

BY MAIL AND FACSMILIE OR E-MAIL

June 22, 2005

The Honorable Richard C. Shelby
Chairman
Banking, Housing, and Urban Affairs Committee
United States Senate
SH-110 Hart Senate Office Building
Washington, DC 20510-0103

Re: Nomination of Christopher Cox to be Chairman of the Securities and Exchange Commission

Dear Senator Shelby:

The Council of Institutional Investors represents more than 130 public, union and corporate pension funds and more than 125 money managers and investment and securities professionals responsible for more than \$3 trillion of pension assets. Council members are charged with investing and safeguarding assets used to fund pension benefits of millions of participants and beneficiaries throughout the United States. A list of Council members is attached.

Council members have a very significant commitment to the U.S. capital markets. The average Council fund invests approximately 45 percent of its portfolio in U.S. stocks and another 30 percent in U.S. bonds. Council members are the ultimate long-term investors, not only by virtue of their long-term pension liabilities but also due to the fact that they passively invest a significant percentage—on average nearly 50 percent—of their domestic equity portfolios. As a result, the integrity of the U.S. capital markets is of critical importance to Council members. Without efficient markets nurtured by the appropriate level of oversight, the cost of providing retirement benefits rises for employers and taxpayers – a result that is in no one's best interest.

The Securities and Exchange Commission is the sole federal entity charged with protecting investors, maintaining the integrity of the securities markets and overseeing many participants in the securities world. The importance of an approach to regulation with advocacy for investor rights and protection cannot be overstated. Accordingly, Council members have long been focused on ensuring that the most qualified individuals are selected to serve as Commissioners.

The critical role of the SEC has only been amplified in the wake of unexpected and extraordinary corporate accounting scandals in the financial markets of recent years. Council members collectively lost billions in pension assets from the scandals and the resulting long-term damage from the loss of confidence in the U.S. capital markets. Needless to say, they have a deep understanding of how ineffective and outdated rules and regulations coupled with an under funded SEC can harm investors and destroy the integrity of the capital markets.

The challenges facing the Commission remain daunting. Markets and securities products are growing more complex and sophisticated, and corporate fraud persists, continuing to eat away at the confidence we have sought so hard to regain. Ensuring that the U.S. markets continue to be the most competitive and efficient in the world and that investors are adequately protected is an ever tougher but increasingly important balancing act.

The Council believes that any candidate for SEC Commissioner must not only have an understanding and appreciation of the Commission's primary mission of protecting investors but a demonstrated commitment to uphold these values. Such commitment is even more important for any candidate for SEC Chair, who serves as the SEC's top executive, selects key staff and sets the agenda for the SEC.

Corporate governance covers the full spectrum of issues—from disclosure to enforcement—addressing market integrity and management accountability. The Council believes it is important that any candidate for SEC Commissioner be specifically asked for a commitment to support the SEC's efforts to improve corporate governance, including rules addressing shareholder proposals and shareholder communications.

The Council is very concerned by press reports characterizing Representative Cox as anti-regulatory with intentions to unwind recent regulatory reform. This is of concern to Council members, who are the primary owners of U.S. business and thus are the beneficiaries of its long-term success. Fresh from the painful lessons of recent years, Council members are adamant that the right regulatory balance is critical to ensure that success. Interfering with the independence of the Financial Accounting Standards Board or the Public Company Accounting Oversight Board, lightening up on SEC enforcement efforts and unwinding key investor protections in the Sarbanes-Oxley Act, such as Section 404 regarding internal controls, are not indicative of the appropriate balance.

The Council hopes to meet with Representative Cox soon to learn his thoughts on the many critical issues facing investors and the SEC, and to express our views on behalf of Council members.

The Council urges you to carefully investigate and consider his position on issues critical to investors and the integrity of the financial markets before the Committee takes its vote. We request that the Committee allow ample time after the hearing for the record to be reviewed so that all interested parties, including the Council, will have time to comment

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on this nomination before a Committee vote. We also ask that all candidates for Commissioner face careful, specific questioning so that the investing public has a clear understanding of their positions on key issues.

Thank you for your careful, thoughtful reviews of the nominations of Representative Cox and the other candidates for Commissioner. The Council will follow up with a list of issues of primary interest to Council members and some suggested questions for Representative Cox.

Sincerely,

Ann Yerger
Executive Director

cc: Senate Committee on Banking, Housing and Urban Affairs

Senator Paul S. Sarbanes
Senator Wayne Allard
Senator Evan Bayh
Senator Robert F. Bennett
Senator Jim Bunning
Senator Thomas R. Carper
Senator Jon S. Corzine
Senator Michael D. Crapo
Senator Christopher J. Dodd
Senator Elizabeth H. Dole
Senator Michael B. Enzi
Senator Chuck Hagel
Senator Tim Johnson
Senator Mel R. Martinez
Senator Jack Reed
Senator Rick Santorum
Senator Charles E. Schumer
Senator Debbie Stabenow
Senator John E. Sununu

