September 2018

Executive Pay

CEO PAY VS. WORKER PAY: OFTEN, A 200-TO-1 RATIO

Zach Schiller and Abby Kopp

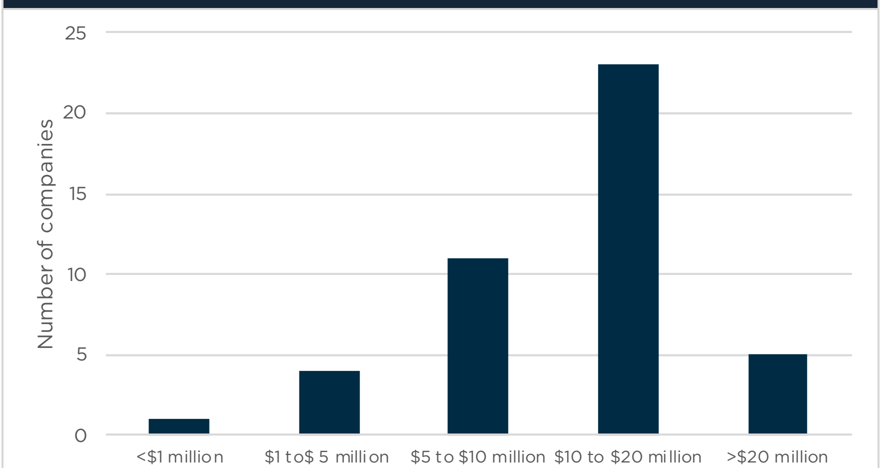
For the first time, U.S. companies have reported what their CEOs make compared with typical workers. Data covering 44 of Ohio's 100 largest employers show that in most cases, CEOs at these companies make more than 200 times what their companies' typical workers earn in a year.

Companies reported the data for the first time this year to the Securities & Exchange Commission (SEC), covering 2017, as they were required to do by the Dodd-Frank Act. The federal law required companies to provide the ratio of CEO pay to that of their median worker—the one whose pay falls in the middle of all employees. While caution is needed comparing companies, particularly between different industries, the overall data show the disparity is huge. Policy Matters Ohio reviewed the filings of companies that rank among the top 100 Ohio employers, according to the Ohio Development Services Agency. Altogether, 44 have filed reports with the SEC. A majority of the top 100 employers do not have to file such reports either because they are nonprofits (for example, the Cleveland Clinic), government employers (Wright-Patterson Air Force Base), privately owned (Giant Eagle) or foreign companies (Honda). A few others, such as Procter & Gamble and Cardinal Health, have yet to report because of when their fiscal years start. We expect to see the ratios of these companies disclosed before the end of this calendar year.

Thirty-nine of the 44 CEOs at the top employers made more than $5 million, and 28 made more than $10 million. Only one made less than $1 million, while five made more than $20 million. Figure 1 shows how much CEOs made among the top employers:

Figure 1

CEO Pay at Major Ohio Employers

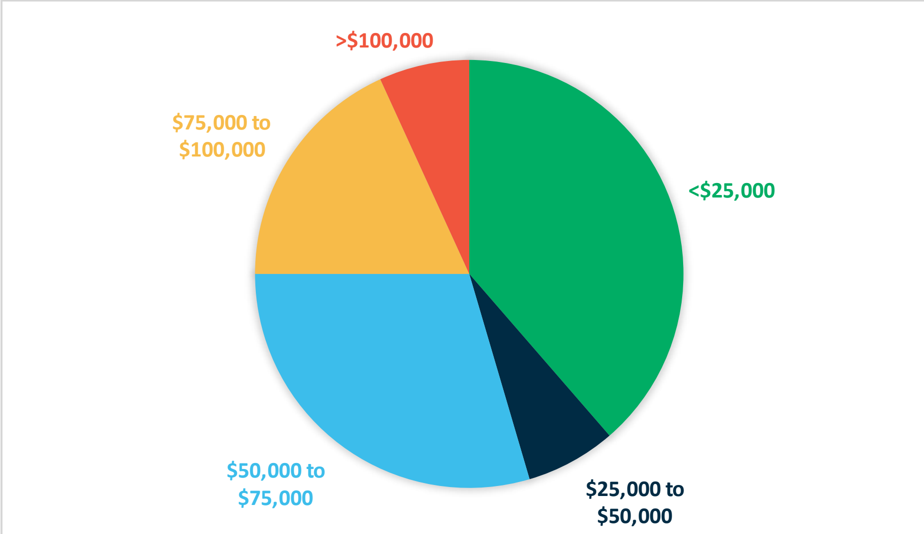


Source: Policy Matters Ohio analysis of company reports to the SEC.

