

A REPORT ON THE 2004 SHAREHOLDER PROPOSALS AND OTHER SHAREOWNER INITIATIVES OF THE NEW YORK CITY PENSION FUNDS & RETIREMENT SYSTEMS

Executive Summary

In September 2003, the Proxy Committees of four of the five New York City pension funds, acting on behalf of the funds' boards of trustees, approved recommendations for the funds' 2004 corporate governance and corporate social responsibility shareholder-proposal programs. The recommendations were developed and presented to the Proxy Committees by the Pension Policy Division of the Office of New York City Comptroller, William C. Thompson, Jr. Since assuming office in 2002, Comptroller Thompson has remained steadfast in his commitment to build on the legacy of his predecessors. He has demonstrated foresight and strong leadership in overseeing the funds' robust shareowner initiatives to advance corporate governance reforms and sustainable business practices.

The four pension funds (the New York City Employees' Retirement System (NYCERS), the New York City Fire Department Pension Fund (Fire), the New York City Police Pension Fund (Police), and the New York City Teachers' Retirement System (TRS)) have long pursued shareholder activism as a means of protecting and enhancing their investment interests. Collectively or individually, they sponsored shareholder proposals aimed at improving the accountability of corporate boards of directors to shareholders, removing an effective structural impediment (the classified board) to unsolicited mergers and acquisitions and the potential enhancement of shareholder value, establishing direct communications between non-management directors and shareholders, improving workplace conditions and protecting labor and human rights globally, establishing international standards and guidelines for corporate sustainability reporting, and requesting the boards of certain companies to reassess their companies' business activities in countries that have been designated by the U.S. State Department as "state sponsors of terrorism", with particular attention to risks posed by such activities to the companies' reputations.

In developing the list of companies to receive corporate governance reform-proposals, the Comptroller's Pension Policy Division applied quantitative and qualitative screens. The quantitative criteria included: (a) market capitalization of \$300 million or greater; (b) institutional ownership of greater than 60 percent; and (c) comparative negative total returns or under-performance against sectors and broad market indices, such as the S&P 500 or Russell 3000, over one, three and five-year periods. The qualitative criteria included, but were not limited to: (a) corporate governance profiles, such as the structure of a company's board of directors, the independence of directors on key board committees, bylaw provisions regarding shareholder rights; and (b) commentaries and financial analyses of securities analysts who cover the companies and industry sectors.

Some funds co-sponsored proposals with other investors, including New York State Common Retirement Fund, Connecticut Retirement Plans and Trust Funds, Amalgamated Bank LongView Funds, Domini Social Investments LLC, Walden Asset

Management, religious shareholders affiliated with the Interfaith Center on Corporate Responsibility, and with Amnesty International.

Besides Thompson, the members of the Proxy Committees of the four New York City pension funds are:

New York City Employees' Retirement System (NYCERS): New York City Finance Commissioner Martha E. Stark (Chair); New York City Public Advocate Betsy Gotbaum; Borough Presidents C. Virginia Fields (Manhattan), Helen Marshall (Queens), Marty Markowitz (Brooklyn), Adolfo Carrion (Bronx), and James Molinaro (Staten Island); Lillian Roberts, Executive Director, District Council 37, AFSCME; Roger Toussaint, President Transport Workers Union Local 100; and, Carroll (Carl) Haynes, President, International Brotherhood of Teamsters, Local 237.

New York City Fire Department Pension Fund (Fire): Mayor Michael Bloomberg; New York City Fire Commissioner Nicholas Scoppetta (Chair); New York City Finance Commissioner Martha E. Stark; Stephen Cassidy, President, James Slevin, Vice President, Robert Straub, Treasurer, and John Kelly, Brooklyn Representative and Chair, Uniformed Firefighters Association of Greater New York; Peter Gorman, President and Captains' Rep., Nicholas J. Visconti, Chiefs' Rep., and Stephen J. Carbone, Lieutenants' Rep., Uniformed Fire Officers Association; and, Joseph Gagliardi, Marine Engineers Association.

