Allison Transmission

July 6, 2015

Via Electronic Submission (rule-comments@sec.gov)

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

Re: Pay versus Performance Disclosure
Release No. 34-74835 (File No. S7-07-15)

Dear Mr. Fields:

As Vice President, General Counsel and Secretary of Allison Transmission Holdings, Inc., I am writing to provide Allison Transmission's comments on the proposed rulemaking under Item 402 of Regulation S-K, implementing Section 953(a) of the Dodd-Frank Act relating to pay versus performance disclosure.

Introduction

Allison Transmission believes in transparency in our communications with shareholders, including in our disclosures regarding executive compensation. We believe strongly that our compensation disclosures should be both clear and concise to support understanding of how and why our Compensation Committee has elected to compensate our executives using the programs that we have in place. Transparency encourages sound Board governance and further supports the Board's fiduciary duty to shareholders.

Given this philosophical perspective on compensation disclosures, we are concerned regarding the SEC's proposed rules relating to the new pay for performance disclosures as required under Section 953 of the Dodd-Frank Act. Specifically, after reviewing the proposed rules, we do not believe that the new disclosures will support either transparency regarding how we arrive at our compensation decisions or understanding of the effectiveness of our executive compensation programs. Rather, we believe that the proposed rules as written will likely bring confusion and complexity to an already comprehensive disclosure document.

Challenges and concerns with the proposed rules

We start by noting that many large shareholders are already complaining about the length and complexity of disclosures related to executive compensation among U.S. publicly-traded companies. For example, according to a recent Stanford University study [1] of investor perspectives on proxy disclosure, only 38% of institutional investors believe that the existing disclosure used to discuss the compensation programs are clear and easy to understand. Further, these investors only read 32% of the typical proxy statement – this, with the point above, suggests that investors are already struggling with the length and complexity of current disclosures.

Therefore, adding yet more complicated information, as well as the required narrative explanation of the results, is likely to only further reduce the value of these disclosures for investors. This is especially the case as public issuers would be required to report and explain information that is not currently used by the Compensation Committee or Board to make decisions on executive pay or evaluate the effectiveness of pay programs. The new disclosure rules require us to explain and potentially defend what is effectively an arbitrary framework for comparing the relationship between pay and performance. We believe this disclosure and associated narrative is much more extensive than what is actually required by the original legislation, and this extensive additional information will create confusion among shareholders regarding how and why we structure our executive pay plans the way that we do.

In addition, our perspective is that the metric itself that is proposed to measure actual pay relative to performance is fundamentally flawed, which will add to the confusion. Specifically:

- Performance is calibrated using a historical five-year trailing period to measure total shareholder return (TSR), which is not related to the period of performance that is generally included in our pay programs. As a result, the reported pay will have little to do with the reported performance due to a timing mismatch.
- TSR performance is calculated on a market value-weighted average of our peers or index. While we appreciate the effort by the SEC to link the disclosure to the performance graph and thereby limit the need for an additional calculation of performance, we do not think that a market value-weighted index reflects the way that most public boards would think about measuring performance compared to peers for the purpose of assessing compensation.
- The disclosures would need to cover all NEOs during the reported fiscal years – this even includes any interim/partial year hires or multiple CEOs. This will result in significant fluctuations in reported pay unrelated to performance during any period of organizational change. For example, a company might have a lower-level finance executive serve as CFO for an interim period until a full-time CFO replacement is found. This interim CFO will be included in the NEO average pay and bring the level of actual pay down, a fact

[1] 2015 Investor Survey: Deconstructing Proxy Statements — What Matters to Investors. A study that surveyed 64 asset managers and owners with a combined $17 trillion in assets to understand how institutional investors use the information in corporate proxies to make voting and investment decisions.

that provides no insight into the effectiveness of a company's pay programs but will require extensive explanation to clarify.

Given these issues, many companies will feel obligated to add additional, alternative tables and substantial additional narrative to explain these complex relationships, adding little transparency but substantial additional cost, effort, and complexity to make the disclosure meaningful.

Potential alternative solution

Based on these concerns, we urge the SEC to reconsider the approach to the required pay for performance disclosures under Section 953(a). Specifically, we encourage the SEC to seek an approach to disclosure that is as simple as possible while complying with both the letter and spirit of the Dodd-Frank Act.

For example, we noted that some of the commissioners suggested a disclosure that would be a simple addition of actual pay for the CEO to the performance graph as required under Item 201(e) of Regulation S-K. We believe that such a simple addition, using the definition of actual pay as proposed under the rules for Section 953, and with footnote disclosures of the calculations, would provide shareholders with all of the same directional information on pay for performance as would be included in the proposed rules, but without the substantial additional complexity required. We note that the potential issues with timing and the use of a market value-weighted index as described above would continue to exist, but by eliminating extensive narrative used to describe the relationships and limiting the disclosure to just the CEO, we believe that the potential for substantial confusion would be reduced.

Conclusion

We believe this is a case where greater simplicity will provide better understanding over more detailed disclosure while simultaneously limiting the burden on issuers. We thank you for the opportunity to provide our feedback and we hope that you will consider simplifying the required pay for performance disclosures to make them more meaningful for all concerned.

Sincerely,

E. Scroggins

Eric C. Scroggins