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General Comment

Under the proposed rule, pension-fund managers would not be permitted to vote on shareholder proposals unless they had determined that the issue to be voted on was of pecuniary value to the pension fund, i.e., that the passage or defeat of the proposal is likely to have a meaningful effect on the value of the shares to the pension fund. Additionally, the managers would have to conclude that the pension funds holding in the company were large enough to make it likely that voting the shares would have a meaningful effect on the result of the vote.

The rule would also require that any proxy advisory service upon which the pension-fund managers rely in making their voting decisions provide sufficient information to permit a reasonable conclusion that the recommendation is based on the appropriate criterion that is, the demonstrable pecuniary interest of the pension fund. Heretofore, the proxy advisors have had no particular obligation to provide the reasoning for their recommendations, and have not provided much. Under this rule, they would have to justify their conclusions with evidence, and presumably would also have to weigh the evidence that works against their proposal, and explain why they find that evidence insufficiently persuasive. This will add an important frisson of transparency and accountability to what has always been an opaque and in recent years has increasingly appeared to be an inappropriately biased process.

This proposed rule is overdue, so I look forward to your swift action to implement this rule.