CtW Investment Group

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

June 20, 2011

Re: Comments on Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Ms. Murphy:

On behalf of the CtW Investment Group I write to strongly support Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and to urge the Securities and Exchange Commission to move quickly in issuing rules pursuant to the act. As you know, 953(b) has faced fierce opposition. We believe that well designed rules can assuage any legitimate disclosure concerns and believe that the primary opponents of this rule operate from an ideological position not aligned with shareholder interests.

The CtW Investment Group works with pension funds sponsored by unions affiliated with Change to Win, a coalition of unions representing five million members, to enhance long-term shareholder returns through active ownership. Members of CtW affiliates participate in Taft-Hartley plans with over $200 billion in assets. Like many institutional investors, the CtW Investment Group believes that setting executive compensation is one of the most telling and transparent functions of the board. Thus compensation disclosure is important not only in its own right, but in the ability it offers shareholders to better evaluate and hold accountable board members.

Section 953(b) directs the Securities and Exchange Commission to require public companies to disclose the median annual total compensation of all employees (except the Chief Executive Officer), the annual total compensation of the CEO, and the ratio of the CEOôs total compensation with median employee compensation. Disclosure on executive compensation has grown significantly, but in many cases seems designed to obfuscate rather than illuminate compensation practices. While we applaud the enhanced information included in the Compensation Discussion and Analysis section of proxies, the sheer volume of the narrative can overwhelm retail shareholders. Thus ñsnapshotò disclosure, such as that included in current tables and as proposed here, are critical. The need for such direct figures is increased with the newly required advisory vote, and particularly since the trend indicates that such a vote will be an annual affair.

The inclusion of a ratio can provide critical context that allows better comparisons with companies in similar sectors. Prior disclosure rules have enabled comparisons between CEOs at different companies ï disclosure that may have inadvertently increased rather than contained compensation. In creating compensation policy both boards and compensation consultants often rely on a comparison to officer pay in a selected peer group of officers at similar companies, linking their pay to that of their peers, and generally fixing at the median or above. The ever-higher ratcheting up of executive compensation may be in the best interests of the executives, but it is counter to the interests of both shareholders and employees. Lucian Bebchukôs 2005 study, ñThe Growth of Executive Payò reports that the aggregate compensation paid to their top-five executives rose from 5 per cent of aggregate earnings during 1993-1995 to 9.8 percent during 2001-2003.[1] This money could have been better used in any number of ways, including research and development.

The new disclosure offers an insight into compensation within the entire organization, and provides a different way for boards and shareholders to evaluate the relative worth of a CEO. Shareholders already make use of ñadjacentò metrics or numbers ï the ratio of CEO to other NEO compensation is used to analysis pay and governance, for example.

We find the suggestion that the collection of this data would be extraordinarily burdensome to be specious at best. Human resources costs are among the most significant at many companies, and the suggestion that these expenses are not tracked is in itself alarming. To the extent that certainly difficulties exist around 953b, we believe they can primarily be addressed in rulemaking, specifically:

- Companies could identify their median worker based solely on cash compensation, and then add in other data if necessary. Rank-and-file employees generally do not receive stock options or perquisites, and few receive pensions, so selecting the median worker based on cash compensation for inclusion in a CEO-to-worker pay ratio will fulfill the intent of Section 953(b).

- Because all employers must report each employeeôs annual compensation to the Internal Revenue Service on Form W-2, we do not believe it would be either too costly or too difficult for companies to determine the median employee pay. It is also our understanding that U.S. companies are required to collect this information for foreign employees as national tax authorities of other countries have similar reporting requirements. We have no objection to companies using readily available data, such as is used in reporting to the Internal Revenue Service.

In creating the rules for implementation, we believe it is critical to include all employeesð both in the U.S. and abroadð when calculating pay ratios. The drafter of this provision, U.S. Senator Robert Menendez, noted in a January 19 letter to the

[1] Bebchuk, Lucian and Grinstein, Yaniv, ñThe Growth of Executive Pay,ò Oxford Review of Economic Policy, vol. 21, no2 2, 2005.

Commission that he intended ñall employees of the issuerò to include all U.S. *and* foreign employees. Specifically, he wrote ñIn 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 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.ò We believe that such separate disclosure is reasonable.

Companies have also suggested that requiring the inclusion of international data could provide misleading information, given the different economies where the workers are employed. One reasonable solution would be to adjusting the figures of the pay of foreign workers using purchasing power parity statistics, available from the Bureau of Labor Statistics. We recommend that any adjustments be noted as such, and the factors used in making those adjustments be clearly identified. Similar calculations can be used with part-time employees, translating part-time to full-time equivalents (FTE). But we believe strongly that all employees much be included to fulfill both the letter and the spirit of the law. A failure to include all employees would make critical and reasonable comparisons virtually impossible to complete. If companies believe that certain specific circumstances are critical to convey to shareholders, narrative detail to provide context to their pay disparity ratio may be included.

In conclusion, we believe this disclosure is both appropriate and feasible. A recent Fortune article (which we attach with this letter) details the problems behind the towering ratio between executive pay and that of all other employees, and asks, ñCould new metrics help motivate companies and shareholders to solve the intractable ethical and management issues [Peter] Drucker wrote about years ago?ò Only time will tell if that is the case, but this is a significant first step.

Sincerely,

William B Patterson

William Patterson
Executive Director

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Bloxham, Eleanor. "How Can We Address Excessive CEO Pay?" *Fortune.com*. 13 Apr. 2011. Web. 21 June 2011. <http://management.fortune.cnn.com/2011/04/13/how-can-we-address-excessive-ceo-pay/>.