INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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Via Email: **rule-comments@sec.gov**
Via U.S. Postal Service

Mr. Michael Piwowar
Acting Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Reconsideration of the Implementation of the CEO-to-Worker Pay Ratio Rule

Dear Acting Chairman Piwowar:

On behalf of the International Brotherhood of Teamsters ("Teamsters Union," "IBT," "the Union"), representing more than 1.4 million workers in the United States, Canada and Puerto Rico, I am writing to express my continued support for requiring the disclosure of the CEO-to-worker pay ratio at public companies, as mandated by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and adopted as a final rule by the Securities and Exchange Commission (SEC) in August 2015.

The Teamsters Union, together with its affiliated pension and benefit funds, have more than $100 billion in assets invested in the capital markets--the majority of which are invested in U.S. public equities. As investors, the Teamsters Union believes that good governance is a tool for promoting long-term shareholder value. Accordingly, we have long engaged companies over executive compensation policies and practices—urging and voting for pay reforms that incentivize performance and align the interests of executives with those of the shareholders and other important company stakeholders.

We believe that any delay in the implementation of the CEO-to-worker pay ratio rule will deprive investors of material insights into a company's approach to compensation, as well as how the company manages human capital development. The current disclosure rule, which companies are in the process of implementing, already reflects the careful consideration and balancing of the more than 287,000 letters the Commission received during the original comment period – a record level of public comment. Moreover, since then, the case for the pay ratio representing material information for investors has only strengthened:

- Investors are increasingly interested in companies' human capital management practices for which the CEO-to-worker pay ratio analyzed both intra-industry and over time at a given company, serves as an important metric and as a potential catalyst for further disclosure as companies seeking to contextualize their ratio. In September 2015, for instance, *The Wall Street Journal* reported that a group of investors managing approximately $2.5 trillion had formed the "Human Capital Management Coalition," to encourage companies to improve the disclosure of human capital management metrics.[1]

- There is growing evidence for the importance of the CEO-to-worker ratio in investment decisions. A 2016 study by MSCI discovered that companies with higher CEO-to-worker pay ratios suffered lower labor productivity and overall profitability relative to peers with lower pay gaps over the period 2009 to 2014.[2]
- Similarly, there is new evidence that investors are already using the ratio, where available, to inform their proxy voting decisions.[3] According to a 2016 study by University of Houston and Rice University academics, voting dissent on say-on-pay proposals increased with the level of the pay ratio at commercial banks that disclosed CEO-to-worker pay ratios.
- Finally, and taking its lead, in part, from the SEC's rule-making, the UK Government is proposing its own CEO-to-worker pay ratio disclosure rule. Notably, the disclosure is gaining support amongst mainstream investors; this is out of concern for the broader economic implications of inequality, as well as a growing frustration that existing practices for benchmarking, measuring and aligning pay with shareholders' interests are failing to correlate pay with long-run-performance.[4]

In light of these developments, and the exhaustiveness of the original rule-making process, we believe any further delays in implementation of the CEO-to-worker pay ratio are unwarranted and would unnecessarily deprive investors of a valuable tool in making proxy voting and investing decisions. Accordingly, we call on the SEC to comply with Section 953(b) of the Dodd-Frank Act by maintaining the existing CEO-to-worker pay ratio rule.

Sincerely,

Ken Hall

Ken Hall
General Secretary-Treasurer

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[1] Lauren Weber, *Why Top fund Managers Want Better HR,* Wall Street Journal, Sept. 8, 2015, available at https://www.wsj.com/articles/why-top-fund-managers-want-better-hr-1441749764

[2] Samuel Block, *Income Inequality and the Intra-Corporate Pay* Gap, MSCI, April 2016 available at https://www.msci.com/documents/10199/b94ae705-4d36-49e5-8873-b6fe42fdd291

[3] Steven S. Crawford and Karen K. Nelson, *Mind the Gap: CEO-Employee Pay Ratios and Shareholder Say on Pay Votes,* January 2016, available at https://www8.gsb.columbia.edu/faculty-research/sites/faculty-research/ files/CNR%20Jan2016%20(002).pdf

[4] See Amie Williams and Madison Marriage, *Investors back UK attempt to curb executive pay,* Financial Times, Feb. 17, 2017, available at https://www.ft.com/content/f8e9534e-f516-11e6-95ee-f14e55513608; Sacha Sadan, Legal and General Investment Management, *Investors have the power to stop the executive pay arms race,* Financial Times, Oct. 16, 2016, available at https://www.ft.com/content/9845e18c-9135-11e6-8df8-d3778b55a923; Patrick Jenkins, *How paying chief executives less can help corporate performance,* Financial Times, Feb. 13, 2017, available at https://www.ft.com/content/10952312-ee30-11e6-930f-061b01e23655