

July 6, 2015

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-07-13, Division of Economic and Risk Analysis; Additional Analysis Related To Proposed Pay Ratio Disclosure Rules

To Whom It May Concern,

WorldatWork respectfully submits these comments in response to the Securities and Exchange Commission's (SEC) request for further comment on the additional analysis related to the proposed pay ratio disclosure rules. We appreciate the opportunity to provide further feedback to the Commission.

WorldatWork Background Information

[WorldatWork](#) is a nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards — strategies to attract, motivate, retain and engage a productive workforce. WorldatWork and its affiliates provide comprehensive [education](#), [certification](#), [research](#), [advocacy](#) and [community](#), enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve. WorldatWork has more than 70,000 members and subscribers worldwide. Founded in 1955, WorldatWork is affiliated with more than [70 local human resources associations](#) and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork members believe there is a powerful exchange relationship between employer and employee, as demonstrated through the [WorldatWork Total Rewards Model](#). Total rewards involves the integration of six key elements that effectively attract, motivate, retain and engage the talent required to achieve desired organizational results. The six key elements are: compensation, benefits, work-life effectiveness, recognition, performance management and talent development.

The model recognizes that total rewards operates in the context of overall business and human resources strategies, as well as organizational culture and a complex external environment. Within this context, an employer leverages the six total rewards elements to offer and align a value proposition that benefits the organization and the employee. An effective total rewards strategy results in satisfied, engaged and productive employees, who in turn create desired business performance and results.

WorldatWork's Previous Comments and Position on the Pay Ratio

WorldatWork has closely followed the progress of the implementation of Section 953(b) of Dodd-Frank since it was signed into law. WorldatWork co-signed, along with 22 other organizations, a Jan. 19, 2012, [letter](#) to the SEC expressing concerns that Section 953(b), as written, would impose substantial costs on employers while providing few material benefits to current stockholders and potential investors.

Additionally, WorldatWork submitted [comments](#) in response to the SEC's Notice of Proposed Rule Making (NPRM) implementing Section 953(b), File Number S7-07-13, Release Nos. 33-9452, 34-70443; RIN 3235-AL47.

WorldatWork strongly believes that the pay ratio will not enhance transparency or provide any benefit to shareholders or potential investors. Since 2011, WorldatWork has been working with Members of Congress to repeal Section 953(b) from the Dodd-Frank law. More recently, the association has endorsed H.R. 414 in the 114th Congress, the Burdensome Data Collection Repeal Act; which, if passed, would repeal Section 953(b) from the Dodd-Frank law. H.R. 414 has been referred to the House Committee on Financial Services.

The Commission's economic analysis of the proposed rule observes that "neither the statute nor the related legislative history directly states the objectives or intended benefits of the provision or a specific market failure, if any, that is intended to be remedied."¹ WorldatWork agrees that the intent of this provision and the intended benefits were unsubstantiated and continues to urge the Commission to carefully consider moving forward with Section 953(b) when other more pressing and needed requirements could be addressed and prioritized.

Publicly traded companies already have to report their executive compensation in annual proxy statements, and shareholders have the ability to express their opinion on the soundness of executive compensation levels through say-on-pay votes. With sufficient information available for interested parties about how much a company's principle executive officer (PEO) is compensated, the pay ratio then serves only to shed new light on the median employee's pay. However, this is an imperfect measure for judging a company's overall workforce-based pay practices because the definition of the median employee can be affected by several factors including a company's overall size, its specific industry and the professional experience of its workforce. Additionally, the costs associated with identifying seasonal, part-time, temporary and international median employees are still burdensome for a global workforce, even when counted as only a percentage of the ratio calculation.

Reaction to the Analysis by the Division of Economic and Risk Analysis (DERA)

The Division of Economic and Risk Analysis June 4, 2015 [memorandum](#) and the June 30, 2015 [memorandum](#) on the pay ratio disclosure excluding different percentages of employees focuses on the margin of error that may be attributed to the final ratio, but fails to incorporate a cost analysis. The analysis assumes that the ratio will not be flawed if all employees are included in the ratio. This assumption is flawed. A ratio based on a large, global, non-full-time pool of employees will not be meaningful without substantial explanation.

Despite the lack of benefits the ratio will provide to shareholders, if the SEC moves forward with the regulations, WorldatWork strongly supports excluding part-time, seasonal, temporary or international employees from the pay ratio calculation to determine the median employee. Doing so will not make the ratio perfect, or even useful, but it will significantly lessen the compliance burden imposed on compensation professionals from the proposed rule.

¹ Prop. Reg., Federal Register, Vol. 78, No.190; October 1, 2013, pg. 24

WorldatWork believes it would be consistent with the intent of the statute to limit the pool of employees in the calculation to full-time, U.S.-based employees.

WorldatWork urges the Commission to remember that the ratio will not provide a useful comparison of pay practices from company to company due to the variants in the calculation of the median employee depending on a company's overall workforce size, its specific industry and the professional experience of its workforce. Therefore excluding certain segments of a company's workforce will not make the ratio more useful, but would both make compliance easier while not materially affecting the ratio's relevance.

If the intent of the statute is in fact to provide a quick assessment of a company's overall pay practices, a ratio based on full-time, U.S.-based employees will provide shareholders and investors with the most accurate reflection of the median employee's pay, eliminating the disparities inherent with including employees across many different countries. The marginal costs of going from a full-time U.S. workforce to find the median employee compared to trying to incorporate international, part-time and non-traditional employees are substantial for even moderately large or complex organizations. In the end, the incremental benefits of including all employees in the ratio are not obvious.

Pay-Ratio Disclosure Duplicity; Opposition to Proposed Rule

Our members agree that current shareholders and potential investors already receive detailed information about executive compensation levels in the proxy through compensation tables and Compensation Discussion and Analysis (CD&A) requirements. The disclosure of the CEO pay ratio is not needed and will provide little to no value to shareholders and investors, while being extremely costly and burdensome for corporations to gather and produce.

Conclusion

WorldatWork remains opposed to the proposed rule in its entirety. If however, the Commission chooses to move forward with a final rule, WorldatWork urges the Commission to limit the employees included in the ratio to those employed full-time and within the United States.

WorldatWork appreciates the opportunity to provide further comments to the SEC on the proposed rule implementing Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of the 2010, File Number s7-07-13. The association hopes that the commission will take into account the views expressed in this comment letter because WorldatWork's compensation and benefits professional members and subscribers will be responsible for complying with these rules on behalf of registrants.

On behalf of WorldatWork's 70,000 members and subscribers, we look forward to working with the Commission on this issue and future endeavors. Please do not hesitate to contact me at 202-315-5500 for further information.

Sincerely,

Cara W. Welch

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