

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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October 20, 2010

**Via Email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)**  
**Via U.S. Postal Service**

Ms. Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: File Number S7-14-10 (Concept Release on the U.S. Proxy System)**

Dear Secretary Murphy:

Teamster-Affiliated Pension and Benefit funds have approximately \$100 billion invested in the capital markets representing the retirement security of roughly 1.4 million active and 500,000 retired members of the International Brotherhood of Teamsters ("Teamsters"). In addition, many Teamster members and retirees are directly invested in the capital markets through personal accounts or through employee stock ownership programs. In order to ensure that the proxy voting system works efficiently and accurately and promotes broad shareholder participation, I welcome the opportunity to submit the following comments on the Securities and Exchange Commission's (SEC) Concept Release on the U.S. Proxy System, Release No. 34-62495, File Number S7-14-10.

In the wake of a financial crisis that destroyed trillions of dollars in shareholder value and shook investor confidence in corporate governance and the capital markets, the SEC's review of the U.S. proxy system is important and timely. Though we appreciate and welcome this review process, we also caution the SEC from changing systems in place that provide efficiency, accuracy and transparency for proxy voting.

**Protecting Investor Interests in Proxy Voting:**

**Maintaining an Efficient, Accurate and Independent Proxy Voting System—**

Broadridge Financial Solutions (“Broadridge”), a third party, independent intermediary between corporate issuers and beneficial shareholders has helped ensure the accuracy and integrity of the proxy voting process. Because most votes are cast through Broadridge, there are fewer opportunities for vote tampering. Any changes to the existing system should include safeguards to guarantee that shareholder votes are accurately and faithfully tabulated.

We believe the current regulation of fees for the distribution of proxy materials by the New York Stock Exchange under Rule 465 that is approved by the SEC is both appropriate and important. Fee regulation allows shareholders to distribute proxy materials to investors on a level playing field with corporate management. Furthermore, the centralization of proxy material distribution to beneficial shareholders has created efficiencies that are sure to be lost if the system is decentralized.

**Protecting Investor Privacy—**

We believe it is important that the SEC include safeguards to protect investor privacy interests when considering changes to the current system. Even though many issuers have not adopted confidential voting policies, the current system allows anonymous proxy votes which we believe is an important safeguard against intrusive proxy solicitation efforts when beneficial owners cast votes against management recommendations. We would, therefore, support the use of an anonymous, unique identification code as a way to protect voter privacy while allowing for the confirmation of votes. It is critical, however, that investors have equal access to vote confirmations to ensure that the vote results were not tampered with.

The SEC, since 1985, has required securities firms and banks to provide companies, at their request, contact information for beneficial owners who do not object to being contacted directly by companies. These shareholders are often referred to as non-objecting beneficial owners (“NOBOs”). Objecting beneficial owners (“OBOs”), however, may only be contacted by companies through an intermediary. Many investors prefer OBO status in order to protect their privacy. We believe that eliminating NOBO/OBO rules may impose costs to investors

including pension funds that want to maintain their anonymity from corporate issuers.

### **Improving Communication; Participation and Transparency—**

Though we appreciate the benefits of electronic “notice and access” communications from corporations to investors that have replaced paper proxy statements and ballots, we are concerned by the impact on retail investors’ participation in proxy voting. Because many retail investors are unable or unwilling to obtain electronic proxy materials we believe the choice for electronic notification should be up to the shareholder, not the issuer. We strongly believe that the e-proxy rules should not permit shareholders to vote before they have received a proxy statement. Shareholders must be provided with proxy statements before voting in order to make informed and responsible decisions. For this reason, we oppose any change that would separate proxy ballots from the proxy statements.

In addition to other critical information, proxy statements provide information to shareholders about voting instructions and meeting attendance. We believe issuers should be required to clearly identify documentation requirements for shareholders and their proxies to attend meetings. Providing sample language or documentation within the proxy statement could help avoid problems at annual meetings, as reportedly happened at Chevron’s 2010 annual meeting, where legitimate shareholders or their designated representatives were turned away at the door. Though issuers encourage voting prior to the annual meeting, they should not let that discourage participation by investors or their designated representatives to attend meetings. Rather issuers should allow investors who have already voted to send their designated representative to the meeting. It is the only day in the year that investors have an opportunity to meet directly with top management and their representatives on the board of directors. Because scheduling conflicts and traveling expenses may prevent some shareholders from attending a particular meeting, they certainly should be able to send a representative, with proper identification and documentation, to the meeting on their behalf.

Investor education is critical to encouraging retail investor participation in proxy voting. Any rule change to permit banks and brokerages to vote on behalf of retail investors using advance voting instructions (known as “client directed voting”) must provide safeguards to protect the voting preferences of shareholders. For client directed voting to be informed and democratic, retail investors should be provided independent research to help establish thoughtful voting instructions, as

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well as an independent agent to apply voting instructions to individual votes. A simplistic approach to client directed voting cannot respond to the evolving corporate governance issues that shareholders are asked to vote on. Any rulemaking must address these issues to prevent a return to bank and broker voting of their clients' uninstructed shares.

Many institutional investors receive research and recommendations on proxy votes from proxy advisory firms. To address any potential conflicts of interest between the advisory firms and the corporate issuers, we believe that proxy advisory firms should disclose to their clients when corporate issuers are also clients of the firms' consulting services.

**Conclusion—**

In closing, the Teamsters Union welcomes the re-examination of the mechanics of the U.S. proxy system, and I appreciate the opportunity to comment on the many related issues the SEC is reviewing.

If I can be of further assistance, please do not hesitate to contact me at (202) 624-8100 or [czelenko@teamster.org](mailto:czelenko@teamster.org).

Thank you again for the opportunity to present our views on this important matter.

Sincerely,



Carin Zelenko, Director  
Capital Strategies Department

CZ/mj