



OFFICE OF  
STATE TREASURER  
DENISE L. NAPPIER

# NEWS

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## Institutional Investors' Full-Page Ad in *Wall Street Journal* Asks SEC to Give Shareholders Access to Corporate Election Ballots

Some of the nation's biggest institutional investors today urged the U.S. Securities and Exchange Commission (SEC) in a full-page *Wall Street Journal* ad to give American investors greater access to corporate election ballots, calling it "the next critical step of corporate reform."

The SEC is considering new rules to open up corporate proxy election procedures to investor-nominated board candidates, which supporters say will help prevent future financial scandals like those at Enron and WorldCom.

**In the Wake of Scandals**  
*Like Enron and WorldCom*  
**Investors Deserve A True Voice**  
**in Director Elections**

**THE SEC IS CONSIDERING RULES TO GIVE INVESTORS**  
the ability to nominate and elect corporate board candidates — using the same proxy  
ballot as the board's hand-picked nominees. When boards control their own  
membership, directors can be unaccountable  
and inattentive — opening the door to abusive  
executive compensation, fraud and other  
misconduct. The time has come to act now.  
If properly drafted, the SEC's new rules will  
give shareholders the ability to elect truly  
responsive directors, leveling the  
playing field with board-nominated candidates.

**Open Access**  
for  
**Shareholders**  
Is the  
**Next**  
**Critical Step**  
of  
**Corporate**  
**Reform**

- Access to Ballots: All shareholders should have the right to nominate and elect board members through the proxy ballot.
- Proportional Representation: Shareholders should have the right to elect directors in proportion to their ownership of shares.
- Access to Information: Shareholders should have the right to request and receive information about the company's operations and financial performance.
- Proportional Voting: Shareholders should have the right to vote in proportion to their ownership of shares.

**The SEC agrees: Reforms are needed.**

**How do we make sure the reforms are responsible and responsible by ensuring they:**

- Protect against abusive compensation practices.

**Support the Most Important Step Yet in Corporate Reform!**  
**Support Open Access to Director Elections.**

Read the full ad in the Wall Street Journal on 9/25/03. Thank You! For more information on the  
advertising process and sign the SEC to adopt the right of vote that gives shareholders rights  
to nominate and elect board members to proxy ballot. The more information go to [www.sec.gov](http://www.sec.gov)

"When boards control their own membership, directors can be unaccountable and inattentive — opening the door to abusive executive compensation, fraud and other misconduct," the ad says. "If properly drafted, the SEC's new rules will give shareholders the ability to use proxy materials to elect truly responsive directors, leveling the playing field with board-nominated candidates."

The advertisement, which appears in editions of the *Wall Street Journal*, asserts: "Investors deserve a true voice in director elections. The call for public support comes two days after the American Federation of State, County and Municipal Employees (AFSCME) AFL-CIO released a Harris Poll showing investors want a stronger voice in electing directors. The survey of 1,030 adult investors shows that 84 percent want the right in certain circumstances to have access to the company proxy to nominate and elect directors.

Sponsors of the ad, which included the Connecticut Retirement Plans and Trust Funds (CRPTF), say it was placed to bring public attention to an upcoming rule-making process that can do as much for holding directors accountable as Sarbanes Oxley has for improving structural market reform.

"Too many board members at too many companies have failed to adequately fulfill their responsibilities and have not been acting in the best interests of shareholders. When this happens, shareholders need a process that allows them to replace those board members and install

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qualified replacements," said Denise L. Nappier, Connecticut State Treasurer and principal fiduciary of the CRPTF. "Access to the company's proxy ballot is the best mechanism to achieve this goal."

"Investor confidence has been deeply shaken. The right set of rules, which give investors an opportunity to nominate and elect more accountable directors, could complete the circle of corporate reform needed to bring back and sustain investor trust," said California Public Employees' Retirement System President Sean Harrigan.

"The SEC needs to create an effective rule to open up the nominating process that currently silences shareholder voices and allows corporations to hand-pick all directors," said AFSCME President Gerald W. McEntee. "Now is the time to get corporate elections out of the back room and onto the proxy ballots where they belong."

According to the ad, those rules "would protect against frivolous challenges by requiring significant shareholder involvement, protect against corporate raiders by limiting involvement to long-time shareholders, protect against hostile takeovers by limiting the number of investor-nominated candidates to less than a majority, and protect against unresponsive boards by giving investors timely access to the ballot."

New York State Comptroller Alan G. Hevesi, sole trustee of the \$106 billion New York State Common Retirement Fund said, "It is encouraging that the SEC has placed the issue of proxy access on its agenda. However, the devil is in the details. The ability of major investors to select board nominees has to be established in a clear and direct way without damaging barriers and impediments. "

Jack Ehnes, chief executive officer of the California State Teachers' Retirement System, said the ad is only one step in a concerted campaign to win a new SEC rule. "It is absolutely critical that investors win real access to director elections," said Ehnes. "Tens of millions of our members and retirees are depending on us to protect their futures."

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