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Via Electronic Submission

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

Re: Proposed Rule on Pay versus Performance, File No. S7-07-15

Dear Mr. Fields:

I am writing on behalf of Teachers Insurance Annuity Association of America ("TIAA") as the parent of TIAA-CREF Investment Management LLC ("TCIM") and Teachers Advisers Inc. ("TAI"). TCIM is the investment adviser for the College Retirement Equities Fund ("CREF"), the nation's first variable annuity, which has over \$230 billion in assets under management as of 3/31/2015. TAI is the investment adviser for the TIAA-CREF mutual funds, which have 73 portfolios and over \$86 billion in assets under management as of 3/31/2015. TIAA is the leading provider of retirement services for those in the academic, research, medical and cultural fields.

As shareholders in over 9,000 public companies globally, we believe that it is part of our responsibility to engage in the public discourse surrounding environmental, social and governance practices to protect long-term shareholder value.

We commend the Securities and Exchange Commission ("SEC" or "Commission") for undertaking the difficult task of implementing Section 14(i) of the Securities Exchange Act of 1934 as added by Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") by developing a universal standard for the disclosure of pay and performance alignment through the proposed addition of Item 402(v) to Regulation S-K ("Proposed Rule").¹ Overall, we believe the Proposed Rule effectively balances shareholders' desire for straightforward, easily comparable compensation data with issuers' need to tell their compensation story in a relevant manner.

The Proposed Rule puts a number of important questions to the investment community for consideration. Our comments are focused on sections of the Proposed Rule where our views are the strongest.

¹ SEC Release No. 34-74835 (April 29, 2015)

Format and Location of Proposed Disclosure

Proxy statements have grown ever longer as issuers attempt to meet demands for disclosure from a variety of stakeholders. Additionally, most large institutional investors review proxy voting research from third parties, as well as any supplementary filings provided by issuers. Given this context, we believe that the investment community would be best served by including the proposed table and associated disclosure in the Compensation Discussion and Analysis ("CD&A").

We appreciate the Commission's concern that "including this disclosure as part of CD&A might suggest that the registrant considered the pay-versus-performance relationship, as disclosed, in its compensation decisions, which may not be the case."² However, we believe it is reasonable to assume that a compensation committee would be aware of the information included in the proxy, regardless of where it appears, and also that they would be aware of the company's Total Shareholder Return ("TSR"). As such, their decisions are already likely to be informed by this information.

Ultimately, shareholders' reliance on the CD&A for comprehensive executive compensation disclosure outweighs the negligible possibility that a committee did not consider the relationship between pay and performance, as disclosed, when determining compensation.

Executives Covered

By requiring compensation disclosure for the Principal Executive Officer ("PEO") and average compensation for the other Named Executive Officers, the Proposed Rule provides shareholders with sufficient information to evaluate the alignment of pay and performance without creating an undue burden on issuers. However, the Proposed Rule could be strengthened by requiring separate disclosures for each PEO that held the position during the required time period. Combining compensation paid to multiple PEOs in a single year, as currently proposed, may obfuscate the board's decisions related to leadership change. This could result in inaccurate representations of information and cause confusion. We believe the individual PEO pay to performance disclosure would provide shareholders with more accurate information.

Determination of "Executive Compensation Actually Paid"

The Commission is correct to offer a definition of compensation actually paid for the purposes of the Proposed Rule. This allows shareholders to understand efficiently the disclosure and compare values across issuers. We generally agree with the proposed definition but note an opportunity to improve it to better match the way investors and issuers think about pay and performance alignment by matching the disclosed values with the performance period they reward.

² *Id.* at 16.

The Commission correctly proposes that issuers “deduct the change in the actuarial present value of all defined benefit and pension plans”³ since it is outside the control of the board. Furthermore, we find it appropriate to include “above-market or preferential earnings on deferred compensation that is not tax qualified.”⁴ We also feel it is important that the disclosure includes dividends paid on unvested equity or equivalents for a given year as a result of the move away from grant date fair value calculations for equity awards.

With respect to equity and equivalents, we are encouraged by the proposed approach of valuing awards at vesting which will better reflect the value ultimately delivered to executives. This helps investors evaluate the relationship between pay and performance. Additionally, we believe that the Proposed Rule effectively deals with the valuation of option awards, balancing the value conferred by the compensation program with the executive’s investment decisions.

Notwithstanding the above, the Commission has the opportunity here to improve the usefulness of equity compensation disclosure to investors and the broader market. The Proposed Rule would be greatly improved by aligning the award amounts with the fiscal year of the performance they recognize.

By requiring disclosure of compensation valued on the vesting date for equity and equivalent awards, it will be difficult for sophisticated investors to evaluate pay and performance alignment, and almost impossible for retail investors to do so. Vesting dates frequently fall in the fiscal year following the final performance period in order to allow time for the board to certify results. Therefore, by considering equity awards actually paid on the vesting date, the Proposed Rule creates an awkward disconnect between when the compensation is reported and the performance period it rewards.

We recommend that equity awards be considered actually paid on the vesting date for the purpose of valuation, but reported as paid in the fiscal year for which the compensation was contemplated as paid. For instance, an award that vests in February 2015 based on fiscal 2014 performance would be reported as part of 2014 compensation. By addressing the alignment between when compensation is granted and the fiscal year it rewards, the Proposed Rule would greatly improve the clarity and value of the disclosure for investors.

Measure of Performance

The Commission has correctly identified “TSR (as defined in Item 201(e) of Regulation S-K) as the measure of financial performance of the registrant for the purpose of pay-versus-performance disclosure.”⁵ While there are many performance metrics that may be appropriate for a given industry or sector, TSR is the only metric we can identify that is universally applicable and easily comparable across the market. The comparability is significantly strengthened by requiring inclusion of peer group performance data. Finally,

³ *Id.* at 34.

⁴ *Id.* at 36.

⁵ *Id.* at 45.

the ability for issuers to include additional performance metrics at their discretion will allow them to address any concerns that TSR may be misrepresenting performance over the given period.

Time Period Covered

We agree “that requiring disclosure of the relationship between executive compensation and registrant performance over the five most recently completed fiscal years is appropriate because it provides a meaningful period over which a relationship between annual measures of pay and performance over time can be evaluated.”⁶ Furthermore, by providing a transition period and only requiring disclosure for years that an issuer was a reporting company, the Commission has minimized the financial burden of implementing the Proposed Rule.

Conclusion

In closing, we thank the SEC for providing the public with an opportunity to respond to the questions outlined in the Proposed Rule. Again, we commend the SEC for taking on the difficult task of creating a universal standard for pay-versus-performance disclosure. The Proposed Rule would be an effective implementation of Section 953(a) of the Dodd-Frank Act. If you would like to discuss any of the issues raised in our letter, please do not hesitate to contact me at [REDACTED] or my colleague, Bess Joffe, at [REDACTED].

Sincerely,

Jonathan
Feigelson

Jonathan Feigelson

Digitally signed by Jonathan
Feigelson
DN: cn=Jonathan Feigelson, o=TIAA-
CREF, ou=Advocacy and oversight,
email=[REDACTED]
Date: 2015.07.06 16:32:32 -0400

⁶ *Id.* at 50.