis, they would not provide an effective means for the entire shareholder base to render a collective opinion to the board and management.

**Integrity of the proxy process is a federal concern**

The SEC is mandated to protect investors and to ensure adequacy and integrity of the information available to investors. This mandate makes integrity of the proxy disclosure system and regulation of related communications an issue of Federal concern that falls within purview of the SEC rather than the substantive corporate law of individual states.

From our perspective, the US market would be put at a serious competitive disadvantage if regulation of shareholder communication were left to variations of law in 50 different States, let alone to individual company charters and bylaws. Integrity of the proxy system and related shareholder communications are as critical to functioning of the equity markets as is the disclosure of complete and accurate financial information. We believe this is an area where Federal interests are paramount and national minimum standards are necessary. We strongly oppose provisions included in S7-16-07 that would allow delegation of minimum standards for shareholder resolutions and shareholder communications to the states or to individual companies.