



June 23, 2025

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609
via email at rule-comments@sec.gov

RE: File Number 4-855 Roundtable on Executive Compensation Disclosure Requirements

Dear Ms. Countryman:

The Los Angeles County Employees Retirement Association (LACERA) appreciates the opportunity to submit comments in response to the Securities and Exchange Commission's (SEC or Commission) May 16, 2025, announcement of a June 26, 2025, roundtable to discuss executive compensation disclosure requirements and invitation for public comments.^{1,2} We welcome the Commission's solicitation of market feedback—particularly from investors as providers of capital to U.S. financial markets—regarding the utility of current disclosure practices, related regulatory guidance, and opportunities to revise or enhance compensation-related disclosures to facilitate investment analysis and voting decisions in a cost-effective manner.³ The Commission's attention to whether current disclosure practices and regulatory guidance are “fit for purpose” is timely in light of the SEC's efforts over the past two decades since the SEC promulgated more extensive disclosures in 2006 to enhance clarity of compensation and incentives of public company executives.

By way of background, LACERA is the largest county pension system in the United States, with approximately \$90 billion in plan assets (as of May 31, 2025), including equity holdings in about 2,400 U.S. companies. LACERA's mission is “to produce, protect, and provide the promised benefits” for over 190,000 beneficiaries who serve the most populous county in the nation. We encourage public policies governing financial markets that promote durable financial performance to enhance our ability to fulfill our mission.

Our comments to the Commission are guided by the investment beliefs and principles outlined in LACERA's [Investment Policy Statement](#)⁴ and [Corporate Governance and Stewardship Principles](#).⁵ LACERA has an exclusive aim to encourage shareholder value at portfolio companies that enables us to pay member benefits today, tomorrow, and into the future. Our long-term

¹ U.S. Securities and Exchange Commission. SEC Announces Roundtable on Executive Compensation Disclosure Requirements. May 16, 2025. Available at: <https://www.sec.gov/newsroom/press-releases/2025-73>.

² U.S. Securities and Exchange Commission. Statement on the Upcoming Executive Compensation Roundtable; Paul S. Atkins, Chairman. May 16, 2025. Available at: <https://www.sec.gov/newsroom/speeches-statements/statement-upcoming-executive-compensation-roundtable>.

³ Ibid.

⁴ LACERA. Investment Policy Statement. June 12, 2024. Available at: https://www.lacera.com/sites/default/files/assets/documents/board/Governing%20Documents/BOI%20Policies/invest_policy_stmt.pdf.

⁵ LACERA. Corporate Governance and Stewardship Principles. May 2023. Available at: <https://www.lacera.com/sites/default/files/assets/documents/board/Governing%20Documents/BOI%20Policies/CorpGovPrinciples.pdf>.

liabilities require us to take a long-term view of our investments. The investment beliefs that frame our Investment Policy Statement underscore the importance of our strategic asset allocation being forward-looking, as “our investment horizon spans decades, if not indefinitely, into the future.” We analyze capital market return expectations over periods longer than ten years to take a prudent approach to allocation planning. In light of our long-term investment horizon, we strive to take a long-term view of investment performance and therefore particularly encourage companies to design compensation plans and incentives for senior executives that align their interests with our focus on durable value creation. Aligned interests mean that pay and incentives should motivate executives to deliver strong financial performance on behalf of investors and prudently identify and mitigate risks that may threaten firm value in both the near- and long-term. Performance metrics, targets, and hurdles should be consistent with and promote the firm’s strategy for generating durable value, including key financial and operating objectives, and effective management of business risks. Critically, we depend on firms to provide adequate clarity of pay plan design so that investors can evaluate how well executives’ incentives are aligned with theirs and to provide timely information on what compensation has been awarded under their pay plans.

