



PUBLIC POLICY STATEMENT

Corporate Governance – 2005 (CORBA)

Background

State and local government retirement plans, participants, and beneficiaries have a direct interest in sound corporate governance, since they are major investors in securities markets. State and local retirement plans collectively invest over \$2 trillion dollars in the public markets. The quality and integrity of corporate governance directly affects the ability of retirement plans to meet their investment goals, and by extension, the ability to meet their long-term obligations to current and future retirees.

Recommended Policy

- GFOA supports strengthening financial accountability in the private sector through improved auditor independence and accounting industry oversight.
- GFOA supports corporate governance reforms that enhance transparency and align management and the board of directors with the interests of long-term shareholders. These reforms include, but are not limited to:
 - The appointment of a majority of independent board members, as well as audit and compensation committees comprised entirely of independent board members.
 - Modification of the proxy process to facilitate good corporate governance.
 - Executive compensation that is linked to long-term corporate performance.

Approved by the GFOA Executive Board, March 2005