

May 18, 2010

Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

RE: Oppose Carper - Corker - Bayh Amendments to strike Corporate Governance Reforms

Dear Senator Reid:

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 S. 3217, the Restoring American Financial Stability Act, recently reported from the Senate Banking Committee are a critical component of this legislation, especially the provision reaffirming 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 7 million active and retired employees with combined assets in excess of \$1 trillion and annual benefit payments to retirees and their families totaling more than \$50 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 investor 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 compelling 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.

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The corporate governance reforms contained in the S. 3217, the Restoring American Financial Stability Act, and in particular, the proxy access provisions will provide investors with the necessary tools to ensure appropriate transparency, accountability and management of risk at the corporate level. It is important that Congress confirm the SEC's authority over proxy access so that shareowners can have a meaningful voice in who represents us in the Board room. We, the undersigned support these key provisions and strongly urge you to **oppose** the Carper – Corker – Bayh amendments to strike the corporate governance reforms of this legislation when it is considered by the full Senate.

Thank you in advance for your support.

Sincerely,



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



Jack Ehnes
Chief Executive Officer
California State Teachers' Retirement System



Theresa Whitmarsh
Executive Director
Washington State Investment Board



Ted Wheeler
Oregon State Treasurer
Oregon Public Employees Retirement Fund



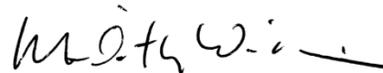
Thomas P. DiNapoli
New York State Comptroller
New York State Common Retirement Fund



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



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



Meredith Williams
Executive Director
Colorado Public Employees' Retirement Assoc.



Ash Williams
Executive Director & CIO
Florida State Board of Administration



Sally Choi
General Manager
Los Angeles City Employees' Retirement

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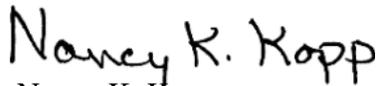
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Gregg Rademacher
Chief Executive Officer
Los Angeles County Employees' Retirement Assoc.



Gail Stone
Executive Director
Arkansas Public Employees Retirement System



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



Diane D'Alessandro
Executive Director
New York City Employee Retirement System (NYCERS)



Janet Cowell
North Carolina State Treasurer
State of North Carolina



John Liu
Comptroller
City of New York



R. Dean Kenderdine
Executive Director
Maryland State Retirement Agency



Bill de Blasio
Public Advocate
City of New York



Sandra J. Matheson
Executive Director
Maine Public Employees Retirement System



Anne Stausboll
Chief Executive Officer
California Public Employees' Retirement System



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CALPERS PRESSES FOR FINANCIAL MARKET REFORM

CalPERS encourages and supports global reform to protect investor interests through legislative, regulatory, securities exchanges, and investor forums. Looking ahead, we believe the current market climate presents a window of opportunity for CalPERS to exhibit leadership in shaping market reform to protect investors from a future market meltdown of this magnitude. CalPERS believes that addressing certain reforms are critical and will contribute to the restoration of confidence in the capital market system. As a matter of importance, CalPERS has contributed to supporting the establishment of a regulatory financial market system designed to instill trust, integrity, and confidence in the investors, beneficiaries, and stakeholders of the global capital markets through the following action items:

- In conjunction with leading public pension funds and plan sponsors in the United States, developed financial regulation principles, aimed at restoring trust, the "[Principles of Financial Regulation Reform](#)" (PDF, 74 KB), which included the following key elements: 1) greater disclosure and transparency, 2) true regulatory independence, 3) an increased and effective shareowner voice in the capital markets, 4) earlier identification by regulators of issues that give rise to overall market risk that threaten global markets, and 5) the preservation of institutional investors' freedom to invest in the full range of investment opportunities.
- As an active member of the [Council of Institutional Investors](#) (PDF, 252 KB), CalPERS signed onto a letter urging [U.S. Congressional leaders](#) (PDF, 738 KB) to consider a number of key corporate governance improvements for inclusion in financial market regulatory reform legislation. The corporate governance improvements considered to have the greatest impact for financial market reform legislation include: 1) Majority Voting Standards in Director Elections, 2) Shareowner Access to the Proxy for the Purpose of Nominating Directors, 3) Abolishing the ability of Brokers to vote uninstructed broker proxy votes, 4) Establishing a board structure under the leadership of an Independent Board chairperson, 5) Board use of Independent Compensation Advisers, 6) annual Advisory Shareowner Vote on executive pay, 7) stronger

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executive compensation Clawback provisions, and 8) Severance pay limitations that ensure greater pay-for-performance alignment.

