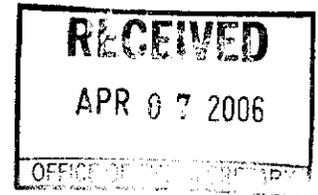


April 6, 2006

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303



**EMPLOYEES  
RETIREMENT  
SYSTEM OF TEXAS**

**RE: File Number S7-03-06 Executive Compensation and  
Related Party Disclosure**

ANN S. FUELBERG  
EXECUTIVE DIRECTOR

Dear Ms Morris:

CAROLYN LEWIS GALLAGHER  
CHAIR  
DON GREEN  
VICE-CHAIR  
BILL CEVERHA  
YOLANDA GRIEGO  
I. CRAIG HESTER  
OWEN WHITWORTH  
BOARD OF TRUSTEES

The Employees Retirement System of Texas is a \$22 billion public pension fund. We are responding to the Securities and Exchange Commission's proposal to amend the disclosure requirements for executive and director compensation, related party transactions, director independence and other corporate governance matters and security ownership of officers and directors. It is encouraging that the Commission is taking the necessary steps to improve our markets and we generally agree with the proposed changes.

Executive compensation has long been a top priority for our fund. Concerns in recent years have centered not simply on the amount paid to CEOs and other top executives, but also the board processes for setting pay, the disclosure of pay, the structure of pay and the pay-for-performance metrics. Poorly structured pay packages may harm shareowner value by wasting owners' money, diluting ownership and creating inappropriate incentives that may damage a company's long-run performance. Inappropriate pay packages may also suggest a failure in the boardroom, which is the primary check and balance on management.

Full and clear disclosure of executive pay, director pay and related party transactions are also critical for the shareowners and market in evaluating a company's market value. By looking at items that might influence management decisions and the compensation committee and board's rationale in setting executive pay and the pay-for-performance links, investors can better analyze and understand the potential future direction of the company on an absolute basis but also compared to a peer group. Furthermore, disclosure and transparency are also effective methods of reigning in egregious pay packages versus regulation or legislation.

The proposal addresses a significant number of the most critical issues to investors, and we urge the Commission to move expeditiously to implement the new disclosure rules in time for the 2007 proxy season.

We thank the Commission and its staff for this comprehensive proposal.

Sincerely,

  
Kathy-Ann Reissman, CFA  
Chief Investment Officer