

Via email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington DC 20549-1090

19 May 2011

**Re: Listing Standards for Compensation Committees; File No. S7-13-11**

Dear Ms. Murphy:

We write to provide comments on strengthening the SEC's proposed rule to implement provisions of the Dodd-Frank Act relating to independence and reporting requirements for compensation committees and advisers. Universities Superannuation Scheme ("USS") is the second largest pension plan in the UK and invests \$52 billion in pension assets on behalf of 277,000 individual participants. The fund has substantial investment portfolio holdings in the United States.

USS sees independence of compensation committees and compensation consultants as critical to the integrity of the process for designing executive compensation plans and has implications for long-term stability of the financial markets. A 2007 Congressional report issued by the House Government Oversight Committee, after investigation of conflicts amongst executive compensation consultants, concluded that nearly half of the 250 largest public companies got executive pay advice from consultants who also provide other services to the company. The committee also reported that median CEO pay was 67% higher at companies with the largest consultant conflicts than at those whose consultants had no conflicts. In addition, the Financial Crisis Inquiry Commission concluded in its final report that improper structuring of executive pay at banks encouraged risky short-term behaviors that were a cause of the financial crisis. This rule is an important step toward resolving those systemic problems.

USS supports the proposed rule. However, we offer these comments in response to questions posed by the SEC in the rule release:

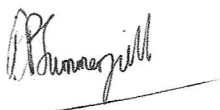
1. We believe that all domestic and foreign companies with publicly traded securities on U.S. exchanges should clearly identify a committee or designate independent directors who are responsible for approval of executive compensation and selection of any compensation advisers. Other than ownership of shares, anyone who has a non-



- board business or familial relationship (including interlocking relationships of personal, financial or professional interests) with management or the company should not be involved in executive compensation decisions. To prevent a "race to the bottom," the SEC should set uniform requirements that apply across all exchanges.
2. Independence criteria for compensation advisors should include consideration and annual disclosure of any business or familial relationship (including interlocking relationships of personal, financial or professional interests) between the adviser and the issuer, a director or management.
  3. Annual disclosures should include whether independent counsel or an independent advisor was retained by the committee to negotiate terms of employment with the Chief Executive Officer and Chief Financial Officer. Both of those officers have direct reporting responsibilities to the board and will likely have influence over management's legal counsel which undermines management counsel's position to aggressively negotiate on the board's behalf.

We appreciate efforts of the SEC to timely implement rule-making requirements of the Dodd-Frank Act. Please feel free to contact us if we can be of further assistance.

Sincerely,



Dr Daniel Summerfield  
Co-Head of Responsible Investment