

November 18, 2010

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Subject: File Number S7-31-10; Proposed Rule on Shareholder Approval of Executive Compensation and Golden Parachute Compensation

Dear Ms. Murphy:

Towers Watson is pleased to provide comments on the Securities and Exchange Commission's proposed rules on the "say on pay," "say on frequency" and "say on parachutes" requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. Our Talent and Rewards segment includes the world's largest executive compensation advisory practice, encompassing approximately 300 consultants in 35 cities worldwide.

We appreciate the opportunity to offer these comments and hope that the Commission finds our observations and recommendations useful in developing final rules.

Phrasing of Advisory Vote and Frequency Proposals

We agree with the Commission's proposal to afford companies maximum flexibility to define how each company's say-on-pay and say-on-frequency proposals are presented to shareholders in their proxy ballot.

Were the Commission's final rules to impose further requirements that designate specific language to frame the vote, those rules could shift the focus of the process to one of compliance, rather than encouraging companies to provide thoughtful discussions within the Compensation Discussion and Analysis of their pay programs and the unique aspects of their situations.

Our views are similar with respect to the say-on-frequency vote. We believe that companies should be encouraged to focus on presenting the rationale for the say-on-pay frequency that best suits the company and its shareholders.

On both resolutions, we believe that best practices, in terms of the inclusion of key points that help inform shareholder decisions, will emerge naturally as companies gain experience with these votes. The Commission's final rules regarding the manner of the presentation should not be prescriptive so as to encourage each company to develop meaningful disclosures.

Disclosure of Golden Parachute Arrangements and Shareholder Approval of Golden Parachute Arrangements

We recommend that the Commission expand the proposed table under Item 402(t) so that payments from existing awards are distinguished from severance and additional awards.

We agree with the Commission’s proposal to meet the requirement under Section 14A(b)(1) of the Exchange Act that golden parachute disclosure be provided “in a clear and simple form” via a tabular format. However, we also believe the table can be designed in a manner that provides more clarity than in the current proposal (shown below).

SEC Proposal							
Name (a)	Cash (\$) (b)	Equity (\$) (c)	Pension/ NQDC (\$) (d)	Perquisites/ Benefits (\$) (e)	Tax Reimbursement (\$) (f)	Other (\$) (g)	Total (\$) (h)
PEO							
PFO							
A							
B							
C							

We note that the Cash column (column (b)) does not distinguish between severance payments and the settlement of outstanding annual and/or long-term cash incentive plans that are triggered by a change in control. Similarly, in the Equity column (column (c)), the dollar value of stock awards for which vesting would be accelerated, in-the-money option awards for which vesting would be accelerated and payments in cancellation of stock and option awards would not be distinguished from the settlement of performance share/unit programs that would be paid based on pre-established formulae or upon performance goals attained at the date of the change in control.

The Commission proposes that benefits provided through these various elements would be specified in footnotes to the table, but it is also seeking comment about alternatives to this approach. We believe shareholders are seeking more clarity about additional payments triggered solely due to the change in control, as opposed to payments made to settle outstanding awards that are merely accelerated due to the change in control. For this reason, we would propose that the Commission adopt the following presentation of the Item 402(t) table.

Towers Watson Alternative									
Name (a)	Cash		Equity		Pension /NQDC (\$) (f)	Perquisites/ Benefits (\$) (g)	Tax Reimbursement (\$) (h)	Other (\$) (i)	Total (\$) (j)
	From Existing Awards (\$) (b)	Severance or from Additional Awards (\$) (c)	From Existing Awards (\$) (d)	Severance or from Additional Awards (\$) (e)					
PEO									
PFO									
A									
B									
C									

Our proposal would simply divide the Commission's proposed columns (b) and (c) to differentiate between payments of outstanding awards that are accelerated due to the change in control versus additional payments made at the occurrence of a change in control. We believe companies will welcome this distinction in that the rationale for these different kinds of payments may differ. For example, companies often make payments to settle outstanding incentive plan awards mid-cycle based on actual performance or target performance if actual performance can't be determined. In contrast, companies typically promise to pay a cash severance payment to executives terminated following a change in control to provide some financial assurance and help retain talent during periods in which there may be considerable uncertainty about the future needs of the company. Having these different kinds of payments appear separately in the table will enable shareholders to make better informed decisions about say-on-parachute votes.

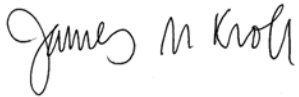
The Commission should not adopt the proposal to require disclosure of all golden parachute compensation relating to the merger among the target and acquiring companies and the named executive officers of each company.

The proposed rule would require disclosure of any agreements between a target company's named executive officers and the acquiring company — even though these agreements are beyond the scope of the disclosure required by Section 14A(b)(1) of the Exchange Act. Thus, the proposed disclosure rule would be inconsistent with the elements of pay that the statute requires be voted on by shareholders. We believe this disclosure would be confusing to most investors and could cause some shareholders to cast votes based on inflated compensation information. We recommend that this proposal be scaled back in a manner consistent with the statute.

Thank you again for the opportunity to submit these comments. We would be happy to provide additional clarification about our recommendations and answer any questions the Commission may have.

Sincerely,

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