

For immediate release

Pension funds demand remuneration reform at T. Rowe Price

1. The Local Authority Pension Fund Forum (LAPFF) has called on its members to withhold their support for the members of the compensation committee of T. Rowe Price, the US-based financial services holding company.
2. The Forum has identified a global focus list of companies where poor compensation practice and poor performance in other core corporate governance areas are cause for concern over these companies' abilities to generate sustainable returns in the long-term. T. Rowe Price, the US-based financial services holding company, is the first of these companies to be tackled by LAPFF.
3. The Forum believes that in the current global financial and economic crisis, more than ever there is a need to ensure that a company's management focuses not only on the short-term, but also adopts a clearly defined approach to long-term, sustainable value creation. Fundamental to this is the establishment of incentive schemes that appropriately reward managers' performance.
4. The LAPFF chairman, Cllr. Ian Greenwood, wrote to T. Rowe Price's compensation committee chairman, Donald B. Hebb, Jr. in February setting out the Forum's concerns. These focus in particular on rewards under the long-term compensation scheme without performance targets other than mere continuation of service, and opacity of performance criteria used under the annual bonus scheme.
5. Cllr. Greenwood's letter expressed concern that executive compensation practices at the company are not serving shareholders' long-term interests.
6. While Mr. Hebb has since replied in some detail to the Forum's concerns, the fundamental problems remain unaltered, leading the Forum to take action in advance of the company's Annual Meeting on 8 April 2009.
7. LAPFF chairman Cllr Ian Greenwood said: "The Forum cannot support incentive schemes that reward executive directors merely for being there. Setting specific performance targets that are aligned with the company's strategy is imperative, especially in difficult times, to appropriately measure how executive directors perform. We cannot assume that their presence alone is enough to tackle the challenges that financial companies in particular will face in the near future."

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapfforum.org), which was set up in 1991, is a voluntary association of 49 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £75 billion.

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