# REWARDING OR HOARDING? An Examination of Pay Ratios Revealed by Dodd-Frank 

## A REPORT PREPARED BY THE STAFF OF REPRESENTATIVE KEITH ELLISON

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## Executive Summary

If your boss made your annual salary in less than a single day, how would you feel? Demoralized? Disgusted? Many Americans are now learning how pay is shared (or not).

For the first time in history, U.S. publicly held corporations are now required to report how much their CEO makes in comparison to the median salary of the other workers at the company. This new data source is the result of a hard-fought regulation mandated by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The CEO-worker pay ratio is a dramatic indicator of our country's extreme economic divide. Beginning in the late 1970s, income inequality in the United States began to spiral upwards. However, this inequality was not driven by falling wages at the bottom of the income distribution. In fact, incomes for most Americans have been stagnant for four decades. Instead, this increase in income inequality was almost entirely driven by soaring compensation levels for the top $1 \%$ of income earners. Because about two-thirds of the top $1 \%$ of American households are headed by corporate executives, examining CEO pay is one key to understanding the takeoff in income inequality in the United States.

Top income earners increasingly earn their income at the expense of everyone else. In the 1970s, the top $1 \%$ of families earned less than $10 \%$ of the total national income earned by all workers; today, their share is greater than 20\%. Despite increases in worker productivity over the course of the last four decades, workers are simply not earning a larger share of the output they produce. ${ }^{1}$


CEO pay in the United States is also far out of line with CEO pay in other countries. According to a new Bloomberg analysis of twenty-two major countries, the United States' average gap between CEO and worker pay far outpaces that of other industrialized nations. The average U.S. CEO makes more than four times the average pay of a CEO abroad. ${ }^{2}$

To better understand how pay rates for CEOs of the largest companies in America compare to the salaries of workers in the middle of the pay scale, Representative Ellison requested that his staff compile and analyze the ratios of the first 225 Fortune 500 companies to publicly disclose this information. These 225 companies combined employ more than 14 million workers and generate at least $\$ 6.3$ trillion in revenue, which is more than a $25 \%$ of 2017's fourth quarter GDP. ${ }^{3}$ This report finds:


Pay ratios of Fortune 500 companies range from 2:1 at the low end to nearly 5,000:1 at the high end. The average CEO to median worker pay ratio among all 225 companies is 339:1. For historical context, in 1965, the average CEO made 20 times the average worker. ${ }^{4}$


In 188 of the 225 companies in our database a single CEO's pay could be used to pay more than 100 workers. A company's ratio can also be read as the number of "median" workers who could be hired for the amount their CEO makes annually. At McDonalds, for example, the CEO's annual salary could be used to pay the yearly wages of 3,101 workers making the median pay. ${ }^{5}$


Median employees in all but six companies in our database would need to work at least one 45-year career to earn what their CEO makes in a single year. For example, it would take the median employee at PepsiCo who works for a full 45 -year career (age 18 to 63) more than 14 full careers (650 years) to make what their CEO makes annually (650/45=14.4).

977:1 The industry with the highest average ratio of CEO to worker pay is the consumer discretionary industry with a ratio of 977:1. This category
 includes companies that sell clothing and food such as McDonalds, Gap, and Kohl's.

## Introduction

In response to the 2008 financial crisis that crashed the global economy and destroyed trillions of dollars of Americans' retirement and housing wealth, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) of 2010. This comprehensive legislation put safeguards in place to ensure that Wall Street banks were no longer placing reckless bets that put our financial markets at risk. One of Congress's concerns related to the financial crash was that performancebased pay schemes for CEOs actually incentivized risk-taking and put consumers and investors at risk. To better understand corporate pay practices, Congress included a provision in Dodd-Frank that required publicly traded companies to report their CEO to median worker pay ratio. ${ }^{6}$ Many institutional investors strongly supported this transparency reform, arguing that extreme pay gaps undermine enterprise effectiveness by lowering employee morale and productivity.

However, due to a sluggish rulemaking process at the Securities and Exchange Commission (SEC), the rule was put off for years. In 2015, five years after DoddFrank was signed into law, Democratic lawmakers, including Representative Ellison, ${ }^{7,8}$ increased their demands for action, sending multiple letters to SEC Chair Mary Jo White expressing their disappointment in the agency's slow rulemaking process. ${ }^{9}$ That same year, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) filed a Freedom of Information Act (FOIA) request for all records regarding the SEC's decision to release its final rule. ${ }^{10}$

In August 2015, after sustained pressure from a wide range of advocates, including state treasurers and other institutional investors, labor unions, and lawmakers across the country, the SEC voted to finalize the pay ratio disclosure rule in a 3-2 decision, with all three Democratic SEC Commissioners voting in support of the rule and both Republican SEC commissioners voting in opposition.11

The Trump administration, Republicans in Congress, and the private sector have all attempted to kill this rule over the past year. ${ }^{12}$ In February of 2017, merely one month after President Trump was sworn-in, the SEC re-opened public comment for the rule and encouraged companies to weigh in with complaints about difficulties in calculating the pay ratio. ${ }^{13}$ The agency instead was flooded with letters in support of the rule. ${ }^{14}$ By one count, they received over 14,000 letters in favor of the CEO pay rule and only 30 in opposition. ${ }^{15}$

Later that February, the Business Roundtable, a CEO-led lobby group, sent a letter to the Trump administration in support of repealing the CEO pay ratio rule. ${ }^{16}$ The Business Roundtable's Chair is JPMorgan Chase CEO Jamie Dimon, who we now know made 364 times his median employee's salary in 2017.17 Following the Business Roundtable
letter, the Treasury Department recommended that the SEC repeal the rule. ${ }^{18}$ In March 2017, the Financial Services Roundtable, under then-President and CEO Tim Pawlenty, sent a letter to the SEC in support of further delaying the rule one year, to "allow time for Congress to review and repeal the mandate for the Pay Ratio Rule." ${ }^{19}$

Despite powerful attempts to kill this rule, popular will prevailed. The first CEO-median worker pay ratio disclosures have been submitted to the SEC. This report is the first comprehensive analysis of CEO pay ratios of large, publicly traded companies.


