MINORITY VIEWS ON HR 1135

Failures in corporate governance were a key cause of the 2008 financial crisis, including executive compensation plans that rewarded excessive risk taking. Section 953(b) of the Wall Street Reform Act provided one tool to create transparency with regard to executive compensation, requiring public companies to report the ratio of their CEO's pay to median worker pay. This tool will allow investors to compare companies within peer groups, as well as to look at an individual company's ratio over time. This information is especially relevant because it will inform shareholders' annual ''say-on-pay'' votes.

Some valid concerns have been expressed about the quarterly frequency of the reporting requirement and the complicated nature of identifying the median-compensated employee if all forms of compensation are included.

To address these concerns, the Democrats offered an amendment that would (1) make the disclosure annual; and (2) provide the SEC with discretion to determine median employee compensation, and providing that compensation can be determined by considering the amount of cash compensation.

These changes, consistent with the implementation concerns raised in Committee testimony by the SEC, would have addressed the major concerns expressed about section 953(b) and thus rendered an outright repeal unnecessary.

This amendment was offered because Democrats are serious about fixing identified problems with section 953(b) while preserving the meaningful information contained in the new disclosure it requires.

By rejecting these changes (31-26) in favor of an outright repeal, the Republicans are depriving the public of a meaningful tool by which to assess executive compensation practices within an individual firm and between a firm and its peers.

Minority Views – H.R. 1135

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