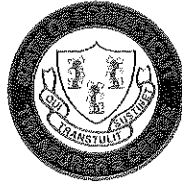


State of Connecticut



DENISE L. NAPPIER
TREASURER

July 22, 2016

Hartford

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Ms. Jennifer Johnson
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue
Washington, D.C. 20551

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Office of the Comptroller of the Currency
250 E Street, SW
Washington, D.C. 20219

The Honorable Rick Metsger
Chair
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Melvin L. Watt
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

RE: *Incentive-based Compensation Arrangements*
Agency: Office of the Comptroller of the Currency ("OCC")
Docket ID: OCC-2011-0001

Ladies and Gentlemen:

As Treasurer of the State of Connecticut and principal fiduciary of the \$30-billion Connecticut Retirement Plans and Trust Funds, I am pleased to comment on the joint proposed rule regarding incentive-based compensation arrangements. Investors around the country consistently seek decreased volatility and increased durability of growth from their investments, and excessive risk-taking by publicly-traded companies has broad implications for these investors -- across not only the financial sector but also the economy as a whole. I am keenly interested in efforts to mitigate unnecessary risk-taking. Consequently, this office strongly supports the proposed rule.

The Connecticut Treasury favors a comprehensive solution to the regulation of excessive compensation. We support pay arrangements designed to constrain excessive risk-taking, including appropriate deferral periods for compensation; seven year claw-back provisions; decelerated vesting; and Board of Directors' oversight of compensation packages.

The proposed rule would limit incentives tied to performance determination and prescribe specific limits on leverage and performance measures. Furthermore, the new rule would create minimum deferral requirements, which would apply to both long-term and short-term incentives, and define triggering events that would result in downward adjustment and forfeiture of compensation for inappropriate risk-taking. Finally, the regulations would create a seven-year claw-back provision for misconduct, fraud or intentional misrepresentation of the information used to determine incentive-based pay. These all are positive steps.

Without diminishing the value of any of these proposals, I would call your attention to the incentive for cultural change that is offered by the claw-back provision. If a company's highest compensated employees are subject to financial penalties arising from corporate malfeasance, they are more likely to pay attention to the operations of the business rather than focus on personal gain. This type of initiative not only has the potential to improve corporate behavior, but may also correlate to better performance for the company and the national economy as a whole.

In the absence of a final rule on this issue, the Connecticut Treasury has closely monitored executive compensation, and has issued the following enhanced instructions to our investment managers as part of our proxy voting guidelines:

"Executive compensation is generally comprised of three basic components - salary, bonus and equity compensation... The CRPTF considers a good compensation policy as one that balances these different forms of compensation to provide incentives for continuous improvement and ties pay to performance. Developing measures of performance for the CEO and other executives is a key component of a compensation plan. It is the role of the compensation committee to set the compensation for top management and approve compensation policy for the company as a whole. Shareholders look to the compensation committee to align management's interests with shareholder interests while providing incentives for long-term performance.

Exorbitant pay, unwarranted severance packages, lack of internal pay equity, abuse of perquisites ("perks"), and corporate scandals, where executives have been highly paid while shareholders have lost billions of dollars, and employees have lost their jobs and much of their life savings, have shown that many compensation committee members have not been doing their jobs. These examples provide a reminder to all compensation committee members of the importance of their responsibility to align pay with performance, to encourage management to effectively manage risks that may affect the company, its industry and the economy, and to provide compensation incentives for management while protecting the financial interests of shareholders.

The compensation committee should commit to providing full descriptions of the qualitative and quantitative performance measures and benchmarks used to determine annual incentive compensation, including the weightings of each measure. At the beginning of the period during which an executive's performance is to be measured, the compensation committee should calculate and disclose the maximum compensation payable in the event that performance related targets are met. At the end of the performance cycle, the compensation committee should disclose actual targets and details on the determination of final payouts.

The CRPTF proxy voting policies are based on pay for long-term sustained performance.”

The Connecticut Treasury would welcome adoption of the joint proposed rule as a more comprehensive measure that would have broader impact than we could ever have on our own.

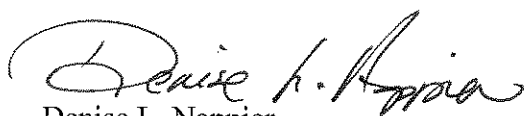
As was noted in Bartlett Naylor's *Public Citizen's Congress Watch* division comment letter to the SEC concerning the incentive pay proposal, the financial markets have begun to show signs of recognition of the dangers of stock options being used in executive compensation. Mr. Naylor points out that regulators have observed “overreliance on options as a form of incentive-based compensation” that “could have negative effects on the financial health of a covered institution due to options' emphasis on upside gains and possible lack of responsiveness to downside risks.” Some noteworthy firms now avoid issuing options for their most senior executives.

This current proposed rule would implement Section 965 of the Dodd-Frank Act by creating additional regulatory oversight on executive compensation, resulting in truly robust and durable protections moving forward. As a principal fiduciary, I recognize the danger of a downside for stockholders in the event of reckless risk-taking, and I support efforts to mitigate that risk. We must continue to take additional steps to mitigate excessive risk by limiting its potential short-term rewards.

For all of these reasons, I support the proposed rule and believe that it will help to mitigate future risk, not simply in the financial sector, but across the entire economy.

Thank you for your attention to this important matter. Please feel free to call on my Office should you have any questions or require additional information.

Sincerely,



Denise L. Nappier
Treasurer, State of Connecticut