## Methodology

## Calculating CEO Compensation

The SEC's rule requires that a CEO's compensation be identified in the Principal Executive Officer (PEO)'s "Total Compensation" column of a company's publiclyavailable Summary Compensation Table (SCT) for the last completed fiscal year in a company's annual proxy statement (DEF 14A). ${ }^{20}$ The terms "PEO" and "CEO" are used interchangeably here. ${ }^{21}$ This column includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, and change in pension value and nonqualified deferred compensation earnings. If a company has two or more subsequent PEOs in a single year, the company may add the multiple PEOs' compensation together. ${ }^{22}$ Alternatively, a company may annualize one of their PEO's salaries. ${ }^{23}$ For example, if a PEO worked at a company for six months and made $\$ 1,000,000$ a company could report the PEO's annualized compensation as $\$ 2,000,000 .{ }^{24}$

For consistency's sake, calculating the annual total compensation of a PEO for the purpose of determining the pay ratio must "reflect the same approach" 25 used to determine the median employee's salary. The same approach only needs to be applied to the median employee, not all employees at the company.

## Calculating Median Employee Compensation

The final pay ratio rule itself, and the SEC-issued interpretive guidance on the rule, ${ }^{26}$ allow for companies to calculate median employee salary using a number of different methods, including by using a statistical sample of the company's workforce. To determine its CEO-median employee pay ratio, a company must identify a single employee whose compensation is at the midpoint of all employees in the sample who are not the company's CEO. ${ }^{27}$

Although companies are required to report their ratios annually, a company can determine its median employee's compensation once every three years if it "reasonably believes" ${ }^{28}$ that there has been no change in the company's employee population, and if the company's employee compensation arrangements have not changed significantly from the previous year. An "employee" is defined as a person employed at any date of the company's choosing in the last three months of the company's last completed fiscal year. ${ }^{29}$ A company must identify the date used to determine its median employee. ${ }^{30}$ Part-time, temporary, seasonal, and full-time employees are required to be counted. ${ }^{31}$ Annualization is only permitted for full-time employees who have not worked the full fiscal year. ${ }^{32}$

Industry groups, particularly the National Retail Federation, pushed hard, and continue to push ${ }^{33}$ the SEC to allow companies to fully exclude part-time and seasonal workers in the calculation of median worker pay or allow firms to make their pay appear higher than it actually is by converting these precarious jobs into full-time equivalents. The

SEC refused, ${ }^{34}$ arguing that including actual pay figures "is more reflective of the actual composition of the registrant's workforce and thus furthers the purpose of providing shareholders with useful information about a registrant's overall compensation practices."

A company's median employee can be identified by using "reasonable estimates." ${ }^{35}$ Companies are required to apply the same compensation measure across all employees. If a company identifies characteristics in their median employee's salary that would skew their pay ratio, like a large one-time bonus, the company "may substitute another employee with substantially similar compensation to the original identified median employee based on the compensation measure it used to select the median employee." ${ }^{36}$ In identifying the median employee, companies may also make cost of living adjustments (COLA) to employee compensation when the employees live in a jurisdiction other than the one where the CEO resides. ${ }^{37}$

Although the rule requires both U.S. and non-U.S. employees to be counted, it allows a company to exempt non-U.S. employees where they make up five percent or less of the total number of employees. ${ }^{38}$ If a company's total number of non-U.S. employees exceeds five percent of its total employees, that company may exclude up to five percent of its total non-U.S. employees. If a company excludes any nonU.S. employees, it needs to disclose the number of employees being excluded from each jurisdiction, and which jurisdictions are excluded. ${ }^{39}$ Additionally, it must disclose the total number of U.S. and non-U.S. employees working for it, regardless of any exemption. So, in order to exempt non-U.S. workers from its pay ratio reporting, a company must disclose additional data regarding their overseas employees, enhancing the transparency benefits of the regulation. ${ }^{40}$

Companies may present supplemental ratios and information in addition to the required ratio if they wish to do so, such as in cases where a large percentage of overseas employees creates a significantly different ratio. However, this is not required. If a

company presents additional ratios or supplemental information, it must be identified as such, and cannot be misleading or more prominently displayed than the required ratio. ${ }^{41}$

Third-party contractors and leased workers may be excluded if they are employees of companies that are not "consolidated subsidiaries." ${ }^{42}$ If the reporting company owns less than $50 \%$ of outstanding voting shares of the third-party company, its contractors or leased employees may generally be excluded. ${ }^{43}$ According to the SEC, excluding these workers is appropriate because their pay is determined outside the company itself. ${ }^{44}$

## Compiling the Data

These data were compiled by Bloomberg from the SEC's EDGAR database. ${ }^{45}$ We have limited our data to the first 225 Fortune 500 companies to file with the SEC. Bloomberg's reported ratios are rounded to the nearest integer. For example, Bloomberg has reported Berkshire-Hathaway's CEO pay ratio as "2,"46 while the calculated ratio is "1.87." ${ }^{47}$ To check for discrepancies, we have included a "calculated ratio" tab in our full database online, using the calculated ratio of median employee salary and CEO pay as reported by Bloomberg.

