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November 22, 2010

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission (SEC)  
100 F Street, NE  
Washington, DC 20549-0609

Re: File No. S7-31-10, Shareholder Approval of Executive Compensation and Golden Parachute Compensation

Dear Secretary Murphy:

The State Board of Administration (SBA) of Florida welcomes the opportunity to provide comments on the Securities and Exchange Commission's (the Commission) proposed rules on Shareholder Approval of Executive Compensation and Golden Parachute Compensation. The SBA manages the assets of the Florida Retirement System (FRS), the fourth largest public pension plan in the United States with 1.1 million beneficiaries and retirees. SBA assets under management, including the FRS and other client mandates, total approximately \$140 billion. The SBA's governance philosophy encourages companies to adhere to responsible, transparent practices that correspond with increasing shareowner value.

**Dodd-Frank Wall Street Reform and Consumer Protection Act**

Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act') amends the Securities and Exchange Act of 1934 (Exchange Act) by adding Section 14A. Section 14A(a)(1) requires companies to conduct separate shareholder advisory votes to approve the compensation of executives (Say-on-Pay). Section 14A(a)(2) requires companies to conduct a separate shareholder advisory vote to determine how often an issuer will conduct a shareholder advisory vote on executive compensation (Say-When-on-Pay).

Section 14A(b)(1) requires companies that are soliciting votes to approve merger or acquisition transactions to provide disclosure of certain compensation arrangements (Golden Parachute), and in certain circumstances, Section 14A(b)(2) will require a separate advisory vote to approve the golden parachute compensation arrangement. In addition, Section 14A(a)(3) requires that both the initial shareholder vote on executive compensation and the initial vote on the frequency of votes on executive compensation be included in proxy statements beginning January 21, 2011, whether or not the Commission has adopted rules to implement Section 14A(a). The golden parachute disclosure and vote, however, will not be effective until Section 14A(b)(1) rules have been implemented.

Overall, the SBA supports the Commission's proposed rules as they relate to shareowner rights and executive compensation. Specifically, we have provided detailed commentary to select questions listed by major topic below.

**Shareholder Approval of Executive Compensation – ‘Say-on-Pay’**

***Proposed Rule 14a-21(a)***

***(2) Would it be appropriate to exempt smaller reporting companies from the shareholder vote to approve executive compensation? Please explain the reasons why an exemption would, or would not, be appropriate. Would the proposed amendments be disproportionately burdensome for smaller reporting companies?***

SBA staff does not support the exemption of smaller reporting companies from say-on-pay, but instead, maintains that all reporting companies should be required to adopt the proposed amendments. We do not consider the advisory requirements to be a significant burden on smaller reporting companies. The Commission has taken specific steps to limit any potential burdens that the proposed amendments might impose on smaller reporting companies by providing that certain proposed amendments will not apply to smaller reporting companies and by not expanding certain existing disclosure and compliance requirements.

***Proposed Amendments to Item 402(b) of Regulation S-K***

***(6) Should we amend Item 402(b) to require disclosure of the consideration of the results of the shareholder advisory vote on executive compensation in CD&A as proposed? If not, please explain why not.***

***(7) Should the requirement to discuss the issuer’s consideration of the results of the shareholder vote be included in Item 402(b)(1) as a mandatory principles-based topic, as proposed, or should it be included in Item 402(b)(2) as a non-exclusive example of information that should be addressed, depending upon materiality under the individual facts and circumstances? In this regard, commentators should explain the reasons why they recommend either approach.***

***(8) Should the proposed requirement for CD&A discussion of the issuer’s consideration of previous shareholder advisory votes be revised to relate only to consideration of the most recent shareholder advisory votes?***

SBA staff supports requiring companies to disclose their consideration of the results of the shareholder advisory vote on executive compensation in their Compensation Disclosure and Analysis (CD&A). The disclosure should be mandatory and include consideration of the previous, and at least the two most recent, shareholder advisory votes. The Commission has stated, and the SBA agrees, that these proposed requirements will help investors better understand compensation decisions made by issuers. Additionally, the disclosure of past consideration of shareholder advisory votes provides companies and shareholders the opportunity to take into account the results and gauge the trend of support for pay decisions.

