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ONE HUNDRED TENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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May 8, 2007

Mr. Russell P. Fradin  
Chief Executive Officer  
Hewitt Associates  
100 Half Day Road  
Lincolnshire, IL 60069

Dear Mr. Fradin:

I am writing to request information regarding the executive compensation consulting services provided by your company. Corporations often rely on outside firms such as yours to provide advice to directors on how to compensate senior executives. The Oversight Committee is conducting a preliminary inquiry into executive compensation practices, including the role played by executive pay consultants.

Recent press reports and company disclosures have raised questions about the independence of the advice companies receive from executive compensation consultants. In some cases, the firms that provide executive pay advice to a company's board also perform other types of services for company management, such as employee benefit plan and pension plan consulting. The fees received for these other services can be substantial, reportedly reaching hundreds of millions of dollars in some cases.<sup>1</sup>

Shareholders and investors have expressed concerns that a compensation consultant's on-going business relationships with a company could compromise the independence of the advice the consultants provide to the company's board about executive compensation. Little is known about the extent of this practice, however, because the Securities and Exchange Commission does not require companies to disclose whether executive compensation consultants perform other services for management.

To further the Committee's understanding of these issues, I request that you provide information regarding the executive compensation and other services your company has

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<sup>1</sup> According to press reports, for example, Hewitt Associates received more than half a billion dollars in revenue from Verizon from 1997-2006 for services rendered to Verizon other than its executive compensation services. *Outside Advice on Boss's Pay May Not Be So Independent*, New York Times (April 10, 2006).

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provided to large U.S. companies. For each of the largest 250 companies measured by revenue,<sup>2</sup> please provide the following information for the time period from January 1, 2002, through December 31, 2006:

1. Identify each company for which your firm provided both executive compensation consulting services as well as other types of services;<sup>3</sup>
2. For each company identified in response to request no. 1,
  - a. Describe the nature of the executive compensation consulting services provided by your company;
  - b. Provide the total revenues received annually for providing executive compensation consulting services;
  - c. Describe the nature of all other services (other than executive compensation consulting services) provided by your company; and
  - d. Provide the total revenues received annually for providing these other services.

In responding to these requests, please include information regarding companies affiliated with your firm, such as a corporate parent or subsidiary. The Committee requests that you provide this information on or before May 29, 2007.

The Committee on Oversight and Government Reform is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X. An attachment to this letter provides additional information about how to respond to the Committee's request.

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<sup>2</sup> In responding to this letter, please use the list of the top 250 companies measured by revenue in the 2007 Fortune 500 list, available at <http://money.cnn.com/magazines/fortune/fortune500/2007/>.

<sup>3</sup> In responding to this request, please include a company if your firm provided both categories of services (executive compensation consulting and other types of services) at any point during the January 1, 2002, through December 31, 2006, time period. Please do not exclude a company on the grounds that the services were provided during different years or time periods.

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If you have any questions regarding this letter, please contact Michael Gordon or David Rapallo of the Committee staff at (202) 225-5420.

Sincerely,

A handwritten signature in black ink that reads "Henry A. Waxman". The signature is written in a cursive, slightly slanted style.

Henry A. Waxman  
Chairman

Enclosure

cc: Tom Davis  
Ranking Minority Member