In some cases, a company's ratio as reported by Bloomberg and our "calculated ratio" differ. This could be due to a company changing the CEO's pay from the SCT to be consistent with the measures used to calculate their median employee salary. They could also be due to rounding or reporting error by Bloomberg. The companies that fall into this category in our database are W.W. Grainger, Alaska Air, American Financial Group, Abbott Laboratories, and Archer Daniels Midland.

The "employee population" column is compiled from companies' 10k filings. The total employee population that is used by companies in their proxy statements to calculate CEO to median employee pay ratio may differ. For instance, ManpowerGroup uses an employee pool that is substantially larger than the number of full-time employees reported in its $10 k^{48}$ filing to calculate its median employee to CEO pay ratio.

## Companies Exempted from the Rule

According to the SEC, approximately 3,571 companies are required to file ratio disclosures. ${ }^{49}$ Small reporting companies and companies defined as "emerging growth" under the Jumpstart Our Business Startups Act (JOBS Act) [15 U.S.C. 78c(a).] are exempted from filing a pay ratio disclosure. ${ }^{50}$ To meet the "emerging growth" threshold, the company ("issuer") needs to have had total annual gross revenues of less than \$1 billion in its most recently completed fiscal year. Snap Chat, for example, is considered an emerging growth company and therefore did not have to report a CEO-worker pay ratio this year, despite the fact that the firm's CEO, Evan Spiegel, made $\$ 638$ million. ${ }^{51}$ Companies based overseas are not required to file a pay ratio disclosure.

CEOS AND FIRMS RESPOND TO PAY RATIO DISCLOSURES:

Comparing what I do to the median employee is not even apples and oranges. It's more like fruit compared to Star Wars. They don't know how to allocate capital, and their educational level and skill set is vastly different...People have decisions to make as to whether they want to improve themselves and get higher paying jobs. Some people decide to do that and others don't."

RONALD L. HAVNER, CEO, PUBLIC STORAGE ${ }^{52}$

[The pay ratio rule] is a cooked-up thing to embarrass firms with a lot of part-time workers."

ALAN JOHNSON, MANAGING DIRECTOR OF THE PAY CONSULTING FIRM JOHNSON ASSOCIATES ${ }^{53}$

McDonald's is committed to a strong pay for performance culture that stresses "at risk" compensation in order to closely align their interests with those of shareholders."

MCDONALDS 14A FILING ${ }^{54}$

8 CEOs and Firms Respond to Pay Ratio Disclosures

## Findings



The company with the smallest ratio in our database is Warren Buffett's Berkshire Hathaway, with a ratio of $\mathbf{2 : 1}$. The company with the largest ratio is Mattel, a toy manufacturing company, with a ratio of 4,987:1.

The other companies in our database with ratios of over 1,000:1 are Mattel, McDonald's, Gap, Live Nation Entertainment, Yum China Holdings, ManpowerGroup, Hanesbrands, Liberty Interactive, Yum! Brands, VF, Ross Stores, Kohl's, and Walmart. The company with the highest-paid CEO is the event promoter and venue operator, Live Nation Entertainment, whose CEO made \$70,615,760 in 2017. Berkshire Hathaway's CEO, Warren Buffett, the country's third-richest man, had the lowest pay in 2017 of any CEO in our database. He made $\$ 100,000$ last year. The company with the highest-paid median worker in our database is Valero Energy, with annual earnings of $\$ 192,837$. The company with the lowest-paid median worker is Yum China Holdings, whose median employee makes only $\$ 3,396$ per year. Their median employee's salary is so low because nearly all of their workers are in China, where worker pay is significantly lower than the United States. Additionally, roughly 60\% of their 420,000 crewmembers are part-time and hourly workers. ${ }^{52}$

Companies with Top 25 CEO to median worker pay ratios

| Company Name | CEO Pay | Median <br> Worker Pay | Reported <br> Ratio $(: 1)$ | Employees | Industry |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Mattel | $\$ 31,275,289$ | $\$ 6,271$ | 4,987 | 28,000 | Consumer Discretionary |
| McDonald's | $\$ 21,761,052$ | $\$ 7,017$ | 3,101 | 235,000 | Consumer Discretionary |
| Gap | $\$ 15,587,186$ | $\$ 5,375$ | 2,900 | 135,000 | Consumer Discretionary |
| Live Nation <br> Entertainment | $\$ 70,615,760$ | $\$ 24,406$ | 2,893 | 8,800 | Consumer Discretionary |
| Yum China Holdings | $\$ 9,571,017$ | $\$ 3,396$ | 2,818 | 450,000 | Consumer Discretionary |
| ManpowerGroup | $\$ 11,987,783$ | $\$ 4,828$ | 2,483 | 29,000 | Industrials |
| Hanesbrands | $\$ 9,581,985$ | $\$ 5,237$ | 1,830 | 67,200 | Consumer Discretionary |
| Liberty Interactive | $\$ 47,809,756$ | $\$ 26,407$ | 1,810 | N/A | Consumer Discretionary |
| Yum Brands | $\$ 12,368,607$ | $\$ 9,111$ | 1,358 | 60,000 | Consumer Discretionary |
| VF | $\$ 13,736,655$ | $\$ 10,151$ | 1,353 | 69,000 | Consumer Discretionary |
| Ross Stores | $\$ 12,400,574$ | $\$ 9,437$ | 1,314 | 82,700 | Consumer Discretionary |
| Kohl's | $\$ 11,339,206$ | $\$ 8,976$ | 1,264 | 33,000 | Consumer Discretionary |


