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THE COMMITTEE ON INVESTMENT OF EMPLOYEE BENEFIT ASSETS

December 22, 2003

Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: File No. S7-19-03

Dear Mr. Katz:

The Committee on Investment of Employee Benefit Assets (CIEBA) welcomes this opportunity to comment on the Securities and Exchange Commission's (SEC) proposed rule *Security Holder Director Nominations*. CIEBA is the voice of the Association for Financial Professionals on employee benefit plan asset management and investment issues. CIEBA members represent 110 of the nation's largest corporate pension funds, managing one trillion dollars on behalf of sixteen million plan participants and beneficiaries.

As the fiduciaries for many of the largest corporate pension funds in the United States, CIEBA members recognize that sound corporate governance practices are important to individual shareholders as well as the overall health of financial markets. CIEBA is supportive of changes in law, regulation and listing standards that have imposed significant new requirements for corporate directors with respect to their independence and qualifications. For example, CIEBA strongly supported the New York Stock Exchange (NYSE) listing standards that the Commission approved in November 2003 strengthening the role of independent directors at public companies. CIEBA supported these listing standards because they 'codified many best practices designed to enhance the role of boards of directors in protecting the interests of shareholders.'

CIEBA believes that the proposed rules on *Security Holder Director Nominations* strike an appropriate balance between the need to assure accountability of directors and the need for stability and cohesion in the management of public companies. However, CIEBA urges the Commission to carefully monitor and evaluate the implementation of any new rules related to director nominations to assure that there are not adverse unintended consequences.

While CIEBA believes that the proposed rules are reasonable in light of current realities, we do have concerns about implementation. Although we are commenting from the perspective of pension plan participants, this perspective also applies to shareholders in general. We urge the Commission to consider the following concerns as it moves forward.

Pension plan assets must be invested in the sole interest of the participants and beneficiaries of the plan. Pension plans should not be forced to subsidize the activities of other investors that may be in conflict with the best interests of plan participants. If the triggers for shareholder director nominations are too low, there is a risk that a director could get elected that might not act in plan participants' best interests. Such directors could act in their own self-interest and possibly represent the views of particular constituents. No action should be taken that would diminish the responsibility of directors to represent the interests of all shareholders or the ability of companies to attract and keep highly qualified directors.

It is important to assure that the director nomination process not be politicized. Further, excessive or unnecessary director turnover does not serve plan participants (or other shareholders) well. The two stage process described in the proposed rules - - triggering event(s) followed by proxy-access by a shareholder or group of shareholders owning 5% of voting securities - - should be rigorous enough to discourage frivolous actions.

Directors must be committed to long-term share ownership in order to best fulfill their fiduciary responsibilities to pension plan participants. Most well run companies have business and strategic plans that extend five or more years into the future. Any stock ownership rules for proxy nominations should likewise reflect this longer-term orientation. We do not believe that owning stock for two years necessarily demonstrates that the owner is concerned about the long-term effects of decisions.

Finally, it is important to ensure that any new rules on director nominations will not impede the effectiveness or implementation of other new standards, including the NYSE and NASDAQ listing standards and the new corporate director rules issued by the SEC.

CIEBA appreciates this opportunity to submit our general views on possible changes to proxy rules related to the nomination of corporate directors. If you need further information or have questions, please contact Judy Schub, CIEBA's Managing Director at (301) 961-8682.

Sincerely yours,

Gary A. Glynn

Gary A. Glynn
Chairman, CIEBA
President, U.S. Steel & Carnegie Pension Fund