Meanwhile, 17 companies among the major employers reported median pay of less than $25,000. A majority, 24 of the 44, reported median pay of more than $50,000. Yet only four of these companies had CEO pay ratios below 100. Figure 2 shows median pay for workers at the companies that reported:

Figure 2

Median Worker Pay
Share of 44 Major Ohio Employers

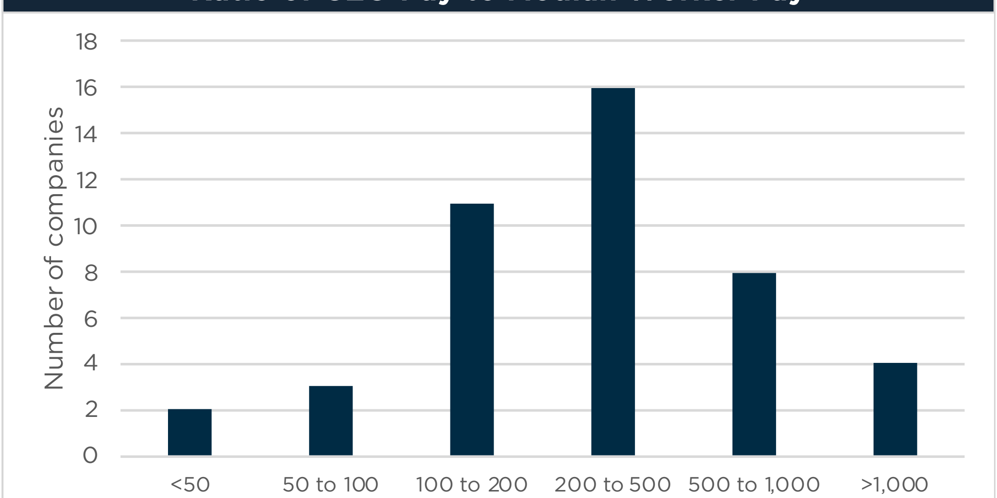


Source: Policy Matters Ohio analysis of company reports to the SEC.

At an overwhelming majority of the companies—39 of the 44—CEOs make 100 or more times as much as typical employees. Overall, 28 CEOs made more than 200 times the typical worker, based on the reports to the SEC; 21 made more than 300 times as much. Figure 3 shows ratios of CEO to median worker pay:

Figure 3

Ratio of CEO Pay to Median Worker Pay



Source: Policy Matters Ohio analysis of company reports to the SEC.

Policy Matters Ohio

The CEO pay ratio reports of major Ohio employers obviously include large numbers of workers employed outside the state. Table 1 shows the CEO pay, median worker pay, and the pay ratio at each of the 44 employers, ranked by Ohio employment.