| Company Name | CEO Pay | Median Worker Pay | Reported <br> Ratio (:1) | Employees | Industry |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Walmart | \$22,791,276 | \$19,177 | 1,188 | 2,300,000 | Consumer Staples |
| Marathon Petroleum | \$19,670,807 | \$21,034 | 935 | 43,800 | Energy |
| Burlington Stores | \$8,901,891 | \$11,662 | 763 | 40,000 | Consumer Discretionary |
| Foot Locker | \$6,402,450 | \$8,554 | 748 | 15,141 | Consumer Discretionary |
| Avery Dennison | \$8,959,468 | \$12,016 | 746 | 30,000 | Materials |
| AIG | \$44,738,581 | \$64,186 | 697 | 49,800 | Financials |
| Amphenol | \$8,165,544 | \$12,179 | 670 | 70,000 | Technology |
| Dollar General | \$8,806,409 | \$13,387 | 658 | 129,000 | Consumer Discretionary |
| Fidelity National Information Services | \$29,141,610 | \$44,556 | 654 | 53,000 | Technology |
| PepsiCo | \$31,082,648 | \$47,801 | 650 | 263,000 | Consumer Staples |
| Omnicom Group | \$23,959,325 | \$40,230 | 596 | 77,300 | Consumer Discretionary |
| CBS | \$69,351,540 | \$116,654 | 595 | 12,700 | Consumer Discretionary |
| Universal Health Services | \$21,630,861 | \$39,978 | 541 | 76600 | Healthcare |
| Robert Half International | \$8,799,147 | \$17,340 | 507 | 17,200 | Industrials |
| Leucadia National | \$21,787,285 | \$44,584 | 489 | 12,700 | Financials |
| Newell Brands | \$15,257,808 | \$32,010 | 477 | 49,000 | Consumer Discretionary |
| Lowe's | \$11,208,658 | \$23,905 | 469 | 310,000 | Consumer Discretionary |
| Johnson \& Johnson | \$29,802,564 | \$66,000 | 452 | 134,000 | Healthcare |
| L Brands | \$5,695,577 | \$12,673 | 449 | 25200 | Consumer Discretionary |
| S\&P Global | \$10,719,216 | \$24,714 | 434 | 20,000 | Financials |
| Illinois Tool Works | \$17,109,870 | \$40,738 | 420 | 50,000 | Industrials |
| Mondelez International | \$17,304,919 | \$42,893 | 403 | 83,000 | Consumer Staples |
| Wyndham Worldwide | \$15,094,362 | \$37,934 | 398 | 39,200 | Consumer Discretionary |

A company's CEO-to-median employee pay ratio can also be interpreted as the number of median employees a company can pay with their CEO's salary. At the vast majority of companies in our database, you could pay 100 median employees or more with a CEO's annual pay.

At over one-third of the companies in our database, you could pay between 100-199 median employees with a single CEO's pay. A little less than half the CEOs in our database are paid in one year the amount it would take to employ between 200 and 4,987 median employees.

## How many median employees could one CEO's salary employ?

| Ratio: |
| :---: | :---: | :---: | :---: | :---: |
| 1-99 |$\quad 100-199 \quad 200-299 \quad 300-499 \quad 500-5000$



In all but six companies in our database, it would take the median employee more than one full career to make what their CEO makes in a single year.

For this calculation, we assume that a full career is 45 years of work (ages 18-63). At CVS Health, for example, the median worker would need to be on the job for 319 years, or more than seven full careers, to make their CEO's annual salary. Old Republic International, Berkshire Hathaway, Host Hotels and Resorts, salesforce. com, XPO Logistics, and CMS Energy are the only six companies with CEOs who make less than a single career's worth of work for their median employee.

How many careers would a median employee need to work to earn a CEO's annual salary?


977:1 悀 105:1

Pay ratios vary by industry sector. The sector with the highest average CEO to median worker pay ratio is Consumer Discretionary, which includes companies like McDonald's, Gap, and Mattel.

According to the financial services firm Vanguard, "Consumer Discretionary" is defined as "companies that manufacture products and provide services that consumers purchase on a discretionary basis." ${ }^{55}$ The sector with the lowest ratio is Utilities, which includes companies like CenterPoint Energy and Exelon. Vanguard defines utilities as "companies that distribute electricity, water, or gas, or that operate as independent power producers." ${ }^{56}$ It is possible that since the Consumer Discretionary industry employs so many part-time workers, their ratios are the highest. It is also possible that in the Energy, Real Estate and Utilities industries, the sectors with the smallest ratios, the tendency to hire more third-party contractors allows companies to report an artificially low ratio, since the pay ratio rule allows for the exclusion of such workers.

For example, Newmont Mining, which reported the relatively low ratio of 114:1, states on its website that the company "has 30,000 employees and contractors." ${ }^{57}$ However, when reporting its pay ratio, the company is allowed to state that it only has "approximately 12,500 employees." ${ }^{58}$ Host Hotels \& Resorts only reports having 205 employees, despite owning 93 hotels, with roughly 52,000 rooms in total. ${ }^{59}$ If companies were required to report third-party contractors, the average ratio between CEO and median employee could be much higher.

What is the average CEO to median worker pay ratio by industry sector?


