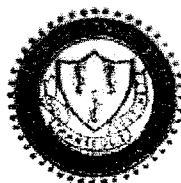


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State of Connecticut



Hartford

December 22, 2003

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:

Attached are my comments on the above cited proposed rule.

Sincerely,

A handwritten signature in cursive script that reads "Denise L. Nappier".

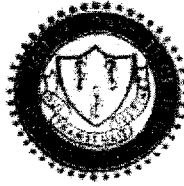
Denise L. Nappier
State Treasurer

cc:

The Honorable William H. Donaldson, Chairman, Securities and Exchange Commission
The Honorable Cynthia A. Glassman, Ph.D., Commissioner
The Honorable Harvey J. Goldschmidt, Commissioner
The Honorable Paul S. Atkins, Commissioner
The Honorable Roel C. Campos, Commissioner

Public Reference

State of Connecticut



Hartford

COMMENTS TO THE SECURITIES AND EXCHANGE COMMISSION REGARDING:

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

December 22, 2003

Introductory Comments

As Treasurer of the State of Connecticut and principal fiduciary of the \$19 billion Connecticut Retirement Plans and Trust Funds ("CRPTF"), I am writing to comment on the Commission's proposed rule on the Director Nomination process.

In recent years, the CRPTF has become one of the most active public pension funds in the proxy voting arena, having filed numerous shareholder resolutions and actively engaged in discussions with a great many companies on a range of corporate governance issues. In addition, we have written to the Commission regarding governance issues, and have had conversations with your staff on these and other related issues. We appreciate the opportunity to address some issues of concern as well as the apparent underlying assumptions that have been raised in the debate over this proposed rule. I am concerned that the way in which these issues have been presented may have an impact on the ultimate view of the Commission, corporate board members, CEOs, and investors – now and in the future -- when considering rules that are vitally important to investors.

The Rule Does Not Treat Access to the Proxy as a Current Right of Shareholders

The CRPTF's Proxy Voting Guidelines state that "electing directors is the most important stock ownership right that shareholders can exercise."

Electing directors begins with the nomination of candidates, and then placing them before shareholders for election. Currently shareholders of most companies (based on the laws of their state of incorporation) have the right to nominate directors for the Board – as long as they use their own proxy card, and bear the expense of distributing that proxy card to shareholders. Therefore, I view the "access to the proxy" issue before the Commission not as a new right for shareholders to nominate directors, but rather merely a question of how to move this process onto the company's proxy card in a cost-effective way.

I am therefore concerned that the thrust of the proposed rule (and many of the restrictions in it) suggest limitations on a right that shareholders already have.

The Current Proposed Rule Includes Limitations That Make It Unfeasible for Shareholders to Exercise

I believe that shareholders should have the right to nominate directors -- and there should be few limitations. The proposed rule is addressing the nomination process. The election of directors by shareholders is still the purview of all shareholders, and majority votes elect directors. Therefore, although limits on the sheer number of nominees may be justified, I believe the proposed "triggers" are unreasonable -- the number of shares needed to nominate a candidate is too high and the time frame for the process to be used is too long.

However, in that it is evident that these restrictions will be in any rule you adopt, I support the recommendations for changes in the rule that have been made by organizations of which I am an active member - the Council of Institutional Investors (CII) and the National Coalition for Corporate Reform (NCCR). Their comments give important data and details of how these changes could be made -- which I will not repeat here. The data supports the notion that under current proposed rules, access to the proxy could not meaningfully be expanded for even the largest shareholders.

This Proposed Rule is Prompted by a System that Does Not Adequately Work and Does Not Allow Fiduciaries to Properly Exercise the Right and Responsibility to Make Changes

The reason this rule is before the Commission is that the current process for nominating and electing directors has not worked. It has resulted in too many boards dominated by insiders, people with inherent conflicts of interest, friends and relatives of the CEO, directors with lucrative consulting contracts with the company, and interlocking directorships. Also evident is a distressing lack of diversity on many boards. The failures of boards such as Tyco, Enron, Healthsouth, WorldCom and others have cost investors billions of dollars and underscored the need for changes in the make-up of corporate boards.

Because many companies failed to govern themselves adequately, the Congress enacted the Sarbanes Oxley Act which places requirements on Audit Committee members, and the Commission just recently approved new listing standards for the NYSE and NASDAQ that raised requirements for board membership and governance. The Commission also proposed and quickly adopted a rule this fall to require greater disclosure in the nominating process.

Access to the company's proxy to nominate directors is not an unwarranted attack on a system that is otherwise working -- it is a necessary reform to a system that has failed too many shareholders and taxpayers too often.

That said, there are many well governed companies and that do not require such initiatives by shareholders. However, investors need better mechanisms to change governance where board members are failing in their duties to shareholders. That is what the adoption of this rule is all about.

I have read claims that this rule will "lead to divisive boards that have difficulty functioning as a team and jeopardize effective board oversight." Furthermore, there have been arguments put forth that a small number of large shareholders, or proxy-voting advisors, will have too much influence should these reforms be accomplished. I have also heard that some people worry that this process will elect board members who have individual interests that they will put ahead of the company's interest.

I find these claims curious and somewhat puzzling -- in that these are exactly the type of situations that exist today that the recent reforms, and access to the proxy, are specifically aimed at correcting. We have seen what happens when boards don't effectively oversee management -- and shareholders have lost billions of dollars as a result. The largest shareholders are not public pension funds -- they are mutual funds (which are facing their own problems this year). These mutual funds and their proxy voting advisors have for years voted consistently with management's position on virtually every issue. Even under the new NYSE and NASDAQ listing standards, boards can elect customers, vendors, lawyers to whom the company pays large fees, etc. to the board.

As a public pension fund fiduciary, I have a responsibility to the 160,000 beneficiaries and plan participants of the Connecticut Retirement Plans and Trust Funds (CRPTF). We are long term investors and much of our portfolio is in index funds -- meaning we continue to hold every company in which we invest for the long-term. It is therefore important that every company in which we invest be governed well.

I vote proxies -- including for and against directors -- based on public proxy voting guidelines that were approved (during a public meeting) by our Investment Advisory Council. We take this fiduciary responsibility seriously and do not take actions lightly. Access to the proxy will provide shareholders such as the CRPTF with another important means of protecting the value of our investments. We use our shareholder rights to act in the best interests of the company -- because that protects and enhances the value of our investment. To suggest that pension and other fiduciaries act in any other way is suggesting they are abrogating a legal responsibility -- which is certainly not the way in which we conduct our business.

Closing Comments

Therefore, I urge the Commission to look at the adoption of this rule as one part of a broader reform of corporate governance. As shareholders, we need a board nomination and election process that 1) elects capable board members who take actions in the best interest of the shareholders who elect them and 2) as a process that enables shareholders to challenge the nomination and election of board members (and entire boards) when they are not acting in shareholders interests.

Whatever rule you finally adopt, I urge you to evaluate its implementation to make certain that it is working to improve the quality of corporate board decisions, and to act again to revise the rule if that goal remains unmet.

Thank you for the opportunity to comment.

Rule-Comments

From: Shirley Williams [shirley.williams@po.state.ct.us]
Sent: Monday, December 22, 2003 4:57 PM
To: rule-comments@SEC.gov.
Subject: File No. S7-19-03



SEC Director

Nominations - 12-... To Whom it May Concern:

Please disregard the previous version. This is the final letter. Thank you.