How Benefit Funds Can Coordinate Resources To Reform Corporate America

2013 NCPERS Public Safety Employees Pension & Benefits Conference
U.S. Executive Compensation Criticized for Decades

- Out of touch with workers
- Rest of the world
Dodd-Frank Legislation

- Mandated advisory vote on Executive Compensation for all U.S. companies starting in 2011
Investor Evaluation of Say on Pay Still Evolving

- Confident will increase in time
  - Declassify Board Proposals Average 16% in 1987
  - Declassify Board Proposals Average 81% in 2012

Typically only 10% of Votes Oppose SOP
Failed SOP Votes Increasing

Failed SOP Votes

- 2011: 41
- 2012: 59
- To date in 2013: 57
Failed and Low SOP Votes

- Inviting, logical targets to engage to improve compensation
NCPERS Members

- NCPERS members part of coalition of 14 institutional investors who are targeting improvement:
  - AFL-CIO Reserve Fund
  - AFL-CIO Equity Index Fund
  - AFSCME Employees Pension Plan
  - Amalgamated Bank Longview Fund
  - City of Philadelphia Public Employees Retirement System
  - Connecticut Retirement Plans and Trust Funds
  - Firefighters’ Pension System City of Kansas City, Missouri
  - IBEW Pension Benefit Trust
  - International Brotherhood of Teamsters General Fund
  - Marco Consulting Group Trust I
  - Miami Firefighters’ Relief and Pension Fund
  - Nathan Cummings Foundation
  - SEIU Master Trust
  - Trowel Trades S&P 500 Index
Strategy

- Combine and coordinate resources
- Each participant controls own proposal
18 Companies Engaged 2012-2013

- Abbott Laboratories
- Abercrombie & Fitch
- Allstate
- Chesapeake Energy
- Citigroup
- Dean Foods
- EOG Resources
- Limited Brands
- Masco
- McKesson
- Nabors Industries
- Northern Trust
- Oracle
- Pitney Bowes
- Quest Diagnostics
- Staples
- Total Systems
- Ventas
64 Proposals Filed in 2012-2013

- Basic package of 4 reforms proposals in 2012
- Brand new specific performance standards proposal added in 2013
28 Proposals Withdrawn

- 28 proposals withdrawn due to positive company response
Gross Ups of Excise Taxes Eliminated

- 10 companies targeted – 10 companies eliminate
  - Abbott laboratories
  - Allstate
  - Dean Foods
  - EOG Resources
  - Limited Brands
  - Masco
  - McKesson
  - Northern Trust
  - Total Systems
  - Ventas
Independent Chairs Appointed

Dean Foods

Pitney Bowes

Quest Diagnostics
Private Meetings With Independent Chairs

Citigroup

Chesapeake Energy
New Weapon Being Added to 2014 Arsenal

- Proxy access proposal
- Holy Grail for corporate reformers
Preliminary 2014 Target Companies

- Re-engage 6 Companies
  - Abbott Laboratories
  - Abercrombie & Fitch
  - Dean Foods
  - McKesson
  - Nabors Oracle
  - Quest Diagnostics

- Engage 9 new companies
  - Annaly Capital Management
  - Apache Corporation
  - Big Lots
  - Boston Properties
  - Comstock Resources
  - Cogent Communications
  - Gentiva Health
  - Healthways
  - Kilroy Realty
Coalition Welcomes More Participants

- Make an impact
- Minimal time and cost
Questions?