



THE OFFICE OF  
STATE TREASURER  
DENISE L. NAPIER

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# NEWS

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## Connecticut Treasurer's Vote at Sun Microsystems Signals Turning Point in How Investors View Pay Practices

HARTFORD – Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds (CRPTF), applauded investors of Sun Microsystems, Inc. for their historic 67 percent support for a shareholder resolution on Say on Pay. This vote—the highest ever on a Say on Pay resolution—sends a strong message to corporate America that in the midst of market turmoil and economic uncertainty, investors want and need a voice on executive pay-setting practices at all companies. Treasurer Nappier filed the *Say on Pay* resolution at Sun Microsystems in 2008 and joined AFSCME as a co-filer in two previous proxy seasons. This year's stunning vote count signals a turning-point in how executive pay issues, including Say on Pay, will be treated by investors in the 2009 proxy season.

Say on Pay shareholder proposals ask the company to allow shareholders to cast an advisory vote on the executive pay package detailed in the annual proxy statement. Through their collective voice, the vote would allow shareholders to send a signal to the board whether the company has given appropriate incentives to executives by linking pay with performance. This, in turn, indicates how effective the board is at representing shareholder interests. Say on Pay is intended to encourage open and direct communications between shareholders and the board on executive compensation and other important governance issues that may impact the company's bottom line.

"Today's vote supporting the *Say on Pay* resolution at Sun Microsystems reflects mounting concern by shareholders for greater accountability on executive compensation matters," Nappier said. "Shareholders are upset with pay that does not match performance, and are looking for more input to the process. Our shareholder resolution at Sun Microsystems seeks implementation of say on pay as a best practice- and 67% of their shareholders agreed—the highest ever vote on this resolution."

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Say on Pay has been filed at nearly 100 companies since the first such resolution was filed in 2006, receiving an average of 42 percent shareholder support including a majority of the vote at eight companies in 2007 and nine in 2008. Through these votes, shareholders are sending a clear message that they want the opportunity for Say on Pay.

In light of increasing shareholder support, several companies have already agreed to enact Say on Pay. Earlier this year, Aflac shareholders voted on the first management-sponsored advisory vote on the company's pay practices. The resolution received 93 percent support from shareholders.

In 2007 the U.S. House of Representatives passed legislation by over a two-to-one margin that would mandate Say on Pay, and a companion bill has been introduced in the Senate last year by President-elect Barack Obama.

"No doubt, the on-going crisis in the financial markets painfully highlights the need for better corporate governance, and it gave added momentum to our shareholder resolution at Sun Microsystems," Nappier said. "Just in the past several months, the investing public has seen the value of its investments drop precipitously while some CEO's were paid beyond reason for failure. It's high time throughout the business world for corporate boards to get their act together and check their tendency toward unfettered greed at shareholder expense."

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