CalPERS, CalSTRS told to back political disclosure

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CalPERS and CalSTRS would have to support proxy proposals calling for disclosure of political spending by corporations under a request by Bill Lockyer, California state treasurer and a trustee of both retirement systems.

In letters sent Wednesday to the trustees and top executives of the systems, he also asks the $235.2 billion California Public Employees' Retirement System, Sacramento, and the $155.4 billion California State Teachers' Retirement System, West Sacramento, to support proxy proposals calling for oversight of corporate political spending by companies' boards of directors.

Mr. Lockyer asked staff and investment committee members at the two pension funds to develop corporate governance policies on corporate political spending. The policies would have to be approved by the funds' boards.

His letters cites two academic studies that he said show a negative link between a company's political spending and its shareholder value. One is by John C. Coates IV, professor of law and economics at Harvard Law School; the other by Rajesh K. Aggarwal, professor in financial markets and institutions, Carlson School of Management, University of Minnesota, and two other academics.

The U.S. Supreme Court's decision in Citizens United vs. Federal Election Commission, issued Jan. 21, “opened the floodgates to unlimited corporate spending in political campaigns,” Mr. Lockyer said in the letters.

“CalPERS has nothing specifically addressing the issue in our Global Principles of Accountable Corporate Governance,” Clark McKinley, CalPERS spokesman, wrote in an e-mail. “However, we have consistently voted to support proxy proposals to have companies disclose political contributions.”

Mr. Lockyer's request could come before the CalPERS investment committee as early as June 13, Mr. McKinley said in an earlier interview. The CalPERS board would have to decide on adopting such a policy, Mr. McKinley added.

“In practice and principle, CalSTRS has long agreed with what Mr. Lockyer is calling for” and supports shareholder proposal calling for companies to disclose contributions, Ricardo Duran, CalSTRS spokesman, said in an interview.

Also, CalSTRS has voted “to support shareholder proposals calling for disclosure of company policy on political contributions and for board oversight of this kind of spending,” Mr. Duran said.
“Currently CalSTRS' proxy voting practice on this issue is part of a set of guidelines” that includes corporate transparency of political donations, Mr. Duran said. Mr. Lockyer “is making a formal request to codify our actions into policies,” Mr. Duran said.

CalSTRS already has the political spending disclosure on the agenda of its board's corporate governance committee at its meeting Thursday, Mr. Duran said. The agenda is coincidental to Mr. Lockyer's request, Mr. Duran said. “Our agenda was put together two or three weeks ago.” The scheduled discussion is for education purposes, he said.