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April 10, 2006

Ms. Nancy Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington DC 20549-9303

Re: File Number S7-03-06
Proposed Amendments to Requirements for Executive Compensation and Related Party Disclosure

Dear Ms. Morris,

WorldatWork appreciates this opportunity to submit comments in response to the SEC's Proposed Amendments to Requirements for Executive Compensation and Related Party Disclosure, published February 8, 2006.

By way of background, WorldatWork is a global, not-for-profit association with 24,000 members who are professionals working in the fields of employee compensation, benefits and human resources. From it's founding in 1955 until 2000, WorldatWork was known as the American Compensation Association (ACA). Since 1976, the association has offered the premier professional certification for the compensation field, called the Certified Compensation Professional designation, CCP®. Since that time, more than 11,000 individuals have earned the CCP® professional designation. Today, ninety-five percent of the U.S. Fortune 500 companies have an employee who is a member of WorldatWork.

The following comments are based on the input of a number of members who are long-term professionals in the compensation and executive compensation fields. Because our membership also includes a substantial proportion of the executive compensation consultants in the U.S., these comments incorporate some of their feedback on the proposal as well. WorldatWork would be happy to directly respond or arrange a membership response to any questions for clarification on these or any other pending issues associated with either employee or executive compensation.

Overview

The 50+ year history of WorldatWork includes substantial research into compensation systems, pay-for-performance, executive and board compensation and compensation transparency, including *The Knowledge of Pay Study* (2002), which concluded, "improving pay knowledge in an organization will increase the value of human capital."

As such, we are generally in support of the SEC's goal of better and more understandable executive compensation information for the benefit of investors. At the same time, we are hopeful that the SEC and other regulatory bodies remain cognizant of the totality of new compliance requirements that have been imposed in recent years on compensation professionals and compensation committees – notably, the requirements of the Sarbanes Oxley Act of 2002, FASB's 123(R) equity compensation changes, and this proposed set of new disclosures.

In addition, the overall reaction of some members indicates that, although more open-book disclosure of executive compensation is a worthy goal, it could result in a broader ratcheting-up of compensation levels due to the potential of "why is he/she getting paid that much and I'm not?" situations.

The following comments are directed only at those portions of the proposal that would have the greatest impact on compensation and executive compensation professionals.

Item 1: New Compensation Discussion and Analysis Section, CD&A (Part II.A of the proposal)

A. Compensation Discussion and Principles-Based Framework

The proposal, if finalized, would require companies to provide new detail regarding various elements of the compensation program, including: program objectives, what is designed to reward and not reward, and how each element fits into the company's overall compensation objectives.

Compensation professionals would appreciate additional clarification and guidance in this section, as it appears that potential report requirements (e.g., identification of compensation elements and how amounts are calculated) may unintentionally force the disclosure of proprietary information despite assurances in the proposal to the contrary.

In addition, we question the need to provide negative disclosure (e.g., what the program is not designed to reward). Such an open-ended disclosure requirement could be interpreted as being virtually limitless, and will likely not result in disclosure that is meaningful for the investor. Furthermore, it could result in a dampening of compensation committee discussion about program alternatives if they are required to disclose each item they considered but subsequently rejected, for whatever reason.

B. "Filed" versus "Furnished"

We support full accountability of the compensation committee decisions, and as such, advocate for continuing the furnishing of the report over the signed names of the compensation committee. In addition, we would support adding the CEO and CFO as signatories to the furnished report. However, we believe that going to the next step of converting the document to one that is "filed" – and thereby causing it to become subject to CEO and CFO Sarbanes-Oxley certification – is misguided for several reasons.

First, current NYSE and NASDAQ governance rules prohibit the CEO and CFO to be present when their compensation is being discussed and considered. Therefore, this new requirement would create a conflict: subjecting the document to "filed" certification would create an incentive (indeed, a requirement) for both CEO and CFO to intrude on the currently independent compensation decisions, given that they would be legally responsible for the attestation of the process and decisions. This would seem to run contrary to the objective of having compensation-related matters determined by a committee consisting of independent directors. In addition, requiring the report to be "filed" will create potential 1933 Act liability for the non-compensation committee directors—similarly creating an incentive for them to intrude into the autonomy of the compensation committee's work. For these reasons, we do not believe the CD&A should be a "filed" document.

C. Section 162(m) Policy

The proposal seems to suggest the elimination in the new CD&A of the policy discussion by the compensation committee regarding the $1 million annual deduction limit under IRC Section 162(m). We favor a continuation of this policy discussion for the company's chief executive and four other most highly compensated officers.

