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December 2, 2013

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Re: File No.: S7-07-13; Pay Ratio Disclosure (Proposed Rule)

Dear Ms. Murphy and Commissioners:

On behalf of the California Public Employees' Retirement System (CalPERS), thank you for the opportunity to provide our comments on the SEC's Pay Ratio Disclosure Proposed Rule, File No. S7-07-13.

CalPERS is the largest public pension fund in the United States with approximately \$275 billion in global assets and equity holdings in over 9,000 companies. CalPERS provides retirement benefits to more than 1.6 million public workers, retirees, their families and beneficiaries and we rely on the quality and integrity of market information to allocate capital on behalf of our beneficiaries.

Recently, CalPERS developed a set of Investment Beliefs that are designed to provide a basis for strategic management of the investment portfolio. Included in CalPERS' Investment Beliefs is the view that "Long-term value creation requires effective management of three forms of capital: financial, physical and human." CalPERS believes that "strong governance, along with effective management of environmental and human capital factors, increases the likelihood that companies will perform over the long-term and manage risk effectively."

Accordingly, we regard effective management of human capital as a vital element in the creation of long-term value, and believe mismanagement can be a source of significant risk. While companies often rightly claim that "their people are their greatest asset," companies provide investors very little information to provide investors with insights into how human capital is being managed.

Information around compensation is obviously helpful because financial incentives clearly play a critical role in the recruitment, retention and motivation of employees. Furthermore, we greatly value the information currently afforded investors about companies' most senior executives and the opportunity to vote on executive compensation policies- the so-called "say on pay" votes. These disclosures and oversight opportunities provide investor with actionable intelligence on the financial incentives a company provides its senior staff.

We believe that pay ratio disclosure, required by Section 953(b) of Dodd-Frank, will provide important supplementary information on the financial incentives that drive performance throughout the company, vertically, as well as horizontally, across markets.

We appreciate that the ratio itself provides but one measure of the financial incentives and not the full picture. Nevertheless, we believe that companies should use this disclosure as an opportunity to provide insights on the role effective management of human capital plays with regard to value creation and risk mitigation. We would be surprised if boards of directors do not already have this information so they might ensure that they are properly overseeing managements' stewardship of human capital.

Finally, we believe the ratio will be a number which prompts commentary and discussion, providing an important data point to inform a wider discussion on value and risk. Our review of academic research bears out the importance of human capital in value creation and risk mitigation and we see a compelling argument and evidence on this point. (See, "Sustainable Investment Research Initiative: Review of Evidence," <http://www.calpers-governance.org/investments/siri-bibliography>)

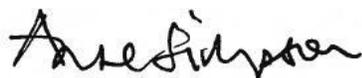
The proposed rule, outlined by the SEC, allows companies a great degree of flexibility in calculating and disclosing this datapoint. A company can determine the "annual total compensation" for all employees and then identify the median. A company can utilize a statistical sampling method for identifying the median compensation. Or, a company can use any consistently applied compensation measure for determining the median employee pay.

We applaud your efforts to strike the right balance in providing investors with this critical measure. By offering companies a number of alternatives, companies will be able to determine which methodology works best for their company and/or tailor it for their special circumstances. Moreover, this flexibility will allow companies to select a methodology that is most cost effective for them. Finally, since companies will already have the dataset necessary for this calculation (in order to prepare their financial statements and tax returns), we do not envisage costs will be a barrier to compliance.

We have addressed in the attachment certain questions in the proposal, but we applaud the work of the SEC staff and wholeheartedly support the approach set out in the proposed rule.

Thank you for your consideration. If you have any questions, please do not hesitate to contact me at [REDACTED] ([REDACTED]) or Don Marlais of Lussier, Gregor, Vienna & Associates - our federal representatives - at (703) 888-4522 ([REDACTED]).

