

# How Benefit Funds Can Coordinate Resources To Reform Corporate America

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2013 NCPERS Public Safety Employees Pension & Benefits Conference

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# U.S. Executive Compensation Criticized for Decades



- Out of touch with workers



- Rest of the world



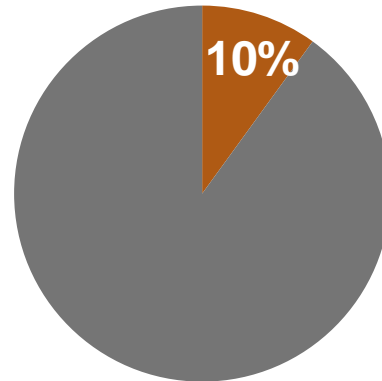
# Dodd-Frank Legislation



- Mandated advisory vote on Executive Compensation for all U.S. companies starting in 2011

# Investor Evaluation of Say on Pay Still Evolving

## SOP Votes



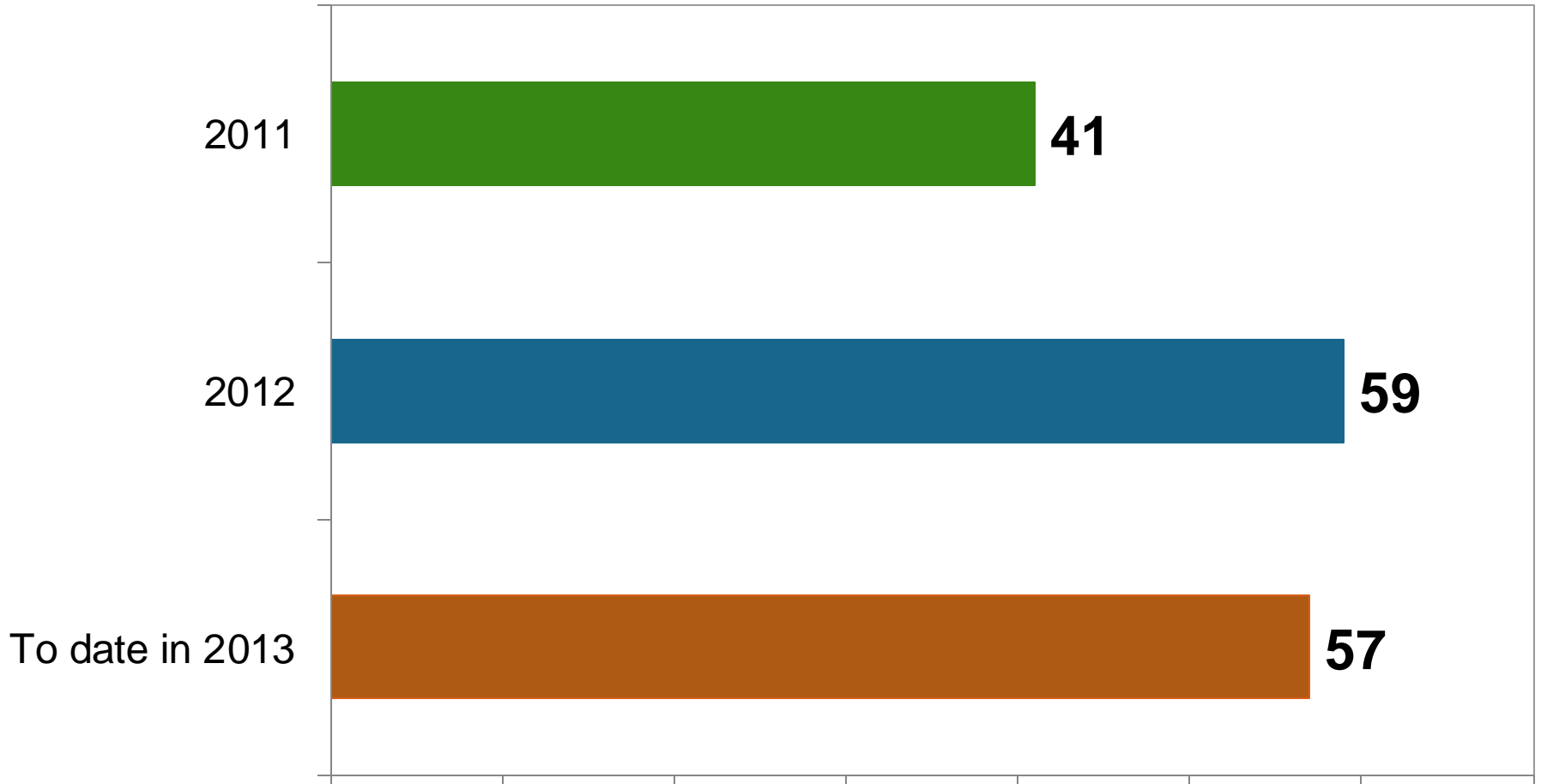
**Typically only  
10% of Votes  
Oppose SOP**

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



# Failed SOP Votes Increasing

## Failed SOP Votes



# 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

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- 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

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 of  
Directors

- 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



# Private Meetings With Independent Chairs



# 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



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**Questions?**