D. Stock Performance Graph

Although the proposals suggests the elimination of the Stock Performance Graph as it adopts the new CD&A, WorldatWork supports the continuation of this graph because it is not overly burdensome to prepare, and because we believe it helps to reinforce the linkage between company performance and executive compensation.

Item 2: Tables (Part II.B of the proposal)

WorldatWork is supportive of the goal of clear and concise tables to present investors with comparable information about compensation. However, we believe there are a number of issues that need to be addressed and clarified in order to achieve what the SEC intends.

Specifically, as the tables are proposed, we are concerned about confusion resulting from the possibility of double counting, mixed time frames in the same table, realized amounts versus compensation opportunities, accounting for deferred compensation, and the compliance burden of these new disclosures.

A. Summary Compensation Table

Obviously, the amounts relating to "salary" and "bonus" in the Summary Compensation Table would indicate straight-forward current year amounts for the year indicated. But in the same table, the "stock awards" and "option awards" columns would represent possible compensation – most likely to be earned or paid out in future years. Stock awards and options are long-term compensation vehicles often designed and used as service- or performance-related incentives, and are intended to be paid out over a number of years. Thus, it would be misleading to assign and report the full grant date fair value (as in FAS 123R) of these potential compensation opportunities because the actual amounts earned later could be substantially different than what is reported in any given year.

In addition, in the non-stock incentive plan compensation area, there could be a discrepancy surrounding the valuation of "earned" performance share awards and performance unit awards. While both performance shares and performance units could be economically equivalent, it appears that the reporting of the value "earned" under performance shares would have to be disclosed at the time of grant, while the reporting of the value "earned" under performance units would have to be disclosed at time of payment. This item needs clarification.

In the "all other compensation" area of the Summary Compensation Table, the proposed rule appears to treat all earnings on deferred compensation as reportable compensation. Many companies have deferred compensation plans whereby a participant earns returns based on mutual fund or market index returns. Under such plans, the sponsoring company does not have control over the amount of earnings that may be derived by the participant. Indeed, in down-market years, this type of plan can result in negative compensation. As such, it is inappropriate to treat such market-based earnings as compensation. However, to the extent that the sponsoring company credits above-market earnings to deferred compensation accounts, the above-market portion should be treated as compensation – which is the case with current disclosure rules.

Furthermore, it appears that the footnoting of deferred compensation could lead to potential double-counting because it would be counted first in the Summary Compensation Table and then again in the Retirement Plan Potential Annual Payments and Benefits Table, or in the Other Deferred Compensation Plans Table.

We also disagree with the idea of counting the dividends (or dividend equivalents) on unvested stock awards in the Stock Awards Column of the Summary Compensation Table because they are taken into account under FAS123(R) in determining grant date fair value. As such, including them again here would be double counting. We would support including dividends and dividend equivalents in either the Grants of All Other Equity Awards table.

Finally, regarding the notion of one column in the Summary Compensation Table would report a single figure of "total compensation." Some of our members have opined that, while a simple column of "total compensation" is a laudable goal, the only way to obtain a true and accurate "apples-to-apples" comparison for investors would be to include base pay, bonus, and stock awards only.

As such, we concur with other proposals submitted to the SEC which propose a splitting of the Summary Compensation Table into potentially two tables: one relating to total compensation actually earned or "realized" and another table relating to the total compensation potential, "opportunity" – or some similar notion.

B. Option Exercises and Stock Vesting Table

With regard to the Option Exercises and Stock Vesting Table, we will reiterate and underscore our concern that the tables in which equity information appears may be broadly problematic because they require disclosure of both annual grant information and aggregate stock values, which may or may not be related in time and are potentially subject to double counting.

C. Nonqualified Deferred Compensation and Other Deferred Compensation Plans Table

With regard to the Nonqualified Deferred Compensation and Other Deferred Compensation Plans Table, we reiterate and underscore our previous concern about the potential for double counting – items counted in the Summary Compensation Table and in the Retirement Plan Potential Annual Payments and Benefits Table maybe counted again here. A clarification from the SEC is urged.