New York City Police Pension Fund (Police): Mayor Michael Bloomberg; New York City Finance Commissioner Martha E. Stark; New York City Police Commissioner Raymond Kelly (Chair); Patrick Lynch, Patrolmen's Benevolent Association; Michael Palladino, Detectives Endowment Association; Edwin Mullins, Sergeants Benevolent Association; Anthony Garvey, Lieutenants Benevolent Association; and, John Driscoll, Captains Endowment Association.

New York City Teachers' Retirement System (TRS): New York City Finance Commissioner Martha E. Stark (Chair); Deputy Chancellor Kathleen Grimm, New York City Department of Education; and, Sandra March, Melvyn Aaronson and Mona Romain, all of the United Federation of Teachers.

Board of Education (BERS): Mayoral appointees Schools Chancellor Joel Klein, Alan Aviles, Phillip Berry, David Chang, Tino Hernandez, Augusta Souza Kappner, Richard Menschel and Marita Regan; Borough President appointees Jesse Mojica (Bronx), Martine G. Guerrier (Brooklyn), Jacquelyn Kamin (Manhattan), Michael Flowers (Queens), and Joan Correale (Staten Island); and employee members Thomas J. Malanga of the International Union of Operating Engineers, Local 891, and Milagros Rodriguez of District Council 37, Local 372.

Summary of the Funds' 2004 Proposals and Significant Results

Proposals addressing 5 specific corporate governance issues, and 11 corporate social responsibility issues were submitted to a total of 65 companies. Four of the 65 companies received more than one proposal. Those companies were ExxonMobil (4 proposals), Safeway (2 proposals), Manor Care (2 proposals), and Steris Corporation (2 proposals).

The following summarizes significant results in 2004.

Corporate Social Responsibility Issues:

- (1) MacBride Principles proposal**—Make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles.

This proposal was submitted to 12 companies: Crawford & Co., Computer Sciences, Crown Castle, Openwave Systems, ExxonMobil, Marriott International, Claire's Stores, Teletch Holdings, Interpublic Group, Raytheon, Crane Co., and Yum Brands.

Significant Results:

Four companies, Crawford & Co., ExxonMobil, and Marriott International, and Openwave Systems agreed to implement the Principles. Computer Sciences disclosed that, in response to a survey conducted by the Investor Responsibility Research Center (IRRC), it had committed to implement the MacBride Principles. The proposal was presented for the vote of the shareholders at seven companies, and was supported by an average vote of 9.1%.

- (2) International Labor Standards (ILO) Human Rights proposal**--Commit to full implementation of ILO human rights standards in international production facilities, and to independent monitoring of compliance.

This proposal was submitted to eleven companies: VF Corporation, Kellwood, Reebok (withdrawn because the company satisfied the proposal), American Eagle, Disney, Hasbro, Home Depot, Lowe's (omitted), Men's Wearhouse, TJX Companies, Sara Lee (omitted).

The average shareholder vote in support of the proposal, based on results at eight companies, was 15.4%.

- (3) Sexual Orientation Non-Discrimination proposal**—Amend the company's Equal Employment Opportunity (EEO) policy to explicitly prohibit discrimination based on sexual orientation, and substantially implement the policy.

This proposal was submitted to eighteen companies: Lear Corp., Goodyear Tire & Rubber, Advance PCS, Winn-Dixie, El Paso, HCA-The Healthcare Co., Waste Management, Southern Co., AES Corp., Dominion Resources, Masco Corp.,

Smurfit Stone Container, CSX Corp., Centex Corp., ALLTEL Corp., American Standard Companies, CenterPoint Energy, and ExxonMobil.

Significant Results:

Nine companies adopted the proposal: Goodyear Tire & Rubber, Winn-Dixie Stores, Inc., El Paso, Waste Management, Southern Co., Masco Corp., Smurfit Stone Container, Centex Corp., and CenterPoint Energy.

The proposal received high votes at ALLTEL and ExxonMobil, 27.5% and 28.9%, respectively.

- (4) **Business Ties to State-Sponsors of Terrorism**-That the Board of Directors establish a committee of the Board to review the company's operations in countries that have being designated as "state sponsors" of terrorism by the U.S. State Department, with particular reference to potential financial and reputational risks incurred by such operations.

This proposal was submitted to two companies: Halliburton and ConocoPhillips.