Sincerely,



ANNE SIMPSON  
Senior Portfolio Manager  
Director of Global Governance

File Number S7-07-13

Pay Ratio Disclosure (Proposed Rule)

CalPERS' Responses to Certain Questions in Proposed Rule

December 2, 2013

#### Filings Subject to the Proposed Disclosure Requirements

1. Should we require the pay ratio disclosure only in filings in which Item 402 disclosure is required, as proposed? Should we require the pay ratio disclosure in Commission forms that do not currently require Item 402 disclosure? If so, which forms, and why? Would disclosure be meaningful to investors where no other executive compensation disclosures are required?

**Yes, pay ratio disclosures should be limited to filings in which Item 402 executive compensation disclosures are also required and agree with the SEC staff that it should be placed in context with other executive compensation disclosures.**

#### Registrants Subject to the Proposed Disclosure Requirements

4. Should we revise the proposal so that smaller reporting companies would be subject to the proposed pay ratio disclosure requirements? If so, why? If so, also discuss how smaller reporting companies should calculate total compensation for employees and the [principal executive officer] PEO. For example, should they be required to calculate total compensation in accordance with Item 402(c)(2)(x) instead of the scaled disclosure requirements? In the alternative, should smaller reporting companies be required to provide a modified version of the pay ratio disclosure? If so, why, and what should that modified version entail? Should it be based on the compensation amounts required under the scaled disclosure requirements applicable to smaller reporting companies, such as a ratio where the PEO compensation and other employee compensation are calculated in accordance with Item 402(n)(2)(x)? Please provide information as to particular concerns that smaller reporting companies may have. Please discuss whether the disclosure would be useful to investors in smaller reporting companies.

5. Should we amend either Form 20-F or Form 40-F to include disclosure that is similar to the proposed pay ratio disclosure requirements? If so, why? Assuming we would not otherwise subject foreign private issuers to the executive compensation disclosure rules, what modifications would be needed to address the different reporting requirements that foreign private issuers and [U.S.- Canadian Multijurisdictional Disclosure System] MJDS filers have for executive compensation disclosure in order to require pay ratio disclosure? In particular, how should these registrants calculate total compensation (for the PEO and for employees) for purposes of such a requirement? Please provide information as to particular concerns that foreign private issuers or MJDS filers may have if they were required to comply with such a requirement. Please discuss whether the disclosure would be useful to investors,

particularly in the absence of the executive compensation disclosure that would accompany disclosure of the ratio for registrants subject to Item 402 disclosure.

**CalPERS believes all registrants accessing U.S. capital markets should be subject to comparable financial regulation. This includes smaller reporting companies, emerging growth companies, foreign private issuers and MJDS filers. However, we believe this information is best viewed in the context of other compensation disclosures and the pay ratio disclosure should be limited to those registrants required to provide a summary compensation disclosure. Note: We deeply regret that the JOBS Act provided emerging growth companies exemptions to certain executive compensation disclosures as we believe such information is critical to investors when choosing whether to participate in an offering.**

Employees Included in the Identification of the Median

8. Should registrants be allowed to disclose two separate pay ratios covering U.S. employees and non-U.S. employees in lieu of the pay ratio covering all U.S. and non-U.S. employees? Why or why not? Should we require registrants to provide two separate pay ratios, as requested by some commentators? What should the separate ratios cover (e.g., should there be one for U.S. employees and one for non-U.S. employees, or should there be one for U.S. employees and one covering all employees)? If separate ratios are required, should this be in addition to, or in lieu of, the pay ratio covering all U.S. and non-U.S. employees? Would such a requirement increase costs for registrants? Would it increase the usefulness to investors of the disclosure?

13. Should Section 953(b) be read to apply to “leased” workers or other temporary workers employed by a third party? Does the proposed approach to such workers raise costs or other compliance issues for registrants, or impact potential benefits to investors, that we have not identified? Do registrants need guidance or instructions for determining how to treat employees of partially-owned subsidiaries or joint ventures? If so, what should such guidance or instructions entail?

