



July 6, 2015

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington D.C. 20549-1090

File Number: S7-07-15 - Comment on Proposed Pay versus Performance Disclosure Rule

Dear Mr. Fields:

The Ohio Public Employees Retirement System (hereafter, "OPERS") appreciates the opportunity to submit comments regarding the Securities and Exchange Commission's (hereafter, "SEC" or "Commission") proposed rule requiring disclosure of the relationship between executive compensation actually paid and financial performance.

With assets of more than \$91 billion, OPERS is the largest public retirement system in Ohio and the 11th-largest public pension fund in the United States. Like many other public retirement systems, we depend on the integrity of the financial marketplace and the meaningful disclosure of market participants to make decisions regarding investment allocation, proxy votes and strategy.

It follows that OPERS is an active and involved shareowner. We recognize that our investment returns are tied to the capital allocation decisions made by the boards of directors of the corporations in which we invest. We engage directly with many of the board members and senior executives of these corporations, quietly and diplomatically encouraging them to maximize long-term shareowner value by adopting and adhering to industry-best practices in the boardroom and in matters affecting the rights and investments of all shareowners.

It should come as no surprise then, that OPERS has been generally supportive of the SEC's efforts to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a member of the institutional investor community, we are focused on the long-term performance of the corporations in which we invest. Our goal, which we believe we share with a majority of the corporations we invest in, is to maximize long-term shareowner value. The Commission's proposal will help us accomplish that goal by aggregating and presenting valuable pay and performance data in a clear, consistent and readily accessible manner. In short, the SEC's proposal contains many positive elements that we believe will be beneficial for shareowners.

Current pay and performance disclosures have been required for at least five years, and were adopted following the significant downturn in the markets during the Great Recession. Initially, the new disclosures provided shareowners with the ability to review the data and information published by corporations on executive pay and performance, called "Say on Pay," and the frequency of such disclosures over one, two or three years. Since that time, shareowners and corporations have had significant dialogue on the kind of



disclosure that will provide the clearest and most appropriate picture of how senior executives are compensated, and we believe that additional disclosure related to the relationship between executive pay and performance will indeed be very valuable to all shareowners. That said, we recognize that current disclosures may contain a significant volume of information, but we believe the Commissions' proposed rule will help provide a consistent and straightforward measure of the overall relationship between pay and performance which will improve data usability and accessibility.

As proposed, this disclosure will increase shareowners' and corporate boards of directors' awareness of anomalies in pay and performance, allowing them to address those situations more effectively and maximize long-term shareowner value.

Our comments regarding the Commission's proposal are provided below, arranged by subject heading.

Format of Proposed Disclosure

OPERS supports the SEC's proposal to include the Pay and Performance disclosure in a new Item 402 requirement under Regulation S-K, as well as in certain proxy or information statements. As noted above, we believe this information will be of value to shareowners in evaluating the relationship between executive pay and a corporation's financial performance. In order for the data to be truly valuable, however, it should be readily accessible by *all* shareowners. Institutional investors have access to significant resources in terms of research and recommendations regarding corporate engagement; not all shareowners have the same resources at their disposal. By requiring Pay and Performance disclosures in certain proxy or publicly-issued company statements, the Commission has taken steps to highlight relevant information at a time when (a) it is most useful to shareowners and (b) shareowners are equipped to act on the information if they are so inclined.

Likewise, OPERS also supports the SEC's proposal to require disclosure of Pay and Performance data in a graphical (table) format, in addition to any narrative statements. However, it is important to note that the information must be presented in a clear, concise and consistent manner. A prescribed graphical format would accomplish these goals while also facilitating comparability among company peers, industry benchmarks and multiple years of performance data. We believe that the proposed format is a reasonable, cost-effective and useful tool that effectively balances the interests of shareowners and corporations.

We appreciate that the SEC has required corporations to describe the relationship between executive pay and financial performance, so that the work of compensation committees, for example, and ultimately, boards of directors, can be reviewed. We believe this disclosure will assist shareowners in determining how best to engage with corporations and cast key votes.

Executives Covered

OPERS supports the SEC's proposal to require separate compensation disclosures for Principal Executive Officers (hereafter, "PEO"); however we would prefer that the Commission required corporations to provide individual compensation disclosures for non-PEO Named Executive Officers (hereafter, "NEO") as well.

