1200 RIVERPLACE BOULEVARD • JACKSONVILLE, FL 32207-1809 • (904) 346-1500

February 21, 2017

The Honorable Michael S. Piwowar
Acting Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-0213

Dear Chairman Piwowar,

I am writing pursuant to your request for comments in connection with the reconsideration of the chief executive officer pay ratio rule.

First and most important, the pay ratio rule does not cause any useful addition to the current required disclosure of the compensation of the chief executive officer. In its simplest form, the ratio is the already disclosed chief executive officer compensation divided by the annual total compensation of the median compensated employee. The only new information introduced is the annual total compensation of the median compensated employees. It is hard to see how any reasonable investor's investment decisions would benefit from knowing that median amount.

Many argue that the efforts and costs associated with making the additional disclosure is deminimus and as such the pay ratio should go forth. Even if that were the case, the peril in doing this would be the precedent created in using the SEC's regulatory role to create an additional disclosure that is viewed as important primarily by non-investors. The SEC's role is set forth in their mission as follows:

> *The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.*

Many of the comment letters submitted to date that are in favor of maintaining the pay ratio rule indicate that this is important information for investors. I do not believe those comments accurately portray the interests of reasonable investors. I have fielded numerous questions from a large number of investors for over 15 years and have never been asked about our median employee compensation. While some very small set of investors might be interested in a large number of additional disclosures, it seems more likely the pay ratio rule is being driven by activist non-investors. There are many potential items that do not meet investors' needs that such individuals might like to be disclosed. Disclosure requirements, however, should be limited to the communication of information that a larger number of reasonable investors use to make informed investing decisions. The vast majority of reasonable investors are not considering median compensation information in their investment decisions. As such, this should not be a required disclosure. It is important the SEC stay focused on their mission and not have their efforts diluted.

The costs of providing the information required by the pay ratio rule will be significant, both on an individual company basis and across the markets. By extension this diminishes the market values of all SEC registrants required to comply. While the concept of calculating this ratio seems straightforward to many of the commenters to date, it is not. The pay ratio rule itself is about five pages long. It requires some level of analysis to identify the median employee. Complicating factors addressed in the rule include:

- Consideration of temporary and part-time employees
- Foreign employees
- Cost of living adjustments
- Annualizing adjustments
- Impact of business combinations
- Multiple CEO's during a year

Once the median employee is identified, the pay ratio rule requires that median employee compensation be calculated in accordance with Regulation S-K item 402. This is the same detailed regulation that prescribes how disclosed CEO pay is determined. The pertinent parts of this regulation are approximately 38 pages in length and contain significant detail. This will require varying levels of effort and analysis to quantify.

Because of the complexity involved and our desire to take compliance seriously, Stein Mart is currently considering using an outside specialist to do this work for us. We estimate we will directly spend about $25,000 annually for these services. Additionally, we conservatively estimate that over 200 hours of management time will be spent to obtain data, analyze information, and review disclosures in order to comply with the pay ratio rule. Valuing management time at $75 per hour represents another $15,000 in costs. Using market multiples, the valuation of Stein Mart will decrease by approximately $250,000 because of the annual estimated cost of $40,000 to comply with the pay ratio rule.

Using similar multiples, the collective valuation of all SEC registrants could be more than $1 billion lower, simply because of the pay ratio rule. This significant reduction is at odds with the SEC mission to facilitate capital formation. It is also further reason that the cost of being a public company in the U.S. is higher than for foreign markets. The number of IPO's has decreased as has the number of publicly traded companies in the U.S. We have to maintain the competitiveness of the U.S. markets or risk further flight of companies and capital from our markets and costly regulatory environment.

Another issue with the pay ratio rule is the inclusion of temporary and part-time employees in the calculation without annualization. At Stein Mart we have approximately 11,000 associates. Of those, about 10,000 are hourly paid. Of the 10,000 hourly paid associates, over 50% are part-time. This part-time group includes hundreds of temporary employees hired during our peak selling season. While we provide an important opportunity for individuals that want only part-time or temporary work, such as students, second earners and those retired from another career, the inclusion of those individuals will make it likely that our median associate will be a part-time worker. That means that our pay ratio will be comparing our full time CEO's total compensation for full-time work to the compensation of an hourly worker only working part-time. It is hard to understand how that would be a relevant disclosure.

Including part-time and temporary workers in the determination of our median employee, without adjustment for hours worked, exacerbates the concerning line of reasoning set forth in many of the current comment letters indicating that a lower CEO pay ratio is a good thing. The rule, in fact, contributes to this thinking because it requires disclosure of median employee compensation through its presentation as a ratio to CEO pay. Service-based companies like retailers and restaurants, who employ a large number of lower paid workers, will have a higher CEO pay ratio when compared to the larger number of companies that provide fewer but individually higher-paying jobs. It is concerning that commenters to date are placing emphasis on a lower calculation being good. Their comments seem to primarily be aimed at high CEO pay, even though a higher ratio will exist for those of us that provide employment to a larger number of part-time, temporary and lower-paid workers. This will have the effect of devaluing those of us that provide meaningful employment at the lower end of the wage scale. While careful analysis and additional disclosures can highlight these impacts, it is likely the ratios will receive publicity in overly simplistic ways that will present higher ratios as being an indication of high CEO pay. Misleading disclosure will lead to distorted publicity. This would hurt investors as a whole. The SEC should work to play a role in making sure this does not happen.

Soliciting comments is an important step in the process of reconsidering the pay ratio rule as part of Dodd-Frank. We appreciate our chance to be heard. Thank you for your efforts in doing this.

Sincerely,

Gregory W. Kleffner
Executive Vice President and Chief Financial Officer