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## MEMORANDUM

**TO:** California Congressional Delegation  
**FROM:** Anne Stausboll, Chief Executive Officer  
California Public Employees' Retirement System

**DATE:** December 9, 2009

**RE:** H.R. 4173 *"Wall Street Reform and Consumer Protection Act of 2009"*

I am writing on behalf of the California Public Employees' Retirement System (CalPERS) to encourage you to support "The Wall Street Reform and Consumer Protection Act of 2009" – legislation that advances critical reforms that will ensure transparency and accountability in corporate boardrooms and help to restore trust and stability in the wake of our nation's most significant financial crisis since the great Depression.

As the nation's largest public pension fund, responsible for retirement and health care benefits for over 1.5 million Californians, we fully appreciate the importance of these reforms. As a long-term global institutional investor of a fund that currently exceeds \$200 billion, CalPERS relies upon transparency, accountability and integrity across the financial markets. We are grateful to Chairman Barney Frank and the members of the Financial Services Committee for developing a comprehensive package of reforms that will benefit millions of ordinary work people whose savings are held in funds like ours as well as the global financial marketplace.

H.R. 4173 introduces reforms which we consider to be extremely important, including:

### ***Proxy Access***

- As a result of the leadership of Congresswoman Maxine Waters, H.R. 4173 confirms the SEC's authority to make rules which would allow shareowners to put forward proposals via the proxy which nominate their own candidates to the board. We regard this as the single most important reform in improving standards of accountability in the boardroom.

### ***Executive Compensation***

- For the first time, all listed companies will be required to put their pay plans to the owners for approval. The vote will be advisory only, but it will send a powerful signal to boardrooms and sharpen accountability for pay decisions.
- Investors will also get the chance to vote on 'golden parachutes' – the pay packages that are given to executives when the company is taken over, or they leave. This will help put an end to 'pay for failure'.
- The bill requires that compensation committees and also the board's consultants be completely independent.

- For financial institutions, such as banks, a new disclosure requirement which will allow regulators to see if pay structures are rewarding undue risk. The bill then gives regulators power to intervene if necessary.

### ***Systemic Risk***

- The bill creates a Financial Stability Council which will identify and regulate those firms which by size, role or inter-connectedness can threaten market stability when they fail. The Council will have the power to ensure an orderly unwinding of these firms to prevent damage to others.

### ***Regulatory Oversight for Private Pools of Capital, Derivatives and Credit Ratings***

- The Bill ensures that pools of private capital – like hedge funds and private equity – register with the SEC and come under its regulatory umbrella.
- There will be new regulation of “over the counter derivatives”, through requiring trading take place on an exchange.
- The SEC will establish a new office to oversee credit ratings agencies. These agencies will have to meet new standards of disclosure and independence. If they violate securities law, the bill allows them to be sued.

### ***Consumer Protection***

- The Bill creates a new federal agency – the Consumer Financial Protection Agency – to protect the interests of individual consumers of financial products and to ensure they are protected from unfair or misleading products.

Finally, from our perspective, this legislation builds upon the important reforms that were enacted by the Sarbanes-Oxley Act of 2002. As a result, we would hope that you would consider supporting an amendment that would preserve the quality of the internal controls that are currently required for all public companies. Regrettably, the provision of H.R. 4173 that proposes to eliminate required internal controls at a significant percentage of all public companies introduces a two tier system which, in our view as a major leading institutional investor, would actually be a disservice to smaller companies which need high standards to ensure their quality of access to capital in public markets.

As you consider H.R. 4173, “*The Wall Street Reform and Consumer Protection Act of 2009*” over the coming days, our staff stands ready to respond to any questions that you might have regarding the provisions of this historic legislation. Please contact Tom Lussier of Lussier, Gregor, Vienna & Associates, our Federal Representative, at 703-684-5236 or [tlussier@lgva.net](mailto:tlussier@lgva.net).

We appreciate your consideration of our views on this legislation and look forward to working with you to ensure that we correct the market and regulatory failures that led to the collapse of the nation’s financial markets last year.