



**THE OFFICE OF
STATE TREASURER
DENISE L. NAPIER**

NEWS

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Connecticut State Treasurer Denise L. Nappier Focuses on Executive Pay for the 2010 Proxy Season

HARTFORD—Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$22.7 billion Connecticut Retirement Plans and Trust Funds (CRPTF), today announced that the CRPTF filed shareholder proposals at twelve major corporations to strengthen executive pay practices. Among the dozen companies are **Goldman Sachs**, **Citigroup** and **Bank of America**, three top financial firms whose pay to company executives has come under scrutiny in the aftermath of the government bailout. The proposals focus on six areas of executive pay:

- **Say on Pay** (*Goldman Sachs, CVS/Caremark, Wellpoint, ConocoPhillips*)
- **Responsible Use of Company Stock** (*Dow Chemical Company, Chesapeake Energy*)
- **Board Accountability for Pay Decisions** (*Abercrombie & Fitch, Nabors*)
- **Severance Arrangements** (*United Technologies*)
- **Compensation Consultant Disclosure** (*Citigroup, Halliburton*)
- **Linking CEO Pay to Succession Planning** (*Bank of America*)

For over a decade, the Treasurer has advocated for transparent and performance-based executive pay as key elements of good corporate governance. “The current economic crisis underscores what we’ve been saying all along: large paychecks don’t guarantee good performance,” Nappier said. “It is therefore critical for boards to ensure that management’s interests are aligned with those of shareholders through compensation structures that strongly link pay to both individual and company-wide long term performance.”

Based on successful dialogues early in the proxy season, the CRPTF has withdrawn four shareholder proposals on executive pay issues. One landmark settlement involved a shareholder proposal filed by the CRPTF with Walden Asset Management at **Goldman Sachs**, which asked the large financial firm to permit shareholders to cast an advisory vote on executive pay. The resolution was withdrawn after the company agreed to the vote. A similar agreement was reached with **ConocoPhillips**. The CRPTF also withdrew separate shareholder proposals filed at **Citigroup** and **United Technologies Corporation** on compensation consultant independence and severance issues, respectively.

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Highlights of the CRPTF's 2010 executive pay engagement program include:

- *Say on Pay.* In recent years, shareholders have sought the right to cast an advisory vote on the executive pay package known as "Say on Pay". The vote serves as feedback to the board about the investors' views on executive compensation and can lead to a broader dialogue on pay. The CRPTF filed resolutions asking for Say on Pay at **CVS/Caremark, WellPoint, Goldman Sachs** and **ConocoPhillips**. Proposals filed at **Goldman Sachs** and **ConocoPhillips** were withdrawn after both companies agreed to adopt Say on Pay policies.

On February 2, 2010, the Office of the Connecticut State Treasurer, along with 30 institutional investors, released an open letter to 17 financial companies asking them to adopt Say on Pay. Treasurer Nappier also has called on U.S. Congressional leaders to include a provision in any final regulator reform regulation to require Say on Pay for all companies. The letter to the financial institutions can be viewed at www.state.ct.us/ott.

- *Responsible Use of Company Stock.* The CRPTF filed two shareholders proposals advocating responsible use of stock through equity retention requirements and limits on derivative or speculative use of company stock by executives. One shareholder proposal, co-filed at **The Dow Chemical Company** with the AFSCME Employees Pension Plan, asks the board to adopt a policy that would require executives to hold a significant percentage of their equity in the company for two years following the termination of their employment. A second resolution, co-filed at **Chesapeake Energy** with Amalgamated Bank's LongView LargeCap 500 Index Fund, asks the board to adopt a policy promoting the responsible use of company stock by executives and directors through limits on pledging and hedging transactions.
- *Board Accountability for Pay Decisions.* Shareholders seek to hold board members accountable for pay decisions on an annual instead of triennial basis. To encourage greater accountability for directors, including members of the board compensation committee, the CRPTF filed shareholder proposals at **Abercrombie & Fitch** and **Nabors Industries** asking the company to allow for the annual election of candidates for board seats.
- *Severance Arrangements.* The CRPTF opposes large payouts to executives in a merger situation when there is no risk of job loss. The pension fund also opposes compensating executives to make up for federal taxes owed on severance awards. The CRPTF filed a shareholder proposal seeking the adoption of responsible severance principles at **United Technologies Corporation**. Following a productive dialogue with the company on new developments in its severance practices, the CRPTF withdrew the resolution.

- *Compensation Consultant Disclosure.* The CRPTF has long advocated for disclosure of all fees paid to compensation consultants engaged by both the board compensation committee and company management so that shareholders can determine if such consultants are independent. The CRPTF withdrew a shareholder proposal filed at **Citigroup** asking for such disclosure after the company affirmed its board now uses an independent compensation consultant. A similar resolution co-filed with the AFL-CIO at **Halliburton** is expected to go to a vote at the company's annual meeting.
- *CEO Pay Tied to Succession Planning:* One important element of CEO pay is the requirement that CEO's fully participate in the board succession planning process, thereby limiting transition risks and other costs. To address these issues, the CRPTF filed an innovative shareholder proposal at **Bank of America** asking the board compensation committee to adopt a policy linking CEO pay to successful succession planning.

The CRPTF is preparing to cast its votes for the 2010 proxy season, taking into consideration those companies that have already adopted Say on Pay as a result of CRPTF's shareholder resolutions or complied with federal government requirements imposed on financial institutions that received TARP funds. CRPTF's votes on company proxy ballots can be viewed at www.state.ct.us/ott.