Item 3: Perquisites

We would like to see the SEC provide more explicit guidance on the valuation and definition of perquisites. Specifically, the "incremental cost" methodology is difficult to apply in the context of perquisites that are treated as capital assets under GAAP. For example, "in house" parking facilities or fitness centers (if they constitute perquisites because they are not made available to all employees) involve up-front investments in infrastructure that is depreciated over their useful lives for accounting purposes. How should the "incremental cost" of providing these perquisites to be determined – by including annual depreciation charges? Or, by treating the entire investment as an incremental cost in the first year? Or, should only the annual operating costs be considered an incremental cost? As an alternative to using the incremental cost approach for these situations, we suggest that the SEC consider using a "value to the executive" measurement methodology, such as market rate (or retail value) for comparable items.

A second issue regarding perquisites relates to items that might technically be considered perquisites under the broad definition included ("direct or indirect value") in the proposed rule – but which are vital to maintaining, for example, the personal security of the executive. For example, items such as home or personal security expenditures are a necessary part of life for executives in certain industries and we believe the SEC should consider exempting these types of items. A more specific definition of perquisites would be useful.

Item 4: Severance and Change-in-Control Compensation Disclosure

Some of the most negative visibility for executive compensation in recent years has come about from severance and change in control arrangements. Nonetheless, the SEC's new proposed disclosures in these areas are troubling for the compensation profession because of the lack of clarity and potential confusion that may result from this particularly burdensome new set of disclosures.

Some of our members have indicated that estimating certain aspects of severance and change-in-control triggered compensation (such as additional gross-ups equal to the value of imposed excise taxes) may simply not be possible in some cases. For instance, in some companies, per the rules of the change-in-control plan, the determination of the required gross up in the case of an excise tax gross up, can only be determined by an independent auditor.

In addition, providing a single estimate of severance payments is, in some cases, extraordinarily difficult because of the number of variables that could affect the amount a specific executive may get – depending on how and why the agreement is triggered. We believe this is an area that could be misleading and/or subject to manipulation.

We would favor tabular disclosure of: cash payments of severance and other unvested amounts, cash payments of previously vested amounts, number of shares (and value) of previously unvested stock options and awards that become vested due to severance or change in control, and the number of shares (and value) of previously vested stock options and stock awards.

In addition, we would support new narrative disclosures in this area such as:
Whether a retired executive is simultaneously receiving both severance and retirement payments in retirement ("double dip");
Whether a retired executive is receiving health care and life insurance benefits;
Whether a severance benefit is payable on the death or disability of the executive;
Whether the company can cease or "claw back" retirement payments or benefits due to violations of covenants,
Whether severance pay, health and life insurance benefits continue on or after normal retirement date; and,

Whether a change in control would affect any of the above.

Item 5: Requirement to Disclose Information Regarding Up to 3 Additional Non-NEOs Using Total Compensation from Summary Comp Table

The requirement to disclose compensation information about three additional non-NEOs (albeit not by name specifically) may create unintended and unhealthy internal equity pressure (i.e., "why is he/she being paid that when I'm not?"), and may hinder the ability to attract and retain talent because of a reluctance to be in this compensation disclosure spotlight. Perhaps of even greater concern to us, however, is the impact this requirement may have on qualified and viable candidates who might refuse to consider switching employers specifically because their new compensation package might be subject to disclosure.

This might cause an unintended retention benefit, and it might also cause an unintended consequence of stifling talent competition in a free market. Ingenuity and innovation are often products of working experiences in different company cultures. Intellectual capital and innovation can thrive in one culture, and it might not in another. If regulations are imposed that diminish an employee's desire to move to different cultures and environments (out of fear that their compensation might be publicly disclosed), the SEC may be unintentionally diminishing our aggregate competitiveness and innovation. In addition, we believe that this portion of the disclosure regulations could potentially have an unintended negative effect on the number of Initial Public Offerings (IPOs).

If this requirement must move forward to the final rule, it should be limited to the CEO, CFO and others in senior management positions only – not merely anyone who's compensation might thrust them into the top five. Clearly, the top sales person or celebrity broadcaster have no real interest in becoming CEO, and have little if any influence on the company's governance. Further, they have a right to privacy.

In addition, the usage of "total compensation" from the Summary Compensation Table to determine these named individuals is misguided. We recommend that the definition of compensation for this group of five be limited to base salary plus bonus (or total cash compensation) but not "total compensation" because so many of the elements to be reported in that column can be affected by other circumstances such as the aggregate increase in the actuarial value of a defined benefit or pension plan (usually due to an officer's age), the voluntary deferrals by an officer and the performance of those investments, and one-time awards made to recruit or retain an member of the senior management team.

WorldatWork appreciates the opportunity to comment on this important proposal.
Any questions regarding the contents of this document can be directed to Ryan Johnson at 480/905-5986.