United States Senate
WASHINGTON, DC 20510

March 21, 2017

The Honorable Michael Piwowar
Acting Chair
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Acting Chair Piwowar:

We write to oppose any delay in the full implementation of the Securities and Exchange Commission's (SEC) CEO-to-worker pay ratio disclosure rule. We are extremely troubled by your decision to open a new comment period on the final rule adopted by the SEC 18 months ago and to direct SEC staff to "reconsider the implementation of the rule."[1] For nearly seven years, investors have been waiting for this disclosure, and now as the first reporting period has just begun, you have inexplicably halted this important investor tool.

As you know, section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act indisputably requires publicly traded companies to disclose the ratio of what they pay their CEO to the compensation of their median worker. During the comment period, the SEC received 287,400 comment letters on the proposed rule, the vast majority of which strongly supported the rule.[2] Among those commenters were a wide range of institutional investors and investment managers expressing the view that the ratio of CEO-to-worker pay at publicly traded companies is important and material information for investors to help them understand and assess executive compensation and companies' approaches to developing human capital.[3]

Pay ratio disclosure helps investors evaluate the relative value a CEO creates, which facilitates better checks and balances against insiders paying themselves runaway compensation. When a company's performance improves but only the CEO is rewarded, for example, investors should know, so that they can ask what kinds of incentives this creates for the company's future performance. Similarly, when a CEO asks for a raise while giving other employees a pay cut, investors should have this information to help them evaluate whether this is value creation or simply value capture by insiders. Investors should have this information available to consider when they vote on executive compensation.

In the seven years that investors have been waiting for this disclosure, the gulf between CEO and median worker pay has only widened. Average CEO pay at the 350 largest U.S.

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[1] Acting Chairman Michael S. Piwowar, *Reconsideration of Pay Ratio Rule Implementation* (Feb. 6, 2017) at https://www.sec.gov/news/statement/reconsideration-of-pay-ratio-rule-implementation.html.
[2] Securities and Exchange Commission Pay Ratio Disclosure, 80 Fed. Reg. 50103 (Aug. 18, 2015) (codified at 17 C.F.R. pts 229, 240, 249) at https://www.sec.gov/rules/final/2015/33-9877.pdf.
[3] *See e.g.*, letters from State Treasurer of Connecticut (Dec. 2, 2013) at https://www.sec.gov/comments/s7-07-13/s70713-583.pdf; Walden Asset Management (Nov. 15, 2013) at https://www.sec.gov/comments/s7-07-13/s70713-321.pdf; and California Public Employees' Retirement System (Dec. 2, 2013) at https://www.calpers.ca.gov/docs/2013-12-03-pay-ratio-disclosure.pdf.

companies, measured by revenue, increased 997 percent from 1978 to 2014, while the compensation of non-supervisory employees rose only 10.9 percent.[4] In 2015, the CEO of a S&P 500 company made, on average, $335 dollars for every dollar earned by a typical employee.[5] In light of this trend, the CEO-to-worker pay ratio disclosure rule increases transparency and provides critical information to investors to better understand executive compensation.

The final rule adopted by the SEC addresses cost concerns and provides appropriate flexibilities to facilitate compliance, including allowing a company to select a methodology to identify its median employee and the employee's compensation. The final rule goes to great lengths to accommodate the individual circumstances of each company required to report under the rule. As such, we are concerned that your unilateral decision to open a second public comment period on a rule that has already been adopted by the SEC is solely intended to discredit the rule and generate momentum to repeal the statutory requirement.

Moreover, we are alarmed that your remarks appear to solicit comments from issuers only, improperly overlooking the views of the thousands of investors that submitted comments to the SEC prior to its adoption of the final rule.[6] In August 2015, as the SEC voted to adopt a rulemaking pursuant to section 953(b), you made it clear that you believe the requirement is nothing more than an attempt by "Big Labor" to shame CEOs, a misguided view with which thousands of investors disagree.[7] Ultimately, the clear statutory mandate for companies to disclose the ratio of their CEO to median worker pay remains unchanged.

We urge you to retract your statement opening a new public comment window on the rule and directing SEC staff to reconsider the rule, and we expect the SEC to allow the full implementation of the CEO-to-worker pay ratio disclosure rule to recommence without delay. Please provide a response no later than April 7, 2017, and please include in your response an estimate of the cost of your actions to open a new public comment period and to devote staff resources to reconsideration of the rule.

Sincerely,

Robert Menendez

Jack Reed

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[4] Economic Policy Institute, *Top CEOs Make 300 Times More than Typical Workers* (June 21, 2015) at http://www.epi.org/publication/top-ceos-make-300-times-more-than-workers-pay-growth-surpasses-market-gains-and-the-rest-of-the-0-1-percent/.

[5] AFL-CIO, Executive Paywatch 2016 at http://www.aflcio.org/Corporate-Watch/Paywatch-2016.

[6] Acting Chairman Michael S. Piwowar, *Reconsideration of Pay Ratio Rule Implementation* (Feb. 6, 2017) at https://www.sec.gov/news/statement/reconsideration-of-pay-ratio-rule-implementation.html.

[7] Commissioner Michael S. Piwowar, *Dissenting Statement at Open Meeting on Pay Ratio Disclosure* (Aug. 5, 2015), at https://www.sec.gov/news/statement/dissenting-statement-at-open-meeting-on-pay-ratio-disclosure.html.

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