Compelled by our fiduciary duties and guided by the above philosophy, we review and vote on executive compensation at over 6,000 portfolio companies in over 60 global markets every year, including approximately 2,400 U.S.-based portfolio companies. We have engaged in dialogue with portfolio companies on incentive metrics and we have supported efforts over the years to reduce egregious pay practices that are not adequately justified by a pay-for-performance philosophy. By closely scrutinizing pay practices of portfolio companies, we have voted against between 24% and 31% of advisory votes on executive compensation (“say-on-pay”) ballot items that are presented at annual shareholder meetings in each of the past five years. Our opposition is typically prompted by disclosures that indicate a decoupling of pay awarded to senior executives and firm performance, but also by egregious perquisites and inadequate transparency of pay components. When boards do not demonstrate adequate responsiveness to investor dissent on pay-related proxy items, we also occasionally oppose incumbent director nominees who have served in oversight roles, such as the compensation committee.

Our perspectives as providers of long-term, patient capital to U.S. financial markets and applied experience in reviewing and voting on U.S. pay plans prompt us to encourage the Commission to consider the following three features of compensation disclosures for investors.

1. Clear and comprehensive disclosure

We welcome SEC regulatory guidance that facilitates *comprehensive* disclosures of both base salary and any incentive compensation, as well as perquisites and benefits that accrue to an executive’s personal benefit. Transparency that is not comprehensive risks creating an incentive for pay to be rewarded through benefits, perquisites, and other avenues that are detached from performance and result in “pay padding.”

To assess the extent to which a portfolio company’s compensation practices align the interests of senior executives with us as investors, we rely on transparent disclosure of total compensation packages. This includes salary, short- and long-term incentive compensation, and all benefits and perquisites. We encourage any selected performance metrics and targets upon which compensation is contingent to be provided in a plain and clear format.

It is imperative that SEC guidance require disclosure of the full mix of pay that provides transparent and accurate representation of the total quantum of pay and the mechanisms through which pay is realized. Disclosure guidance should enable investors to easily identify the minimum pay value, maximum pay value and the amount of pay value that is 'at-risk' or contingent on performance. Disclosures should include any timelines upon which performance is evaluated and pay is awarded.

We welcome and encourage continued disclosure guidance by which companies provide information on whether peer groups are used, how peers are selected, and the identification of peers. Peer groups should be disclosed and relevant to a firm's business profile and size. Inappropriate peer group selection can enable pay inflation, despite pay disclosures appearing at, or near, mean. Disclosure of any referenced peer group is critical for investors to discern "aspirational peer selection" that inherently inflates total pay.

We also welcome and would emphasize the importance of disclosing perquisites and benefits, as enhanced by the SEC's 2006 disclosure guidance for "Executive Compensation and Related Person Disclosure" and the Dodd-Frank Act.^{6,7} Perquisites that are not linked to performance can impose significant costs and financial liabilities on investors and prompt payouts regardless of performance. We note that enhanced disclosure of tax gross-ups on personal perquisites and extraordinary death benefits (also known as "golden coffins") enabled investors to scrutinize such pay provisions and led to the subsequent reduction in market practice of firms providing these pay padding mechanisms.⁸ For example, after disclosures enhanced identification of tax gross-up provisions on perquisites among Fortune 100 firms, companies with such provisions declined from about half to less than 20% within five years between 2009 and 2013, an 18% rate of annual reduction.⁹ Similarly, disclosures helped reveal that approximately 17% of 93 large companies analyzed by executive compensation research firm Equilar had entered into various legal provisions to pay extraordinary payments to chief executive officers upon their deaths. The posthumous bonus terms went beyond mere life insurance policies and took a variety of forms, including continued compensation for up to ten years or total compensation multiplied by several years. Such "golden coffins" were innately delinked from performance, as they were triggered by an event after which firms and shareholders would not receive any services or performance from the executive. Notably, enhanced transparency enabled investor scrutiny, prompting companies to revise, eliminate, or adopt policies not to provide such provisions going forward.^{10,11}

Similarly, enhanced disclosure of insider hedging positions and Dodd-Frank provisions which require firms to disclose if they prohibit senior executives from hedging their holdings in the

⁶ U.S. Securities and Exchange Commission. Executive Compensation and Related Person Disclosure. 2006. Available at: <https://www.sec.gov/rules-regulations/2006/08/s7-03-06>.