Table 1

CEO/Median Employee Pay 2017

Ohio's Major Employers That Reported Ratios

Company	Ohio Employment Rank	Ohioans Employed	CEO Name	Total CEO Comp.	Median Comp.	Ratio
Walmart	1	50,200	C. Douglas McMillon	$22,791,276	$19,177	1,188
Kroger	3	45,150	W. Rodney McMullen	$11,534,860	$21,075	547
JPMorgan Chase & Co.	9	21,100	Jamie Dimon	$28,320,175	$77,799	364
General Electric Company	16	14,100	John Flannery	$9,000,603	$57,211	157
United Parcel Service, Inc.	18	13,700	David Abney	$14,619,684	$53,443	274
Home Depot, Inc.	19	12,200	Craig Menear	$11,641,012	$21,095	552
Berkshire Hathaway, Inc.	22	11,900	Warren Buffett	$100,000	$53,510	2*
Lowe's Companies, Inc.	23	11,800	Robert Niblock	$11,208,658	$23,905	469
Progressive Corporation	26	11,000	Tricia Griffith	$9,274,439	$68,304	136
L Brands, Inc.	29	10,300	Leslie Wexner	$5,695,577	$12,673	449
Huntington Bancshares Incorporated	31	9,900	Stephen Steinour	$8,679,970	$59,693	145
Whirlpool Corporation	32	9,800	Marc Bitzer**	$7,082,04	$19,906	356
Cedar Fair, L.P.	33	9,700	Matthew Ouimet***	$4,439,657	$10,306	431
Marathon Petroleum	35	8,850	Gary Heminger	$19,670,807	$21,034	935
CVS Health Corporation	37	8,800	Larry Merlo	$12,266,076	$38,372	320
Fifth Third Bancorp	37	8,800	Greg Carmichael	$8,688,292	$60,078	145
Target Corporation	39	8,600	Brian Cornell	$8,399,210	$20,581	408
Kohl's Corporation	40	8,130	Kevin Mansell****	$11,339,206	$8,976	1,264
Charter Communications^	42	8,060	Thomas Rutledge	$7,813,316	$52,722	148
Amazon	44	7,700	Jeff Bezos	$1,681,840	$28,446	59
AT&T	45	7,000	Randall Stephenson	$28,720,720	$78,437	366
Macy's Inc.	45	7,000	Jeff Gennette*****	$11,129,922	$13,810	806

PNC Financial Services Group, Inc.	45	7,000	William S. Demchak	$13,917,986	$69,190	201
Dollar General Corporation	49	6,900	Todd Vasos	$8,806,409	$13,387	658
FirstEnergy Corp.	49	6,900	Charles Jones	$15,281,885	$170,299	90
General Motors	53	6,800	Mary Barra	$21,958,048	$74,487	295
KeyCorp	55	6,200	Beth E. Mooney	$8,146,470	$68,875	118
Ford Motor	56	6,150	James Hackett+	$25,030,151	$87,783	285
American Electric Power Company, Inc.	57	6,000	Nicholas Akins	$11,530,461	$113,084	102
TJX Companies, Inc.	57	6,000	Ernie Herrman	$16,880,171	$11,243	1,501
U.S. Bancorp	64	5,300	Andrew Cecere	$11,960,654	$58,269	205
Sherwin-Williams	67	5,000	John G. Morikis	$13,513,194	$41,827	323
Alliance Data Systems Corp.	72	4,360	Edward J. Heffernan	$10,882,813	$75,232	145
J.C. Penney Corporation, Inc.	77	4,100	Marvin Ellison	$10,818,335	$ 14,366	753
Norfolk Southern Corp.	78	4,000	James A. Squires	$11,955,417	$91,791	130
Verizon	82	3,800	Lowell McAdam	$17,947,316	$126,623	142
Anthem	83	3,700	Gail K. Boudreaux++	$18,578,802	$70,867	262
Big Lots, Inc.	85	3,600	David J. Campisi+++	$8,345,512	$8,780	951
Signet Jewelers Ltd.	89	3,550	Virginia C. Drosos ++++	$14,281,615	$24,048	594
Cincinnati Bell Inc.	90	3,500	Leigh R. Fox +++++	$2,745,494	$86,362	32
AK Steel Holding Corp.	94	3,460	Roger K. Newport	$13,940,093	$92,949	150
Cincinnati Financial	96	3,300	Steven J. Johnston	$4,978,956	$91,647	54
Goodyear Tire & Rubber Co.	96	3,300	Richard J. Kramer	$10,845,759	$52,704	206
Abercrombie & Fitch Co.	100	3,150	Fran Horowitz	$10,262,749	$2,991	3,431

*Notes: *Ratio is rounded from 1.87. **Bitzer became CEO Oct. 1, 2017; his pay is annualized. ***Richard Zimmerman became CEO in 2018. ****Michelle Gass became CEO May 16, 2018. ^Company is listed as "Charter Communications, Inc. / Spectrum Management Holding Company, LLC" in the state's list of largest Ohio employers. Charter Communications Inc., the publicly traded company whose information is used in this report, has management arrangements with Spectrum Management Holding Company, LLC. *****Gennette became CEO in March 2017; his pay is annualized. +Hackett became CEO in May 2017; his pay is annualized. ++Boudreaux became CEO in November 2017; CEO pay figure includes her pay for the rest of the year and that of previous CEO Joseph Swedish pro-rated for the 46 weeks he served as CEO during the year. +++Retired in April, 2018. ++++Drosos became CEO 8/1/17; her pay is annualized. +++++ Fox became CEO 6/1/17; his pay is annualized. Reports are complete through July 15, 2018.*