- CalPERS voted in favor of the Council of Institutional Investors' endorsement of the July 2009 Investors' Working Group report entitled [U.S. Financial Regulatory Reform: The Investors' Perspective](#) (PDF, 80 KB). The report provides an investor perspective on recommendations to improve regulation of the U.S. financial markets focusing on four major areas that the financial crisis has revealed to be fundamentally flawed: 1) Strengthening and reinvigorating existing federal agencies responsible for policing financial institutions and markets and protecting investors and consumers; 2) filling the gaps in the regulatory architecture and in authority over certain investment firms, institutions and products; improving corporate governance at U.S. financial companies and 4) designating a systemic risk regulator, with appropriate scope and powers.
- On March 19, 2010, CalPERS joined CalSTRS, the Colorado Public Employees Retirement System, Richard Breeden, and Ira Millstein in a national [press event urging lawmakers to support reforms](#) (PDF, 20 KB) as described in Senator Dodd's legislation. Key Financial Reform, "[Do's and Don't](#)" (PDF, 55 KB) were articulated.
- On March 22, 2010, the U.S. Senate Banking Committee approved Chairman Christopher Dodd's "Restoring American Financial Stability Act of 2010." CalPERS cross-asset class staff will continue to be a resource to U.S. legislative staff as the full Senate debates the legislation. The Act favorably addresses nine of CalPERS twelve 2010 Financial Market Reform Objectives summarized as follows:

CalPERS Reform Objectives	Restoring American Financial Stability Act of 2010
Proxy Access	The Securities and Exchange Commission (SEC) may issue rules permitting proxy material use by shareowners for board nominations.
Majority Vote for Director Elections	Resignation of a Director receiving less than a majority vote in an uncontested election.
Say-on-Pay	Includes a non-binding shareowner vote on a proxy resolution to approve an executive compensation plan.
Systemic Risk	Establishes a "Financial Oversight Council," to identify and monitor market systemic risks.
Derivatives Regulation	Provides authority to regulate over-the-counter derivatives. Requires central clearing, exchange trading and transparency provisions.

Credit Rating Agency (CRA) Reform	Provides SEC authority over CRAs, with disclosure, accountability and expertise provisions along with support of alternative payment models.
Hedge Fund Registration	Requires registration of hedge funds managing more than \$100 million.
SEC Independence	SEC self funding.
Consumer Financial Protection Agency	Creates an independent unit within the Federal Reserve to regulate consumer financial items.

April 21, 2010

[SEC Concept Proposal on Credit Rating Agency Liability](#) (PDF, 1.8 MB)

April 20, 2010

[U.S. Public Pension Funds, letter to Majority Leader US-Senate, Harry Reid urging to oppose any amendments to strike or weaken governance provisions contained in the Restoring American Financial Stability Act](#) (PDF, 160 KB)

March 19, 2010

[The Investors' Working Group, letter to Chairman Dodd and Ranking Member Shelby to reiterate strong support for the Committee Print of the Restoring America Financial Stability Act of 2010 \("Act"\)](#) (PDF, 39 KB)

March 18, 2010

[Institutional Investors Support Financial Regulatory Reform, letter to Hon. Christopher Dodd, Chairman Senate Committee on Banking, Housing, and Urban Affairs](#) (PDF, 136 KB)

March 16, 2010

[CalPERS Backs Federal Financial Reform Bill](#)

December 16, 2009

[Letter to Senate Banking Committee](#)
(PDF, 349 KB)

December 16, 2009

[The Government as Dominant Shareholder: How Should the Taxpayers' Ownership Rights be Exercised \(Day 1\)](#)
Webcast of hearing includes Anne Simpson, CalPERS Senior Portfolio Manager- 1:24:26 hour with additional comments at 1:53

December 9, 2009

[CalPERS to Congress: Back Wall Street Reform Legislation](#)

November 3, 2009

[Averting Financial Crisis: Regulatory Reform & Corporate Governance](#)

(PDF, 47 KB)

October 30, 2009

[Corporate Governance Best Practices](#) (PDF, 36 KB)

September 30, 2009

[Credit Rating Agency Testimony](#) (PDF, 30 KB)

July 15, 2009

[Regulating Hedge Funds and Other Private Investment Pools](#) (PDF, 55 KB)

March 10, 2009

[CalPERS Presses For Financial Market Reform](#)

February 13, 2009

[Letter to U.S. Congressional Leader expressing support for critical legal reforms to the U.S. financial markets](#) (PDF, 783 KB)

December 2, 2008

[CalPERS with CII urges U.S. Congressional leaders to consider key Corporate Governance improvements for the Financial Market Reform legislation](#) (PDF, 252 KB)