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*Sent via electronic mail*

July 6, 2015

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

**Subject: Comments on S7-07-15**

Dear Mr. Fields:

On April 30, 2015, the SEC issued its preliminary rules on pay for performance disclosures and invited comments through July 6. We are providing our comments in this letter for your consideration with respect to the proposed rules.

Farient Advisors LLC is an independent executive compensation and performance consulting firm. We provide advice primarily to compensation committees of publicly traded companies. Each member of our senior team has decades of consulting experience in executive compensation. In addition, we have a proprietary Alignment Model, developed through extensive research that helps investors and issuers assess the integrity of the relationship between pay and performance for the Russell 3000 companies. We provide a subscription service using the data from this model primarily to large institutional investors. These data, in turn, help investors make more informed choices in casting their "Say on Pay" votes. Farient Advisors is a recognized expert in pay for performance alignment, and in 2010, published a book on this topic entitled, *Fair Pay, Fair Play: Aligning Executive Performance and Pay*.

Overall, we feel as though the SEC's proposed rules are reasonable, although we are concerned with the year-over-year time horizon required to be shown in the supplemental table. Our more detailed comments are discussed below.

- The proposal suggests a rules-based rather than principles based approach. Overall, we support a rules-based approach. The rules, in general, will require companies to explain and demonstrate the link between pay and performance on a consistent basis. This will allow investors to compare pay and performance, and also to make comparisons between companies. It also will shorten the amount of time investors will need to evaluate pay for performance. Moreover, issuers are free to augment this information if they feel as though their investors would be better served by having the additional information

- The requirement for a table makes it easy for investors to see the requisite data on a consistent basis. Further, issuers are free to supplement this table with narrative and graphical formats
- The new disclosure will be best captured in the CD&A and will provide investors with a clear line-of-sight between the pay data contained in the Summary Compensation Table and the pay data presented on a realizable basis
- The requirement to show TSR is reasonable, as this is the ultimate measure used in assessing performance by investors. Moreover, issuers can supplement the TSR data with other data (such as financial trend data) if they do not feel as though TSR captures the long-term sustainable prospects of the business and/or the basis upon which management should be compensated
- Our biggest concern with TSR is the requirement to show it year over year. This is often too short a time horizon to see how performance really is tracking. For example, in assessing fund performance, investors often are most interested in 3+ years' performance data
- We also have a concern with showing pay year over year. When we developed our Pay for Performance Alignment Model, we decided to show 3-year rolling average Performance-Adjusted Compensation data and 3-year TSR on a compound annual basis. This helped to remove the effects of anomalous factors in the long-term trend analysis, while also matching the pay and performance periods analyzed
- With respect to the pay definition, we generally like using actual salary, actual bonus paid, the fair value of long-term incentives, and the change in pension values not attributable to changes in interest rates or actuarial assumptions. However, we would suggest showing values for equity at the end of a typical performance period, e.g., three years, rather than at time of vesting. When we developed our Pay for Performance Alignment Model, we decided to assess 3-year rolling Performance-Adjusted Compensation. We did this to remove the lumpiness in pay values caused by episodic or one-time events. It also allowed us to evaluate pay relative to performance using the same pay and performance time horizons. Using the vesting date does not allow for this matching of pay and performance time horizons
- Finally, we feel that it is appropriate to require that five years of pay for performance data be provided. Pay and performance analyses have the most integrity if they are conducted over longer periods of time, and may even be misleading over shorter periods of time

Overall, we favor the SEC's approach, with the exceptions on time horizon noted above, and feel as though the new rules will go a long way towards increasing transparency and helping to illustrate the crucial link between pay and performance.

We appreciate this opportunity to comment on the pay for performance disclosure rules.

Please contact us if you have any questions regarding our comments.

Sincerely,

Robin A. Ferracone
Chief Executive Officer, **Farient Advisors** LLC