



Via Email

November 12, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F St. NE
Washington DC 20549-1090

Re: Reporting of Proxy Votes on Executive Compensation and Other Matters (File Number S7-30-10)

Dear Ms. Murphy:

I am writing on behalf of the Council of Institutional Investors ("Council"), an association of public, corporate, and union pension funds with combined assets of more than \$3 trillion. The Council appreciates the opportunity to share its perspective on the SEC's proposed rule that would require institutional investment managers subject to Section 13(f) of the Securities Exchange Act ("13F Filers") to disclose how they voted with respect to say-on-pay, say-on-frequency and say-on-golden parachute proposals required by Section 14A of the Securities Exchange Act (collectively, "Section 14A Votes").

We note that the disclosure of Section 14A Votes by 13F Filers would benefit three constituencies in the investment community. First, the proposed rule would give 13F plan participants and beneficiaries a tool to evaluate the extent to which 13F Filers are casting advisory votes on executive compensation in the interest of plan participants and beneficiaries. Second, the proposed rule would strengthen 13F Filers' incentive to carefully evaluate pay practices and cast informed, defensible voting decisions. Finally, the proposed rule would give companies, and in particular their boards' compensation committees, a resource for assessing 13F Filers' general regard for existing executive pay practices.

In 2008 the Council's Policies Committee formed a subcommittee to explore the disclosure practices of institutional investors. During its existence, the subcommittee learned, among other findings, that approximately one-third of the Council's pension funds voluntarily disclosed proxy votes. After considering a range of issues in addition to proxy vote disclosure, the subcommittee recommended, and the Council adopted in 2009, the Statement on Best Disclosure Practices for Institutional Investors ("Statement").¹

¹A copy of the Statement is available through the Council's website at <http://cii.org/UserFiles/file/Statement%20on%20Best%20Disclosure%20Practices%20for%20Institutional%20Investors.pdf>

The Council supports the SEC's proposed rule as it comports with the Statement, which reads:

In order to foster an environment of transparency and accountability, institutional investors—including pension funds, hedge funds, private equity firms and sovereign wealth funds, among others—should make publicly available in a timely manner:

- Proxy voting guidelines;
- Proxy votes cast;
- Investment guidelines;
- Names of governing-body members; and
- An annual report on holdings and performance.

In addition to lending our support to the principle of the proposed rule, the Council would like to respond to the following questions posed by the SEC regarding implementation.

Q. Should the reporting requirement be based on having the power to vote with respect to Section 14A Votes or should we use some other basis, such as investment discretion?²

The use of investment discretion as the test for the reporting of Section 14A Votes would result in 13F Filers having to report votes cast by clients in cases where the 13F Filer retains investment discretion. We interpret our Statement to mean that institutional investors should be responsible for disclosing only the votes for which they have sole or shared voting authority. Therefore we support the possession of voting power as the appropriate test for the reporting of Section 14A Votes.

Q. Should we prescribe any threshold position size below which a manager would not be required to report its Section 14A Votes?³

We believe that the absence of a de minimis ownership exception for reporting Section 14A Votes serves the objectives of transparency and accountability as advocated by our Statement.

Q. Should we, as proposed, require institutional investment managers to report their 14A Votes annually on Form N-PX not later than August 31, for the most recent twelve month period ended June 30?⁴

The Council favors the proposed rule's disclosure schedule, which aligns with the timetable used by registered management investment companies ("Funds") in accordance with Rule 30b1-4. By streamlining the timing of vote disclosure between Funds and 13F Filers and establishing that both Funds and 13F Filers must file a

² File Number S7-30-10, p. 13.

³ Ibid., p. 15.

⁴ Ibid., p. 18.

version of Form N-PX, the SEC would not only ease 13F Filers' transition to the new rule, but also facilitate investors' ability to track proxy voting by all institutional investors.

Q. Should we, as proposed, permit a single institutional investment manager to report Section 14A Votes in cases where multiple institutional investment managers share voting power? Should we, as proposed, permit an institutional investment manager to satisfy its reporting obligations by reference to the Form N-PX report of a fund that includes the manager's Section 14A Votes?⁵

We welcome the proposed rule's approach to mitigating duplicative reporting of Section 14A Votes. We acknowledge that in cases where a 13F Filer's Section 14A Votes are reported by a Fund or a second 13F Filer with shared voting power, it is appropriate, in the context of our Statement, to require the non-reporting 13F Filer to provide a reference in its Form N-PX to the Fund or second 13F Filer reporting the votes.

The Council appreciates the opportunity to comment on the proposed rule, which would meaningfully enhance the transparency and accountability of 13F Filers with respect to their positions on executive compensation practices. If you have any questions about our views, please do not hesitate to contact me at glenn@cii.org.

Sincerely,

A handwritten signature in cursive script, appearing to read "Glenn Davis".

Senior Research Associate
Council of Institutional Investors

⁵ Ibid., p. 22.