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November 27, 2013

Via Email
Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
101 F Street, NE
Washington, DC 20549

Re: Release No. 34-70443, File No. S7-07-13

Dear Secretary Murphy:

The American Federation of State County and Municipal Employees ("AFSCME") appreciates the opportunity to submit comments to the Securities and Exchange Commission ("Commission") on Release No. 34-70443, "Pay Ratio Disclosure" (Oct. 1, 2013) (the "Release"). The Release seeks comment on a rule (the "Proposed Rule") implementing Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") requiring disclosure of the ratio between CEO and median employee pay. We strongly support the Proposed Rule and applaud the Commission for formulating a rule that satisfies Section 953(b)'s mandate for complete and meaningful disclosure while providing companies with flexibility.

AFSCME is the largest union in the AFL-CIO, representing 1.6 million state and local government, health care and child care workers and retirees. AFSCME members participate in over 150 public pension funds whose assets total over $1.7 trillion. These funds essentially "own the market" because they are extremely diversified and rely to a significant extent on passive investment strategies; as a result, AFSCME has a real stake in corporate governance practices that promote accountability and enhance company performance.

Through public policy advocacy, AFSCME has long championed transparency and accountability in the capital markets. AFSCME strongly supported the inclusion of provisions improving executive compensation practices in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Accordingly, we have a keen interest in how these provisions are implemented.

The Proposed Rule would give investors valuable information to use in making investment and proxy voting decisions. There is evidence that high pay disparities

American Federation of State, County and Municipal Employees, AFL-CIO

TEL (202) 429-1000 **FAX** (202) 429-1293 **TDD** (202) 659-0446 **WEB** www.afscme.org 1625 L Street, NW, Washington, DC 20036-5687

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within an organization can harm morale and firm performance. For that reason, influential management theorist Peter Drucker advocated a maximum ratio of 20 or 25 to 1. Several investors have commented that they are already attempting to take internal pay disparity into account when making investment decisions, or that they plan to do so once companies begin making disclosure pursuant to the Commission's final rule in this rulemaking. (See, e.g., Comment of Pensions & Investment Research Consultants Ltd filed on October 17, 2013; Comment of Paul Schwarzbach filed on October 24, 2013)

As well, investors will be able to use the ratio in deciding how to vote on management say on pay proposals. Many investors believe that the CEO should not receive an overly-large share of compensation, and that a very large disparity suggests excessive CEO influence over the pay-setting process.

We support the Commission's proposal of a rule that includes non-US and part-time employees in the group of employees from which the median is selected. Excluding such employees would not be consistent with Section 953(b) and would give investors a distorted picture of a company's employee compensation, especially at companies with global operations or those that rely heavily on part-time employees. Investors will welcome companies' narrative disclosures, which can accompany the ratio, explaining how company-specific factors affect the median figure; we encourage the Commission to allow such supplemental disclosure.

Finally, the flexible approach taken in the Proposed Rule appropriately balances Dodd-Frank's clear mandate with concerns regarding the cost and difficulty of compliance. In particular, the Proposed Rule allows companies to use a sampling methodology to derive the median employee compensation, reducing the costs associated with identifying the median employee.

We appreciate the opportunity to share our views on this important matter. If you have any questions, or need additional information, please do not hesitate to contact John Keenan at (202) 429-1232.

Sincerely,

Kerry Korpi

Kerry Korpi
Director of Research & Collective Bargaining