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September 16, 2009

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

Re: File No. S7-13-09, Proxy Disclosure and Solicitation Enhancements

Dear Secretary Murphy:

I am writing on behalf of the Florida State Board of Administration (SBA) to express our support for the proposed rules regarding proxy disclosures and solicitations and provide comment on the matters discussed therein. The SBA manages the Florida Retirement System (FRS) on behalf of 1.1 million beneficiaries and retirees. In combination with our other mandates, SBA assets under management total approximately $122 billion.

We agree with the Commission's intent behind the proposal elements. There are several key areas discussed in this proposal which now require attention despite consideration in prior proposals, such as compensation summary amounts and compensation consulting disclosures. We are particularly pleased by the recommendation to provide investors with more timely election results. The proposal contains suggestions for solicitations and proxy disclosures over several key but distinct areas. As such, we will provide comments in the same order presented and using the same headings for ease in matching our comments to the elements of the proposal.

A. Enhanced Compensation Disclosure

We support information that will enhance investors' ability to assess the incentives toward risk taking at and within divisions of the company. The situations proposed by the Commission, when material, serve as relevant cases and highlight the potential for distinct differences within company divisions for compensation and risk taking. Recent events have illustrated the importance that such divisions, with different risk and/or compensation attributes, can have on the company as a whole. If the company determines disclosure under the proposed rules is not required, the Commission should require the company to affirmatively state in its CD&A that it has determined that the risks arising from its broader compensation policies are not reasonably expected to have a material effect on the company. Overall, we endorse the proposed changes in disclosure concerning the discussed aspects of company risk profile.

Also, we are pleased to see the proposal of full grant date fair value once again for the Summary Compensation Table. We have previously commented to the Commission on this issue, as it was discussed in prior rule proposals, and believe it is of paramount importance that this component to the Summary Compensation Table be changed. The use of the dollar amount recognized for financial statements resulted in misleading values for total compensation which were often

negative, despite significant awards. The grant date fair value is a much better measure for the summary because it represents the amount which the board believes they are rewarding the company executives. This is the amount which investors will use to make informed voting decisions. The subsequent change in the amounts or the amount eventually realized is useful in certain respects, but we firmly believe the Summary Compensation Table should reflect the grant date fair value to show the amount initially awarded.

In particular, we believe the suggestion in the rulemaking petition received by the Commission is not an effective alternative to the suggestion made in this proposal. Reporting the annual change in value of awards might still result in negative values being disclosed. It would allow making new grants to cover lost value while still reporting a compensation value of zero, which defeats the purpose of performance grants. Reporting of relative changes in value is a poor choice for disclosing this information to investors and would serve to obscure more information than it revealed. To convey information to investors that fairly describes the company's decisions with regard to compensation requires the disclosure of absolute numbers reflecting the grant date fair value.

B. Enhanced Director and Nominee Disclosure

Under current disclosure requirements, the information supplied to investors regarding board member credentials and qualifications is sparse. We support the proposed disclosures outlined, and in particular, we find a discussion of why and how a certain member would be important to the board to be a welcome addition. Extending the disclosure to any public boards served in the past five years, rather than just current public board service, may provide useful information, and the extension of the time period for disclosing specified legal proceedings from five to ten years is likewise useful. However, we encourage the Commission to consider a longer disclosure period or no time limits for certain criminal offenses such as fraud.

Since director service is such an important role to the company, we favor disclosure of any information that can help investors judge the character and performance of board members, as well as warn of potential conflicts of interest, interlocks, or past legal troubles. The change from disclosing current public board memberships to disclosing all public board memberships in the last five years provides a fuller picture of the director's experience and candidacy, and this should not create any material burden to companies in compiling this information for distribution.

The Commission should also further consider requiring disclosure of any additional factors that a nominating committee considers when selecting someone for a position on the board or its committees, including such factors as diversity. This helps investors understand what mix of factors the company considers as it suggests nominees, and this may be of assistance to investors in proxy voting, particularly during contests.

C. New Disclosure about Company Leadership Structure and the Board's Role in the Risk Management Process

We strongly agree that investors should be provided with meaningful information about the corporate governance practices of companies when making investment or voting decisions. Further, we have a particular interest in the leadership structure and are keenly focused on the relationship between the chair of the board and the chief executive officer. We generally support the separation of these roles for a variety of reasons, not least of which because the combination may weaken the ability of the board to effectively monitor management.

As we are concerned in cases where these roles are jointly held, we would very much value the opportunity to understand the company's choice for their leadership structure. We support required disclosure of the specific duties performed by the board's chair or independent lead director, as well as the rationale for board structures such as the proportion of independent directors and the overall size of the board. This information will be helpful for investors in making informed decisions, and we believe this transparency will ensure that companies give due thought to their leadership structure as they articulate the advantages or potential weaknesses that such a structure may entail. The Commission should require that a portion of this disclosure focus on any risks or weaknesses that are inherent to the leadership structure chosen. The focus on risk in this respect will fit well with the overall discussion on how risk is managed between the board of directors and the management of the company. We favor the proposed discussions on risk management at the company as well.

D. New Disclosure Regarding Compensation Consultants

The proposal to require disclosure of the individual types and dollar value of services provided to management by the compensation committee's consultant is necessary, since compensation consultants deliver such important information regarding compensation levels, which are a significant portion of corporate earnings[1]. Investors need this information to gauge whether the consultant's information may be affected by the provision of other consulting services. Investors must be able to discern if significant conflicts of interest may exist in this relationship. The disclosure of the individual amounts and types of any such services (rather than aggregate value) over the last three years would be more appropriate than a one-year period. We strongly endorse adoption of this disclosure requirement.

