



December 2, 2013

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

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Re: File Number S7-07-13; Responses to Select Request for Comments to the Proposed Pay Ratio Disclosure

Dear Ms. Murphy,

This letter sets forth the comments of Steven Hall & Partners regarding the proposals of the United States Securities and Exchange Commission (the "Commission") relating to the pay ratio disclosure, as set forth in Release No. 33-9452 (September 18, 2013) (the "Proposing Release").

Steven Hall & Partners ("SH&P") is a nationally recognized compensation consulting firm headquartered in New York, focusing on executive compensation, board remuneration and related corporate governance matters. SH&P was formed in 2005 and is comprised of highly experienced compensation professionals with experience and expertise in the areas of accounting, law, and regulatory issues. We serve clients of varying size in a range of industries; this diversity of exposure coupled with our expertise forms the foundation for our advice.

Along with many of our clients, we have a great interest in the topics covered in the Proposing Release. While we appreciate the Commission's thoughtful approach to implementing the pay ratio disclosure mandated under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Pay Ratio Mandate"), we feel that in certain instances the Proposing Release does not go far enough to maximize flexibility. As a general matter, we share the concerns of several of the Commissioners and other commenters as to the questionable usefulness and reliability of this disclosure.

Our comments reflect our position that the final rules should: maximize flexibility; reduce the burden of compliance; permit registrants to select the approach most appropriate to the registrant's circumstances; and allow adjustments to promote the comparability of data used in this calculation. We respectfully request your consideration of the following comments in connection with the Proposing Release.



Employees Included in Identification of the Median

Non-U.S. Employees

We believe that only those employees working in the United States of America ("U.S. employees") should be included in determining the median employee. As compensation consultants, we have noted that the comparability of compensation across international borders is very limited due to the differences in the cost of living, labor market trends, compensation philosophy, non-cash compensation programs, and local government involvement in setting pay and/or pension levels. Accordingly, we believe that a pay ratio that includes international compensation data would result in a nonsensical comparison.

Beyond complying with the final rule, we believe that registrants should be permitted the flexibility to provide any additional pay ratio disclosure believed to enhance shareholders' understanding of this disclosure.

Temporary and Seasonal Employees

We believe that the pay ratio would be more meaningful if temporary and seasonal employees were excluded when identifying the median. Again focusing on the comparability of the data used in calculating the pay ratio disclosure, we believe that it is essentially meaningless to compare the compensation data for a full time employee receiving benefits (i.e., the CEO) to a limited term temporary worker receiving no benefits. Given the concerns regarding the usefulness of the pay ratio disclosure, due to the lack of comparability, we believe that the inclusion of temporary and seasonal employees will render the pay ratio even less useful.

Adjustments to Compensation

Adjustments for Temporary, Seasonal, Part-Time, and Non-U.S. Employees

We believe that cost-of-living adjustments for non-U.S. employees and full-time equivalent adjustments to compensation earned by temporary, seasonal and part-time employees should be permitted (although not required) both when identifying the median employee *and* when calculating the total compensation for the pay ratio. Permitting such adjustments will maximize flexibility and enhance comparability of data.

Permit Parallel Adjustments in Identifying Median Employee and Calculating Pay Ratio

We believe that allowing adjustments only for purposes of identifying the median employee, and not permitting parallel adjustments in the calculation of total compensation for the pay ratio, would result in a skewed calculation of the pay ratio. For example, consider a scenario where such adjustments are permitted and the median employee is selected. The median employee identified happens to be one of the employees for whom such adjustments were made; he is a temporary worker employed in a developing country. The calculation of such employee's total compensation used to determine the pay ratio does not permit any such adjustments, therefore, the median employee's compensation will be significantly lower than the adjusted number originally considered when identifying the median employee. Consequently, without permitting adjustments made when determining the median employee to also be made when determining such employee's total compensation for purposes of the pay ratio



calculation, the pay ratio will most likely be improperly skewed higher. Accordingly, we do not believe that cost-of-living and/or full-time equivalent adjustments are beneficial if only permitted when identifying the median employee and not also permitted when calculating total compensation for the pay ratio.

Annualizing Compensation for Employees Hired Partway Through the Year

As permitted by the Proposing Release, we believe that when identifying the median employee registrants should be allowed (but not required) to annualize the compensation for a full-time employee who is hired partway through the fiscal year. In addition, we believe that such adjustments should also be permitted when calculating total compensation for the pay ratio disclosure. Even if the final rules do not permit compensation to be annualized when calculating total compensation for the pay ratio disclosure, we believe that this adjustment should still be permitted when identifying the median employee. To the extent that a registrant elects to make such adjustments, we believe that such adjustment must be made to all applicable employees.

