

# BUSINESS

MARKETS ♦ HIGH TECH ♦ ECONOMY

## Pension funds aim for reforms at AMD

### Report on overpaid exec irks shareholders

BY RON WOLF  
Mercury News Staff Writer

Two huge public pension funds have made Advanced Micro Devices Inc. a target for reforms in corporate governance next year.

The New York City Employees' Retirement Fund, with assets of \$21 billion, and the New York City Teachers' Retirement System, with assets of \$20 billion, said they will seek a vote of AMD shareholders on a proposal to reorganize the company's nominating committee.

The move may be a harbinger of a more extensive effort by the country's largest pension funds to push for reforms at AMD.

The company attracted the attention of the funds at a meeting of their Council of Institutional Investors in September when Graef S. Crystal, a consultant who has advised the funds on executive compensation issues, named AMD to his annual list of "black hats." Crystal, a professor of business at the University of California, Berkeley, calculated that W.J. Sanders III of AMD was one of the country's most overpaid chief executives, relative to the performance of the company.

The two New York funds, which hold about \$4 billion worth of AMD stock, want the Sunnyvale firm to appoint a committee of outside independent directors to oversee nominations to the board.

AMD's nominating committee currently consists of the entire board — three company executives



W.J. Sanders III of AMD has been targeted by two New York pension funds.

and three outside directors — and allows company officials to exclude potential directors they may not like.

The major pension funds increasingly have sought to improve performance of companies in their portfolios by influencing directors to take action. Outside directors recently played a critical role in forcing the reorganization of General Motors.

The New York funds named 24 large corporations as "underperformers" where changes in governance could improve financial performance. The funds also want independent nominating committees at Dial Corp., McDonnell Douglas Corp. and Westinghouse Electric Corp.

AMD has received the request from the New York funds but has had no discussions with them and has not formulated a response yet, said John Greenagle, spokesman for the firm.

"We think our performance has been outstanding," Greenagle said. "If the system isn't broke, don't fix it."

Crystal had named Sanders to his list of overpaid executives for getting his stock options repriced at times when AMD shares had fallen sharply, then selling out when the shares rebounded. "Terrific timing" allowed Sanders to make about \$14 million on the exercise of options last year, Crystal told the pension funds.