Utilities (19) 105:1

## Policy Solutions

Academics and policymakers have come up with a number of ideas that could help curtail skyrocketing CEO pay and make our nation more equal. The most recent example comes from Portland, Oregon, where in 2016 the city council created a tax penalty for publicly traded companies with pay gaps higher than 100:1. The tax penalty increases proportionately for pay gaps higher than 100:1. This new ordinance went into effect this year. Several other city and state governments are looking at similar legislation. ${ }^{60}$

Other policymakers, including state legislators in Rhode Island, are considering an approach that would give companies with low CEO to worker pay ratios preferential treatment when bidding for government contracts. The President has broad discretion to set policies for federal contractors. During President Obama's tenure his administration began requiring government contractors to pay a minimum wage of $\$ 10.10$ (the federal minimum wage is only $\$ 7.25$ ). The federal government also denies contracts to companies that contribute to racial and gender inequality through discrimination in their hiring and employment practices. Federal corporate subsidy policies could also be reformed to encourage companies to narrow their gaps.

Another policy option includes increasing taxes on top incomes. Prior to the Reagan administration, top marginal tax rates were more than $70 \%$, and, not surprisingly, executive compensation levels were substantially lower. CEOs had no incentive to demand sky-high pay, since much of it would be taxed away anyway. Some economists have suggested that the optimal tax marginal rate for U.S. incomes today would be about 83\%. ${ }^{61}$ Unfortunately, the recently passed Tax Cuts and Jobs Act of 2017 moves in the opposite direction, lowering the current top tax rate of $39.6 \%$ to $37 \%$ for tax years beginning in 2018.


## Conclusion

Before these data were published, we knew that on average, the CEO-worker pay gap had grown since the 1970s, and that the gap between CEO and median worker pay was severe. These new data give us a much clearer picture as to which corporations are sharing the wealth and which are not. Astoundingly, they tell us that that some Chief Executives make up to thousands of times what over half their employees make and that pay ratios are particularly large in the consumer discretionary industry. Additionally, the ability for companies to exclude third-party contractors, which sometimes count for over half of a company's workforce, suggests that the true level of inequality between CEO pay and median worker pay is even higher than we observe in this report. This report demonstrates an urgent need for lawmakers to enact policies to address the historically severe gap between CEO and worker pay.


## Appendix 1

## Full database

| Company Name | CEO Pay | Median Worker Pay | Reported <br> Ratio (:1) | Employees |
| :---: | :---: | :---: | :---: | :---: |
| Mattel | \$31,275,289 | \$6,271 | 4,987 | 28,000 |
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| Gap | \$15,587,186 | \$5,375 | 2,900 | 135,000 |
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| Liberty Interactive | \$47,809,756 | \$26,407 | 1,810 | N/A |
| Yum Brands | \$12,368,607 | \$9,111 | 1,358 | 60,000 |
| VF | \$13,736,655 | \$10,151 | 1,353 | 69,000 |
| Ross Stores | \$12,400,574 | \$9,437 | 1,314 | 82,700 |
| Kohl's | \$11,339,206 | \$8,976 | 1,264 | 33,000 |
| Walmart | \$22,791,276 | \$19,177 | 1,188 | 2,300,000 |
| Marathon Petroleum | \$19,670,807 | \$21,034 | 935 | 43,800 |
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| Foot Locker | \$6,402,450 | \$8,554 | 748 | 15,141 |
| Avery Dennison | \$8,959,468 | \$12,016 | 746 | 30,000 |
| AIG | \$44,738,581 | \$64,186 | 697 | 49,800 |
| Amphenol | \$8,165,544 | \$12,179 | 670 | 70,000 |
| Dollar General | \$8,806,409 | \$13,387 | 658 | 129,000 |
| Fidelity National Information Services | \$29,141,610 | \$44,556 | 654 | 53,000 |
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| :---: | :---: | :---: | :---: | :---: |
| MGM Resorts International | \$14,579,720 | \$36,785 | 396 | 51,000 |
| Cognizant Technology Solutions | \$12,478,392 | \$31,998 | 390 | 260,000 |
| PPG Industries | \$14,249,861 | \$37,307 | 382 | 47,200 |
| Centene | \$25,269,468 | \$66,600 | 379 | 33700 |
| Hershey | \$10,600,386 | \$28,173 | 376 | 15,360 |
| Citigroup | \$17,814,131 | \$48,249 | 369 | 209,000 |
| AT\&T | \$28,720,720 | \$78,437 | 366 | 254,000 |
| J.P. Morgan Chase | \$28,320,175 | \$77,799 | 364 | 252,539 |
| Stanley Black \& Decker | \$16,236,936 | \$45,449 | 357 | 57,765 |
| Whirlpool | \$7,082,024 | \$19,906 | 356 | 92,000 |
| Corning | \$16,868,575 | \$47,410 | 356 | 46,200 |
| Baxter International | \$14,933,664 | \$42,008 | 355 | 47,000 |
| Bank of New York Mellon Corp. | \$19,837,535 | \$55,970 | 354 | 52,500 |
| Humana | \$19,768,525 | \$57,385 | 344 | 47,900 |
| Murphy USA | \$5,777,908 | \$16,831 | 343 | 5,400 |
| Honeywell International | \$16,753,438 | \$50,296 | 333 | 131,000 |
| Kimberly-Clark | \$16,209,534 | \$48,866 | 332 | 42000 |
| Advance Auto Parts | \$6,127,997 | \$18,460 | 329 | 40,000 |
| American Express | \$18,611,373 | \$56,873 | 327 | 55,000 |
| Thermo Fisher Scientific | \$22,275,176 | \$68,732 | 324 | 70,000 |
| 3M | \$20,494,285 | \$63,338 | 324 | 91,536 |
| Sherwin-Williams | \$13,513,194 | \$41,827 | 323 | 52,695 |
| CVS Health | \$12,266,076 | \$38,372 | 320 | 160,000 |
| Crown Holdings | \$11,939,960 | \$37,800 | 316 | 24,000 |
| Pfizer | \$27,913,775 | \$89,206 | 313 | 90,200 |
| Aflac | \$22,830,984 | \$76,089 | 300 | 11,318 |
| UnitedHealth Group | \$17,404,604 | \$58,378 | 298 | 260,000 |
| Western Union | \$9,726,400 | \$33,278 | 292 | 11,500 |
| Wells Fargo | \$17,564,014 | \$60,446 | 291 | 262,700 |
| Laboratory Corp. of America | \$11,646,254 | \$41,609 | 280 | 60,000 |
| Cigna | \$17,595,792 | \$63,010 | 279 | 46,000 |
| Tractor Supply | \$6,701,831 | \$24,108 | 278 | 14,000 |
| Freeport-McMoRan | \$18,396,037 | \$66,490 | 277 | 25,200 |
| Archer Daniels Midland | \$15,875,055 | \$57,345 | 276 | 31,300 |
| Cummins | \$16,387,661 | \$59,682 | 275 | 58,600 |
| PayPal Holdings | \$19,218,634 | \$70,228 | 274 | 18,700 |
| UPS | \$14,619,684 | \$53,443 | 274 | 454,000 |
| AutoNation | \$12,186,944 | \$45,543 | 268 | 26000 |
| Prudential Financial | \$27,120,220 | \$101,067 | 268 | 49,705 |
| Interpublic Group | \$16,883,818 | \$63,936 | 264 | 50,200 |
| Anthem | \$18,578,802 | \$70,867 | 262 | 56,000 |