Calculation Date for Identifying the Median Employee

In order to maximize the ease of compliance and reduce the cost of compliance, we believe that a registrant should be permitted to select the calculation date, and that in turn the registrant should disclose the reason such date was selected. Only those employees employed as of the calculation date would be included when identifying the median employee. Depending on the size of the registrant and the scope of international operations, selecting the calculation date would allow a registrant to select a date that most appropriately reflects the registrant's typical workforce throughout the year. For example, a registrant that employs seasonal workers two months out of a year would likely intentionally select a calculation date that does not fall during such two month period. While a registrant will likely strategically select such calculation date to limit the impact of temporary and/or seasonal employees, we believe that the result will be to provide shareholders with a pay ratio that is more meaningful.

Method of Identifying the Median Employee

Reasonable Estimates

We agree with the Commission's proposed application of the use of reasonable estimates both in identifying the median employee and determining the amount of such employee's total compensation. We do not believe that the use of reasonable estimates will further impair the usefulness of the pay ratio disclosure, particularly given that this disclosure is not intended to be comparable across companies. We believe that the final rules should preserve flexibility and not impose further compliance requirements.

Payroll or Tax Records

We agree with the Commission that registrants should be permitted to use payroll or tax keeping records to identify the median employee. By permitting the use of such records, the cost and burden of compliance with this disclosure will be reduced. To the extent additional parameters would be imposed on the use of the payroll or tax keeping records, the flexibility and ease of compliance would necessarily be decreased without any clear benefit to the usefulness or reliability of the pay ratio disclosure.



Consistently Applied Measure, Statistical Sampling

We agree with the Commission that registrants should be permitted to identify the median employee using a consistently applied compensation measure and/or statistical sampling. We believe that this flexibility will significantly decrease the monetary and time costs of complying with the Pay Ratio Mandate. We agree with the Commission that while the proposed flexibility will reduce the comparability of disclosure across companies or industries, the pay ratio disclosure will provide investors with a year-over-year company-specific metric.

Calculating Total Compensation

We believe that total compensation should be calculated based upon the same method used when identifying the three most highly compensated executive officers (in accordance with Instruction 1 of Item 402(a)(3), which excludes the value of the aggregate change in actuarial present value of defined pension benefits under Item 402(c)(2)(viii)).

Due to the added complexity associated with valuing non-U.S. government-mandated pension plans for purposes of calculating the aggregate change in actuarial present value of defined pension benefits under Item 402(c)(2)(viii) of Regulation S-K, we believe that this value should be excluded from the calculation. Furthermore, we believe that the value of the change in pension benefits is the value least likely to be associated with a registrant's compensation philosophy and most likely to be reasonably estimated for purposes of identifying the median and calculating the pay ratio.

The Commission has established that such a total compensation calculation is a reasonable method of calculating total compensation in order to identify the most highly compensated named executive officers, therefore, we urge the Commission to permit this calculation of total compensation for purposes of the pay ratio.

Further Guidance Requested

The Commission has taken great care to permit a wide range of flexibility to registrants in complying with the Pay Ratio Mandate, and we agree with all efforts to continue to preserve this flexibility. However, we note that it may be beneficial if the Commission would instruct registrants on how to select the median employee where there is an even number of employees used in this determination. We suggest that where there is an even number of employees, that the registrant may select and disclose either an average of the compensation of the two employees nearest median, or the compensation of one of the two median employees.

Time Table

We believe that the proposed transition period will be too short for those registrants with a fiscal year end shortly after the effective date. Currently the Proposing Release states that registrants will begin complying with this disclosure requirement in the first fiscal year commencing on or after the effective date of the rule. If the effective date is March 1, 2014 and a registrant's fiscal year commences April 1, 2014 then such registrant will be required to include the pay ratio disclosure for the fiscal year beginning April 1, 2014. Therefore, we propose that registrants begin complying with the pay ratio disclosure in the first fiscal year commencing on or after January 1st following the effective date.



Underscore that Pay Ratio is Not Intended to be Comparable Across Companies

We believe that the Commission should underscore the fact that the pay ratio is not intended to be comparable across companies and/or industries. The final release should retain language emphasizing that precise conformity or comparability of the ratio across companies is not necessary, and that mandating a particular methodology would not improve such comparability due to numerous other company-specific factors.

Thank you for the opportunity to comment.

Respectfully submitted,

Steven Hall & Partners