⁷ United States Congress. H.R.4173-111th Congress. Dodd-Frank Act. Available at: <https://www.congress.gov/bills/111/house-bill/4173/text>.

⁸ ISS STOXX, How a Small Component in Pay Reveals Insights into Corporate Trends. 2025. Available at: <https://corpgov.law.harvard.edu/2025/01/13/how-a-small-component-in-pay-reveals-insights-into-corporate-trends/>.

⁹ Equilar. Tax Man Cometh: Tax Gross-Ups and Other Certainties in Life. February 4, 2015. Available at: <https://www.equilar.com/blogs/17-tax-gross-ups.html>.

¹⁰ Lublin, Joann S. Activists Push for Lid on 'Golden Coffins' Death Benefits. March 9, 2009. The Wall Street Journal. Available at:

<https://www.wsj.com/articles/SB123655655871466143?msockid=00be68ea4ac46280051a7cd84bae63db>.

¹¹ Andrejczak, Matt. Companies under fire for 'golden coffin' deals. June 25, 2009. MarketWatch. Available at: <https://www.marketwatch.com/story/companies-coming-under-fire-for-golden-coffins>.

company's stock enabled investors to scrutinize such practices. Investors encourage executives to hold shares in the company to demonstrate that they have "skin in the game" and align interests. Hedging share ownership intrinsically severs the alignment of interest. Indeed, academic research indicates a correlation between the occurrence of insiders hedging company shares with subsequent financial restatements or securities litigation activity,¹² indicating the risk that insiders use of hedging mechanisms to gain downside protection during a period of asymmetric information reduces financial exposure for executives and delinks pay from performance.

We encourage the SEC to take action on the Council of Institutional Investors 2019 petition for rulemaking providing that companies should reconcile the use of any non-GAAP metrics used in compensation metrics. Non-GAAP metrics may be appropriate and increase investor alignment of pay. However, it is unclear exactly when and how this is the case without appropriate reconciliation to GAAP metrics, or signposting to other disclosure where the reconciliation is made.¹³

We believe the above considerations are critical for enabling investors to have a fulsome view of pay, enabling effective assessment of pay quantum and performance, and ultimately alignment of interests with investors. We note that SEC guidance should emphasize clarity, which does not necessarily require length or complexity. Indeed, corporate disclosures that indicate complexity in pay plans risk obfuscating clear analysis of comprehensive pay and alignment of interests.

2. Timely and Consistent Disclosures Across Equity Grant Types

We encourage the SEC to facilitate disclosures that provide timely and consistent disclosures of equity grants awarded to senior executives. Equity awards typically comprise a significant portion of total executive pay—with estimates ranging from 71% to 77% of total pay for CEOs at large U.S. firms—and can be awarded in a variety of forms, including stock options, time-based restricted equity awards, and performance-conditioned equity awards (or performance stock units, or PSUs).^{14,15} PSUs have gained in prominence in recent years, with 95% of S&P 500 companies utilizing PSUs in 2024 compared to 76% in 2012.¹⁶ Moreover, they often represent a significant portion of pay mix: PSUs represented 63% of the long-term incentive plan value for CEOs in 2023, up from 31% in 2009.¹⁷

However, regulatory guidance treats PSUs differently from stock option grants and restricted shares. Whereas Form 4 requires timely disclosure of option grants, disclosures do not currently require reporting of PSUs until the completion of vesting. Vesting may occur at a lag,

¹² Bettis, J. Carr, John M. Bizjak, and Swaminathan L. Kalpathy. Why Do Insiders Hedge Their Ownership? An Empirical Examination. March 25, 2009; Revised June 19, 2013. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1364810.

¹³ Council of Institutional Investors. Petition for Rulemaking Regarding Disclosures on Use of Non-GAAP Financials in Proxy Statement CD&As. Available at: <https://www.sec.gov/files/rules/petitions/2019/petn4-745.pdf>.

