March 18, 2010

Hon. Christopher Dodd, Chairman
Senate Committee on
Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Dodd:

As long-term institutional investors with a keen interest in the overall health and integrity of the U.S. financial markets, we strongly support the enactment of comprehensive financial regulatory reform legislation. We appreciate your leadership on this effort and look forward to actively working with you to enact this important legislation. In particular, the corporate governance reforms contained in the Chairman's mark are a critical component of this financial reform legislation, especially the provision confirming the authority of the Securities and Exchange Commission to issue rules providing shareholder access to the proxy to nominate directors.

These governance reforms will provide investors with the necessary tools to achieve appropriate transparency, accountability, and management of risk at the corporate level. It will take the combination of strengthened oversight by both regulators and investors to restore and maintain the integrity and effectiveness of our capital markets and the accountability of its participants.

The undersigned State and local government pension funds and plan sponsors from across the country represent more than 6.8 million active and retired employees with combined assets of $1 trillion and annual benefit payments to retirees and their families totaling more than $47 billion. Public plans as a whole distribute more than $160 billion annually in retirement and disability benefits. To discharge that responsibility, we are inherently long-term investors in the capital markets, providing patient capital with a decades-long investment horizon. Because of the sheer size of our plans and the need to diversify to provide sound investment returns, we are broadly invested throughout the capital markets in most asset classes.

Accordingly, the public plan community has a particularly strong and continuing interest in the overall health and integrity of the U.S. financial markets. In addition, as significant, long-term shareholders owning millions of shares in a broad range of publicly-traded companies, we have a keen interest in ensuring that these companies operate with transparency through the board of directors, financial reports, and methods of communication with investors, have a board and a management that are clearly accountable for properly serving the interests of the business and its owners, and appropriately manage risk to promote the long-term health of the business.

The corporate governance reforms contained in the Chairman's committee print, especially the proxy access provision, will provide investors with the necessary tools to ensure appropriate transparency, accountability, and management of risk at the corporate level. We, the undersigned support these key provisions and strongly urge you to oppose any amendments to strike or weaken these provisions of this legislation as you move to mark-up.

Thank you in advance for your support.

Sincerely,

Denise L. Nappier
Connecticut State Treasurer
Connecticut Retirement Plans and Trust Funds

Meredith Williams
Executive Director
Colorado Public Employees' Retirement Assoc.

Theresa Whitmarsh
Executive Director
Washington State Investment Board

Sally Choi
General Manager
Los Angeles City Employees' Retirement

Thomas P. DiNapoli
New York State Comptroller
New York State Common Retirement Fund

Ash Williams
Executive Director & CIO
Florida State Board of Administration

Gail L. Hanson
Deputy Executive Director
State of Wisconsin Investment Board

Jack Ehnes
Chief Executive Officer
California State Teachers' Retirement System

Anne Stausboll
Chief Executive Officer
California Public Employees' Retirement System

Gregg Rademacher
Chief Executive Officer
Los Angeles County Employees' Retirement Assoc.

Ted Wheeler
Oregon State Treasurer
Oregon Public Employees Retirement Fund

Nancy K. Kopp
Maryland State Treasurer
Maryland State Treasurer's Office

Chris De Rose
Chief Executive Officer
Ohio Public Employees' Retirement System

Mike Hehl
Executive Director
State Teachers' Retirement System Ohio

cc: Democratic Members, Senate Banking Committee

DEBUNKING THE MYTHS ON CORPORATE GOVERNANCE REFORM

1. Myth: Corporate governance reform does not advance the objectives of financial reform

Fact: Strengthened oversight by both regulators and investors is necessary to restore and maintain the integrity and effectiveness of capital markets and the accountability of its participants

- The financial crisis at its heart reflects a failure of oversight – at the regulator level and at the individual corporate level. In addition to strengthening regulatory authority, robust and effective oversight also requires that investors have the necessary tools to hold management and boards accountable in order to protect our interests as the owners of the company. As the shareholders we should be the first line of defense against mismanagement of risk by the company. SEC proxy access rules would give the owners of the company the necessary tools to hold management and boards fully accountable from *inside the company* – a private market solution.

2. Myth: Governance reforms will cause excessive focus on the short term and "may destroy or seriously erode shareholder wealth"

Fact: Public plans are inherently long term investors with a strong interest in the financial health of the businesses in which we invest

- Public plans have investments in the markets in excess of $1 trillion and depend upon the return from those investments to help fund annual benefit payments to retirees and their families totaling more than $160 billion. To discharge that responsibility, our plans have a decades-long investment horizon and a strong interest in promoting the long-term financial health and success of the businesses in which we invest.

3. Myth: SEC proxy access rule will interfere with shareholder rights under state law

Fact: SEC proxy access rule would merely empower shareholders to exercise their existing rights under state law to nominate directors

- Under the current system, candidates for a company's board are almost always nominated by the very management the board is supposed to oversee. The only way for shareholders to vote is by not voting. That is, the only way for shareholders to express dissatisfaction with the board is to withhold their votes in the election. The only alternative is an independent proxy solicitation, which is very expensive.

4. Myth: Proxy access will harm small business

Fact: Shareholder proposals focus on large companies, not small business

- More than 75 percent of all shareholder proposals filed in the past 3 years have been submitted at companies with market capitalizations of $1 billion or more, and more than 90 percent with market capitalizations of $100 million or more (Source: CalSTRS compiled data provided by RiskMetrics).

5. Myth: Recent changes in Delaware state corporate law eliminate the need for the SEC to provide guidance on proxy access

Fact: Serious obstacles to proxy access remain under the Delaware approach

- The Chamber has indicated that Delaware law was recently changed to clarify the authority of companies and their shareholders to adopt proxy access bylaws. While this change is being touted as a "major breakthrough" in corporate governance, management and the boards of these companies have always had the ability to adopt proxy access bylaw changes, and yet only a small handful have voluntarily done so.
- Even with the change in Delaware law, shareholders seeking to change the bylaws to provide proxy access still would have to wage an expensive proxy fight for such an amendment.
- At many companies it takes a super-majority of votes to amend the bylaws, setting an extremely high hurdle for shareholder efforts to amend the bylaws to provide proxy access.
- Companies and their boards often are insisting upon unrealistic thresholds for share ownership to gain access to the proxy, which would be impossible to meet for most major publicly traded companies.

6. Myth: Corporate governance reform will sap the SEC's resources "when it is struggling to perform its existing mission critical goal of protecting investors"

Fact: Governance reform is a private market solution that limits the need for external regulation by government

- Rather than distracting the SEC or diverting its resources away from its mission of investor protection, proxy access in fact would enable the shareholders who own the company to hold board and management accountable for promoting the long-term health of the business – without having to resort to external government regulation by the SEC.