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# United States Senate

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January 19, 2011

The Honorable Mary L. Schapiro  
Chairwoman  
United States Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairwoman Schapiro:

I write to you today concerning Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires publicly listed companies to disclose the pay of their typical worker compared to the pay of their Chief Executive Officer (CEO). I wrote and sponsored this important provision, and want to work with you to ensure that its implementation is consistent with my legislative intent.

I wrote this provision so that investors and the general public know whether public companies' pay practices are fair to their average employees, especially compared to their highly compensated CEOs. At a time when companies are laying off workers, employees deserve to know whether their executives are sharing proportionally in any sacrifices. Such information is highly material to investors who have the right to know about companies' policies and practices on compensation before they invest. I urge you to enforce this provision to the fullest extent of the law, and not "water down" the provision as some companies are reportedly requesting.<sup>1</sup> This disclosure provision has received much attention by investor and consumer groups who look forward to its vigorous enforcement.

Section 953(b) requires that each publicly listed company disclose in its SEC filings "the median of the annual total compensation of all employees of the issuer [except the CEO]," the "annual total compensation of the chief executive officer," and the ratio of those two numbers. I want to ensure that companies cannot game the system by reporting inaccurate numbers and that the SEC does not implement the provision in such a way that companies would have a perverse incentive to hire more foreign and fewer American workers. Specifically, I want to clarify that when I wrote "all" employees of the issuer, I really did mean all employees of the issuer. I intended that to mean both full-time and part-time employees, not just full-time employees. I also intended that to mean all foreign employees of the company, not just U.S. employees. In an increasingly globalized economy, not including part-time and foreign workers in such calculations could actually encourage companies to hire mostly part-time workers with no benefits or to outsource

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<sup>1</sup> "Wall Street Desperately Trying to Kill Law That Could Curb Obscene CEO Pay," by Sam Pizzigati  
[http://www.alternet.org/economy/149464/wall\\_street\\_desperately\\_trying\\_to\\_kill\\_law\\_that\\_could\\_curb\\_obsce\\_n\\_pay/](http://www.alternet.org/economy/149464/wall_street_desperately_trying_to_kill_law_that_could_curb_obsce_n_pay/)

more jobs to foreign countries. One option could be to require companies to disclose the median pay of both their global and U.S. employees as two separate statistics.

Finally, I want to urge the SEC to issue regulations within a reasonable time this year implementing the provision. Please advise as to what timeline the SEC will use in implementing the provision.

If you have any questions or concerns, please do not hesitate to contact me or my staff. I look forward to working with you to implement this provision. Thank you for your attention to this matter, and I look forward to your response.

Sincerely,



ROBERT MENENDEZ  
United States Senator

CC: Commissioner Kathleen L. Casey  
Commissioner Elisse B. Walter  
Commissioner Luis A. Aguilar  
Commissioner Troy A. Paredes