| Company Name | CEO Pay | Median Worker Pay | Reported <br> Ratio (:1) | Employees |
| :---: | :---: | :---: | :---: | :---: |
| Capital One Financial | \$16,175,770 | \$62,037 | 261 | 49,300 |
| American Tower | \$13,119,417 | \$50,384 | 260 | 4,752 |
| Abbott Laboratories | \$16,784,892 | \$75,679 | 251 | 99,000 |
| Bank of America Corp. | \$21,791,812 | \$87,115 | 250 | 209,376 |
| Univar | \$15,245,285 | \$60,904 | 250 | 8600 |
| BorgWarner | \$14,085,523 | \$57,127 | 247 | 29,000 |
| Ecolab | \$14,383,229 | \$60,556 | 238 | 48,400 |
| Dover | \$9,952,918 | \$41,943 | 237 | 29,000 |
| State Street Corp. | \$19,497,361 | \$82,760 | 236 | 36,643 |
| Aetna | \$18,750,816 | \$79,720 | 235 | 47,950 |
| United Technologies | \$17,027,493 | \$72,433 | 235 | 205,000 |
| Huntsman | \$16,816,057 | \$72,506 | 232 | 10,000 |
| International Paper | \$19,446,293 | \$84,701 | 230 | 56000 |
| Coca-Cola | \$10,874,694 | \$47,312 | 230 | 61,800 |
| Ameriprise Financial | \$23,914,109 | \$107,082 | 223 | 13,000 |
| Assurant | \$9,274,743 | \$41,853 | 222 | 14,750 |
| Lincoln National | \$14,963,035 | \$68,299 | 219 | 5,000 |
| General Dynamics | \$21,501,429 | \$98,563 | 218 | 98,600 |
| Quest Diagnostics | \$10,368,835 | \$48,194 | 215 | 45,000 |
| Merck | \$17,643,087 | \$82,173 | 215 | 69,000 |
| NCR | \$12,435,018 | \$58,506 | 213 | 34000 |
| CenturyLink | \$14,715,560 | \$69,252 | 212 | 51,000 |
| Intel | \$21,544,700 | \$102,210 | 211 | 102,700 |
| Texas Instruments | \$16,573,019 | \$78,951 | 210 | 29,714 |
| Dr Pepper Snapple Group | \$8,921,147 | \$42,689 | 209 | 21000 |
| Stryker | \$14,005,086 | \$66,901 | 209 | 33,000 |
| Goodyear Tire \& Rubber | \$10,845,759 | \$52,704 | 206 | 64000 |
| U.S. Bancorp | \$11,960,654 | \$58,269 | 205 | 72,402 |
| Regions Financial | \$12,733,913 | \$63,174 | 202 | 21,714 |
| PNC Financial Services Group | \$13,917,986 | \$69,190 | 201 | 50,358 |
| Reliance Steel \& Aluminum | \$11,357,647 | \$51,172 | 199 | 14,900 |
| BlackRock | \$27,743,233 | \$141,987 | 195 | 13,900 |
| American Airlines Group | \$12,175,486 | \$62,394 | 195 | 126,600 |
| Jones Lang LaSalle | \$9,219,001 | \$48,000 | 192 | 82,000 |
| Morgan Stanley | \$24,509,722 | \$127,863 | 192 | 57,633 |
| AES | \$9,354,683 | \$49,229 | 190 | N/A |
| Nordstrom | \$5,634,701 | \$30,105 | 187 | 72,500 |
| Lockheed Martin | \$22,866,843 | \$123,231 | 186 | 100,000 |
| Kellogg | \$7,344,238 | \$40,163 | 183 | 33,000 |
| Chevron | \$24,781,568 | \$137,849 | 180 | 51,900 |
| Sealed Air | \$10,900,704 | \$61,031 | 179 | 15,000 |