Council Officers

Chair Jack Ehnes, California State Teachers' Retirement System
Co-Chair William Boarman, CWA/ITU
Co-Chair Peggy Foran, Pfizer
Co-Chair Coleman Stipanovich, State Board of Administration of Florida
Treasurer Gail Stone, Arkansas Public Employees Retirement System
Secretary Bruce Raynor, UNITE-HERE

ATTACHMENT
COUNCIL OF INSTITUTIONAL INVESTORS MEMBERSHIP

General Members

AFL-CIO Staff Retirement Plan
AFSCME Employees Pension Plan
Agilent Technologies Benefit Plans
Alameda County Employees' Retirement Association
Alaska Permanent Fund Corporation
Altria Services Pension Plan
American Federation of Teachers Pension Plan
Arkansas Public Employees Retirement System
Arkansas Teacher Retirement System
BP Master Trust for Employee Pension Plans
Bricklayers & Trowel Trades International Pension Fund
Building Trades United Pension Trust Fund-Milwaukee and Vicinity
CWA/ITU Negotiated Pension Plan
California Public Employees' Retirement System
California State Teachers' Retirement System
Campbell Soup Retirement & Pension Plans
Carpenters Local Unions and Councils Pension Fund, United
 Brotherhood of Carpenters
Carpenters Pension Fund for Chicago District Council
CERES Defined Contribution Retirement Plan and CERES Tax Deferred Annuity
 Plan
ChevronTexaco
Coca-Cola Retirement Plan
Colgate-Palmolive Employees' Retirement Income Plan
Colorado, Fire and Police Pension Association
Colorado, Public Employees' Retirement Association
Communications Workers of America Pension Fund
Computer Associates Savings Harvest Plan
Connecticut Retirement Plans and Trust Funds
Contra Costa County Employees' Retirement Association
Dallas Employees' Retirement Fund
Delaware Public Employees Retirement System
Delta Family-Care Savings Plan
Detroit General Retirement System
Disney (Walt)
District of Columbia Retirement Board
ELCA Board of Pensions
Exxon Mobil Pension Plan
Fairfax County Educational Employees' Retirement System
Fannie Mae
Florida, State Board of Administration
Ford Motor U.S. Pension Plan
Gap
General Mills Retirement Plan

General Motors Investment Management
Hartford Municipal Employees Retirement Fund
Hewlett-Packard Retirement Plan
Houston Firefighters' Relief & Retirement Fund
I.A.M. National Pension Fund
ITT Industries Pension Fund Trust
IUE-CWA Pension Fund
Idaho, Public Employee Retirement System
Illinois State Board of Investment
Illinois, State Universities Retirement System
Illinois, Teachers' Retirement System
Indiana State Teachers' Retirement Fund
International Brotherhood of Electrical Workers' Pension Benefit Fund
Iowa, Municipal Fire & Police Retirement System
Iowa Public Employees Retirement System
Jacksonville Police and Fire Pension Fund
Jeffrey Company Pension Plan
Johnson & Johnson General Pension Trust
Kentucky Retirement Systems
Kern County Employees' Retirement Association
KeyCorp Cash Balance Pension Plan
Laborers' International Union of North America Local Union & District Council
Pension Fund
Laborers' Pension Fund, Central
Los Angeles City Employees' Retirement System
Los Angeles County Employees Retirement Association
Los Angeles Fire and Police Pension System
Louisiana State Employees' Retirement System
Louisiana Teachers Retirement System
Lucent Technologies Pension Plan
Maine State Retirement System
Marin County Employees' Retirement Association
Maryland, State Retirement Agency
Massachusetts Bay Transportation Authority Retirement Fund
Massachusetts Pension Reserves Investment Management Board
McDonald's Employee Benefits Plan
Microsoft
Milwaukee Employes' Retirement System
Minneapolis Teachers' Retirement Fund Association
Minnesota State Board of Investment
Missouri State Employees' Retirement System

Missouri, Public School & The Non-Teacher School Employee Retirement
Systems
Montana Board of Investments
Montgomery County Employees' Retirement System
Nathan Cummings Foundation
National Education Association Employee Retirement Plan
Navy-Marine Corps Relief Society
New Hampshire Retirement System
New Jersey Division of Investment
New York City Employees' Retirement System
New York City Pension Funds
 New York City Board of Education Retirement System
 New York City Fire Department Pension Fund
 New York City Police Pension Fund
New York City Teachers' Retirement System
New York State and Local Retirement Systems
New York State Teachers' Retirement System
North Carolina Retirement System
Ohio Police and Fire Pension Fund
Ohio, Public Employees Retirement System
Ohio, School Employees Retirement System
Ohio, State Teachers' Retirement System
Operating Engineers, Central Pension Fund
Pennsylvania Public School Employees Retirement System
Pennsylvania State Employees' Retirement System
Pfizer Retirement Annuity Plan
Philadelphia Municipal Pension Retirement Fund
Pitney Bowes Pension Plan
Plumbers & Pipefitters National Pension Fund
Producer-Writers Guild of America Pension Plan & Writers' Guild – Industry
 Health Fund
Rhode Island Employees' Retirement System
Sacramento County Employees' Retirement System
San Bernardino County Employees' Retirement Association
San Diego City Employees' Retirement System
San Francisco City and County Employees' Retirement System
San Jose City Retirement Funds
Santa Barbara County Employees' Retirement System
Schering-Plough Employees' Savings Plan
Sealed Air Retirement Plans
Service Employees International Union Pension Fund
Sheet Metal Workers' Local 19 Pension Plan
Sheet Metal Workers' National Pension Fund
Sunoco
Target Pension Fund
Teamster Affiliates Pension Plan
Tennessee Consolidated Retirement System