The pattern is a little less extreme but not much different at the 19 Ohio-based companies that are members of this year's Fortune 500 list of the nation's largest companies and have reported pay ratios so far. While the largest ratios don't match those of the big Ohio employers, all but three pay their CEO at least 100 times what their median worker makes, and seven pay at least 200 times as much. Table 2 lists these companies, with those that are not among the top Ohio employers shown above in boldface.

Table 2

CEO/Median Employee Pay

Fortune 500 Companies That Reported Ratios

Company	Fortune 500 Rank	CEO Name	Total CEO Comp.	Median Comp.	Ratio
Kroger	17	Rodney McMullen	$11,534,860	$21,075	547
Marathon Petroleum	41	Gary Heminger	$ 19,670,807	$21,034	935
Progressive Corporation	112	Tricia Griffith	$9,274,439	$68,304	136
Macy's Inc.	120	Jeff Gennette*	$ 11,129,922	$13,810	806
American Electric Power	185	Nicholas Akins	$ 11,530,461	$113,084	102
Goodyear Tire & Rubber Co.	187	Richard J. Kramer	$ 10,845,759	$52,704	206
Sherwin-Williams	190	John G. Morikis	$ 13,513,194	$41,827	323
FirstEnergy Corp.	219	Charles Jones	$15,281,885	$ 170,299	90
L Brands, Inc.	231	Leslie Wexner	$5,695,577	$12,673	449
Fifth Third Bancorp	366	Greg Carmichael	$8,688,292	$60,078	145
J.M. Smucker	**383**	**Mark Smucker**	**$6,745,939**	**$75,742**	**89**
Dana	**393**	**James Kamsickas**	**$10,861,871**	**$44,171**	**246**
Owens-Illinois	**410**	**Andres Lopez**	**$ 8,093,964**	**$40,989**	**197**
KeyCorp	412	Beth E. Mooney	$ 8,146,470	$68,875	118
American Financial Group	**413**	**Carl H. Lindner III/ S. Craig Lindner****	**$9,772,850/ $9,602,149**	**$64,339**	**151/149**
Owens Corning	**442**	**Michael Thaman**	**$10,293,191**	**$62,069**	**166**
AK Steel Holding	461	Roger K. Newport	$13,940,093	$92,949	150
TravelCenters of America	**465**	**Thomas O'Brien*****	**$2,874,900**	**$19,340**	**149**
Cincinnati Financial	484	Steven J. Johnston	$4,978,956	$91,647	54

*Notes: Companies in bold are NOT Ohio's top 100 employers. *Gennette became CEO in March 2017; his pay is annualized **The Lindners are co-CEOs. The company listed pay and pay ratios separately for each. ***O'Brien retired 12/31/17. Reports are complete through July 15, 2018.*

The SEC gave companies flexibility in how they calculate the median pay of their workers. Companies are allowed to exclude up to 5 percent of their workforces, and are permitted to annualize the pay of permanent workers who are employed for only part of the year. The calculation of median pay levels does not always include all the same elements from one company to another; one may include the change in the value of their pension benefits, while another includes bonuses or contributions to health-care premiums or retirement plans. Ford Motor Co.,[1] for example, found that its median worker, a full-time salaried worker located in the United States, made $58,693 in taxable income. But when it figured in other compensation, the number grew to $87,783. Part-time, seasonal and temporary workers are counted, and companies are not allowed to adjust their pay in figuring out who the median worker is. The SEC rejected requests by companies to exclude such workers, noting that temporary and seasonal employees aren't a permanent part of the company's workforce. The agency concluded that barring companies from adjusting the compensation of such employees as if they worked on a full-time basis "most accurately captures the workforce and compensation practices that the registrant has chosen to employ."[2]

Marathon Petroleum, the oil company that also owns the Speedway chain of service stations, demonstrates how the ratios can shift—but remain large, in any event. The Findlay-based company reported that its CEO Gary R. Heminger made $19.67 million in 2017, or 935 times as much as the $21,034 made by the median worker at the company. However, Marathon noted that, "As our retail operations rely on a large labor pool of retail employees who work fewer hours and are compensated at lower levels, on a relative basis, than employees working in traditional downstream refining jobs, we would not expect our median employee to be similar in terms of job function or compensation level to the median employee of other domestic U.S. refiners."[3] When Marathon excluded its Speedway employees from the comparison, the ratio was 156 to 1.

