Large Employers Urge SEC to Amend Proposed Dodd-Frank Pay Ratio Rule

The Center On Executive Compensation’s Supplemental Comments on the Proposed Pay Ratio Rules Also Address Proponents’ Assertions

Washington, D.C. — Today, the Center On Executive Compensation submitted comments to the Securities and Exchange Commission on the proposed Dodd-Frank pay ratio rule and urged the Commission to adopt several necessary changes to save companies an estimated 70% in annual compliance costs and drastically reduce compliance burdens without impacting the pay ratio disclosure.

Timothy J. Bartl, President of the Center On Executive Compensation said, "The Center has been a strong opponent of the pay ratio proposal since its inception. Recently, advocates of the disclosure have submitted comments which mischaracterize the pay ratio as highly material and even necessary information for investors to evaluate a company’s financial, compensation, and human resource management practices. The comments we submitted not only address these unsubstantiated assertions but also provide suggestions as to how the required disclosure can be made less burdensome."

The Center’s comments included four primary reasons that the pay ratio should be amended:


II. No Legitimate Business Purpose Exists for Accumulating the Data Necessary for Calculating the Pay Ratio.

III. The Commission Dramatically Underestimated the Costs of Compliance and Failed to Properly Consider Internal and External Messaging Costs.

IV. The Commission Possesses Exemptive Authority Which It Should Employ in the Final Rule to Further Minimize the Costs and Burdens of the Pay Ratio Disclosure.

"The Center opposes the pay ratio requirement in the Dodd-Frank Act and will continue encourage the SEC to improve the proposed rule, as well as refute arguments forwarded by proponents of the pay ratio disclosure who would seek to use pay ratio to drive their own self-serving agendas at the expense of long-term shareholder growth," said Mr. Bartl.
The Center On Executive Compensation is dedicated to developing and promoting principled pay and governance practices and advocating compensation policies that serve the best interests of shareholders and other corporate stakeholders. Headquartered in Washington, D.C., the Center was created at the direction of the Board of Directors of HR Policy Association, which represents the senior human resource officers of more than 360 of the largest corporations in the United States. For further information on the Center On Executive Compensation, please visit www.execcomp.org.