E. Reporting of Voting Results on Form 8-K

Of all of the suggestions made within the proposal, this provision is in our opinion the least controversial and the simplest to implement. It is also important to investors because currently the disclosure of voting results often takes several months. There is no good reason for such lengthy delay. The owners of shares go through great expense and deliberation to cast informed proxy votes, and they deserve timely elections results. There is ample technological support for enhanced, accelerated reporting, and the current rules may reflect an erroneous and outdated view of proxy voting, that results are not as significant as other types of company events. We agree that in the event of a contest or situation where voting results cannot be immediately confirmed, companies should disclose on Form 8-K the preliminary voting results within four business days after the preliminary voting results are determined, and file an amended report on Form 8-K within four business days after the final voting results are certified. This element to the proposal acknowledges shareowners' right to be informed of election results in a timely manner, and we urge you to implement this disclosure.

F. Proxy Solicitation Process

We support the Commission's proposals to clarify elements of the solicitation process that have created confusion and uncertainty. These revisions will help facilitate shareowner voting by clarifying certain procedural aspects of the Exchange Act Rules.

[1] See "Perspectives on Executive Compensation", Florida State Board of Administration, 2007 and "The Growth of Executive Pay" by Lucian Bebchuk and Yaniv Grinstein, Oxford Review of Economic Policy, Vol. 21, No. 2.

G. Transition

It is our hope that these enhancements will be in place for the 2010 proxy season. The combination of these proposals presents great value to investors, and we would like to see implementation as soon as possible. The proposed schedule seems achievable in this time period from our perspective.

H. Other Requests for Comment

Disclosure of Performance Targets

Analysis of performance plans is an area of disclosure that is routinely frustrating. It is difficult as an investor to objectively judge these plans with the very limited and sometimes inconsequential performance information that is currently supplied. Companies often offer what we term "laundry lists" when addressing the factors upon which compensation may be judged. Often, more than 60 separate variables are disclosed by companies as possible drivers of pay and are frequently unaccompanied by the specific metrics, hurdles, or formulas that will be used to set compensation amounts.

Investors commonly vote on plans outlining a set number of shares that will cover a large, amorphous group of employees. Sometimes, directors and "consultants" are listed as potential recipients, with no disclosure of how such groups or individuals may be selected or pay levels determined. A large per-person limit is often defined. Without performance targets, investors are forced to rely only on past public performance combined with disclosed officer pay levels in order to determine the compensation philosophy at the company. Investors cannot make rational compensation plan votes when faced with such incomplete information.

We suggest requiring disclosure of performance metrics and targets with more stringent application. The competitive harm clause is being abused, resulting in too little disclosure and poorly informed votes. We suggest that the Commission develop a more precise way of monitoring companies that would suffer competitive harm, and in such cases require disclosure of the metrics and targets after the performance period has ended and compensation has been awarded. Any claims of competitive harm requiring more than one year of disclosure protection should require non-public filing of such metrics and targets to the Commission.

The recent years have often shown a tremendous disconnect between performance and compensation, as well as spiraling levels of compensation that are of great economic significance to shareowners. Because a firm's compensation structure is such an important and meaningful issue for investors, it is imperative that shareowners are enabled to cast more informed proxy votes on compensation plans and the performance of compensation committee members. The current form of the competitive harm clause allows important links to be obscured and hampers investors' efforts to effectively monitor compensation. We hope the Commission will consider action in this regard.

Compensation Committee Resources

It is of consequence to investors to be informed of the compensation committee's access to independent counsel and any substantial reliance on specific members for expertise in this area. We support the disclosure and discussion of this information in the Compensation Committee Report.

Compensation and Long-term Value

We support enhanced discussion of when and how clawback policies would be implemented. Anecdotal evidence indicates that these policies are not fully developed at most companies. Such

disclosures would help investors understand how the company intends to handle situations when compensation is awarded but earned under false or changed conditions. Hold-back policies are an important component of such a discussion.

As a factor pertinent to such discussion, we also believe that disclosure can be augmented concerning executive and board stock holding policies. The amounts and duration of such policies represent additional information to investors and convey the company emphasis on long-term performance and commensurate gain.

Tax Gross-ups

We support the disclosure of the savings to each executive from the implementation of tax gross-ups. This type of payment is considered problematic by many investors, and the disclosure of its value will help investors understand the extent to which this practice is used, as well as its cost, at various companies.

In closing, we hope the Commission will implement the recommendations largely as described in the proposal and with consideration of the comments received. Thank you for your concern with these issues that impact our pension investments. If you have any questions, please contact Mike McCauley, Senior Officer—Investment Programs and Governance, at (850) 413-1252 or governance@sbafla.com.

Sincerely,

Ashbel C. Williams
Executive Director & CIO

cc: Governor Charlie Crist, as Chairman of the SBA
CFO Alex Sink, as Treasurer of the SBA
Attorney General Bill McCollum, as Secretary of the SBA
Chairman Mary L. Schapiro
Commissioner Kathleen L. Casey
Commissioner Elisse B. Walter
Commissioner Luis A. Aguilar
Commissioner Troy A. Paredes