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DENISE L. NAPPIER

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CONNECTICUT PENSION FUND WILL OPPOSE RE-ELECTION OF CORPORATE COMPENSATION COMMITTEE MEMBERS, CITING EXCESSIVE PAY & BENEFITS OF CEO'S

Connecticut Treasurer Nappier Says Shareholders Deserve Better Accountability, Expresses Disappointment in Pfizer, 9 Other Leading Companies

Connecticut Treasurer Denise L. Nappier said today that concerns over excessive pay packages granted to corporate CEO's by the compensation committees of company boards will result in the state pension fund voting against the re-election of committee members at annual shareholder meetings being held over the next few weeks, beginning with Pfizer Inc.'s annual meeting tomorrow in Nebraska.

Nappier said the $23 billion Connecticut Retirement Plans and Trust Funds (CRPTF) will also withhold votes supporting the re-election of compensation committee members to boards of directors at AT&T, WalMart, Home Depot, Merck & Company, Time Warner, Verizon Communications, Safeway Inc., and BellSouth Corporation.

"In my view, the most important issue that stands in the way of fully restoring investor trust – and eliminating the trust gap that was caused by the scandals of the Enron era – is the issue of executive compensation," Nappier said. "We are looking to members of the board of directors – especially those serving on compensation committees – to protect our interests as investors, and we are fully prepared to hold them accountable if they do not."

As Connecticut's chief elected financial official, Nappier is principal fiduciary of the CRPTF. She is also currently on the executive committee of the National Association of State Treasurers (NAST), and a member of the Connecticut Chapter of the National Association of Corporate Directors (NACD), the first public fund investor to serve in that capacity.

Nappier said that "executive compensation that is inconsistent with a company's performance severely threatens the credibility of leadership at a company and has the potential to damage shareholder and public trust in that company. And that can adversely affect the value of our shares," noting the compensation package for Pfizer Chair and CEO Henry A. McKinnell that has been harshly criticized by shareholders.

"As a shareholder interested in long-term shareholder value," Nappier said, "I expressed months ago, directly to members of the Pfizer Board, my concerns that Pfizer not become the poster child for excessive executive pay. Unfortunately, that is precisely what has happened, and the current circumstances do not help shareholder value one iota."

More…

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In January, Pfizer agreed to fully comply with the provisions of a shareholder resolution filed by Connecticut (and subsequently withdrawn) seeking more detailed disclosures related to the salary and retirement benefits for key executives. At the time, Nappier said disclosure was only a first step, saying that shareholders should work with compensation committees "to bring 'sky's-the-limit' pay and retirement packages back down to earth."

The corporations that will receive "withhold" votes from the Connecticut pension fund, according to Nappier, were recently cited in a report by The Corporate Library entitled "*Pay for Failure – The Compensation Committees Responsible,*" which reviewed Fortune 250 companies in the S&P 500 where total CEO compensation exceeding $15 million over the last two years, and the disparity between pay and performance was at its widest.

"It should be absolutely clear that from institutional investors to individual shareholders, no issue will engender more distrust, dismay and dissolution than corporate compensation packages that range from excessive to obscene," Nappier said. "In an environment of pension uncertainty and job insecurity, the seemingly endless array of bonuses, stock options and astronomical salaries that are apparently routinely handed out to corporate executives are hard to miss, and hard to accept."

Earlier this month, Nappier issued an "open letter" to corporate board members, urging that they take steps to respond to a changing disclosure landscape, and the inevitable reactions of shareholders, when the Securities and Exchange Commission finalizes new rules governing disclosure of the compensation awarded to top executives. The proposed rules would require for the first time that all types of executive compensation be disclosed in one document and in plain English, and may also require that a single "total compensation" number be provided to shareholders. The rules are expected later this year, and are likely to take effect for 2007 proxy statements. *(Read Nappier's formal comments to the SEC at www.state.ct.us/ott)*

"There may be some disagreement on the details, but I believe there is broad agreement on the critical need for information that is more thorough, and more understandable," Nappier said. "Greater disclosure will lead, as it should, to greater scrutiny of the information that is disclosed. For institutional investors, for individual shareholders, and for the corporate bottom line, I view that as good news."

In her "open letter", Nappier said compensation committee members should begin preparing for the new SEC rules because doing so is in the company's best interest, and in preparation for "increased scrutiny by investors regarding compensation committee members' decisions and policies, especially where there is an apparent disconnect between pay and performance, and where compensation is perceived to be excessive."

Nappier cited a study done last year for the International Roundtable on Executive Remuneration which found that 60 U.S. public companies in the bottom 10% of the Russell 3000 lost $700 billion in market value and $485 billion in economic profit over the past five years, while paying their top five executives an average of $40 million each.

"By withholding our votes on the directors of these 10 companies, we are stating unequivocally that more needs to be done to demonstrate to shareholders that corporate pay will have some relationship to stock performance," Nappier said.

Nappier has been one of the nation's leading voices for corporate governance reform and accountability to shareholders. She was the first Connecticut Treasurer to file a shareholder resolution, in 1999, and has reached landmark agreements with leading corporations on a range of corporate governance issues, including conflicts of interest in accounting practices, board independence and diversity, and separation of the CEO and Board Chairman functions.

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