

# CONTROLLER STEVE WESTLY

## STATE OF CALIFORNIA

300 Capitol Mall  
Sacramento, CA 95814  
916.445.2636  
[www.controller.ca.gov](http://www.controller.ca.gov)

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**FOR IMMEDIATE RELEASE:**  
**MAY 5, 2004**

**CONTACT: PAUL HEFNER**  
**916-324-2356**

### **WESTLY SEEKS REVIEW OF PROXY VOTE POLICY**

SACRAMENTO – Controller Steve Westly called today for a review to determine the effectiveness of proxy voting policies used by the California Public Employees Retirement System and the California State Teachers Retirement System.

In letters to fellow board members of CalPERS and CalSTRS, Westly expressed concern that the policies in place for the last two years may not be achieving their central aim of improving auditor independence.

“The worst corporate scandals start with executives cooking the books,” Westly said. “Thousands of teachers, police officers and firefighters count on us to protect assets set aside for their retirements. We can’t do that very well if we can’t trust the numbers.”

“It’s time to ask: are our policies working? Are companies changing their practices? If they are, we need to press forward. If the answer is no, let’s find out why,” Westly said.

“I’m concerned that we are voting against some of the nation’s strongest voices for good corporate governance, including Warren Buffett. These are the very people we should be encouraging to serve on corporate boards,” Westly added.

**Westly’s letters to CalPERS and CalSTRS follow:**



**STEVE WESTLY**  
California State Controller

May 5, 2004

Sean Harrigan, Board President and  
Members, CalPERS Board of Administration  
400 P Street  
Sacramento, California 95814

Dear President Harrigan and Members:

During this proxy season, CalPERS expects to withhold 90 percent of its votes for corporate audit committee members based on conflicts caused by auditors doing non-audit work.

It is important to remember that the worst corporate scandals – Enron, WorldCom – started with auditors cooking the books. I strongly support the need for an independent audit and financial transparency, but I am concerned that the Board has not found the most effective way to achieve this objective.

I recommend that we call on staff to report on how CalPERS has voted proxies in the last two years relative to the issue of auditor independence. The report should include:

1. Votes withheld and subsequent action by companies to change audit policies.
2. Summary of steps taken to notify companies of our policy.
3. Summary of other actions taken by CalPERS to implement this policy.
4. Policies, implementation strategies and results achieved by other pension funds in this area.

Good governance is a serious issue and we owe it to the beneficiaries to not only adopt sound policies to protect their interests, but to also bring about real reform.

CalPERS has a proud tradition of standing up for shareholders. Please join with me today to continue this activity by moving toward a more outcome oriented strategy on corporate governance.

Sincerely,

A handwritten signature in cursive script that reads "Steve Westly".

STEVE WESTLY  
California State Controller

c: Fred Buenrostro, Chief Executive Officer  
Mark Anson, Chief Investment Officer  
Christine Wood  
Ted White



**STEVE WESTLY**  
*California State Controller*

May 5, 2004

Gary Lynes, Chairman and  
Members of the California State Teachers Retirement System  
7667 Folsom Boulevard  
Sacramento, California 95851

Dear Chairman Lynes and Members:

During this proxy season, CalSTRS expects to withhold more than 40 percent of its votes for corporate audit committee members based on conflicts caused by auditors doing non-audit work.

It is important to remember that the worst corporate scandals – Enron, WorldCom – started with auditors cooking the books. I strongly support the need for an independent audit and financial transparency, but I am concerned that the Board has not found the most effective way to achieve this objective.

I recommend that we call on staff to report on how CalSTRS has voted proxies in the last two years relative to the issue of auditor independence. The report should include:

1. Votes withheld and subsequent action by companies to change audit policies.
2. Summary of steps taken to notify companies of our policy.
3. Summary of other actions taken by CalSTRS to implement this policy.
4. Policies, implementation strategies and results achieved by other pension funds in this area.

Good governance is a serious issue and we owe it to the beneficiaries to not only adopt sound policies to protect their interests, but to also bring about real reform.

CalSTRS has a proud tradition of standing up for shareholders. Please join with me today to continue this activity by moving toward a more outcome oriented strategy on corporate governance.

Sincerely,

A handwritten signature in black ink that reads "Steve Westly". The signature is written in a cursive, flowing style.

STEVE WESTLY  
California State Controller

c: Jack Ehnes, Chief Executive Officer  
Chris Ailman, Chief Investment Officer

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