

**MEMO# 1030**

March 9, 1989

## DEPARTMENT OF LABOR PROXY PROJECT REPORT

- 1 - March 9, 1989 TO: PENSION MEMBERS NO. 14-89 INVESTMENT ADVISER MEMBERS NO. 21-89 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 20-89 RE: DEPARTMENT OF LABOR PROXY PROJECT REPORT \_\_\_\_\_ As you know, the Department of Labor in 1988 announced the initiation of an enforcement project to monitor how investment managers with control over employee benefit plan assets exercised their fiduciary responsibility under the Employee Retirement Income Security Act (ERISA) in voting the stock owned by the plans whose assets they manage. (See Institute Memorandum to Pension Members No. 32-88, Investment Adviser Members No. 22-88, and Investment Adviser Associate Members No. 22-88, dated May 24, 1988.) This review sought to determine the state of compliance with these fiduciary responsibilities in light of the guidance provided in a letter released by the Department in February 1988. (See Institute Memorandum to Pension Members No. 15-88, Investment Adviser Members No. 9-88, and Investment Adviser Associate Members No. 8-88, dated March 3, 1988.) Attached is a copy of the Department's Proxy Project Report, which describes the results of its review of such voting practices based on responses from 111 investment managers. The report concludes that investment managers have gained an increasing awareness of their responsibilities in this area. For example, a number of investment managers report that they are now incorporating specific language in their management agreements to clearly designate voting responsibility, establishing procedures to monitor receipt of proxy ballots, implementing recordkeeping with respect to proxy votes, and formalizing their policy positions. The report cautions that properly designated investment managers may not, as a general policy, decline to vote proxies, vote only non-controversial proxies, or accept direction from others. In addition, the Department emphasizes the need for proper recordkeeping and documentation with respect to proxy votes in order for the named fiduciary to be able to monitor the activities of the investment manager. - 2 - We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachment

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