

# How NCPERS Members Can Reform Corporate America

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NCPERS Public Safety Conference  
New Orleans

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*Senior Counsel*

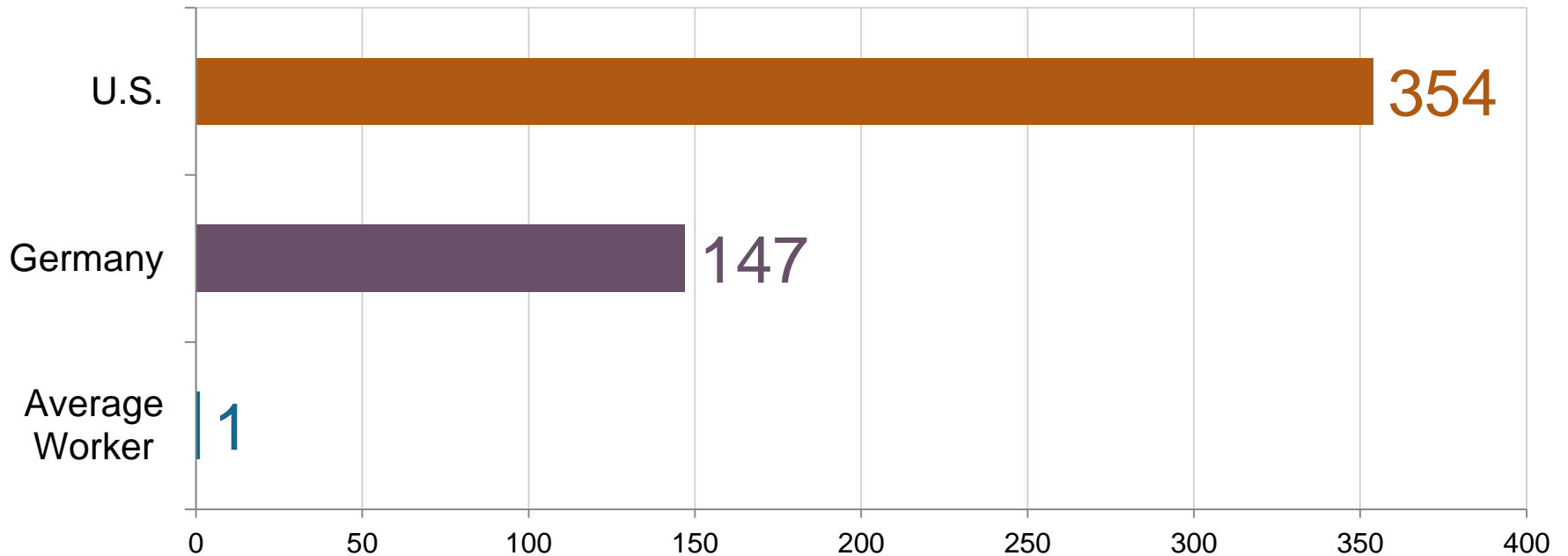
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October 27, 2014

