



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
(850) 488-4406**

**POST OFFICE BOX 13300
32317-3300**

**RICK SCOTT
GOVERNOR
AS CHAIR**

**JEFF ATWATER
CHIEF FINANCIAL OFFICER**

**PAM BONDI
ATTORNEY GENERAL**

**ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

January 11, 2017

Transmitted via Email: rule-comments@sec.gov

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number S7-24-16 concerning Universal Proxy

Dear Mr. Fields:

The State Board of Administration (SBA) of Florida is pleased to provide comments in support of the recent proposed rule concerning universal proxy. SBA staff strongly supports the Commission's effort to provide shareowners with equivalent voting opportunities, whether they vote in person or by proxy. The SBA manages the assets of the Florida Retirement System (FRS), one of the largest public pension plans in the United States with 1.1 million beneficiaries and retirees.

Proxy voting is an important part of the fiduciary duty we owe to our beneficiaries, and we strive to make voting choices that align positively with shareowner value. We join with other investors, including the membership of the Council of Institutional Investors, in reiterating our long-standing support of universal ballots and asking the Commission to implement this rule and correct a significant deficit which has substantially impacted our ability to select our preferred director candidates in instances of proxy contests. In particular, we endorse the Council's detailed comments on this proposed rule as submitted December 28, 2016.¹

The intention of the SEC's proxy rules is to facilitate the rights of shareowners to vote via proxy by mirroring the rights afforded to those attending the annual meeting in person. In pursuit of this, the proxy rules should also provide for shareowners to vote for their preferred candidates regardless of which side, management or dissident, has nominated them. Although proxy contests are rare, they represent the few cases where investors have choice among director candidates and are extremely important votes. This is reflected in the outcome of these elections, which are often linked to large changes in value and of great importance to investors like the SBA.²

The SBA has investments in more than 10,000 publicly-traded companies. It would be extremely burdensome in terms of time and monetary expense for SBA staff to attend shareowner meetings in person simply to cast a vote. In the past, these significant costs have led us to choose one proxy card to vote and limited us to supporting the nominees of only one side. Many times this resulted in the SBA being unable to support the exact mix of nominees we believed were appropriate for board service. Rarely, such as in 2008 during the CSX proxy

¹ <https://www.sec.gov/comments/s7-24-16/s72416-1450259-130101.pdf>

² SBA staff conducted a review of proxy contests and their outcomes, as well as their link to value. It can be found here: <https://www.sbafla.com/fsb/Portals/FSB/Content/CorporateGovernance/Reports/SBAValuingtheVote2015.pdf?ver=2016-08-11-092932-013>

contest, a company has relented at the final moments during an annual meeting and voluntarily arranged for SBA to designate a legal proxy who could represent our votes legally and in person. This required a great deal of paperwork and communication with the company to replicate our standing to vote in person at the meeting. It opened the voting process up to uncertainty and the possibility of a failed or miscounted vote and significantly interrupted our voting process during the busy proxy season, but our vote made the difference in one management nominee getting elected to the board. The universal proxy is a far more effective way for proxy contests to be conducted.

Some commenters believe that changes to the rules may result in adverse impacts, such as favoring one side or encouraging more proxy contests. From our experience, being forced to vote using only one proxy card has hurt our ability to support management and dissident candidates alike. We have found that each side can be opposed to the idea whenever they believe strategically the odds are in their favor and supportive of the idea otherwise. This leaves investors in a tug of war where one side (the slate expecting to lose) is willing to have their names appear on the other's ballot, and the other side (the slate expecting to win) refuses because they believe they have the better chance to win by forcing investors to vote one card. The current situation results in gamesmanship and suboptimal votes.

The primary impact of this proposed rule will not be to help management nominees or dissidents, or increase the number of proxy contests. It is simply to apply the proxy rules in a consistent manner and accomplish what they were intended to do: replicate for investors the voting ability they would have if they were physically attending the meeting. Many other investors have commented that they cannot physically attend each of these meetings, due to prohibitive time and cost considerations, but they would like the ability to choose candidates from each card at will. We join their voices and urge you to pass these proposed rules with this simple intent in mind: make the rules equivalent for investors voting by proxy.

The SBA appreciates the opportunity to weigh in on these substantive issues. Thank you for your consideration, and if you have any questions, please feel free to contact me at [REDACTED], or at [REDACTED].

Sincerely,



Michael P. McCauley
Senior Officer, Investment Programs and Governance

cc: SBA Corporate Governance & Proxy Voting Oversight Group