Dear Ms. Nazareth

Support for shareholder access to proxies

I am writing to you on behalf of the UK Local Authority Pension Fund Forum, which comprises 43 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.

It is our intention to respond later this year in more detail to the consultation on the two proposed board election rules put forward by the SEC last month, but we are sending this letter to you to set out our fundamental position on this issue.

Proxy access, employed responsibly, is in our view a crucial component of corporate governance best practice. The quality of boards depends on the selection of its directors and their adequate incentivisation. It is a concern to us that in the US market the power of shareholders in the board election process is currently limited; in fact, our research shows that at approximately 80% of US companies that do not have majority voting in place, a director can 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, as it leaves ultimate discretion over director resignations with the nominations committee.

We believe that adding shareholder-nominated candidates to the board election slate will invigorate the election process, and improve board accountability: poor performing directors or boards that are destroying value for shareholders will face a powerful incentive in the form of a competing slate at their election.
The recent high level of support for shareholder bylaw proposals at Hewlett Packard (39% of all votes cast) and UnitedHealth (42% of all votes cast) was a clear call to companies and regulators alike for the right of shareholders to nominate directors to company boards in the US. Access is granted to shareholders in many other major markets, such as the UK, Germany, France, Japan or Australia, and we consider that the US should follow suit by adapting to what amounts to an international norm rather than restricting shareholder rights as they currently stand.

In our view, the right to proxy access should also not be watered down by adding too high an access threshold. As a group of overseas shareholders, LAPFF members collectively would find a 5% threshold difficult to scale. A reasonable reduction of this threshold would ensure that smaller shareholders are not disenfranchised.

We are considering a more detailed response on the two options that have been published and will comment on these in due course.

We thank you in advance for the opportunity to comment on the proposals on proxy access issued by the SEC, and look forward to the final ruling in time for the 2008 proxy season.

Yours sincerely,

Darrell Pulk
Chairman
Local Authority Pension Fund Forum

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