Including Marathon, the 14 top ratios among the 44 big Ohio employers were all at retailers. Clearly, many retailers rely on part-time and seasonal employees. Target, Big Lots, Kohl's, Dollar General and TJX were among the retailers that said their median employees were part-timers.[4] Cincinnati-based Macy's said that 96,747 or 53.8 percent of its workers were part-time or seasonal employees. At L Brands, whose stores include Victoria's Secret and Bath & Body Works, the median employee worked 17 hours per week during fiscal 2017. However, even adjusting that to a 40-hour schedule, its median pay would rise from the reported $12,673 to just $29,819, while its CEO/median worker pay ratio would fall from the reported 449 to 1 to "only" 191 to 1.

Abercrombie & Fitch stands out for its especially low median pay of $2,991 and CEO pay ratio of 3,431, far higher than any other major employer covered in this report. The company said its median employee is a part-time worker and full-time student who on average worked seven hours a week for a period of nine months.[5] This suggests a pay rate of about $11 an hour, which over a full-time job over the course of a year would mean earnings of $22,789. Abercrombie argued further that its CEO pay was "artificially" increased under SEC reporting standards to include a one-time award of almost $3.3 million. If one adjusts the CEO pay to

---

[1] For details on disclosures by Ford and other companies in this report, see the links provided in the appendix.
[2] Securities and Exchange Commission, Final Rule, Pay Ratio Disclosure, p. 93, https://www.sec.gov/rules/final/2015/33-9877.pdf
[3] Marathon Petroleum Corp., Schedule 14A, March 15, 2018, at https://www.sec.gov/Archives/edgar/data/1510295/000119312518084039/d496012ddef14a.htm
[4] Matthew Shay, president and CEO of the National Retail Federation, estimated in a column criticizing the pay standard that including part-time workers inflates the industry's ratio by 31 percent. Applying that ratio to the biggest Ohio retail employers, nearly all of them would still be paying their CEOs more than 200 times what their median workers receive.
[5] The company said in its note, "As additional context, the magnitude of our ratio is influenced by our store staffing model which relies on a significant number of part-time and seasonal employees. This approach to store staffing provides flexible, entry-level employment opportunities to students — many of whom are among our core customer demographic—that can become the foundation for a career at Abercrombie & Fitch and ensures that our stores are staffed by career-focused, goal-driven individuals."

take this into account, and uses the adjusted full-time, year-round earnings for their median worker, the pay ratio falls to 306, close to the median for the 44 Ohio employers.

Many companies warned in their notes that their ratios shouldn't be compared to others because of differing methodologies and assumptions in figuring the ratios, and other factors.[6] Walmart, which had the second-highest CEO pay ratio among the 44 at 1,188, said that "…our company is unique because we are significantly larger than most of our peer group companies in terms of revenue, market capitalization, and the size and scope of our worldwide associate population. Therefore, our reported pay ratio may not be comparable to that reported by other companies due to differences in industries, scope of international operations, business models and scale, as well as the different estimates, assumptions and methodologies applied by other companies in calculating their respective pay ratios." The median pay of the 2,216,545 employees Walmart included in its calculation (it excluded 89,951 workers outside the U.S., or 3.9 percent of its workforce, as allowed under the rules) was $19,177, compared to $22,791,276 for its CEO.

Certainly, there are dangers in closely comparing individual companies and particularly those in the retail sector to others. Companies' use of contractors to perform lower-wage jobs, for instance, could also affect the numbers. In the appendix, we provide links to each of the company's reports, so readers can see exactly how they went about their calculations. In fact, many companies did not take the opportunity to provide additional information, as they could have, to put their numbers in additional context or to explain why they show what they do.