Significant Results:

The board of directors of ConocoPhillips agreed to adopt the proposal. It was supported at Halliburton by a 7.5% vote of the shareholders.

- (5) **Report on Illegal Export of Technology**- That the company's Board of Directors instruct management to prepare a report to shareholders on the circumstances that led to penalties being imposed on the company by the U.S. government, and on the steps being taken to prevent illegal technology exports by the company and its subsidiaries in the future.

The proposal was submitted to Boeing Company. Specifically, the proposal asked Boeing to report on its payments of penalties to the United States government related to charges of illegal transfers of missile-related technology, and exports of rockets and satellite data to the Peoples Republic of China.

Significant Result:

Boeing satisfied the proposal by providing several documents that detailed the actions taken by the board and management to address the issue of illegal transfers and exports of technology.

- (6) **Report on the Company's Response to Rising Pressure to Develop Renewable Energy**-Prepare a report explaining how the company will respond to rising regulatory, competitive and public pressure to significantly develop renewable energy sources.

This proposal was submitted to ExxonMobil. With SEC concurrence, it was subsequently omitted from the company's proxy statement on the basis that it was substantially implemented.

- (7) **Establish a Board Committee to Prevent Predatory Lending By Employees or Brokers**-That the board of directors establish a committee consisting of outside directors to oversee the development and enforcement of policies to ensure that no employee or broker for the company engages in predatory lending practices and that no loan originated or purchased is entailed by predatory practices; and report to the shareholders on policies and enforcement.

The proposal was submitted to Capital One, but subsequently withdrawn because it was received by the company after the filing deadline.

- (8) **Review and Report on Social/Human Rights Policies Overseas**-That the Board of Directors review its policy related to human rights, its implementation plan, and issue a report on its review, including any changes made in the policy and implementation plan.

The proposal was submitted to ExxonMobil.

Significant Result:

ExxonMobil committed to uphold fundamental worker and human rights. As a result, the shareholder sponsors, including the New York City Teachers' Retirement System, the AFL-CIO, Amnesty International, Boston Common Asset Management, Walden Asset Management, and several religious organizations, withdrew the proposal.

- (9) **Report on Rising Pressure to Reduce Carbon Oxide Emissions**-That the Board of Directors prepare a report explaining how the company will respond to rising regulatory, competitive, and public pressure to significantly reduce carbon dioxide emissions.

This proposal was submitted to Reliant Resources.

Significant Result:

The company agreed to comply with the proposal by including in its Annual Report on Form 10-K expanded disclosure on steps taken to reduce carbon dioxide emissions; to develop an environmental section on its corporate website to provide comprehensive information on environmental and emissions matters, including policies and principles, initiatives, and performance; to amend the charter of its Audit Committee to include a requirement that the Committee annually conduct a formal review of the company's environmental policies and initiatives, including responses to existing and potential legislation.

- (10) **Global Reporting Initiative (GRI)**-Prepare a sustainability report, at reasonable cost and omitting proprietary information, based on the Global Reporting Initiative's *Sustainability Reporting Guidelines*.

This proposal was submitted to five companies: Kinder Morgan, Inc., Albertsons Inc., Safeway, ConAgra, and Dean Foods.

Three companies: Albertsons, ConAgra, and Dean Foods sought and won SEC concurrence that the proposal could be omitted from their proxy statements on the basis that it was vague and indefinite.

Significant Results:

The proposal was presented for the vote of shareholders at two companies: Safeway and Kinder Morgan, Inc. It was supported by 19.8% and 20.7% of the shares voted, respectively.

- (11) **Halt Payments to the Indonesian Military**-Halt all payments to the Indonesian military and security forces, until the government of Indonesia and the Indonesian armed forces take effective measures, including full cooperation with the U.S. Federal Bureau of Investigation, in conducting a full investigation of the August, 2002 attacks against company employees, and criminally prosecute the individuals responsible for those attacks.

The proposal was submitted to Freeport McMoran Copper & Gold Corporation.

Significant Results: The company sought SEC concurrence to exclude the proposal from its proxy statement, maintaining that it dealt with ordinary business and that it was false and misleading. After the Comptroller's Office supplied further documentation, the SEC allowed the proposal to be included.