18. Is it appropriate to limit the scope of covered employees to those who were employed on the last day of the registrant’s fiscal year, as proposed? Why or why not? Is consistency with other Item 402 disclosure important in this context? Would this approach ease compliance costs for registrants? What impact would this calculation date have on registrants that employ seasonal workers and would the exclusion of seasonal workers not employed on the calculation date likely have an impact on the median or the ratio? Please provide data, such as an estimate of the number of registrants that employ seasonal workers and the average percentage of seasonal employees that would likely be excluded. Is it likely that registrants might structure their employment arrangements to reduce the number of employees employed on the calculation date? Are there other costs that would be incurred using this approach that we should consider? Would the proposed calculation date have a meaningful impact on the potential usefulness of the disclosure for investors? Are there other ways to deal with defining the scope of covered employees that are more effective at reducing costs and providing meaningful disclosure?

**CalPERS believes that all employees should be considered for the calculation of the median. This includes international employees, part-time and seasonal workers (on a full-time equivalent basis).**

**Inclusion of “leased” employees would depend on the nature of their employment. If these individuals are in fact bona fide temporary employees are employed by a third party, then they should not be included in the calculation.**

**CalPERS believes that registrants may want to provide additional pay ratio disclosure for U.S. and non-US employees, but registrants should not be required to provide such disclosures.**

**As noted in our letter, CalPERS believes that the proposed rule provides sufficient flexibility to “allow companies to select a methodology that is most cost effective for them.”**

**Finally, we believe it would be appropriate for a registrant to fix a date for which employment will be determined for the purposes of making the required calculation. For example, a registrant could indicate that the pay ratio is based on the employment dataset as of the last day of a filer’s fiscal year.**

#### Identifying the Median

29. Should we, as proposed, permit registrants to use the time period that is used for payroll or tax recordkeeping when identifying the median employee based on consistently applied compensation measures, whether or not the time periods correspond with the last completed fiscal year or the tax year? Why or why not? Are there any parameters that should be set, such as requiring the period to end within a designated amount of time before the filing of the proxy or information statement relating to the annual meeting of shareholders or written consents in lieu of such meeting or annual report, as applicable, in which updated pay ratio information is required (such as 3 months, 6 months, 9 months or 12 months) or, alternatively, a period ending no more than 9 months (or 12 months or another amount of time) following the last annual meeting of shareholders? Should such flexibility only be permitted where the registrant’s fiscal year-end is different from calendar year-end? Are we correct that this accommodation would decrease costs for registrants? Would the use of different time periods for different employees have an adverse impact on the disclosure? Would such flexibility meaningfully reduce the comparability of the median of the annual total compensation of all employees to the annual total compensation of the CEO, or otherwise impair the potential usefulness to investors of the pay ratio disclosure?

**As providers of capital, CalPERS is mindful of the cost-benefit balance with this rule and others. Accordingly, we believe that it would be appropriate for registrants to utilize existing records when identifying the median employee. Also, we believe that companies should provide additional commentary around their approach to compensation for employees in order to provide adequate context for the datapoint.**

#### Disclosure of Methodology, Assumptions and Estimates

38. Should we require registrants to disclose information about the methodology and material assumptions, adjustments or estimates used in identifying the median or calculating annual total compensation for employees, as proposed? Why or why not? Would this information assist investors in understanding the pay ratio? Are there changes we could make to the requirement to avoid boilerplate

disclosure? Should we require a more technical discussion, such as requiring the disclosure of statistical formulas, confidence levels or the steps used in the data analysis?

40. Should we require registrants to disclose additional narrative information about the pay ratio or its components, or factors that give context for the median, such as employment policies, use of part-time workers, use of seasonal workers, outsourcing and off-shoring strategies? If so, what additional information should be required? Please be specific as to how this information would assist investors in understanding the pay ratio or in using the pay ratio disclosure. Please also be specific about the costs of providing such disclosure. How could such a requirement be designed to avoid boilerplate disclosure? Would such a requirement raise competition concerns?