Whatever the limitations of the data, it illustrates how extraordinarily high such ratios are. The Economic Policy Institute (EPI) calculated and provided to Policy Matters Ohio annual average worker compensation, including benefits, of production and nonsupervisory workers for various retail sectors, using data from the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA).[7] EPI's estimate of CEO to worker compensation is useful in that it provides a more comparable, albeit conservative, measure with which to compare compensation ratios across firms.[8] It found that in clothing stores, food and beverage stores and general merchandise stores, employee pay nationally ranged from $31,850 to $34,696 in 2017. Across those same industries, the CEO-to-worker compensation ratio ranged between 177 and 447 when CEO compensation was measured including the value of stock options realized, or between 185 and 329 when using a measure including the value of stock options at the time they are granted. Importantly, EPI's estimates assume full-year and full-time employment for workers, meaning their estimates likely understate the magnitude of these ratios in industries where workers are often employed part-time or for only a portion of the year.

While comparisons across industries should be undertaken with caution, the information provided by major retailers demonstrates that the business model employed in much of the industry is a severe one. It relies on part-time staffing, as well as relatively low pay. In an August 2017 listing of Ohio employers with the largest number of public assistance recipients among employees and family members, Speedway ranked 9th. Some 2,734 Speedway

---

[6] For instance, Kroger said in its note, "The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. Therefore, the estimated pay ratio reported above may not be comparable to the pay ratios reported by other companies and should not be used as a basis for comparison between companies."
[7] Data provided by Jessica Schieder, Economic Policy Institute, Aug. 20, 2018.
[8] For more information, see Lawrence Mishel and Jessica Schieder, "CEO Compensation Surged in 2017," Economic Policy Institute, Aug. 16, 2008, Box B, p. 13, at https://www.epi.org/publication/ceo-compensation-surged-in-2017/ The report covers the 350 largest companies that had compensation data available.

employees or family members received food assistance under the Supplemental Nutrition Assistance Program (SNAP), according to data from the Ohio Department of Job & Family Services. No. 1 on the list was Walmart, with 11,560 employees or family members. Other retailers among the top 50 included Kroger, Dollar General, Home Depot, Amazon, Target, Lowe's, CVS Stores and Kohl's.

Companies don't have to say how much of the workforce is employed outside the United States, or where their median worker is employed. However, some do. Whirlpool determined that its median employee was a full-time hourly employee located in Brazil; at General Electric, it was an employee in its health-care business in Germany.

Two of the companies with the lowest ratios of CEO to median worker pay were Amazon and Berkshire Hathaway, which was the lowest among those reporting. Warren Buffett, CEO of Berkshire, had the lowest pay of any of the CEOs, at just $100,000, while Jeff Bezos of Amazon was third-lowest at under $1.7 million. Each is among the wealthiest people in the world; Bezos recently was named the richest, with $150 billion. So even though the median Amazon worker made just $28,446, the company has a lower pay ratio than 40 others among top Ohio employers. Two other companies with among the lowest CEO pay ratios were Cincinnati Bell and Cincinnati Financial.

Why CEO pay ratios matter

Studies indicate that the ratio of CEO pay to that of a typical worker has expanded enormously since half a century ago. According to the Economic Policy Institute, the ratio of CEO-to-worker pay at the largest U.S. companies was 20-to-1 in 1965 and 30-to-1 in 1978, but ballooned upwards in the 1980s and 1990s as executive pay skyrocketed while worker pay barely budged. In a recent study, EPI estimated the 2017 number at 312-to-1, using a measure that includes stock options realized, along with salary, bonuses, restricted stock awards and long-term incentive payouts.[9] Using that method, it found that CEO pay grew by 1,070 percent between 1978 and 2017, compared to just 11.2 percent for the typical worker. It also has grown far faster than the pay for the top 0.1 percent of wage earners, indicating that such compensation growth "does not simply reflect the increased value of highly paid professionals in a competitive race for skills (the 'market for talent') but rather the presence of substantial economic rents."