The SEC determined that the company could not exclude the proposal from its proxy statement. The proposal was subsequently supported by 7.9% of the shares voted at the company's annual meeting.

Corporate Governance Issues

- (1) **Repeal Classified Board**-That the board of directors takes the necessary steps to declassify the Board and establish annual elections of directors, whereby directors would be elected annually and not by classes.

This proposal was submitted to four companies: Saks Inc., Manor Care, Steris Corp., and Covance.

Significant Results:

The boards of directors at two companies, Manor Care and Steris Corp., agreed to submit for the vote of the shareholder a management proposal to repeal the classified board.

The funds' proposal was presented for the consideration and vote of the shareholders at Saks Inc. and Covance. **The proposal was supported by majority votes of 52.95% at Saks Inc., and 79.3% at Covance.**

- (2) **Adopt Majority Vote Protocol**-That the Board of Directors establishes an engagement process with the proponents of shareholder proposals that are supported by majority votes.

This proposal was submitted to five companies: Maytag Corp., Starwood Hotel & Resort, Manor Care, Steris Corp., and Safeway.

Significant Results:

The boards of four companies, Maytag Corp., Starwood Hotel & Resort, Manor Care, and Safeway adopted the proposal.

Steris sought SEC concurrence to omit the proposal from its proxy statement. As a result of the SEC's decision that the proposal could not be omitted from the proxy statement, the proposal was presented for a vote of the shareholders at the company's annual meeting, where it was supported by 6.8% of the shares voted.

- (3) **Director/Shareholder Communication**-That the Board establishes an office of the Board to enable direct communications, including meetings, between non-management directors and shareholders, on matters of corporate governance, based on the standard proposed by the Board of the New York Stock Exchange. The office shall report directly to a committee of non-management directors.

This proposal was submitted to five companies: Tupperware Corp., Unumprovident Corp., Unocal Corp., Amerada Hess Corp., and Kerr McGee Corp.

Significant Results:

Three companies, Unocal, Amerada Hess, and Kerr McGee, wrote to the SEC requesting concurrence that they could omit the proposal from their proxy statements. All three companies argued that the proposal related to ordinary business operations and that they had already substantially implemented it; two argued further that the proposal contained false and misleading statements. The SEC did not concur that the proposal could be omitted on any of the above grounds. With respect to the false and misleading argument, the SEC took the view that the phrase “based on the standard proposed by the New York Stock Exchange Board of Directors” should be deleted. The proposal was accordingly revised.

The shareholders of Unumprovident, Unocal, Amerada Hess and Kerr McGee showed strong support for the proposal with 29.7 %, 20.5%, 21.9%, and 46.4% of the shares voted, respectively.

The proposal was withdrawn at Tupperware because the company committed to adopt additional measures to existing arrangements, which met the intent of the funds’ proposal.

- (4) **Shareholder Ratification of Appointment of Independent Auditor:** That the Board of Directors presents the appointment of the independent auditors for shareholder ratification or rejection at the annual meeting; and that ratification would require a majority vote of votes cast “for” or “against”, excluding abstentions and broker non-votes.

This proposal was submitted to two companies: Modine Manufacturing, and CMS Energy Corp.

Significant Results:

The Board of Directors of both companies agreed to adopt the proposal.

- (5) **Shareholder Rights to Call Special Meetings and to Act by Written Consent:** That the Board of Directors amend the certificate of incorporation to reinstate the rights of the shareholders to take action by written consent and to call special meetings.

The proposal was submitted to one company, Xerox, and was subsequently omitted pursuant to rules under Regulation 14 A.

