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Chairman Dodd and members of the Committee, I am pleased to provide the perspective of an institutional investor on the virtues of transparency and the principled practices of the California Public Employees' Retirement System, which I represent.

CalPERS is the largest public pension plan in the nation with more than \$244 billion in assets under management (as of April 21, 2008). We provide retirement and health benefits to 1.5 million members who work in state and local government.

Given our responsibility as a trustee and the fact that our investments span domestic and international markets, not only do we require transparency from our portfolio companies, we believe that we should lead by example in providing transparency into the activities related to our investment portfolio.

We also believe it is crucial to have a principle-based approach for exercising our rights as shareowners in over 8,000 publicly traded companies around the world.

That is why the CalPERS Board of Administration annually reviews and approves the CalPERS' Global Principles of Accountable Corporate Governance (Principles).

Our Principles create the framework by which CalPERS executes its proxy voting responsibilities in addition to providing a foundation for supporting the System's corporate engagement and governance initiatives. To promote transparency, the CalPERS Policy Subcommittee and Investment Committee discuss and approve the Principles in open public sessions. In addition, we maintain a current edition of our Principles on the CalPERS Web site.

There are numerous ways that CalPERS provides transparency for its investment and related activities. Some of the methods for promoting transparency include but are not limited to the following:

- The CalPERS Board of Administration has a fiduciary duty to employees, contracting public agencies, and retirees of the pension fund. As a public government entity, this stewardship entails public reporting.
- The California Constitution and case law clearly establishes that the CalPERS Public Employees' Retirement Fund is a trust and that the Board

acts in a fiduciary capacity as the body responsible for managing and administering that trust. Article XVI, Section 17, of the California Constitution provides that the assets of a public pension and retirement system are trust funds and that the retirement board responsible for administration of the retirement system has the sole and exclusive fiduciary responsibility for those assets.

- The 13-members of the Board of Administration are either elected by members of the System, appointed, or are designated by law to be on the Board. The Board has established various Committees that review issues and recommend actions to the full Board. The Board meets monthly in Sacramento, but holds one meeting a year in Southern California. Each CalPERS trustee is identified on the CalPERS Web site.
- The Constitution requires that CalPERS assets are held in trust for the exclusive purposes of providing benefits to System members and their beneficiaries, and to defray reasonable expenses of administering the System.
- Board members, individually, are responsible for maximizing investment returns to the pension fund, thereby minimizing contributions required of active State, public agency, and school employees and California taxpayers who support employer contributions to the fund. As of June 30, 2007, CalPERS assets included \$3.3 billion in employee contributions, \$6.4 billion in employer contributions, and investment returns on all such contributions through that 2006-07 fiscal year. Investment income pays 75 cents of every pension dollar received by CalPERS retirees. The remaining 25 cents is shared by employee and employer contributions.
- CalPERS posts its investment portfolio in public printed reports and on-line on its Web site. CalPERS records are readily accessible.
- Investment performance results are made available to the public on-line, and in printed materials. This includes a Comprehensive Annual Financial Report, the annual Investment Report, monthly Consolidated Investment Activity reports, a Total CalPERS Fund Quarterly Report, and detailed quarterly reports of sub-asset classes, monthly activity reports and investment transactions. The CalPERS Web site also has a complete report of our Alternative Investment Management Program showing investments in hundreds of private equity funds, and their performance.
- Proposals to contract with external portfolio managers are also publicly reported, as are investment allocations, commitments, and deployment of capital into the market.

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- Independent audits are conducted on CalPERS by third-party vendors. The full report is made available through the CalPERS Web site.
- The CalPERS Investment Committee meets in “open session,” and all policies are presented first in the Policy Subcommittee, then in the full Committee, which comprises all 13 Board members. Agendas are made available for the public prior to open session meetings. Minutes from the previous meeting are included in the agenda package.
- “Closed session” meetings of the Investment Committee are recorded.
- CalPERS contracts with third-party vendors are audited, and reported on the CalPERS Web site.
- CalPERS proxy votes are placed on its Web site on an annual basis.
- CalPERS is subject to the California Public Records Act and the Government Code. CalPERS trustees are subject to disclosure requirements under the Federal Fair Practice Provision. The pension fund also is subject to relevant authority of the U.S. Internal Revenue Service. CalPERS subscribes to the United Nations Principles for Responsible Investing and the Global Sullivan Principles of corporate governance.

We appreciate the opportunity to share our experience as a major investor. We hope this account of our practices regarding transparency, accountability, and our unique fiduciary responsibility to our members will be of help in addressing the difficult questions that are before this Committee.

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