While we understand the Commission's concerns regarding requiring individual disclosures for non-PEO NEOs, we believe there are circumstances where this additional information would be beneficial to

shareowners. For example, when engaging with a corporation, we attempt to determine whether they have an appropriate succession plan in place to replace a PEO in the event of a departure. Having access to individualized non-PEO NEO compensation disclosures would allow shareowners to calculate pay ratios between PEOs and other NEOs for the purpose of discerning whether a board of directors is exercising due diligence by grooming an NEO for possible advancement, as evidenced by their compensation package. In the same way, individualized disclosures would assist shareowners in determining whether corporate boards of directors are taking adequate steps to retain talented NEOs, or if a particular non-PEO NEO, because of a lower compensation amount relative to corporate financial performance, is likely to be lured away to another corporation.

Determination of Executive Compensation Actually Paid

OPERS supports the SEC's proposal to define "executive compensation actually paid" as total compensation reported in the Summary Compensation Table modified to adjust the amounts included for pension benefits and equity awards. Like the Commission, OPERS favors an approach that results in consistency and comparability. We believe that the proposed methodology most readily achieves these goals by providing a clearer and more complete picture of *total* compensation actually paid and minimizes the chances that the personal decisions of PEOs or NEOs (e.g., withdrawing or taking a distribution from a deferred compensation account) will skew the data.

Additionally, OPERS believes it is necessary that the SEC prescribes the specific compensation elements to be disclosed as part of an Item 402(v) disclosure as a minimum data set. Corporations can always provide more data and information as needed. Considering the alternative, compensation elements could differ significantly from business to business, making comparisons difficult, if not impossible. Allowing corporations to select the compensation elements that cast their own pay and performance measures in the best possible light devalues this disclosure.

Finally, we applaud the SEC's decision to allow corporations the flexibility of providing other measures of Pay and Performance if they believe additional clarification is necessary. In cases such as these, additional information and especially context can be helpful in understanding the relationship between executive compensation and financial performance. We believe this flexibility is important and should help address the concerns raised by some respondents that the required measures of pay and performance do not make sense for them given their individual circumstances, or that the required disclosure will confuse investors. We are hopeful that corporations will take advantage of this opportunity to clarify their Pay and Performance disclosures and explain any apparent anomalies or discrepancies.

Measure of Performance

OPERS supports the SEC's proposal to require that corporations use Total Shareholder Return (hereafter, "TSR") as one measure of financial performance for purposes of the Item 402(v) disclosure. We agree that TSR is an appropriate performance metric for a Pay and Performance disclosure over the time periods covered. TSR provides a meaningful picture of how effectively corporations are employing the capital that we, as shareowners, provide. We believe that TSR can be a strong indicator of ultimate corporate success and, when combined with the proposed peer group comparison, can provide a fairly accurate picture of whether corporations are well-run or not. We do not believe the proposed disclosures or the use of TSR



alone are likely to drive short-term decision-making at corporations, rather, we believe it will help corporate boards (as well as shareowners) better evaluate the underlying relationship between pay and performance over time.

In the same way, OPERS supports the SEC's proposal to require that corporations disclose a peer group's TSR as part of their Item 402(v) disclosure. As stated above, this proposal aids comparability and will help shareowners determine whether a corporation is meeting its goals with regard to Pay and Performance or if it is consistently underperforming relative to its identified peer group.

As in the preceding section, the SEC has provided an opportunity to provide additional measures of performance in the event that a corporation believes its peer group is not an ideal fit for purposes of Pay and Performance comparison and wishes to provide additional information or context. OPERS supports these opportunities – we do not believe that the purpose of proposed Item 402(v) is to brand a corporation's disclosure as "good" or "bad," but rather, to provide investors with the information they need to be conscientious and informed shareowners. As stated above, we hope that corporations will take advantage of this opportunity to engage with shareowners and provide a more complete picture of Pay and Performance.

Time Period Covered

OPERS supports the SEC's proposal to require corporations to provide the Pay and Performance disclosure for the five most recently completed fiscal years. To the extent that we desire corporate boards to consider the long-term relationship between executive pay and financial performance and more effectively manage that relationship, we favor a longer look-back period. We believe the Commission's proposed five-year look-back strikes an appropriate balance between providing boards with the information they need to monitor the long-term relationship between Pay and Performance and minimizing the costs of implementing the Item 402(v) disclosure.

Thank you again for the opportunity to submit comments on this proposed rule. If you have questions regarding OPERS' position, please do not hesitate to contact our Chief External Affairs Officer, Carol Nolan Drake, at [REDACTED].

Sincerely,

A handwritten signature in cursive script that reads "Karen E. Carraher".

Karen E. Carraher
Executive Director