SUMMARY OF PROPOSALS AND RESULTS BY FUND)

The following are the proxy issues, focus companies, and results of the New York City pension funds' and retirement systems' 2004 Shareholder Proposal Programs:

Corporate Social Responsibility

1. **PROPOSAL: Adoption of the MacBride Principles**--That the companies listed below make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles:

COMPANIES (Focus List)

(a)	<u>New Companies:</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>
	<u>VOTE</u>			
	Crawford & Co. (company agreed to adopt MacBride Principles)	All Funds	withdrawn	
	Computer Sciences (In response to IRRC survey, company stated that it agreed to implement the MacBride Principles to the extent lawfully permissible.)	All Funds	withdrawn	
	Crown Castle 3.6%	All Funds	filed	May 2004
	Openwave Systems, Inc. (company agreed to adopt MacBride Principles)	All Funds	withdrawn	
	ExxonMobil (company took action to cause its subsidiaries to comply with MacBride Principles)	Police	withdrawn	
	Marriott International (company agreed to proposal, proposal withdrawn)	All Funds	withdrawn	
(b)	<u>Re-submission:</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>
	<u>VOTE</u>			
	Claire's Stores 7.9%	TRS, Police, Fire	filed	June 23 rd
	Teletech Holdings 6.2%	All Funds	filed	May 20 th
	Interpublic Group	All Funds	filed	May 18 th 11%

Raytheon 10.1%	All Funds	filed	May 5 th
Crane Co.	NYCERS, TRS 11.6%	filed	April 26 th
Yum Brands 13.4%	All Funds	filed	May 20 th

2. **PROPOSAL: Adoption of a Corporate Code of Conduct Incorporating International Labor Organization (ILO) Human Rights and Labor Standards, and Independent Monitoring of Compliance**--The proposal requests the companies listed below to commit to: (i) full implementation of ILO human rights standards in their international production facilities; (ii) independent monitoring of compliance with the standards; and (iii) to require full implementation of, and independent monitoring of compliance with, the standards by their international suppliers:

(a)	<u>New Companies</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>
	<u>VOTE</u>			
	Freeport McMoran 7.9%	All Funds	filed	May 6 th
	(company filed no-action request with SEC, SEC rejected request)			
	VF Corp 7.7%	All Funds	filed	April 27 th
	(company filed “no-action” request with SEC, SEC rejected request)			
	Kellwood 8.7%	All Funds	filed	June 3 rd
	Reebok (company satisfies proposal, proposal withdrawn)	All Funds	filed	
	<u>Re-submissions</u>			
	American Eagle 7.4%	All Funds	filed	June 22 nd
	Disney 29.0%	All Funds	filed	March 3 rd
	Hasbro 10.1%	NYCERS	filed	May 20 th

Home Depot 9.5%	All Funds	filed	May 27th
Lowes (proposal did not meet resubmission vote threshold)	All Funds	omitted	
Men's Wearhouse 8.7%	All Funds	filed	June 2004
TJX Companies 10.5%	Police, Fire	filed	June 1st
Sara Lee filing included in	NYCERS	received by company after deadline, was not proxy statement	

3. **PROPOSAL: Prohibition of Workplace Discrimination Based on Sexual Orientation**--The proposal requests the following companies to amend their Equal Employment Opportunity (EEO) policies to explicitly prohibit discrimination based on sexual orientation, and to substantially implement the policies:

(a)	<u>New Companies</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>
	<u>VOTE</u>			
	Lear Corp. (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn	
	Goodyear Tire & Rubber (company adopted policy, proposal withdrawn)	NYCERS, TRS	withdrawn	
	Advance PCS (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn	
	Winn-Dixie Stores, Inc. (company adopted policy, proposal withdrawn)	NYCERS, TRS	withdrawn	
	El Paso (company revised EEO policy in response to proposal, proposal withdrawn)	NYCERS, TRS	withdrawn	

HCA-The Healthcare Co. (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		
Waste Management (company adopted proposal)	NYCERS, TRS	withdrawn		
Southern Co. (company adopted proposal)	NYCERS, TRS	withdrawn		
AES Corp. (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		
Dominion Resources (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		
Masco Corp. (company revised its EEO Policy and Non-Harassment Policy in accordance with the Systems' proposal)	NYCERS, TRS (as co-filers, with Domini as primary filer)	withdrawn		
Smurfit Stone Container (company revised its EEO policy in response to proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		
CSX Corp. (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		
Centex Corp. (company revised its policy, proposal withdrawn)	NYCERS, TRS	withdrawn		
ALLTEL Corp.	NYCERS, TRS	filed	April 22nd	27.5%
American Standard- Companies (company satisfies proposal, proposal withdrawn)	NYCERS, TRS	withdrawn		

