

Secretary Eugene Scalia
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210
Attention: Proxy Voting and Shareholder Rights NPRM.

Re: Proposed Rule on Fiduciary Duties Regarding Proxy Voting and Shareholder Rights
RIN 1210-AB91

Dear Secretary Scalia:

I wholeheartedly support proposed Rule Number 1210-AB91 clarifying and reining in proxy voting as it pertains to Employee Retirement Income Security Act (ERISA) fiduciaries and proxy firms. This proposed rule reaffirms that private pension plans must not sacrifice returns, or accept additional risk, through environmental, social and governance (ESG) investments that are intended to promote a social or political end, and must justify financially with transparency the use of any proxy advisory firms.

By law, the foremost goal of an ERISA-managed fund is to maximize returns for private pension funds and only pecuniary factors must be considered when picking investments. Historical data shows that waging ESG-related proxy battles does not enhance shareholder value, thus making it contrary to good stewardship of a private pension fund. This proposed rule is timely and intended to address this egregious temptation by fiduciaries to join hostile political movements to demand change, regardless of consequences to the economic wellbeing of the nation's retirement pensions.

This rule further states that fund fiduciaries must not vote in circumstances where plan assets would be expended on shareholder engagement activities that do not have a positive economic impact on the plan, whether by themselves or after the costs of engagement are taken into account. The rule further clarifies that ESG-driven decisions are considered unrelated objectives and are prohibited. This proxy rule would also require documentation and proof that this vote had an economic benefit to the fund and the pensioners it represents.

This ruling in effect ensures and stipulates that ERISA plans are not required to vote on proxy questions. If they do choose to do so they must determine, prove and document that the matter being voted upon would have an economic impact on the plan only after taking into account, the actual costs involved to hold the proxy vote. These new rules will apply to plan fiduciaries, investment advisors and proxy advisors. Therefore, fiduciaries must be prepared to articulate the anticipated economic benefit or proxy-vote decisions in the event they decide to vote and maintain these records along with demonstration of the basis of each vote.

I support each of these principles in the latest proposed rule.

This rule, in short, strikes at the power of the proxy advisory firms that have a history of allowing plan assets to be used to support or pursue proxy proposals for environmental, social, or public policy agendas that have no connection to increasing the value of investments used for the payment of benefits or plan administrative expenses and may have a detrimental effect by being costlier. This undermines the purpose of the private pension fund to benefit pensioners.

I believe it is incumbent upon DOL to require strict validation by investment professionals that proves beyond a reasonable doubt that the proxy vote has a positive economic impact as it does for ESG-related investments.

Unfortunately, third party proxy advisors may not always be impartial, or rigorous in adhering to ERISA guidelines and fiduciary duties, or fully transparent. Although fund managers may still hire proxy advisors, those advisors must adhere and abide by the same standards of not recommending votes that have no pecuniary objectives. Conflicts arise further if a proxy firm also happens to consult with the corporations whose proxy votes they happen to be evaluating. Special due diligence is then required by the fiduciary managers.

Robo-voting continues to be a serious issue that denies pensioners transparency. This ruling, unfortunately, does not prohibit robo-voting and I would advocate restricting or reforming the practice to dissuade future abuses of the mandates set forth in ERISA for private pension funds. This practice is nefarious as it allows the proxy advisory firm to use its electronic voting system that 'pre-populates' the adviser's proxies with questionable votes that may not pertain to pecuniary benefit for the fund. It may be better to prohibit robo-voting entirely.

Maximizing returns and retirement savings should be the sole focus of pension fiduciaries and frankly, I see no merit in hiring proxy firms which demand frivolous votes for political issues that have nothing to do with growing of the funds which may be at risk. Full disclosure of the cost of proxy advisors would also go a long way in dissuading pension fiduciaries from engaging these services that may sacrifice returns for environmental, social or political gain which has nothing to do with returns on investment for retirement plans.

As a former Arizona State Senator, I helped oversee the Arizona State Retirement System (ASRS) when I sat on the Finance Committee. For over 50 years, the ASRS has provided retirement security to Arizona's public employees – including teachers, municipal workers and other government employees – and serves more than half a million members, including more than 100,000 retired members. Ensuring that we could continue to fulfill the promises we made to these civil servants and government employees and being held responsible for their financial future has underscored to me the importance of getting pension investments right.

This DOL proposed rule is necessary to enforce and secure investment decisions by fund managers pertaining to ERISA governed pension funds and it should be passed and adopted with improvements solely focusing on enhancing and maximizing returns. Political issues of the day should never pass into the field of investments or contractual duties of fiduciaries whose

sole mandate is to maximize returns to their investor's retirement pension funds that should be deemed sacred.

Sincerely,

Lori Klein

Arizona State Senator, District 6 (2011-2013)

Former Member, Appropriations Committee, Chairman of the Subcommittee on Health and Welfare and Finance Committee