March 14, 2017

The Honorable Michael S. 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 CEO-median worker pay ratio disclosure rule. While this rule was mandated by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, it was not finalized until 2015. The first reporting period just began this year. It would be a terrible mistake to delay or weaken the rule simply because, as you allege, some companies are having a difficult time calculating their median-worker pay.

Congress enacted the CEO-to-median worker pay ratio disclosure rule in response to public concern over high executive compensation and the need to have this information available in an understandable format. The CEO of an S&P 500 company makes, on average, $331 for every $1 earned by the typical rank-and-file worker. In some companies, this ratio can reach as high as $1,000 to $1.

Investors should be able to consider if a CEO provides hundreds of times the value of their employees prior to investing in a firm. While executives make critical decisions about the direction of their companies, quality employees ensure those decisions are properly implemented. This pay ratio information will benefit investors by giving them valuable information for ascertaining whether company employees are fairly compensated and help them decide how to cast their “say-on-pay” advisory votes on executive compensation.

Research shows the higher the CEO to median-worker pay ratio, the more likely that CEO is to pursue the kind of risky investments that brought on the global financial crisis. The Institute for Policy Studies found that nearly 40 percent of the CEOs on the top 25 highest-paid lists over a 20-year period wound up being fired, sought a bailout, or were forced to pay fraud-related fines. Furthermore, a lower ratio of CEO to median-worker pay implies more investment in human
capital and a longer-term outlook for the corporation. According to the Center for Audit
Quality’s annual investor survey, 46 percent of investors say they consider CEO compensation in
their decision making.

The current culture of paying CEOs hundreds of times more than the typical employees hurts
working families, is detrimental to employee morale, and goes against what research shows is
best for business. Management expert Peter Drucker argued that a pay ratio not exceeding 20-to-
1 or 25-to-1 is ideal, and that higher pay ratios make it difficult to foster the kind of teamwork
and trust that businesses need to succeed. Today’s numbers dwarf that optimal ratio, contributing
to stunning widening of economic inequality – 95 percent in income gains since the global
financial crisis have gone to the top 1 percent while ordinary workers’ pay has stagnated.

We urge the SEC to allow the full implementation of the CEO-median worker pay ratio rule
without delay (Section 953(b)). The rule provides flexibility to firms to enable their compliance
with the law without exemptions that undermines the intent of the law. Thank you for your
attention to this matter and your prompt reply.

Sincerely,

Keith Ellison
Member of Congress

Raúl M. Grijalva
Member of Congress

Maxine Waters
Member of Congress

Mark Pocan
Member of Congress

Donald S. Beyer, Jr.
Member of Congress

Earl Blumenauer
Member of Congress

Brendan F. Boyle
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Michael E. Capuano
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Andre Carson
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David N. Cicilline
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Niki Tsongas
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Nydia M. Velázquez
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Peter J. Visclosky
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Peter Welch
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