**Approval of the Frequency of Shareholder Votes on Executive Compensation – ‘Say-When-on-Pay’**  
**(Proposed Amendment to Rule 14a-8)**

***(17) Is it necessary or appropriate to prescribe a standard, such as a plurality, as proposed, for resolving whether issuers have substantially implemented the shareholders’ vote on the frequency of the vote on executive compensation for purposes of Rule 14a-8? Is a standard other than plurality appropriate? Should***

*the standard vary if the company's capital structure includes multiple classes of voting stock (e.g., where classes elect different subsets of the board of directors)?*

*(18) Is the proposed amendment to Rule 14a-8(i)(10) appropriate? Should we, as proposed, allow the exclusion of shareholder proposals that propose say-on-pay votes with substantially the same scope as the votes required by Rule 14a-21(a)? If not, please explain why not.*

*(19) Should we, as proposed, permit the exclusion of shareholder proposals that seek to provide say-on-pay votes more or less regularly than the frequency endorsed by a plurality of votes cast in the most recent vote required under Rule 14a-21(b), as described above? Are there other circumstances under which shareholder proposals relating to the frequency of say-on-pay votes should be considered substantially implemented and subject to exclusion under Rule 14a-8(i)(10)?*

*(21) Should the proposed note to Rule 14a-8(i)(10) be available if the issuer has materially changed its compensation program in the time period since the most recent say-on-pay vote required by Section 14A(a)(1) and Rule 14a-21(a) or the most recent frequency vote required by Section 14A(a)(2) and Rule 14a-21(b)?*

SBA staff supports that a majority standard is appropriate for shareowners' vote on the frequency of the vote on executive compensation. The SBA does not support the exclusion of shareowner proposals that seek to provide say-on-pay votes that are more frequent than that endorsed by the votes cast in a most recent vote. We would not be opposed, however, to a shareowner proposal relating to the frequency of say-on-pay votes that was deemed substantially implemented and subject to exclusion when the frequency adopted by the issuer was endorsed in the most recent vote by a *majority* of shareowners.

**(Proposed Amendments to Form 10-K and Form 10-Q)**

*(23) Would the proposed Form 10-Q or Form 10-K disclosure notify shareholders on a timely basis of the issuer's determination regarding the frequency of the say-on-pay vote? Should this disclosure instead be included in the Form 8-K reporting the voting results otherwise required to be filed within four business days after the end of the shareholder meeting, or in a separate Form 8-K required to be filed within four business days of when an issuer determines how frequently it will conduct shareholder votes on executive compensation in light of the results of the shareholder vote on frequency?*

SBA staff supports the proposed Form 10-Q or Form 10K disclosures and believes they would allow shareowners to readily obtain an issuer's determination regarding the frequency of the say-on-pay vote.

**Approval of Executive Compensation relating to Change of Control – 'Golden Parachute' (Proposed Rule 14a-21(c))**

*(48) If golden parachute arrangements have been modified or amended subsequent to being subject to the annual shareholder vote under Rule 14a-21(a), should we require the merger proxy separate shareholder vote to cover the entire set of golden parachute arrangements or should we, as proposed, require a separate vote only as to the changes to such arrangements? For example, if a new arrangement is added, would the Section 14A(b)(2) shareholder advisory vote be meaningful if shareholders do not have the opportunity to express their approval or disapproval of the full complement of compensation that would be payable?*

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SBA staff believes it would be appropriate to require the merger proxy separate shareowner vote to cover the entire set of golden parachute arrangements. We agree with the Commission that full disclosure of the compensation arrangement in the merger proxy would enhance the transparency of remuneration details and allow shareowners to conduct a complete and efficient analysis.

#### **Treatment of Smaller Companies**

***(52) Should we fully, partially, or conditionally exempt smaller reporting companies or some other category of smaller companies from some or all of the requirements of Section 14A? Are the provisions of Section 14A unduly burdensome on small companies and if so, how are they unduly burdensome?***

***(53) Should we fully, partially, or conditionally exempt smaller reporting companies or some other category of smaller companies from any or all of our proposed rules? If so, which ones? Are any of our proposed rules unduly burdensome to smaller reporting companies and if so, how are they unduly burdensome?***

SBA staff maintains that smaller reporting companies should generally not be exempt from the requirements of Section 14A or any of the proposed rules. We agree with the Commission that investors have the same interest in voting on the compensation of smaller reporting companies as they do for other issuers and that, with accommodations for smaller reporting companies, the proposed rules would not create a significant additional cost or impose a disproportionate burden upon smaller reporting companies

Thank you for your consideration and for the Commissions' efforts in crafting the proposed rules. If you have any questions, please contact Michael McCauley, Senior Officer—Investment Programs and Governance, at (850) 413-1252, or [governance@sbafla.com](mailto:governance@sbafla.com).

Sincerely,



Ashbel C. Williams  
Executive Director & CIO

cc: Governor Charlie Crist, as Chairman of the SBA  
Chief Financial Officer (CFO) Alex Sink, as Treasurer of the SBA  
Attorney General Bill McCollum, as Secretary of the SBA