(b)	<u>Re-submissions (2)</u>	<u>SPONSOR</u>	<u>Status</u>	<u>Annual Mtg.</u>
<u>VOTE</u>	CenterPoint Energy	NYCERS, TRS	withdrawn	
	(company filed “no-action” request with SEC, SEC did not concur, company amended its EEO policy,			

proposal was withdrawn)

ExxonMobil 28.9%	NYCERS	filed	May 26 th
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4. **PROPOSAL: Review of Business Ties to Alleged State Sponsors of Terrorist Activities**--The proposal requests that the boards of the following companies: (i) establish a board committee to review the companies' operations in states that allegedly sponsor terrorism, with particular reference to potential financial and "reputational" risks; and (ii) report their findings to the shareholders.

(a) **Re-submissions**

Halliburton	Police, Fire	filed	May 21 st	7.5%
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ConocoPhillips Police, Fire **withdrawn**
(company adopted policy, proposal withdrawn)

5. **PROPOSAL: Preventing Illegal Technology Exports**—The proposal requests the Board of Directors of the following company to instruct management to prepare a report to shareholders, no later than September 2004, on the circumstances that led to penalties being imposed on the company by the U.S. government, and on the steps being taken to prevent illegal technology exports by the company and its subsidiaries in the future.

(a) **New Companies Sponsor Status Annual Mtg. VOTE**

Boeing	All Funds	withdrawn		
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(company satisfies proposal, proposal withdrawn)

6. **PROPOSAL: Development of Renewable Energy Sources**--That the Board of Directors of the following company prepare a report, by September 2004, explaining how the company will respond to rising regulatory, competitive and public pressure to significantly develop renewable energy sources.

COMPANY (Focus List)

(a) **Re-submission Sponsor Status Annual Mtg. VOTE**

ExxonMobil	Fire	omitted		
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(company filed “no-action” request with SEC, SEC concurred, proposal omitted)

7. **NEW PROPOSAL: Subprime Lending Practices**--That the boards of the following companies establish a committee consisting of outside directors to oversee the development and enforcement of policies to ensure that no employee of or broker for the company engages in predatory lending practices and that no loan originated or purchased is entailed by predatory practices; and report before the next annual meeting to the shareholders on policies and enforcement.

COMPANY (Focus List):

(a)	<u>New Company</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Capital One	All Funds	withdrawn		
	(company informed office that proposal was received after filing deadline)				

8. **PROPOSAL: Social And Human Rights in Overseas Operations**--That the Board of Directors review its policy related to human rights, its implementation plan, and prepare a report on its review, including any changes made in the policy and implementation plan, and report to the shareholders by November 1, 2004.

(a)	<u>Re-submission (1)</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	ExxonMobil	TRS	withdrawn		
	(company committed to uphold fundamental worker and human rights, proposal withdrawn)				

9. **NEW PROPOSAL: Climate Change-Efforts to Reduce Carbon Emissions**--That the Board of Directors of the following company prepare a report (at reasonable cost and omitting proprietary information) by September 1, 2004 explaining how the company will respond to rising regulatory, competitive, and public pressure to significantly reduce carbon dioxide emissions.

COMPANY (Focus List):

(a)	<u>New Company</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Reliant Resources	All Funds	withdrawn		
	(company filed “no-action” request with SEC;				

entered into dialogue and committed to actions that satisfied the proposal; proposal withdrawn)

10. **PROPOSAL: GRI-- Disclosure of Sustainability Performance**--That the following companies prepare a sustainability report (at reasonable cost and omitting proprietary information), based on the Global Reporting Initiative's *Sustainability Reporting Guidelines*, by September 2004.

COMPANY (Focus List)

(a)	<u>New Company</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Kinder Morgan, Inc	All Funds	filed	May 11 th	20.7%
	Albertsons, Inc	All Funds	omitted (company filed “no-action” request with SEC, SEC granted “no-action”, proposal omitted)		
	Safeway	TRS/Police/Fire	filed	May 20 th	19.8%
	ConAgra	All Funds	omitted (company filed “no-action” request with SEC, SEC granted “no-action”; proposal omitted)		
	Dean Foods	All Funds	omitted (company filed “no-action” request with SEC, SEC granted “no-action”, proposal omitted).		

