

**Insight Talk Show**  
**Conversations with CalPERS Leaders**

**Edition Title:** Market Reform

**Insight Host:** Bob Burton

**Guest:** Anne Simpson, CalPERS Senior Portfolio Manager

Bob Burton:

Welcome to another addition of Insight. The president has signed the most sweeping overhaul of the nation's financial system in more than 70 years. CalPERS is an active supporter of market reform and has a keen interest in improving the governance of companies. Our guest today is Anne Simpson, CalPERS Senior Portfolio Manager specializing in Corporate Governance issues. Anne welcome to Insight. Are you applauding this legislation or is it still a work in progress?

Anne Simpson:

We are applauding this legislation and CalPERS has been working very hard indeed to make sure that the rules that we need to fix the system are put in place. We know it's not perfect, but this is a really big step forward. So it's a day to celebrate.

Bob Burton:

Are you confident that this legislation will prevent another meltdown?

Anne Simpson:

Well, never say never. The financial markets are global. We know every time a rule gets written there are 3 other people finding ways around that rule. That's the innovation that we know we have to deal with. So, we must be vigilant. We are very pleased to see these rules and regulations being put in place to rein in the wild frontiers in the financial markets, but we must continue to pay attention and be responsible owners. That's very important.

Bob Burton:

How is CalPERS trying to ensure that market reform is on target?

Anne Simpson:

Well our top priority is to make sure that we can put forward our candidates for the board of these companies. Because, if we can find the brightest and the best from the pool of talent that's out there, and have people there working for us who know they are accountable to the owners, we think that can make a real difference. Now that's called proxy access, but really it's about having people there who are going to be working for you.

Bob Burton:

Moving through your list of concerns, how does CalPERS respond to executive pay matters?

Anne Simpson:

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Well executive pay is out of control, not so many years ago a chief executive would typically own 40 times what the average employee owned. That seems pretty generous. Now it's more like 400, and what we haven't seen is the same improvement in profitability or long term wealth creation. So we think that share holders need to have say on pay. After all this is the share holders money, ultimately it's the beneficiaries money from CalPERS, which is bank rolling all of this extravagance. So it needs to be brought under control. So we want to see pay for performance, but we want that performance to be long term, we want it to be sustainable. We don't want to create an environment where people can achieve short term financial targets, cash in, and walk away from a problem they left behind.

Bob Burton:

From CalPERS specific point of view how do we make sure that the companies that we invest in are actually contributing to growth and good governance in the market place?

Anne Simpson:

Well there's not much in life that we are in control of, we're not in control of the wider economy, we're not in control of the weather. What we are in control of, if the people who are sitting with responsibility for our assets. So the single most important thing we can do is make sure that good people with integrity, with ability, who are accountable are sitting on those boards. And that's really where we focus a lot of our attention.

Bob Burton:

It's clear that our members have a keen stake in what happens with corporate governance issues. How can they continue to monitor what goes on?

Anne Simpson:

Well we put as much information as we were able up on a special Web site. You can go the CalPERS Web site and click in on corporate governance, you'll find how we voted in our biggest companies. We try to get the votes up in advance so you can see what we're planning to do. We have a comment box so you can send us your ideas and comments on what we're doing. And as we're gathering in our pool of candidates for boards that CalPERS and other share holders want to put forward we even now have an email called Diverse Direct to Database so if you have people who are interested in serving and who have the right qualifications you can even send your suggestions in that way.

Bob Burton:

Thank you so much for being here, I hope you'll come back soon and provide us a little more insight on Corporate Governance.

Anne Simpson:

Thank you.

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Bob Burton:

You've been watching Insight Conversation with CalPERS Leaders. Today's guest was Anne Simpson, CalPERS Senior Portfolio Manager specializing in Corporate Governance. Please join us again soon for more Insight.