



Via Email

June 13, 2013

Norm Champ
Director
Division of Investment Management

Lona Nallengara
Acting Director
Division of Corporation Finance

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proxy Advisory Firms

Dear Mr. Champ and Mr. Nallengara:

I am writing on behalf of the Council of Institutional Investors (“CII”), to request that the Divisions of Investment Management and Corporation Finance work together to gather empirical data on the proxy voting practices of investment advisers. Such an initiative would inform the Securities and Exchange Commission’s (“SEC”) review of proxy advisory firms,¹ and provide a factual basis for potential consideration of reforms.

CII is a non-profit association of corporate, public and union employee benefit plans with combined assets in excess of \$3 trillion. CII members are large, long-term shareowners responsible for safeguarding the retirement savings of millions of American workers.

Our suggestion that the SEC conduct a review of investment adviser voting practices was included in our written [statement](#) on the role and responsibilities of proxy advisers, which we submitted to the House Subcommittee on Capital Markets and Government Sponsored Enterprises in conjunction with its June 5 hearing, “[Examining the Market Power and Impact of Proxy Advisory Services](#).” Our statement is included here also as an attachment.

In the U.S. business community, it is widely assumed that institutional investors routinely “outsource” their proxy voting responsibilities to proxy advisory firms. Indeed, at the hearing, a representative of the Society of Corporate Secretaries and Governance Professionals testified that “a significant percentage of investors are indifferent to [proxy] voting and thus outsource their vote.”²

¹ Concept Release on the U.S. Proxy System, July 14, 2010, p. 115, <http://www.sec.gov/rules/concept/2010/34-62495.pdf>.

² Written testimony of Darla C. Stuckey, p. 3, <http://financialservices.house.gov/uploadedfiles/hhrq-113-ba16-wstate-dstuckey-20130605.pdf>.

June 13, 2013
Page 2 of 2

We believe strongly that this is not the case. Our own internal survey of CII's 10 largest voting members, funds with collective assets exceeding \$1.2 trillion, found that all vote based on fund-developed proxy voting guidelines.³ Similarly, the largest U.S. asset managers generally have dedicated staff that specializes in proxy voting, and their own proxy voting guidelines; they do not vote based on the advisory firms' recommendations.

While those are but two examples, we do not believe that there is sufficient empirical evidence supporting the notion that institutional investors are abdicating and outsourcing their voting responsibilities. However, since there is disagreement about this issue, we urge the SEC to get the facts. Specifically, we request that the SEC, as part of its inspection process, gather and publish data on the proxy voting practices of investment advisers.

We would welcome the opportunity to discuss this request with you or your staff in more detail at your convenience. As always, please feel free to contact me directly at 202.261.7098 or ann@cii.org.

Sincerely,

A handwritten signature in blue ink that reads "Ann Yerger". The signature is written in a cursive, flowing style.

Ann Yerger
Executive Director

³ Statement of Ann Yerger, p. 8,
http://www.cii.org/files/publications/misc/06_05_13_cii_proxy_advisor_hearing_submission_ann_yerger.pdf.