



Russell Read, Ph.D., CFA
Chief Investment Officer
P.O. Box 2749
Sacramento, CA 95812-2749
Telecommunications Device for the Deaf - (916) 795-3240
Telephone: (916) 795-4079

July 26, 2007

The Honorable Christopher Dodd, Chairman
U.S. Senate Committee on
Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

**Re: Investor Support for Advisory Shareowner Votes on Executive Compensation
(H.R.1257 and S.1181)**

Dear Mr. Chairman:

I am writing to you on behalf of the California Public Employees' Retirement System (CalPERS), the largest public pension system in the United States, with approximately \$250 billion in assets. We manage retirement benefits and health insurance on behalf of nearly 1.5 million members.

The purpose for this letter is to express CalPERS' strong support for shareowner advisory votes on executive compensation and encourage the Committee on Banking, Housing and Urban Affairs under your leadership to recommend approval by the U.S. Senate of pending legislation S.1181 to amend the Securities Exchange Act of 1934 to provide shareholders with an advisory vote on executive compensation. We were highly supportive of H.R.1257 Shareholder Vote on Executive Compensation Act which was overwhelming approved by the U.S. House of Representatives (269 Ayes, 134 Nays, 30 Present/Not Voting) on April 20, 2007.

A shareowner advisory vote on executive compensation will allow shareowners to have a voice in the compensation practices of corporations while not directly affecting a board's ability to set compensation policy. Compensation programs are one of the most powerful tools available to a company to align key employee interests with the long-term interests of shareowners. CalPERS believes that a shareowner advisory vote of annual executive compensation practices is an effective mechanism to enhance transparency in setting executive pay, improve accountability to shareowners, and to more effectively link pay with performance. As a large institutional investor, we believe a non-binding advisory vote may compel corporate boards of directors to reexamine executive compensation practices and act accordingly in cases where compensation packages may be excessive or where corporate executives have failed to produce value for shareowners.

As an institutional investor and strong advocate for shareowner rights, CalPERS is not alone in believing that non-binding shareowner input through an annual advisory vote on executive compensation is an effective mechanism to improve constructive dialogue between corporate boards and shareowners. Global institutional investors, including among others ABP Investments – Netherlands, Hermes Equity Ownership Services Ltd., PGGM –Netherlands, UniSuper Management Pty. LTD., and Universities Superannuation Scheme, representing \$1.5 trillion in

California Public Employees' Retirement System
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asset under management addressed SEC Chairman Christopher Cox in January of this year to outline their experiences which demonstrate the benefits of having an advisory vote in markets that currently provide for such a mechanism. CalPERS agrees with our fellow institutional investors that the use of advisory votes on executive compensation at U.S companies would:

- Improve communication between shareowners and directors.
- Encourage pay-for-performance practices that better align the interests of executives and shareowners.
- Increase focus on individual company circumstances and strategic goals in the development and evaluation of executive compensation plans.

In closing, we wish to respectfully urge the U.S. Senate Committee on Banking, Housing and Urban Affairs under your leadership to take favorable action on S.1181 consistent with the legislation passed by the U.S. House of Representatives and viewpoint of significant global institutional investors. Please feel free to contact Dennis Johnson, Senior Portfolio Manager, at (916) 795-2731 if there are questions. We will continue to monitor the progress made by the Committee on Banking, Housing and Urban Affairs.

Sincerely,



cc: CalPERS Board of Administration
Fred Buenrostro, Chief Executive Officer, CalPERS
Christianna Wood, Senior Investment Officer, CalPERS
Dennis Johnson, Senior Portfolio Manager, CalPERS