

Congress Asks Fortune 250 Company Boards of Directors for Executive Compensation Consultant Information by February 22, 2008

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On January 31, 2008, Congressman Henry A. Waxman (D-CA), Chairman of the House Oversight and Government Reform Committee, sent letters to the Compensation Committee chairs of each Fortune 250 company asking for information about how executive compensation consultants are utilized in setting executive pay. The inquiry is a follow-on to an earlier investigation of executive compensation consulting firms and may be of special interest to members of your company's Board of Directors and senior management. A link to the Waxman letter can be found [here](#), and a summary report regarding the Oversight and Government Reform Committee's earlier investigation can be found [here](#).

Chairman Waxman's letter requests answers to the following questions for the time period January 1, 2006, to the present:

1. Has your company utilized one or more compensation consultants to assist in determining or recommending the compensation for senior executives (i.e., the five most highly compensated executives)?

If yes, for each consultant:

- a. Who retained the consultant? Was the consultant retained directly by the compensation committee? By management?
- b. To whom does the consultant report? Does the consultant report directly and exclusively to the compensation committee? To management?
- c. Has the consultant performed other services for the company unrelated to executive compensation (e.g., benefits administration, actuarial services)?
- d. Did you disclose to your shareholders the role of the consultant in determining or recommending executive compensation? Did you disclose to your shareholders information regarding other services provided to the company by the consultant? If

so, please identify the disclosure.

2. Does your company have a written policy regarding whether executive compensation consultants can perform other services for the company unrelated to executive compensation? If yes, please describe this policy, indicate when the policy was put in place, and identify any changes to the policy over time.

Responses to the Waxman letter are requested by February 22, 2008, and should cover affiliated entities, such as a corporate parent or subsidiary. The current inquiry is intended to build on a 2007 investigation of six executive compensation consulting firms: Frederick W. Cook & Company, Hewitt Associates, Mercer Human Resources Consulting, Pearl Meyer & Partners, Towers Perrin, and Watson Wyatt. Although compliance with the Waxman letter is currently a matter of discretion, in 2007, the House Oversight and Government Reform Committee issued a formal subpoena to the one firm that initially declined to cooperate voluntarily with its investigation.

Please note that some information regarding the nature of services provided by executive compensation consulting firms to your company may have already been provided to the Committee indirectly in connection with its 2007 investigation, which required executive compensation consulting firms to disclose such data (and associated revenue) for calendar years 2002-2006. In addition, many companies may have publicly disclosed some or all of the requested information pursuant to the SEC's Final Rules on Executive Compensation and Related Party Disclosures, Items 402 (b) and 407 (e) of Regulation S-K. Chairman Waxman, however, has recently criticized the quality of such disclosures by Fortune 250 companies, stating in a December 2007 report that "in 2006, over two-thirds of the Fortune 250 companies that hired compensation consultants with conflicts of interest did not disclose the conflicts in their SEC filings."

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