¹⁴ Pay Governance. The Impact of Say-On-Pay on S&P 500 CEO Pay. November 7, 2024. Available at: <https://www.paygovernance.com/viewpoints/the-impact-of-say-on-pay-on-s-p-500-ceo-pay>.

¹⁵ Economic Policy Institute/Compustat, CEO Pay Declined in 2023. 2024. Available at: <https://www.epi.org/publication/ceo-pay-in-2023/#epi-toc-1>.

¹⁶ Semler Brossy. Pulse on Pay. 2025. Available at: <https://semlerbrossy.com/insights/pulse-on-pay-2025/>.

¹⁷ Pay Governance. S&P 500 CEO Compensation Trends. 2025. Available at: <https://www.paygovernance.com/viewpoints/s-p-500-ceo-compensation-trends-2>.

such as several years after the grant date. We believe that the SEC should consider guidance that facilitates similar treatment of equity grant awards, regardless of their form. Equitable treatment facilitates a clear, comprehensive, and timely view of pay and avoids creating an unintended incentive for companies to favor grants that require less timely disclosure. Any guidance should address and take appropriate account of the nuances of disclosing PSU grants, such as providing fair market value, target value, and clarity on awarded versus vested equity. SEC guidance that promotes consistent disclosures and market practice would enhance timeliness, comparability, and assessment of aligned interests.

3. Disclosure that is aligned with long-term view

We would encourage the SEC to give consideration to disclosure tools that help facilitate a long-term investment horizon. Enabling visibility into longer time horizons, in our view, is consistent with the SEC's mission to promote efficiency and facilitate capital formation.

LACERA is broadly diversified and typically holds securities for long durations, with an estimated annual turnover generally below 5%. We take a long-term investment view to meet our current and future liabilities to pay member benefits. Approximately two-thirds of our U.S. equity ownership is held in passive index funds with long hold periods and low turnover. The U.S. companies in our global equity index (the MSCI All-World Countries Index Investible Market Index, or MSCI ACWI IMI) have an annual turnover of less than 2% (1.88%, specifically). This turnover includes changes due to corporate actions, such as mergers and acquisitions. Among our active U.S. equity funds (outside of our index funds), our contracted external managers typically hold companies for at least five years.

In contrast to our longer-term view, U.S. pay practices—and related disclosures—often have a short-term bias. Time-based restricted shares and performance periods for equity awards typically range from only one to three years, with three-year periods the most common. Fewer than 10% of programs use performance periods longer than four years.^{18 19}

We would encourage the SEC to consider facilitating longer-term market views, thereby enabling insight into longer-term alignment of interests. For example, extending the SEC's required summary table compensation disclosure to 5 years could give investors clarity over how the executive is incentivized by longer term value creation.

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We commend the Commission for soliciting market input on the efficacy of executive compensation disclosure guidance and market practice. We respectfully encourage the Commission and upcoming roundtable to prioritize clear, comprehensive disclosures; timeliness and consistency in disclosure requirements across equity types; and strategies that facilitate long-term visibility. These three recommendations form a critical foundation for disclosure effectiveness that, in our view, is consistent with and would advance the SEC's mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

¹⁸ FW Cook. Top 250 Report. 2024. Available at: https://www.fwcook.com/content/documents/Publications/24-10-21_FWC_2024_Top_250_Final.pdf.

¹⁹ Semler Brossy. Pulse on Pay: Long-Term Trends in S&P 500 Executive Compensation. June 2025. Available at: <https://semlerbrossy.com/insights/pulse-on-pay-2025/>.

Ms. Vanessa Countryman
June 18, 2025
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Please contact the undersigned at 1 (626) 564-6000 or jgrabel@lacera.com if you would like to further discuss.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jonathan Grabel', written in a cursive style.

Jonathan Grabel
Chief Investment Officer

CC: The Honorable Paul S. Atkins, Chair
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner
Mme Cristina Begoña Martin Firvida, Director, Office of the Investor Advocate