



The SEC executive compensation disclosure

The top 10 actions to take now

1 Focus data-collection effort by identifying executive officers potentially subject to disclosure

- Include executives officers who were terminated or relinquished executive position during the year
- Identify non-executive employees who may be subject to separate disclosure

2 Collect compensation data for tables

- *Incentive plans*: identify proper column(s) and table(s) for reporting
- *Equity awards*: collect historical grant data; FAS 123R values for awards
- *Pension benefits*: probably requires multiple special calculations
- *Nonqualified deferred compensation*: determine whether earnings are “above market” or “preferential”
- *Perquisites*: analyze items using two-part test; calculate aggregate incremental cost to company
- *Severance and change-in-control*: collect data; calculate potential payments and benefits

3 Prepare “mock ups” of tables

- Identify “holes” where new or additional data needs to be collected
- Determine the narrative and foot-notes needed to explain information in the tables

4 Prepare for the Compensation Discussion and Analysis

- Outline compensation philosophy and program objectives
- Identify pay elements and rationale for each element
- Address perquisites policy and rationale for retirement, severance and change-in-control arrangements
- Summarize outcomes of deliberative process, objectives and results
- Consider discussion of pre- and post-fiscal year events if necessary to put decisions into context
- *Performance-based compensation*: how much detail to provide; rationale for confidentiality decisions
- Identify peer groups for benchmarking and explanation of survey data used
- Describe equity award and option grant practices and any changes to be made
- Prepare outline to test with compensation committee

5 Identify preparation process and develop timeline

- Identify involved parties (HR, finance, stock plan administration, legal, compensation committee and external advisors)
- Include compensation committee review of and input on CD&A
- Coordinate certification of CD&A by CEO/CFO with annual report filing deadline

6 Draft disclosure

CD&A, tabular disclosures, narratives and footnotes, new Compensation Committee Report, and Compensation Committee corporate governance disclosure

7 Coordinate discussion with legal counsel and compensation committee regarding confidentiality of performance targets

8 If you coordinate option grants with release of material non-public information, discuss disclosure and whether practice needs changing

9 If you do not currently use grant date closing price for stock options, determine whether practice should be changed or rationale is appropriate

10 Determine whether the mock ups or draft CD&A raise program design issues to be discussed with management or the compensation committee

Additional resources

Bookmark this site: mercerHR.com/disclosurerules. We update it regularly with the latest analysis, insight and guidance surround the SEC executive compensation disclosure rules. Currently, you will find:

- Web briefing recording
- Related Perspective articles
- Link to final rules