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NEWS

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**Connecticut, New York, North Carolina Pension Funds Seek
Access to Hewlett-Packard Proxy Card**

***Shareholder Proposal Revives Proxy Access Debate Following Court Ruling;
Pension Funds Urge SEC to Affirm Rights of Shareholders***

A group of the nation's largest public pension funds has filed a proposal seeking access to the proxy at Hewlett-Packard Co. allowing shareholder-nominated candidates to run for seats on HP's board of directors alongside company-nominated candidates.

The pension funds, which are concerned with the board's handling of an investigation into an information leak and its potential negative impact on shareholder value, include the Connecticut Retirement Plans and Trust Funds, the New York State Common Retirement Fund, the North Carolina Retirement Systems and the American Federation of State, County and Municipal Employees Pension Funds. Collectively, the plans own more than 30 million HP shares with a market value of \$675.9 million.

The resolution at HP comes two weeks after the Second Circuit Court of Appeals reversed a Securities and Exchange Commission (SEC) action in a separate case, that had allowed American International Group (AIG) to omit from its proxy materials a shareholder resolution on proxy access submitted by the AFSCME Pension Fund. The court decision clarifies SEC rules which now give shareholders the right to change corporate nomination procedures through shareholder resolutions.

This decision, effectively giving shareholders the green light to move forward under current SEC rules to propose shareholder resolutions that, if adopted, would permit shareholder-nominated board candidates to appear on the same proxy ballot as company-nominated candidates, is important because of the large number of public companies that are subject to the jurisdiction of that court. Currently, candidates nominated by shareholders appear on a separate proxy card, a costly and thus rarely used, procedure.

"The Court decision provides the SEC with a window of opportunity to affirm the right of shareholders to have meaningful input in the process of nominating and selecting directors to represent them on corporate boards," said Connecticut Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds. "Unquestionably, the recent performance of the HP board underscores the need for shareholders to have the practical ability to be included in the nominating process."

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The recent court decision has brought the issue back to the top of the shareholder agenda, especially in light of the SEC's decision to meet on October 18, 2006 to consider changes to Rule 14a-8 under the Securities Exchange Act of 1934 concerning director nominations by shareholders. The issue of investor access to the proxy ballot was broadly discussed in 2003 and 2004 when the SEC, under the leadership of Chairman William Donaldson, issued a proposed rule that outlined a detailed process that would permit shareholders to include nominees on a company's proxy ballot. The proposal never came to an SEC vote.

"The proposal advocated by former SEC Chair Donaldson was a reasonable response to shareholders need for fair access to nominate directors," Nappier said. I urge Chairman Cox and the SEC to sustain the Court ruling, by not turning the clock back, or turning their backs on the best interests of shareholders."

Regarding the HP resolution specifically, the shareholders believe that in light of the ongoing investigation at HP there would be significant value in being able to participate in the nomination of director candidates. They strongly urge SEC commissioners to consider this as they contemplate any revisions to rule 14a-8.

"Proxy access is critical to insuring shareholder rights. While we wait for the Securities and Exchange Commission to rule on this topic regarding all corporations, we are moving forward on a case-by-case basis to establish what should be a basic right for all shareholders," New York State Comptroller Alan G. Hevesi said. Hevesi is the sole trustee of the \$140 billion New York State Common Retirement Fund.

"The unethical and possibly illegal actions of HP's board and leadership demonstrate the need for clear accountability to the owners of the company - the shareholders. The current scandal has hurt stock prices and could significantly weaken the company's long-term value. Now is the time for real change, and shareholders deserve a clear voice in the company and on the board," said North Carolina Treasurer Richard Moore, sole fiduciary of the \$70 billion state pension fund.

In January, 2005, the *Wall Street Journal* reported details from an HP board retreat at which board members discussed possibly shifting the responsibilities of then-CEO Carly Fiorina as well as her possible removal as CEO. Fiorina was subsequently fired in February as Chairman and CEO and replaced by Director Patricia Dunn.

In the following months, at Dunn's request, HP began an investigation into board leaks and hired an independent private investigation firm, which through subcontractors began accessing personal phone records of board members, reporters and others by impersonating them, a technique called pretexting, according to published reports. Additional reporting in recent months has disclosed that board members approved the targets of the investigation and approved tactics, including pretexting phone records. It has also been reported that the firm's general counsel may have advised board members on the potential illegality of pretexting.

The House Energy and Commerce Investigations subcommittee has scheduled a hearing on these matters for September 28. Additionally, the Department of Justice and FBI are investigating HP's actions.

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