

November 25, 2013

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission (SEC)
100 F St. NE
Washington, DC 20549-1090

Re: Pay Ratio Disclosure, File No. S7-07-13

Dear Ms. Murphy:

As a concerned shareowner and leading proponent for retail investors, I write to express my unreserved support for the U.S. Securities and Exchange Commission's (SEC) proposal requiring disclosure of the CEO-to-median employee pay ratio (pay ratio) as mandated by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Pay ratio disclosure is crucial to the SEC's mission of maintaining fair and orderly markets and protecting investors. The proposed rule complements the advisory vote on executive compensation (Say-on-Pay), which has resulted in substantially increased dialogue between shareowners and boards. Unfortunately, it has not stemmed the tide of CEOs taking a disproportionate share of corporate profits, which threatens the maintenance of fair and orderly markets.

Fair and orderly markets cannot be promoted if the American middle class continues to be hollowed out. In 2010, large company CEOs received \$11.4 million, or 343 times worker pay, according to calculations by the AFL-CIO's Executive Paywatch website.

According to Bebchuk, Lucian A. and Grinstein, Yaniv ([The Growth of Executive Pay](#)), aggregate compensation by public companies to named executive officers (NEOs) increased from 5 percent of earnings in 1993-1995 to about 10 percent in 2001-2003. We need to slow the pace of money going to the top one or two percent if our economy and are markets are to avoid becoming third world. Our markets cannot be supported at their current levels if most workers lose not only their defined

benefit plans but also their confidence in investing through 401(k) and other substitute pension plans.

Specifically, the pay ratio rulemaking will provide a valuable additional metric for evaluating and voting on executive compensation practices and Say-on-Pay proxy proposals. Just as many investors assess CEO pay relative to trends in the compensation of other named executive officers, disclosure of the CEO-to-median employee pay ratio helps investors evaluate CEO pay levels in the context of companies' broader compensation structures.

Several funds and individual investors (myself included) already take the pay ratio between CEOs and the next NEO into account when voting Say-on-Pay. A ratio over 1:2 or 1:3 (depending on industry) sends a signal of over-reliance on one person and poor succession planning, since worthy candidates are more likely to pursue outside job opportunities to maintain their own morale when they perceive the income gap as too large to be considered fair. Productivity also declines where internal pay structures are not seen as fair and equitable.

The same is true at other levels. At each level, employees suffer low morale and productivity and are more likely to look elsewhere if their boss is paid more than two to three times their own pay. Ideally, companies would report median pay at each level of the company but imposing such a requirement is probably not feasible at the current time.

Measuring CEO-to-worker pay ratios will encourage companies to compensate their CEOs and all managers as part of a team. Knowledge has surpassed machines and the stored value of money itself, as the driving force behind the world economy. In the recent past, companies learned they could create better products more efficiently with the full mental participation of their employees.

It is paradoxical that autocratic practices are justified by alleged efficiency, since the research does not support that conclusion. In fact, increased rank-and-file responsibility, increased participation in decision-making, and increased individual autonomy are associated with greater personal involvement and productive results. Even department store clerks are crucial to profits. Sears, for example, found that if employee attitudes improve by 5%, customer satisfaction jumps 1.3%, resulting in a 1/2% rise in revenue. (Wall Street Journal, 7/22/98, page B1)

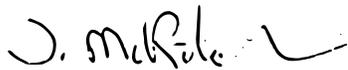
Unfortunately, too many decision-making structures are designed around status needs related to dominance and control, rather than to maximize wealth creation. In order to gain higher status, individuals seek to dominate more and more people by shifting important decisions upward, far away from the problems being addressed and most of the information sources.

Even if complete information can be instantaneously transmitted to the top, those managers are unlikely to have all the required expertise to address the depth and breadth of issues that inevitably arise in a large corporate structure. Governance and pay structures that provide greater opportunities for participation and that are perceived as fair, both at the board level and at the shop floor, make better use of all the information and expertise available, generating more overall wealth.

As investors, we should have access to the information we need to assess the overall health of our company's governance structures and pay practices. The SEC's proposed pay ratio reporting will provide information crucial to that effort.

Please adopt the proposed final rule implementing Section 953(b) of the Dodd Frank Act without hesitation. Investors will benefit from this additional disclosure when we vote say-on-pay issues and when we analyze our companies based on other workforce considerations.

Sincerely,

A handwritten signature in black ink, appearing to read "J. McRitchie", with a stylized flourish at the end.

James McRitchie