How NCPERS Members Can Reform Corporate America

NCPERS Public Safety Conference
New Orleans

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CEO Pay: September 2014 Research

- Harvard/Chulalongkorn research released September 2014: U.S. executive compensation is out of touch with workers and rest of world

![CEO Pay Chart]

Source: Harvard/Chulalongkorn
CEO Pay: Peter Drucker

- Peter Drucker warned CEO-worker ratio higher than 20 to 1 would “increase employee resentment and decrease morale.”

![CEO Pay Chart](chart.png)

Source: Harvard/Chulalongkorn
CEO Pay: U.S. Public’s Lack Of Awareness

- U.S. public thinks CEO-worker pay ratio is 30 to 1
- Instead of 354-1

Source: Harvard/ Chulalongkorn

Increased resentment and decreased morale

Source: Harvard/ Chulalongkorn
### Shareholder Coalition

- **NCPERS Members and 10 other institutions have engaged companies**
- **Over three years, the coalition has raised awareness and achieved reforms**
- **NCPERS participating members include:**
  - City of Philadelphia public employees retirement system
  - Firefighters/pension system of the city of Kansas City, Missouri
  - Miami firefighters’ relief and pension fund
  - New York City systems

<table>
<thead>
<tr>
<th>Philadelphia</th>
<th>Kansas City, Missouri</th>
<th>Miami</th>
<th>New York City</th>
</tr>
</thead>
</table>
Target Companies That Received Poor SOP Votes

- Multiple Shareholder Proposals
  - No gross ups of excise taxes
  - No accelerated vesting of equity awards in change of control
  - Substantial retention of equity awards
  - Independent chairman of board
  - Declassify boards
  - Majority vote standard for electing directors
  - Shareholder approval of golden parachutes
  - Specific performance standards
  - Proxy access
Very Positive Results

- 28 companies engaged (some repeatedly)
- 96 proposals
- 42 withdrawn due to responsiveness
- 7 received majority votes
- 24 received more than 35%

- Private meetings with board chairs/lead directors/compensation chairs
  - Apache
  - Chesapeake Energy
  - Citigroup
Poster child for excessive executive pay Larry Ellison highest paid U.S. CEO
- 2013: $79 million
- 2014: $67 million
Shareholder Proposals At Oracle

- **Multiple performance metrics**
  - New York City Systems

- **Specific performance standards**
  - City of Philadelphia
  - Trowel Trades SP 500 Index
  - AFL-CIO Equity Index

- **Proxy access**
  - Nathan Cummings Foundation
  - New York State Common Retirement
  - CalSTRS
  - RPMI Railpen
  - PGGM Investments
  - UAW Retiree Medical Benefits Trust
Preliminary Target List for 2015 Engagement
## SOP: Potential 2015 New Targets

<table>
<thead>
<tr>
<th>Company</th>
<th>Potential Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Realty Capital Properties</td>
<td>31.7% (sop)</td>
</tr>
<tr>
<td>CBL &amp; Associates</td>
<td>29.7% (sop)</td>
</tr>
<tr>
<td>Chipotle Mexican Grill</td>
<td>23.6% (sop)</td>
</tr>
<tr>
<td>Expeditors International</td>
<td>43.3% (sop)</td>
</tr>
<tr>
<td>FirstMerit</td>
<td>41.4% (sop)</td>
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<tr>
<td>Hasbro</td>
<td>45.9% (sop)</td>
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<tr>
<td>Lexington Realty</td>
<td>27.6% (sop)</td>
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<tr>
<td>Medidata Solutions</td>
<td>42.9% (sop)</td>
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<tr>
<td>Riverbed Technology</td>
<td>26.8% (sop)</td>
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<tr>
<td>Staples</td>
<td>46.2% (sop)</td>
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<tr>
<td>TCF Financial</td>
<td>45.5% (sop)</td>
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<tr>
<td>Whiting Petroleum</td>
<td>41.8% (sop)</td>
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## Potential 2015 Re-Engagements

<table>
<thead>
<tr>
<th>Abercrombie &amp; Fitch</th>
<th>Big Lots</th>
<th>Boston Properties</th>
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<tbody>
<tr>
<td><img src="image1" alt="Abercrombie &amp; Fitch Logo" /></td>
<td><img src="image2" alt="Big Lots Logo" /></td>
<td><img src="image3" alt="Boston Properties Logo" /></td>
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<td>Comstock Resources</td>
<td>Dean Foods</td>
<td>Nabors Industries</td>
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<td><img src="image4" alt="Comstock Resources Logo" /></td>
<td><img src="image5" alt="Dean Foods Logo" /></td>
<td><img src="image6" alt="Nabors Industries Logo" /></td>
</tr>
</tbody>
</table>
More Participants Welcome

- Currently 18 institutions participating
- Combine and coordinate resources
- Each participant controls own proposal
- Make an impact
- Minimal cost
Questions