Two business professors writing recently in *The Wall Street Journal* noted that the average CEO pay had soared over the past 40 years to more than 300-to-1 from about 30-to-1—and that their research had shown that consumers are less willing to buy from companies with high CEO pay ratios. Peter Drucker, often seen as the father of modern management, "believed that the pay ratio should be 20-to-1," noted Washington Post columnist Jena McGregor. "'I have often advised managers that a 20-to-one salary ratio is the limit beyond which they cannot go if they don't want resentment and falling morale to hit their companies,' the Drucker Institute at Claremont Graduate University quotes him as saying in a letter it wrote to the SEC back in 2011 commenting on the new rule. Drucker scaled back from his more generous suggestion in 1977, when he put the ratio at 25-to-1," McGregor noted. In a 2017 letter to senior members of the Senate Banking and House Financial Services Committee and then-nominee for the SEC chairman Jay Clayton, four state treasurers wrote, "We want companies in our portfolios to be successful, and research indicates that extreme gaps

[9] Including stock options realized reflects what CEOs report on their W-2 forms and actually earned in a given year. EPI also looks at what pay would be based on stock options that are granted in a given year, which produces a lower rate in in 2017 of 221-to-1. In its report, it figured worker pay, including benefits, for the key industry of each firm using BLS and BEA data.

between CEO and worker pay can reduce financial performance by undermining employee morale, which in turn reduces productivity."[10]

The growth in CEO pay compared to that of typical workers is one driver of the inequality that has grown in Ohio and the United States over recent decades. Another new paper published by the Economic Policy Institute shows that in 2015 in Ohio, the top 1 percent captured 15.8 percent of the income in the state, more than double the share they had in 1974. Overall, they averaged close to $859,000, compared to just over $46,000 for the bottom 99 percent.

As *The Wall Street Journal* recently noted, "The best-paid CEOs don't necessarily run the best-performing companies."[11] A number of studies have found such results, or worse.[12] EPI found in its study on CEO pay that over time, it has grown far faster than stock prices or corporate profits. "Higher CEO pay does not reflect correspondingly higher output or better firm performance," EPI's Lawrence Mishel and Jessica Schieder noted in their study. "Exorbitant CEO pay therefore means that the fruits of economic growth are not going to ordinary workers."

Recommendations

What should be done about it? Much of this large disparity relates to national policy and broad economic trends, which have led to workers getting a lower share of national income than they once received. We need changes in federal policy, both to boost worker bargaining power and reverse tax laws that have reinforced the pay disparities. But there are state policies we could adopt to boost worker compensation. Policy Matters Ohio identified a number of them in a report earlier this year, "A New Way Forward." One is stronger unions. Norfolk Southern Corp. has the fourth-highest median worker pay of the 44 Ohio employers, at $91,791. The company noted in its proxy statement that 80 percent of its employees were covered by collective bargaining agreements, including that median worker. Ohio also should restore higher income-tax rates on the highest earners (see this Policy Matters Ohio report).

Whether or not the state or municipalities want to consider what Portland, Oregon, has done—exact a tax penalty for major companies doing business with the city that pay their CEOs more than 100 times what workers make—there are other steps that could be taken to make CEO pay more accountable. The Ohio General Assembly could adopt state purchasing policies that would give preference to enterprises whose highest paid executive receives less than 25 times the median pay level, or some other specific level. Such legislation was approved by the Rhode Island Senate, though it has not been enacted. Connecticut has considered a measure to disqualify from state subsidies and grants companies with pay ratios of more than 100.

As shareholders, state retirement funds could adopt more stringent policies to oppose excess CEO compensation. The Ohio Public Employees Retirement System (OPERS) already includes in its proxy voting guidelines a principle that executive compensation should be fair and reasonable. "Compensation should be reasonable, based on actual performance and value creation for Shareholders, and able to withstand and respond to scrutiny, concerns or

[10] Letter from state treasurers of California, Illinois, Pennsylvania and Rhode Island and Pennsylvania Auditor General Eugene DePasquale to Jay Clayton and chairs and ranking members of the House Financial Services Committee and Senate Banking Committee, Apr. 26, 2017, at https://bit.ly/2wPnkXV

[11] Fuhrmans, Vanessa, "CEO Pay and Performance Often Don't Match Up," The Wall Street Journal, May 14, 2018, at https://www.wsj.com/articles/ceo-pay-and-performance-dont-match-up-1526299200?mod=searchresults&page=1&pos=14