| Company Name | CEO Pay | Median Worker Pay | Reported <br> Ratio (:1) | Employees |
| :---: | :---: | :---: | :---: | :---: |
| Seaboard | \$5,606,959 | \$32,073 | 175 | 11800 |
| Duke Energy | \$21,415,936 | \$122,365 | 175 | 29,060 |
| Raytheon | \$24,883,871 | \$144,589 | 172 | 64,000 |
| Bristol-Myers Squibb | \$18,687,123 | \$110,280 | 169 | 23,700 |
| Penske Automotive Group | \$6,807,491 | \$40,409 | 168 | 26000 |
| Eastman Chemical | \$14,489,656 | \$86,728 | 167 | 14,000 |
| Owens Corning | \$10,293,191 | \$62,069 | 166 | 17,000 |
| United Rentals | \$12,828,962 | \$77,127 | 166 | 14800 |
| TreeHouse Foods | \$7,815,396 | \$47,382 | 165 | 13,489 |
| Goldman Sachs Group | \$21,995,266 | \$135,165 | 163 | 36,600 |
| SunTrust Banks | \$9,592,062 | \$60,477 | 159 | 23,785 |
| Ball | \$12,932,654 | \$82,329 | 157 | 18,300 |
| Celanese | \$11,919,628 | \$75,928 | 157 | 7,592 |
| General Electric | \$9,000,603 | \$57,211 | 157 | 313,000 |
| Packaging Corp. of America | \$10,658,595 | \$68,888 | 155 | 14600 |
| Unum Group | \$9,683,946 | \$62,650 | 155 | 9,400 |
| Citizens Financial Group | \$8,549,989 | \$55,118 | 155 | 17,594 |
| NextEra Energy | \$18,811,693 | \$121,355 | 155 | 14,000 |
| Travelers Cos. | \$15,244,942 | \$99,004 | 154 | 30,900 |
| Fluor | \$10,253,787 | \$67,580 | 152 | 56,706 |
| American Financial Group | \$9,772,850 | \$64,339 | 151 | 6,700 |
| Fiserv | \$10,422,743 | \$69,205 | 151 | 24,000 |
| Weyerhaeuser | \$11,447,707 | \$75,893 | 151 | 9300 |
| BB\&T Corp. | \$12,692,776 | \$84,550 | 150 | 36,484 |
| Charles Schwab | \$14,348,737 | \$98,152 | 146 | 17,600 |
| WellCare Health Plans | \$11,344,738 | \$78,139 | 145 | 8,900 |
| Alliance Data Systems | \$10,882,813 | \$75,232 | 145 | 20,000 |
| Fifth Third Bancorp | \$8,688,292 | \$60,078 | 145 | 18,125 |
| AbbVie | \$22,625,243 | \$157,347 | 144 | 29,000 |
| Hartford Financial Services Group | \$13,115,285 | \$91,865 | 143 | 16,400 |
| eBay | \$17,590,833 | \$122,891 | 143 | 14,100 |
| Verizon | \$17,947,316 | \$126,623 | 142 | 155,400 |
| Spirit AeroSystems Holdings | \$9,907,398 | \$70,452 | 141 | 13,700 |
| Genuine Parts | \$4,919,486 | \$35,415 | 139 | 48,000 |
| Ryder System | \$6,137,757 | \$44,344 | 138 | 36100 |
| Phillips 66 | \$23,677,209 | \$170,988 | 138 | 14,600 |
| ConocoPhillips | \$21,864,670 | \$158,943 | 138 | 11,400 |
| Sempra Energy | \$18,039,051 | \$134,571 | 134 | 16,046 |
| Netflix | \$24,377,499 | \$183,304 | 133 | 5,400 |
| Nucor | \$12,090,472 | \$90,635 | 133 | 25,100 |
| Norfolk Southern | \$11,955,417 | \$91,791 | 130 | 27,110 |


| Company Name | CEO Pay | Median <br> Worker Pay | Reported <br> Ratio (:1) | Employees |
| :---: | :---: | :---: | :---: | :---: |
| Alleghany | \$9,647,362 | \$74,782 | 129 | 4402 |
| Eversource Energy | \$15,915,461 | \$124,959 | 127 | 8084 |
| Exelon | \$14,857,859 | \$117,176 | 127 | 34,621 |
| Amgen | \$16,889,789 | \$132,930 | 127 | 20,800 |
| Arthur J. Gallagher | \$7,886,491 | \$62,441 | 126 | 26,783 |
| Chesapeake Energy | \$14,903,906 | \$118,761 | 125 | 3,200 |
| Alcoa | \$10,720,123 | \$88,740 | 121 | 14,600 |
| Principal Financial | \$11,985,735 | \$100,355 | 119 | 14,895 |
| KeyCorp | \$8,146,470 | \$68,875 | 118 | 18,415 |
| Eli Lilly | \$15,845,991 | \$134,003 | 118 | 40,655 |
| Valero Energy | \$22,532,260 | \$192,837 | 117 | 10,015 |
| Quanta Services | \$8,763,657 | \$75,554 | 116 | 32,800 |
| Alaska Air Group | \$5,734,862 | \$49,664 | 116 | 23,156 |
| United Continental Holdings | \$9,561,134 | \$83,122 | 115 | 89,800 |
| Voya Financial | \$10,989,072 | \$95,399 | 115 | 6,300 |
| Southern | \$15,702,228 | \$138,000 | 114 | 31,344 |
| Altria Group | \$15,719,769 | \$137,763 | 114 | 8,300 |
| Newmont Mining | \$13,827,445 | \$121,008 | 114 | 12547 |
| WESCO International | \$6,962,755 | \$61,562 | 113 | 9,000 |
| WEC Energy Group | \$13,642,237 | \$120,223 | 113 | 8129 |
| W.W. Grainger | \$6,966,359 | \$63,577 | 113 | 24,400 |
| Xerox | \$9,505,048 | \$85,276 | 111 | 35,300 |
| Occidental Petroleum | \$12,696,788 | \$115,552 | 110 | 11,000 |
| Exxon Mobil | \$17,495,119 | \$161,562 | 108 | 69,600 |
| Anadarko Petroleum | \$16,959,896 | \$160,251 | 106 | 4400 |
| Entergy | \$13,158,220 | \$124,050 | 106 | 13,504 |
| Realogy Holdings | \$6,038,389 | \$57,295 | 105 | 11,800 |
| American Electric Power | \$11,530,461 | \$113,084 | 102 | 17,666 |
| Chemours | \$9,944,171 | \$98,086 | 101 | 7000 |
| Henry Schein | \$7,226,785 | \$71,304 | 101 | 22,000 |
| World Fuel Services | \$5,508,381 | \$55,741 | 99 | 5,000 |
| Apache | \$14,433,373 | \$145,954 | 99 | 3,356 |
| Consolidated Edison | \$16,047,911 | \$168,028 | 96 | 15,591 |
| Gilead Sciences | \$15,438,459 | \$165,007 | 94 | 10,000 |
| Southwest Airlines | \$7,560,200 | \$81,177 | 93 | 56,100 |
| Olin | \$1,079,700 | \$78,838 | 92 | 6,400 |
| Kraft Heinz | \$4,194,179 | \$46,006 | 91 | 39,000 |
| FirstEnergy | \$15,281,885 | \$170,299 | 90 | 15,617 |
| Zimmer Biomet Holdings | \$5,390,947 | \$61,496 | 88 | 18,200 |
| Nvidia | \$12,993,532 | \$147,640 | 88 | 8,191 |
| Williams | \$10,620,236 | \$124,648 | 85 | 5,425 |


