

With CEO Pay Ratio Effective Date Looming, There's No Relief in Sight

As we mark the beginning of May, the January 1, 2018 effective date of the CEO pay ratio disclosure requirement is now only eight months away. Notwithstanding predictions following last November's presidential election that this disclosure requirement would be quickly repealed, there has yet to be any action taken that would alter the looming effective date. Here's where things stand as of May 5, 2017.

Congressional Developments

As expected, on April 26, 2017, the Financial CHOICE Act of 2017 (H.R. 10) was formally introduced in the House of Representatives. (The bill text is available [here](#)). Among other things, the bill contains a provision which would repeal Section 953(b) of the Dodd-Frank Act, the CEO pay ratio disclosure requirement. The bill was passed out of the House Financial Services Committee on Thursday, May 4th. Observers expect that the bill will be scheduled for a vote before the full House later this month.

It should be noted, however, that this is just the first step in what could be a long process. Once approved by the House of Representatives, the bill will go to the Senate for consideration, where passage in its current form is problematic. While many members of the Senate have expressed support for financial regulatory reform, some believe the CHOICE Act simply goes too far. As a result, it's entirely possible that the Senate will opt to pursue reform legislation that is more limited in scope than the CHOICE Act, which could delay final consideration until next year.

Consequently, at the moment it appears increasingly unlikely that a comprehensive bill which includes repeal of the CEO pay ratio disclosure requirement will be enacted into law this year.

SEC Developments

On Monday, May 1, 2017, the Senate confirmed Jay Clayton as the new Chair of the Securities and Exchange Commission. Subsequently, Mr. Clayton was sworn into his new position on Thursday, May 4th.

JOIN Compensia's Mark Borges for a timely webinar on the CEO pay ratio disclosure requirement and how companies should be preparing for compliance in an uncertain environment.

THURSDAY, JUNE 22, 2017

11:00 a.m. - 12:00 noon (PDT)

Register at payratio@compensia.com »

This development increases the Commission's membership to three, with Republicans holding a 2-1 majority.

While earlier this year Acting SEC Chair Michael Piwowar solicited public comment on problems encountered by companies in complying with the CEO pay ratio disclosure requirement and directed the SEC Staff to reconsider the implementation of the rule based on these comments, it remains to be seen whether the Commission intends to take any remedial action prior to the end of the year.

Thus, to the extent that they have not already done so companies with calendar year-end fiscal years (for example, December 31st) should begin to consider how the CEO pay ratio rule will impact the preparation of their 2018 proxy statement and determine how they plan to go about identifying their "median employee," the requirement that will consume the majority of their compliance efforts.

Need Assistance?

Compensia can assist companies in preparing their CEO pay ratio disclosure, including developing a process for identifying their "median employee." If you would like assistance in understanding how the CEO pay ratio disclosure requirement will affect your company or preparing your initial CEO pay ratio disclosure, or if you have any questions on the subjects addressed in this Thoughtful Disclosure Alert, please contact Mark A. Borges. ■

With CEO Pay Ratio Effective Date Looming, There's No Relief in Sight (continued)

About Compensia

Compensia, Inc. is a management consulting firm that provides executive compensation advisory services to Compensation Committees and senior management.

Silicon Valley

125 S. Market Street
Suite 1000
San Jose, California 95113
408.876.4025

Timothy J. Sparks, President
tsparks@compensia.com
408.876.4024

Thomas G. Brown
tbrown@compensia.com
408.876.4023

Susan Gellen
sgellen@compensia.com
408.907.4302

Tom LaWer
tlawer@compensia.com
408.907.4309

Greg Loehmann
gloehmann@compensia.com
408.907.4319

San Francisco

1550 Bryant Street
Suite 740
San Francisco, California 94103
415.462.2990

Mark H. Edwards, Chairman
medwards@compensia.com
415.462.2985

Mark A. Borges
mborges@compensia.com
415.462.2995

Erik Beucler
ebeucler@compensia.com
408.907.4314

Amanda Feyerabend
afeyerabend@compensia.com
415.462.2988

Southern California

Ralph Barry
rbarry@compensia.com
858.603.2288

Pacific Northwest

Jason Borrevik
jborrevik@compensia.com
408.876.4035