[12] Letter to Investment Managers from Stephen Silberstein, Ralph Nader, Robert Monks and Steven Clifford, Feb. 2, 2018, Attachment A, "CEO Pay and Company Performance," at https://nader.org/2018/02/02/letter-to-investment-managers/#fund-managers

questions from investors, employees, regulatory authorities, the media and the public," the principle states. As You Sow, a shareholder advocacy nonprofit which tracks shareholder votes on CEO pay, found that OPERS voted against CEO pay for what As You Sow classified as the top 100 overpaid CEOs 61 percent of the time.[13] Under the Dodd-Frank Act, the same legislation that mandated the reporting of CEO pay ratios, shareholders have been able to participate in advisory votes (known as "say-on-pay") on executive compensation since 2011.[14]

OPERS told Policy Matters Ohio in response to our questions that it monitors pay ratios, but has not conducted a study of that since this year's reports on those ratios, and has not considered adopting limits on CEO pay in its say-on-pay voting. It has sometimes looked at incentive compensation plans for incoming CEOs, for instance, to see if they are likely to build long-term value for shareholders. It has been interested in pushing these better measures down in the organization, making companies less prone to enriching only top-level managers. "Although we do generally pay attention to executive pay, we do not make investment decisions strictly based on that metric," OPERS said. The pension fund has not led any notable efforts to curb excessive CEO pay.

OPERS needs to do more. Curbing excessive executive pay relative to the typical worker is in the long-term interest of its members. It and other pension funds should move to:

- Report the CEO pay ratios of companies in their domestic portfolios;
- Study how to apply the principle of reasonable CEO compensation in light of the large ratios that have been reported, including in investment decisions;
- Explicitly add the CEO pay ratio to the list of criteria they use in their say-on-pay analysis, and
- Adopt a limit or limits for what is considered reasonable, and vote against the pay plan of any company that does not meet them.

Outsized CEO pay in relation to typical workers isn't a problem that can be rectified by state action alone. However, there are steps that Ohio can and should take that would move in the right direction.

[13] Landis Weaver, Rosanna, As You Sow, "The 100 Most Overpaid CEOs: Are Fund Managers Asleep at the Wheel?" at https://www.asyousow.org/report/the-100-most-overpaid-ceos-2018/ It also found that the State Teachers' Retirement System of Ohio voted against those pay packages 35 percent of the time.
[14] Securities & Exchange Commission, "SEC Adopts Rules for Say-on-Pay and Golden Parachute Compensation as Required Under Dodd-Frank Act," at https://www.sec.gov/news/press/2011/2011-25.htm

Appendix

Links to company reports to the SEC (major Ohio employers and Fortune 500 companies)
Abercrombie & Fitch Co.
AK Steel Holding Corp.
Alliance Data Systems Corp.
Amazon
American Electric Power Company, Inc.
American Financial Group
Anthem
AT&T
Berkshire Hathaway, Inc.
Big Lots Inc.
Cedar Fair, L.P.
Charter Communications, Inc.
Cincinnati Bell Inc.
Cincinnati Financial
CVS Health Corporation
Dana
Dollar General Corporation
Fifth Third Bancorp
FirstEnergy Corp.
Ford Motor
General Electric Company
General Motors
Goodyear Tire & Rubber Co.
Home Depot, Inc.
Huntington Bancshares Inc.
J.C. Penney Corporation, Inc.
J.M. Smucker
JPMorgan Chase & Co.
KeyCorp
Kohl's Corporation
Kroger
L Brands, Inc.
Lowe's Companies, Inc.
Macy's Inc.
Marathon Petroleum
Norfolk Southern Corp.
Owens Corning
Owens-Illinois
PNC Financial Services Group, Inc.
Progressive Corporation
Sherwin-Williams
Signet Jewelers Ltd.
Target Corporation
TJX Companies Inc.
TravelCenters of America
United Parcel Service, Inc.
U.S. Bancorp
Verizon
Wal-Mart
Whirlpool Corporation

Policy Matters Ohio

Zach Schiller is research director at Policy Matters Ohio. Abby Kopp is a student at Oberlin College and former Policy Matters Ohio intern.

For funding that made this work possible, we thank the George Gund Foundation and the Ford Foundation.

We also are grateful for assistance and data provided by Jessica Schieder of the Economic Policy Institute.