Center On Executive Compensation

Press Release

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Center Praises Passage of Pay Ratio Repeal Bill

H.R. 1135, Burdensome Data Collection Relief Act, Would Remove Unnecessarily Burdensome and Costly Disclosure That Stand in the Way of American Competitiveness

Washington, D.C.— The Center On Executive Compensation applauds the House Financial Services Committee's bipartisan vote in favor of legislation sponsored by U.S. Rep. Bill Huizenga (R-MI) to repeal the Dodd-Frank pay ratio.

The Burdensome Data Collection Relief Act, H.R. 1135, approved on a bipartisan vote of 36-21, would repeal the pay ratio disclosure mandate in Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The disclosure creates an administratively burdensome reporting requirement in which the costs far outweigh the hypothetical benefits and would not provide shareholders with useful information or facilitate a better understanding of pay practices.

Currently, the Dodd-Frank Act requires that every publicly held company must calculate compensation for all full- and part-time employees globally the same way compensation is calculated for senior executives in the proxy statement, find the midpoint of those amounts, and then report the ratio of that number to total CEO pay as reported in the proxy.

Center On Executive Compensation CEO Charles G. Tharp said, "We applaud the vote today by the Financial Services Committee and the leadership of Chairman Hensarling, Subcommittee Chairman Garrett and Congressman Huizenga to repeal the pay ratio provision - - an unnecessary and potentially misleading disclosure. This disclosure will impose substantial and costly burdens on employers and investors are not interested in this disclosure. Since 2010, twelve shareholder resolutions calling for disclosure of a pay ratio received an average support of less than seven percent of shareholders." Absent legislative changes, the requirement is slated to take effect after SEC implementing regulations are finalized.

Because the ratio would be affected by the substantial differences among companies in size and diversification of operations, industry, geographic locations and market culture regarding pay, the ratio would not be comparable among companies. In addition, the burden of the calculation cannot be understated. Global companies in particular will face the greatest difficulties as they must aggregate the data from many countries and multiple payroll systems. They must find a way to take into account currency fluctuations and the benefits laws of each country, which vary greatly, and even the confidentiality of employees' compensation information.

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Click on the following link to view the related Center On Compensation policy brief:

http://www.execcomp.org/docs/c13-17_PB_Pay_Ratio_2013.pdf

Center's Letter in Support of H.R. 1135 Seeking Repeal of the Dodd-Frank Act Pay Ratio Requirement:

http://www.execcomp.org/docs/c13-38_Letter_to_Hensarling_Pay_Ratio_Repeal.pdf

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, DC, 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 350 of the largest corporations in the United States.

Charles G. Tharp and Timothy J. Bartl are available for media interviews. Requests should be directed to the media contact above. For further information on the Center On Executive Compensation, please visit www.execcomp.org.