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## **Center On Executive Compensation Urges SEC to Hold Roundtable Discussion on Pay Ratio Provision of Dodd-Frank**

*Center Joins Over 20 Business Groups in Letter to SEC*

**Washington, DC-** The Center On Executive Compensation joined with 22 trade organizations and institutions, representing hundreds of thousands of businesses and professionals, in a letter to the Securities and Exchange Commission (SEC) asking for expanded public outreach and consideration of alternatives before implementing Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Section 953(b), the pay ratio disclosure provision, requires all companies to calculate the median compensation of all employees other than the CEO using the SEC's arcane and complex rules designed for calculating total compensation for the most senior executives. Companies must disclose the median and the ratio of the median employee's pay to total compensation of the CEO in filings made with the SEC.

The letter specifically recommends that before the SEC moves forward with a public release of proposed rules implementing Section 953(b) it should:

- Hold a roundtable discussion of experts and stakeholders to better understand the potential issues and unintended consequences that may flow from the implementation of the pay ratio disclosure requirements outlined in Section 953(b);
- Consider engaging in negotiated rulemaking to ensure thorough and well-balanced input that minimizes unintended consequences;
- Follow the requirements as outlined in Executive Orders 13563 and 13579 to identify alternative approaches and choose the least burdensome means of implementing the rule; and
- Submit the proposed rule to the Office of Information and Regulatory Affairs ("OIRA") review process to better understand the cost-benefit implications of the pay ratio disclosure requirements.

Timothy J. Bartl, Senior Vice President and General Counsel of the Center said, "Section 953(b) was inserted in the Dodd-Frank Act without any hearings or discussions with stakeholders that will have to bear the costly collection of compensation data, which is particularly burdensome for large global companies. We believe that, at minimum the SEC should host a roundtable discussion allowing the complexities of implementing the requirement to be fully aired so that that a proposed rule can be as practical as possible, and balance the costs of data gathering with the benefits of disclosure."

The letter notes that corporate disclosure is designed to provide information useful to investors when making investment decisions, and it is unclear how the pay ratio disclosure will be useful material for the reasonable investor. The letter also recognizes that there is a widespread misperception that the pay ratio information is available at the touch of a button to companies, when in fact, there are significant hurdles and burdens faced by the business community in attempting to comply with the provision.

“Because of the difficulty in gathering global data, one company has estimated that to produce the pay ratio disclosure, it will cost roughly \$7.6 million and take approximately 26 weeks,” said Bartl.

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To view the Center On Executive Compensation comment letter visit:

[http://www.execcomp.org/docs/Trades\\_Ltr\\_to\\_SEC\\_Re\\_Pay\\_Ratio\\_Rules\\_1-19-12.pdf](http://www.execcomp.org/docs/Trades_Ltr_to_SEC_Re_Pay_Ratio_Rules_1-19-12.pdf)

The Center On Executive Compensation is dedicated to developing and promoting principled pay and governance practices and advocating compensation policies that serve the best interests of shareholders and other corporate stakeholders. Headquartered in Washington, DC, the Center was created at the direction of the Board of Directors of HR Policy Association, which represents the senior human resource officers of more than 330 of the largest corporations in the United States. Because senior human resource officers play a unique role in supporting the compensation committee chair, the Center’s views can be particularly helpful in understanding how executive compensation packages link pay and performance and the impact of key stakeholders on reinforcing or weakening that link.

Timothy J. Bartl and Charles G. Tharp are available for media interviews. Requests should be directed to the media contact above. For further information on the Center On Executive Compensation, please visit [www.execcomp.org](http://www.execcomp.org).