



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

10 April 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC
USA 20549-9303

Re: **Executive Compensation and Related Party Disclosure - File Number S7-03-06**

Dear Ms. Morris:

The Pension Investment Association of Canada (PIAC) is the representative association for pension funds in Canada in pension investment and related matters. The Member funds of PIAC collectively manage over \$680 billion in assets on behalf of more than six million beneficiaries.

We are pleased that the SEC has proposed a comprehensive expansion to the US reporting requirements on executive compensation. The SEC's proposal recognizes the importance of executive compensation plan design and disclosure to the markets which is very much appreciated by investors.

We wholeheartedly support the proposal and urge the Commission to make our recommended adjustments in the final version. We believe that the following modifications would enhance the utility of the proposal to investors:

- **Separately identify current and target compensation** – We strongly support the creation of the Summary Compensation Table, however, it would be less confusing if the information in the table were split into two sections: earned compensation and future compensation valued at target levels and then discounted to present value. Narrative accompanying the table could describe the methodology and assumptions used in making the related calculations.

- **Specify policy on clawbacks** – Many companies have adopted policies to require forfeiture of executive compensation awards that are based on performance criteria which are subsequently restated in a way to nullify the basis for the award. We recommend inclusion of a provision requiring specific disclosure in the compensation discussion and analysis of the company's policy on clawbacks in executive compensation contracts. This will provide investors with insight on the board's sensitivity to manipulation of performance and corresponding investor risks.
- **The related party transaction reporting threshold should not be raised** – The proposal to raise the related party reporting threshold from \$60,000 to \$120,000 is inconsistent with the policy direction contained in the rest of the release. We feel that this provision would diminish transparency and expand a compensation reporting loophole. This provision should be deleted.

We appreciate the opportunity to respond to your request for comment and hope that you find our feedback relevant. Feel free to contact us if we can be of further assistance.

Respectfully submitted on behalf of the Members of the Pension Investment Association of Canada.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pierre Drolet', written in a cursive style.

Pierre Drolet
Chair