Texas, Employees Retirement System
Texas Municipal Retirement System
Texas, Teacher Retirement System
U.A. Local Union Officers and Employees Pension Fund
UNITE HERE Laundry & Dry Cleaning Workers Pension Fund
UNITE HERE National Retirement Fund
UNITE HERE Textile Workers Pension Fund
United Church of Christ Pension Boards
United Food and Commercial Workers International Union Staff Trust Fund
United States Steel and Carnegie Pension Fund
Virginia Retirement System
Washington State Investment Board
West Virginia Investment Management Board
Wisconsin State Investment Board
World Bank Staff Retirement Plan
Xerox Corporation

Educational Sustainers

ABP Investments
Acadian Asset Management
Adelante Capital Management
AllianceBernstein
Amalgamated Bank of New York LongView Fund
Angelo, Gordon
Ariel Capital Management
Automatic Data Processing Investor Communication Services
Avid Partners
Bank of Ireland Asset Management
Bank of New York
Barclays Global Investors
Barrack, Rodos & Bacine
Berger & Montague
Berman DeValerio Pease Tabacco Burt & Pucillo
Bernstein Liebhard & Lifshitz
Bernstein Litowitz Berger & Grossmann
Blomquist & Company
Boeing
Bridgewater Associates
Bristol-Myers Squibb
Brown Capital Management
Capital Guardian Trust
Capri/Capital Advisors
Chicago Equity Partners
Chimicles & Tikellis
Chitwood & Harley
Citigroup Asset Management
Cohen, Milstein, Hausfeld & Toll
Columbia Management Group
Credit Suisse Asset Management
Cue Capital
Delaware Investment Advisers
Deutsche Asset Management
Dimensional Fund Advisors
Ennis, Knupp
Entwistle & Cappucci
Ernst & Young
ESL Investment
F&C Asset Management
Fidelity Investments
Fifth Third Asset Management
Fitch Ratings
Franklin Templeton Institutional
Fred Alger Management
FTSE Americas
Gabelli Funds

GE Asset Management
Georgeson Shareholder Communications
Girard Gibbs & De Bartolomeo
Glass, Lewis
Goldman, Sachs
Goodkind Labaton Rudoff & Sucharow
GovernanceMetrics International
Grant & Eisenhofer
Hamilton Lane Advisors
Holland Capital Management
Independent Fiduciary Services
ING Investment Management
Innovest Strategic Value Advisors
Institutional Shareholder Services
International Services Unlimited
Invesco
Janus Institutional Asset Management
JP Morgan Fleming Asset Management
Kahn & Associates, David B.
Kaplan Fox & Kilsheimer
Kellogg, Huber, Hansen, Todd & Evans
King (D.F.)
Kirby McInerney & Squire
Knight Vinke Asset Management
Landmark Partners
Landon Butler & Company
Lawndale Capital Management
Lazard Asset Management
Lazard Freres
Lerach Coughlin Stoia Geller Rudman & Robbins
Lieff, Cabraser, Heimann & Bernstein
Loomis, Sayles & Company
Lord, Abbett
Lowey Dannenberg Bemporad & Selinger
MacKay Shields
MacKenzie Partners
Marco Consulting Group
Marwood Group Asset Management
Merrill Lynch
Milberg Weiss Bershad & Schulman
Moody's Investors Service
Morgan Stanley Investment Management
Morrow & Co.
New Mountain Capital Group
Nicholas Applegate Capital Management
Nix, Patterson & Roach
Occidental Petroleum
Oppenheimer Capital

Pareto Partners
Parish Capital Advisors
Patton, Roberts, McWilliams & Capshaw
Pomerantz Haudek Block Grossman & Gross
Prickett, Jones & Elliott
Progress Investment Management
Prudential Financial
Prudential Investment Management
Putnam Investments
Relational Investors
Robins, Kaplan, Miller & Ciresi
Rock Creek Group
Schiffirin & Barroway
Schroder Investment Management North America
Seligman J. & W.
Seneca Capital Management
SPARX Asset Management
Spector, Roseman & Kodroff
Standard & Poor's
State Street
Sumitomo Trust & Banking
T. Rowe Price
TIAA-CREF
Trust Company of the West
Turner Investment Partners
UBS Global Asset Management (*Americas)
U.S. Trust Company
Voyageur Asset Management
Wellington Management Company
Wetherly Capital Group
Williams Capital
Wolf Haldenstein Adler Freeman & Herz
Wolf Popper
World Pension Forum
Yucaipa American Fund