41. Should we require registrants to disclose additional metrics about the total compensation of all employees (or of the statistical sample if one is used), such as the mean and the standard deviation, as a supplement to the required disclosure? Would additional metrics be useful to investors? We assume that these metrics could be provided without additional cost or at a low cost once the median has been identified. Is this assumption correct? If not, please identify the costs and benefits of such additional disclosure. Would such a requirement raise competition concerns?

**CalPERS believes that registrants should disclose information about the methodology and material assumptions, adjustments or estimates used in identifying the median employee or calculating the annual total compensation as long as those disclosures provide sufficient information to evaluate the appropriateness of such information.**

#### Timing of Disclosure

43. Should we, as proposed, require the pay ratio disclosure to be updated no earlier than the filing of a registrant's annual report on Form 10-K or, if later, the filing of a proxy or information statement for the registrant's annual meeting of shareholders (or written consents in lieu of such a meeting), and in any event not later than 120 days after the end of its fiscal year? Are we correct that the proposed timing rule would not affect the potential usefulness of the pay ratio disclosure for investors? If not, how should the requirements be changed to address that impact? Are we correct that the proposed timing rule would help to keep costs down for registrants by providing certainty as to the timing for annual updates and by allowing registrants to compile the disclosure at the same time as other executive compensation disclosure under Item 402? Are we correct that the proposed timing rule would help keep down costs for registrants that request effectiveness of registration statements after the end of the last fiscal year but before the filing of their annual proxy statement?

44. Is the proposed timing workable for registrants? Does it provide enough time after the end of the fiscal year for companies to identify the median of the total compensation of all employees for that year? We note that one commentator asserted that it could take registrants three months or more each year to calculate pay ratio disclosure, and, accordingly, that the disclosure would not be available in time to be included in the annual proxy statement or annual report. Would the ability to use reasonable estimates, consistently applied compensation measures, or statistical sampling be sufficient to alleviate this issue? For example, if a registrant is unable to calculate its employees' incentive compensation

before such time, would it be able to reasonably estimate such compensation? Instead, should the proposed rules provide an accommodation for a company that cannot compile compensation information in time to be included in its proxy statement for the annual meeting of the shareholders or Form 10-K, as applicable? For example, should registrants be permitted to delay the pay ratio disclosure until it is calculable and then file the disclosure under Item 5.02(f) of Form 8-K? If so, under what circumstances should registrants be permitted to do so? Or, if we were to allow for such a delay, should we specify when the disclosure should be required to be made? If so, what deadline should we impose? Would such a delay impact the usefulness to investors of the disclosure, particularly if the disclosure would not be available for inclusion in proxy or information statements for the annual meeting of shareholders?

49. Would the proposed instruction cause registrants to change their compensation practices? Alternatively, would the proposed instruction have an adverse impact on the usefulness to investors of the proposed pay ratio disclosure? How should we change the proposed requirements to address such impacts?

**CalPERS believes that a registrant should provide the pay ratio for the most recently completed fiscal year in its proxy statement for its annual meeting.**

Proposed Transition for New Registrants

55. Instead of the proposed transition period, should we require new registrants that are not emerging growth companies to comply with pay ratio disclosure requirements in registration statements on Form S-1, Form S-11 or Form 10? Are we correct that the incremental time needed to compile pay ratio disclosure could cause companies that are not emerging growth companies to delay an initial public offering? What costs would be imposed on these companies if we did not provide the transition? Does the potential importance of the information to investors justify the burdens on these companies of complying with the requirements in their Form S-1, Form S-11, or Form 10?

**CalPERS agrees with the proposed transition period for new registrants and does not believe the disclosure need be included in a registration statement on Form S-1 or S-11 for an initial public offering or registration statement on Form 10.**