CORPORATE GOVERNANCE

1. **PROPOSAL: Repeal of the Classified Board**--That the board of directors of companies listed below take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes. This policy would take effect immediately, and be applicable to the re-election of any incumbent director whose term, under the current classified system, subsequently expires.

COMPANIES (Focus List)

(a)	<u>Re-submission</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Saks Inc.	NYCERS	filed	June 8 th	52.95%
	Manor Care (company agreed to propose repeal of classified board at 2004 annual meeting)	Fire	withdrawn		
	Steris Corp. (company agreed to propose repeal of classified board at 2004 annual meeting)	TRS	filed	withdrawn	
	Covance	NYCERS	filed	April 29 th	79.3%

2. **PROPOSAL: Adopting a Board Policy for Acting on Shareholder Proposals that Win Majority Votes**-- That the Board of Directors of the following companies adopt a policy establishing an engagement process with the proponents of shareholder proposals that are supported by a majority of votes cast, excluding abstentions and broker non-votes, at any annual meeting.

(a)	<u>New Companies</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Maytag Corp.	All Funds	withdrawn		
	(withdrawn, company adopted policy)				
	Starwood Hotel & Resort	All Funds	withdrawn		
	(company adopted proposal)				
	Manor Care	NYCERS/ TRS/Police	withdrawn		
	(company adopted proposal)				
	Steris Corp.	NYCERS/ Police/Fire	filed	July 2004	6.8%
	(company filed "no-action" request with SEC, SEC did not concur)				
	Safeway	NYCERS	withdrawn		
	(company adopted a process that satisfied the proposal, proposal withdrawn)				

3. **PROPOSAL: Establishing a Mechanism for Direct Communication Between Shareholders and Directors**-- Based on the standard proposed by the Board of the New York Stock Exchange, that the Board of Directors of the following companies establish an office of the Board to enable direct communications, including meetings, between non-management directors and shareholders, on matters of corporate governance. The office shall report directly to a committee of the non-management directors.

COMPANIES (Focus List)

(a)	<u>New Companies</u>	<u>Sponsor</u>	<u>Status</u>	<u>Annual Mtg.</u>	<u>VOTE</u>
	Tupperware Corp.	All Funds	withdrawn		
	(company satisfies proposal, proposal withdrawn)				
	Unumprovident Corp.	All Funds	filed	May 2004	29.7%
	Unocal Corp.	All Funds	filed	May 24th	
20.5%	(company filed "no-action" request with SEC)				

Amerada Hess Corp. All Funds **filed** **May 5th** **21.9%**
(company filed “no-action” request with SEC,
SEC did not concur with company)

Kerr McGee Corp. All Funds **filed** **May 11th** **46.4%**
(company filed “no-action” request with SEC,
SEC did not concur with company)

4. **NEW PROPOSAL: Shareholder Ratification of the Appointment of the Independent Auditors**--That the Board of Directors of the following companies adopt a policy requiring the Board to present the appointment of the independent auditors for shareholder ratification or rejection at the annual meeting; and that ratification would require a majority vote of votes actually cast "for" or "against", excluding abstentions and broker-non votes.

COMPANIES (Focus List)

- (a) **New Companies** **Sponsor** **Status** **Annual Mtg.** **VOTE**
Modine All Funds **withdrawn**
Manufacturing
(company adopted proposal, proposal withdrawn)

CMS Energy Corp. All Funds **withdrawn**
(company adopted proposal, proposal withdrawn)

5. **PROPOSAL: Enabling Shareholders to Call Special Meetings**--That the Board of Directors of the following company take the necessary steps to amend the Bylaws to allow shareholders to call special meetings, such that special meetings of the stockholders, for any purpose, may be called by a majority of the entire Board of Directors, and by shareholders representing at least ten percent of the shares entitled to vote at such meetings.

COMPANY (Focus List):

- (a) **Re-submission (1)** **Sponsor** **Status** **Annual Mtg.**
VOTE
Xerox Corporation TRS **omitted**
(company filed “no-action” request with SEC,
SEC granted “no-action”, proposal omitted)