| Company Name | CEO Pay | Median <br> Worker Pay | Reported <br> Ratio (:1) | Employees |
| :--- | ---: | :--- | ---: | ---: |
| Ally Financial | $\$ 8,848,062$ | $\$ 105,515$ | 84 | 7900 |
| CenterPoint Energy | $\$ 8,024,525$ | $\$ 96,573$ | 83 | 8000 |
| CDW | $\$ 6,987,003$ | $\$ 85,701$ | 82 | 8726 |
| Public Service Enterprise Group | $\$ 10,621,115$ | $\$ 132,480$ | 80 | 12,945 |
| NRG Energy | $\$ 5,618,557$ | $\$ 72,635$ | 77 | 29,200 |
| United States Steel | $\$ 9,907,151$ | $\$ 131,612$ | 75 | 3,522 |
| HollyFrontier | $\$ 4,167,972$ | $\$ 57,571$ | 72 | 16,794 |
| M\&T Bank Corp. | $\$ 10,573,685$ | $\$ 146,016$ | 72 | 2664 |
| EOG Resources | $\$ 8,080,790$ | $\$ 122,003$ | 66 | 8615 |
| Ameren | $\$ 9,794,301$ | $\$ 157,112$ | 62 | 12,521 |
| Edison International | $\$ 8,597,220$ | $\$ 140,263$ | 61 | 23000 |
| PG\&E Corp. | $\$ 8,923,488$ | $\$ 149,953$ | 60 | 3,165 |
| PBF Energy | $\$ 7,974,179$ | $\$ 132,546$ | 60 | 38,000 |
| Huntington Ingalls Industries | $\$ 1,681,840$ | $\$ 28,446$ | 59 | 566,000 |
| Amazon.com | $\$ 2,369,922$ | $\$ 41,285$ | 57 | 15,600 |
| Markel | $\$ 4,978,956$ | $\$ 91,647$ | 54 | 4,925 |
| Cincinnati Financial | $\$ 5,608,945$ | $\$ 105,847$ | 53 | 2,470 |
| Oneok | $\$ 5,321,895$ | $\$ 103,207$ | 52 | 2130 |
| Targa Resources | $\$ 3,538,600$ | $\$ 69,147$ | 51 | 5200 |
| NVR | $\$ 6,862,295$ | $\$ 167,636$ | 41 | 7,822 |
| CMS Energy | $\$ 1,384,021$ | $\$ 36,885$ | 38 | 95,000 |
| XPO Logistics | $\$ 2,644,635$ | $\$ 71,948$ | 37 | 8,700 |
| Old Republic International | $\$ 6,224,265$ | $\$ 179,574$ | 35 | 205 |
| Host Hotels \& Resorts | $\$ 4,653,362$ | $\$ 155,284$ | 30 | 29,401 |
| salesforce.com | $\$ 100,000$ | $\$ 53,510$ | 2 | 377,000 |
| Berkshire Hathaway |  |  | 80 |  |

## Appendix 2

## Sector Definitions from Vanguard: ${ }^{63}$

## Consumer Discretionary

Companies that manufacture products and provide services that consumers purchase on a discretionary basis.

## Consumer Staples

Companies that provide direct-to-consumer products that, based on consumer purchasing habits, are typically considered nondiscretionary.

Energy
Companies involved in the exploration and production of energy products, such as oil, natural gas, and coal.

Financials
Companies that provide financial services.

## Health Care

Companies involved in providing medical or health care products, services, technology, or equipment.

Industrials
Companies that convert unfinished goods into finished durables used to manufacture other goods or provide services. A product which lasts 1-3 years is considered "durable."

Information Technology (Technology)
Companies that serve the electronics and computer industries or that manufacture products based on the latest applied science.

Materials
Companies that extract or process raw materials.
Telecommunication Services
Companies that provide telephone, data-transmission, cellular, or wireless communication services.

## Utilities

Companies that distribute electricity, water, or gas, or that operate as independent power producers.

## Endnotes

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