# 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

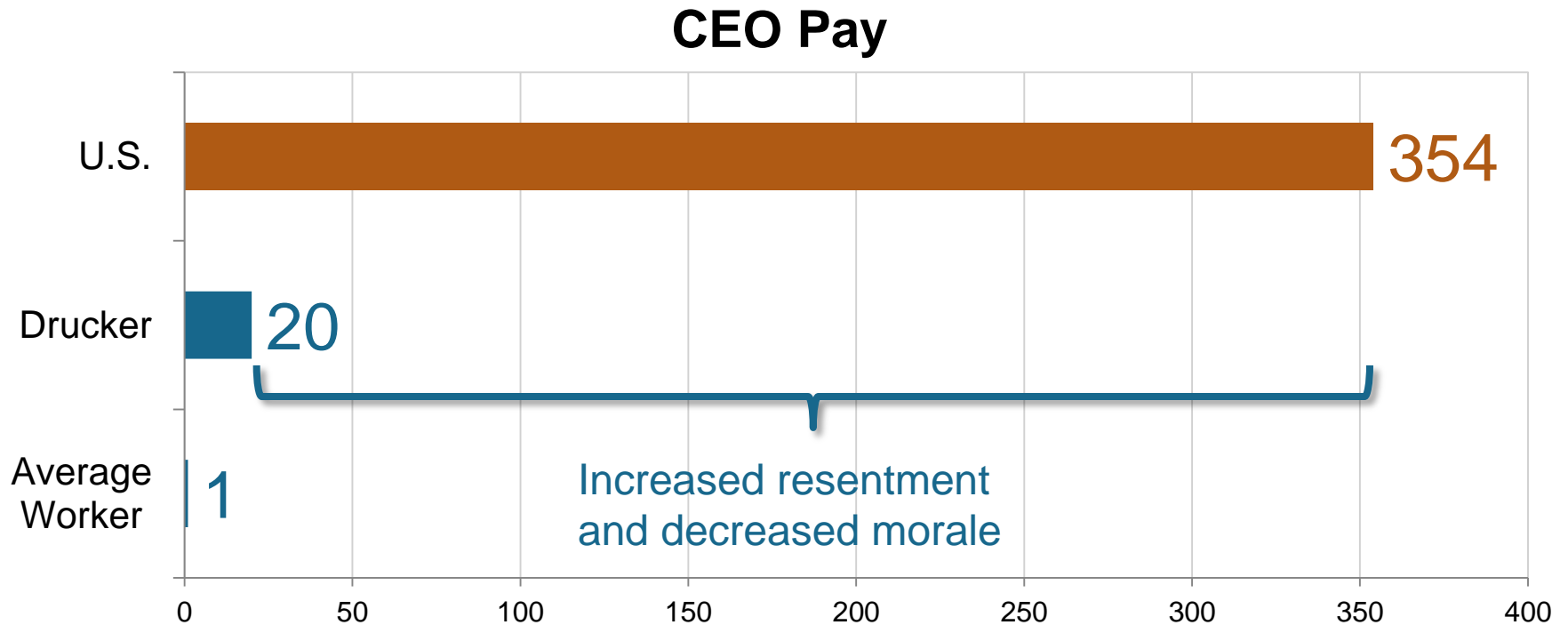


Source: Harvard/ Chulalongkorn



# CEO Pay: Peter Drucker

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

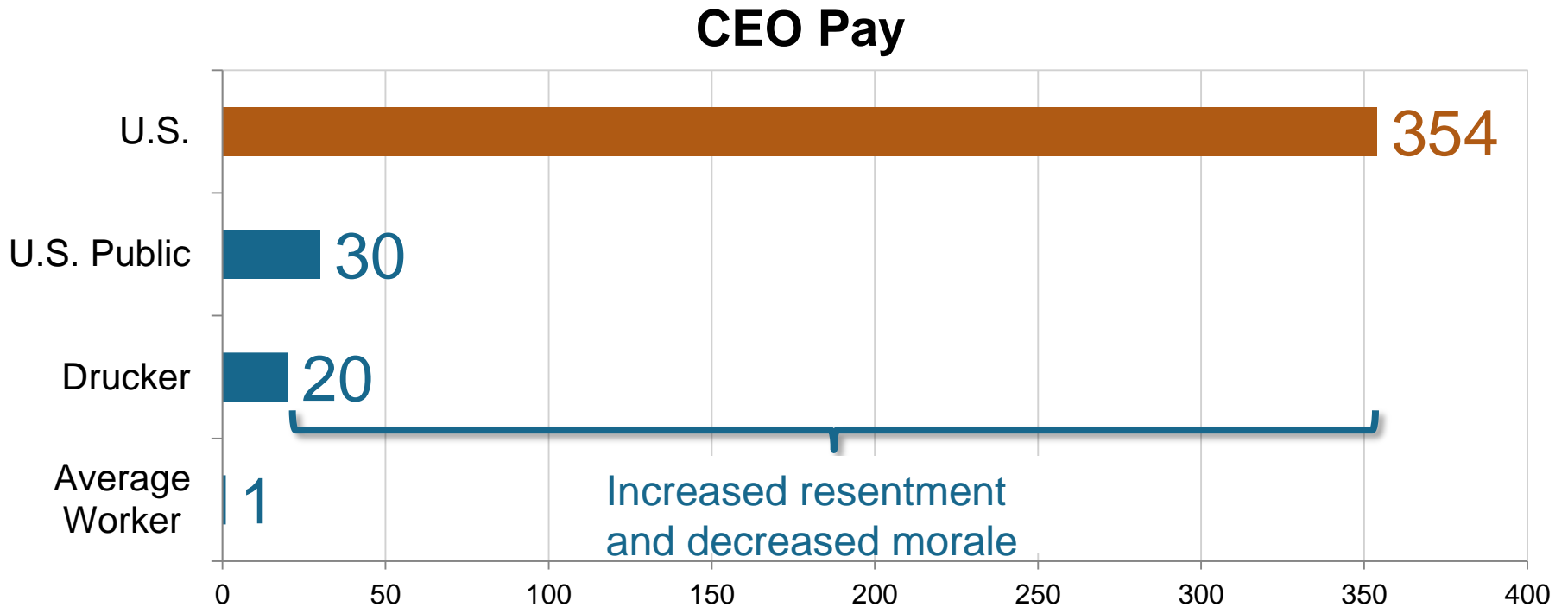


Source: Harvard/ Chulalongkorn



# 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



# Shareholder Coalition

Philadelphia

Kansas City,  
Missouri

Miami

New York  
City

- 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



# Target Companies That Received Poor SOP Votes

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- 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%

**citigroup** 

  
**Chesapeake**  
ENERGY

**Apache**

- Private meetings with board chairs/lead directors/compensation chairs
  - Apache
  - Chesapeake Energy
  - Citigroup



# Oracle Meeting November 5 Last 2014 Target

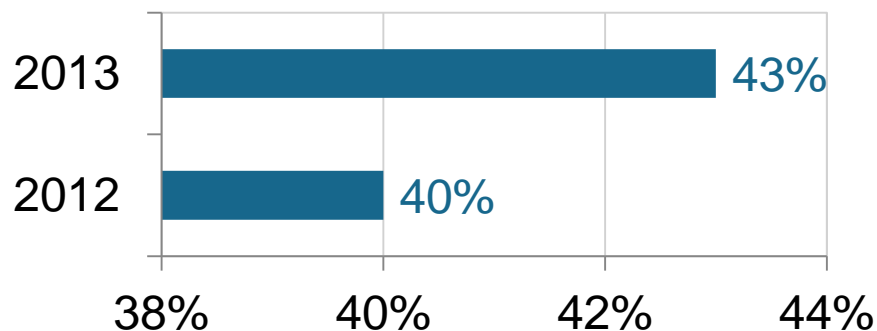


- Poster child for excessive executive pay Larry Ellison highest paid U.S. CEO
  - 2013: \$79 million
  - 2014: \$67 million

## Despite Oracle's TRS Underperforming for 5-Years

Oracle	\$224.91
S&P 500	\$232.64
Self-Selected Peer Group	\$238.76

## Failed SOP Votes Despite 24% Insider Ownership





# Shareholder Proposals At Oracle

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- 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**

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## SOP: Potential 2015 New Targets

American Realty Capital Properties	31.7% (sop)
CBL & Associates	29.7% (sop)
Chipotle Mexican Grill	23.6% (sop)
Expeditors International	43.3% (sop)
FirstMerit	41.4% (sop)
Hasbro	45.9% (sop)
Lexington Realty	27.6% (sop)
Medidata Solutions	42.9% (sop)
Riverbed Technology	26.8% (sop)
Staples	46.2% (sop)
TCF Financial	45.5% (sop)
Whiting Petroleum	41.8% (sop)



# Potential 2015 Re-Engagements

Abercrombie & Fitch



Big Lots



Boston Properties



Comstock Resources



Dean Foods



Nabors Industries



# More Participants Welcome

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



**Questions**

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