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.

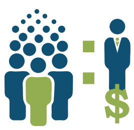
The CEO-worker pay ratio is a dramatic indicator of our country's extreme economic divide. Beginning in the late 1970s, income inequality in the United States began to spiral upwards. However, this inequality was not driven by falling wages at the bottom of the income distribution. In fact, incomes for 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).

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 performance-based 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 Dodd-Frank 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 publicly-available 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 non-U.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 10k[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]

Findings

The company with the smallest ratio in our database is Warren Buffett's Berkshire Hathaway, with a ratio of 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 Worker Pay	Reported 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 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 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.

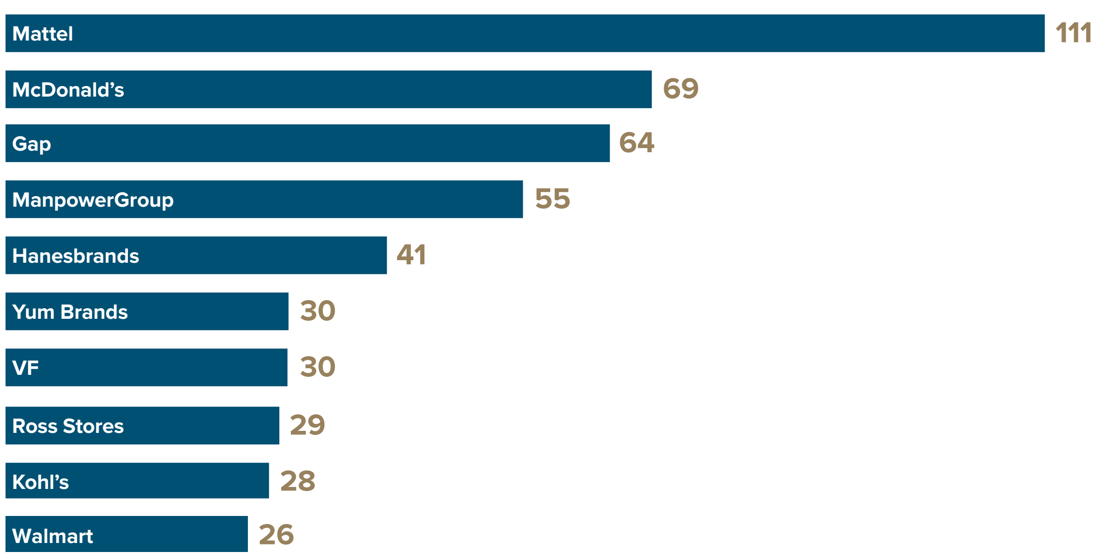
How many median employees could one CEO's salary employ?

Ratio: 1-99	100-199	200-299	300-499	500-5000
16% of companies in database	36%	20%	16%	12%

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?

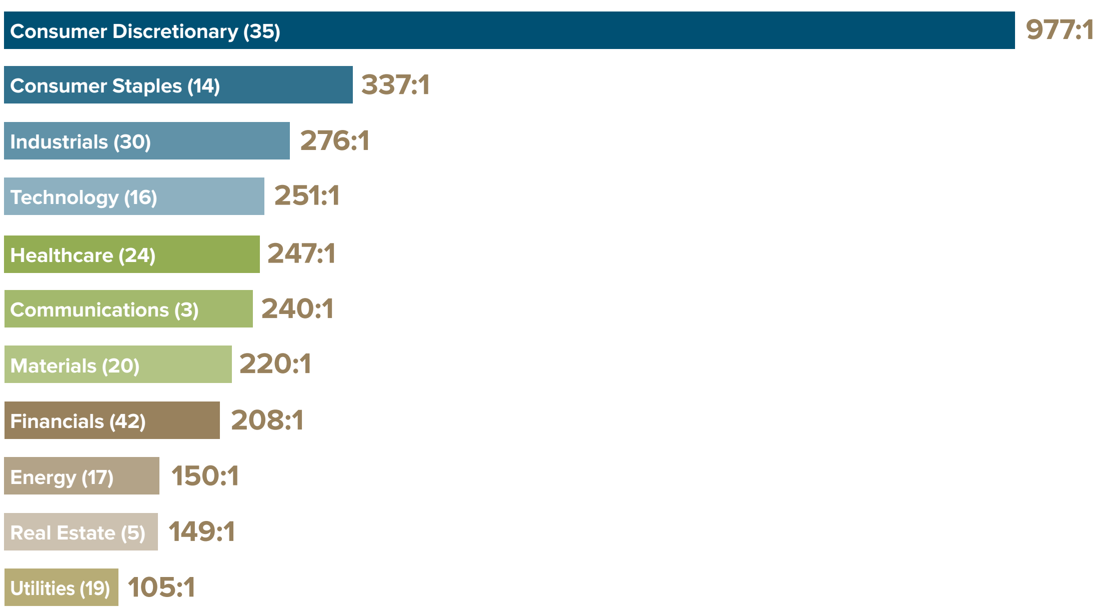


Pay ratios vary by industry sector. The sector with the highest average CEO to median worker pay ratio is Consumer Discretionary, which includes companies like McDonald's, Gap, and Mattel.

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?



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 Ratio (:1)	Employees
Mattel	$31,275,289	$6,271	4,987	28,000
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Wyndham Worldwide	$15,094,362	$37,934	398	39,200

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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 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 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 Worker Pay	Reported 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 Worker Pay	Reported 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	$9,049,662	$112,446	80	5490
United States Steel	$5,618,557	$72,635	77	29,200
HollyFrontier	$9,907,151	$131,612	75	3,522
M&T Bank Corp.	$4,167,972	$57,571	72	16,794
EOG Resources	$10,573,685	$146,016	72	2664
Ameren	$8,080,790	$122,003	66	8615
Edison International	$9,794,301	$157,112	62	12,521
PG&E Corp.	$8,597,220	$140,263	61	23000
PBF Energy	$8,923,488	$149,953	60	3,165
Huntington Ingalls Industries	$7,974,179	$132,546	60	38,000
Amazon.com	$1,681,840	$28,446	59	566,000
Markel	$2,369,922	$41,285	57	15,600
Cincinnati Financial	$4,978,956	$91,647	54	4,925
Oneok	$5,608,945	$105,847	53	2,470
Targa Resources	$5,321,895	$103,207	52	2130
NVR	$3,538,600	$69,147	51	5200
CMS Energy	$6,862,295	$167,636	41	7,822
XPO Logistics	$1,384,021	$36,885	38	95,000
Old Republic International	$2,644,635	$71,948	37	8,700
Host Hotels & Resorts	$6,224,265	$179,574	35	205
salesforce.com	$4,653,362	$155,284	30	29,401
Berkshire Hathaway	$100,000	$53,510	2	377,000

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.

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