Local Authority
Pension Fund
Forum

Michael S. Piwowar
Acting Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC
20549-1090

22 March 2017

Dear Acting Chairman Piwowar,

Re: Reconsideration of Pay Ratio Rule Implementation

LAPFF represents the interests of 72 UK public sector pension funds, which have combined assets of approximately £175billion. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

We are writing to express our continued support for Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010—the 'pay ratio' disclosure requirement, and the SEC's 5th August 2015 final rule implementing this provision.

LAPFF is of the view that companies should voluntarily disclose both the ratio between average employee pay and average executive pay, as well as the ratio of pay between the top and bottom 10% of earners within the Company. As such, we consider the pay ratio rule will give shareholders valuable new information with which to assess companies in their investment portfolios. We also consider that the rule as it currently stands is carefully balanced to provide companies with considerable flexibility in calculating their pay ratios. Moreover, the SEC's rule encourages companies to offer additional context for their pay ratio disclosures, which should render company arguments about the ratios being used out of context null.

The Forum is aware that companies have expressed concerns regarding the costs and burdens of implementing the rules, particularly if the group has many subsidiaries or employees in many different locations and on different pay scales. As a matter of principle, LAPFF is of the view that listed companies should have the human resources systems in place to manage and track employee pay and benefits. As salaries and benefits are a cost to the Company, and therefore a cost to the shareholder, they must be adequately tracked in the financial accounts and signed off by the auditor.

We would be very concerned if a company and its directors did not have an informed view of the cost to the company of salaries and benefits (including bonuses and variable pay), as well as of the format and make-up of the workforce (including the number of full-time equivalents and annualised salaries). This information is essential to the running of the business and shareholders rely on the directors to ensure management is implementing such systems appropriately.

LAPFF is of the view that the value of the pay ratio is not to compare companies to each other, as we do not feel this provides meaningful information given the variances in company size and structure. The primary value of the ratio is to indicate a Company's approach to balancing internal and external competitiveness when setting CEO pay, and to ensure the wage gap within each company does not increase disproportionately, which could have adverse impacts on employee morale and productivity.

Further, as long-term responsible investors, we believe that good governance is important in protecting long-term shareholder value. This rule is a key measure to ensure sound corporate governance as there is growing concern amongst investors over escalating executive pay as ordinary employees' incomes have stagnated.

We urge the SEC to maintain the effective date for disclosure as 'the first fiscal year beginning on or after 1st January 2017', and agree with many of the comments already submitted that delaying the rule would be a huge disservice to investors who have waited nearly seven years for this material information.

If you have further questions regarding LAPFF's views on this matter, please contact Tessa Younger of PIRC, the Forum's research and engagement partner (details below).

Yours sincerely,

Cllr Kieran Quinn, Chair

CC Tessa Younger, Engagement Services Manager, PIRC ([redacted])