

Submitted Via Email: rule-comments@sec.gov

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090



24th October 2012

Dear Ms. Morris,

Re: Title IX of the Dodd-Frank Act - Disclosure of Executive Compensation Amounts

We are writing in regard to implementation of Section 953 of the Dodd-Frank Act, as it relates to disclosure of executive compensation. Universities Superannuation Scheme ("USS") is the second largest pension plan in the UK, with circa \$55 billion under management. Apart from holdings in our domestic market, the largest concentration of USS investments is in the United States. Executive compensation practices and related transparency at United States companies are of critical importance to our investment process.

When the SEC develops regulations for reporting the amount of executive compensation, USS recommends the approach that was developed in the UK through a process involving issuers, investors and trade associations. The Financial Reporting Lab (facilitated by the Financial Reporting Council) undertook the project at the request of the UK Department of Business Innovation and Skills ("BIS"), to co-ordinate a collaborative effort by issuers and investors to create a reporting structure to disclose a 'single figure' for executive compensation. The final report has the strong support of both issuers and investors in the UK.

BIS has since substantially adopted the reporting structure advocated by the Financial Reporting Lab in the proposed legislation to changes in remuneration reporting in the UK under the Enterprise and Regulatory Reform Bill and the Large and Medium-Sized Companies Group (Accounts and Reports) Regulations.

It is important for us as shareholders that the compensation reporting structure:

- Is consistent and comparable between companies;
- Is comprehensive and reports all elements of pay and awards (e.g., including pensions, long-term incentive plans, one-off recruitment awards);
- Provides for supplementary disclosures that are simple, comparable and easy to understand;
- Allows shareholders to easily link pay and corporate performance.

USS strongly supports the proposals to report a 'single figure' for compensation of the executive directors. We consider that key features of the Financial Reporting Lab proposal ensure the reporting structure is useful to investors:

- To ensure shareholders have the information available to easily assess the link between pay and corporate performance:
 - All elements of received pay and benefits will be included in the disclosure.
 - The disclosure of the variable compensation should represent the compensation receivable in relation to performance during the reported financial year.
 - Where the performance period for variable pay is greater than one year, the compensation should not be recognised until the reported financial year is the last year of the performance cycle;

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- Pensions have historically been a 'hidden' factor in executive compensation.
 - Including pension values on the compensation table in a comparable format allows shareholders to understand the full value of the compensation policy to the executive.
- To ensure the reporting on compensation is simple and understandable:
 - An additional column in the table would be used to highlight key areas and refer shareholders to the relevant supplementary disclosures in the report.
- To ensure comparability on awarded, but not vested compensation:
 - An additional table would provide information on amounts awarded during the reporting year but vesting in future years.
 - Share awards should be reported at fair value (the Financial Reporting Lab provides a generic formula).
 - Option modeling techniques are not useful for shareholders due to the number of assumptions used.
 - Fair value reporting is easily understood and allows comparisons between companies.
 - Supplementary disclosure can be used to explain the performance criteria and vesting threshold, additionally the compensation table only includes 'realised' awards.

We would encourage the SEC to seriously consider adopting a similar reporting framework for US companies. In a globalised investment environment, similar disclosure practices allow for cross-border comparison by investors and will ensure companies do not need to provide duplicate reporting on compensation issues.

Please feel free to contact me if you have any questions or need additional information. The Financial Reporting Lab is also available to answer questions and provide information.

Yours sincerely,



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Attachment: Lab Project Report: A Single Figure for Remuneration (June 2012)

cc: Joe Dear
Investor Advisory Committee
Securities and Exchange Commission

Sue Harding
Director, Financial Reporting Lab
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“Lab project report: A single figure for remuneration,” Financial Reporting Council, June 2012,
Web, 25 October 2012,

<http://frc.org.uk/getattachment/3a986efa-82e5-4f08-b70c-a2ffc22dedc5/FRC-Lab-A-single-figure-for-remuneration.aspx>