CalPERS Pushes for Clean House at Standard Pacific

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The California Public Employees' Retirement System, the largest U.S. pension fund, is urging Standard PacificSPF shareholders to vote for a proposal to declassify the homebuilder's board of directors.

Standard Pacific, meanwhile, is vehemently opposed to the proposal. And why wouldn't it be? The homebuilder's executives, picked by the tight-knit board, have been paid millions to run a failing company.

In a letter to fellow shareholders filed Thursday with the Securities and Exchange Commission, CalPERS cites a 2004 study by Harvard professor Lucian Bebchuk, that said "companies with staggered boards, poison pills, supermajority voting requirements and golden parachutes deliver less shareholder value than those companies that do not have such measures in place."

CalPERS states: "Standard Pacific currently employs each of these value destroying anti-takeover measures."

In 2007, Standard Pacific reported a $767 million loss, yet CEO Stephen Scarborough still brought in $6.3 million in total compensation. Scarborough retired in March of this year. The new chief executive, Jeffrey Peterson, will get a base salary of $850,000, but his bonus program has not yet been established.

At a time when Standard Pacific is facing hefty debt burdens that may force a restructuring of the company's debt this year, management is holding on for its life -- and its sweet annual salaries.

Standard Pacific currently elects portions of its board of directors in staggered three-year increments, whereas CalPERS is pushing for annual election of every director. This would make it easier to effect change or a hostile takeover of the company.

By employing these various anti-takeover provisions, Standard Pacific is ensuring that the company's executives can continue to get fat paychecks while failing to deliver on the bottom line. A hostile takeover of the company is just what some shareholders would like, since Standard Pacific's stock has plunged about 75% in the past year to around $5.50.

Of course, a hostile takeover is exactly what management doesn't want because that results in lost salaries and perks.

Directors and executive officers of Standard Pacific collectively own just 5.3% of the company's stock, so they haven't suffered as much as large institutional owners of the stock.

If CalPERS' staggered board proposal gets voted into place in May, then a white knight hostile raider may finally show up at Standard Pacific's doors.

Standard Pacific shares fell along with the rest of the homebuilding sector in 2007, ending the year down more than 85%. That's a harder fall than some of its peers suffered in 2007 -- Lennar LEN lost 65% that year, Centex CTX fell 55%, and DR Horton DHI dropped 50%.