



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

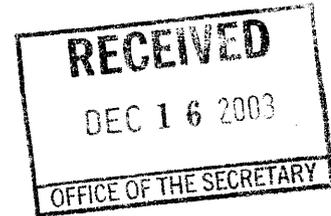
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RICHARD H. MOORE  
STATE TREASURER

December 9, 2003

325 NORTH SALISBURY STREET  
RALEIGH, NORTH CAROLINA 27603-1385

Mr. Jonathan G. Katz  
Secretary  
United States Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549-0609



Re: File No. S7-19-03  
Security Holder Director Nominations

Dear Mr. Katz:

I am writing in support of the Securities and Exchange Commission's proposed rule concerning Security Holder Director Nominations (34-48626). As sole fiduciary for the North Carolina Retirement System and its 688,000 beneficiaries, I commend the SEC for putting forth this proposed rule. I urge the SEC to strengthen the proposed rule by incorporating the enhancements recommended by the National Coalition for Corporate Reform. In this letter I want to address several key points raised by opponents of the proposed rule.

Opponents of the proposed rule are predicting an onslaught of shareholder initiatives as a result of this rule. This fear is wholly unwarranted. Our retirement system needs and expects every company we own to generate value for our beneficiaries. As long-term shareholders, we ultimately bear all the costs and risks associated with invoking the provisions of the proposed rule. Although the various triggers may afford us numerous opportunities to invoke the provisions of the rule, I see the process being invoked in a limited number of circumstances. Moreover, we will exhaust all other means of discussion and persuasion with management before heading down the path laid-out by the proposed rule. We have little interest in incurring corporate expenses or distracting management from its primary mission unless it is absolutely necessary. Thus, we expect that the various triggers will guide us toward a universe of companies from which a limited number may ultimately become subject to the process outlined in the proposed rule.

Opponents of the proposed rule are predicting that public pension plans will act monolithically and automatically in initiating the procedures under the proposed rule or supporting the alternative directors. While I am in complete agreement with the many public pension plans and State Treasurers supporting this rule, as a fiduciary I have a responsibility to evaluate each situation that may arise under this proposed rule and carefully scrutinize the qualifications of any proposed director.

Opponents of the proposed rule argue that the SEC has considered this rule periodically and comprehensively since 1949, and repeatedly rejected the concept, relying instead on the ability of investors to launch and support their own slate of candidates. This position completely ignores the emergence of and reliance upon public equities in the portfolios of public pension plans. The North Carolina Retirement System did not invest

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in equities until 1982. We did not construct our first index portfolio until 1987. As a result, the SEC has never before had to consider the unique and unmet needs of public pension plans in assuring reasonable access to the proxy process.

While we oversee large portfolios – our pension assets were \$56.3 billion as of September 30, 2003 – we do not have the resources either individually or collectively to run an independent slate of directors. Thus, this proposed rule is our only practical means of obtaining a voice in the board of one of our companies, when management and the incumbent board let us down.

The strong opposition by many in the corporate community to the proposed rule comes as something of a surprise to me. Public pension plans are virtually permanent owners of most public companies in the United States. While our position may rise or fall marginally from year-to-year, most public pension plans, including North Carolina will, in fact, own most companies through good and bad times. As a consequence good corporate governance and meaningful access to the proxy are our only truly effective tools to protect our beneficiaries. Public companies would not survive for long if they treated their best customers the same way they are treating their most loyal investors.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Moore', written over the word 'Sincerely,'.

Richard H. Moore

cc: The Honorable William H. Donaldson  
Chairman, Securities and Exchange Commission

The Honorable Cynthia A. Glassman, Ph.D.  
Commissioner

The Honorable Harvey J. Goldschmid  
Commissioner

The Honorable Paul S. Atkins  
Commissioner

The Honorable Roel C. Campos  
Commissioner