



Bricklayers & Trowel Trades International Pension Fund

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October 1, 2020

VIA ELECTRONIC FILING

Mr. Joe Canary, Director
Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Re: RIN 1210-AB91, *Proxy Voting and Shareholder Rights NPRM* proposed rule

Dear Director Canary:

The Board of Trustees (“Trustees”) of the Bricklayers and Trowel Trades International Pension Fund (“IPF” or “Fund”) writes on behalf of over \$1.4 Billion in retirement assets for over 80,000 plan participants. The IPF is a jointly-trusteed, tax-qualified multiemployer trust maintained pursuant to ERISA and the Internal Revenue Code. The Trustees appreciate the opportunity to comment on the Department of Labor Employee Benefits Security Administration’s proposed rule, Proxy Voting and Shareholder Rights NPRM, Regulatory Identifier Number (RIN) number 1210-AB91 (“Proposed Rule”).

We urge the Department to withdraw or rework the Proposed Rule as it would increase costs to our plan for no benefit. Currently, the IPF incurs minimal cost to execute its proxy votes in a way that it believes will best protect the interests of our participants and beneficiaries. The Proposed Rule would require our fund to conduct a cost-benefit analysis prior to voting, an exercise which the Department’s acknowledges would likely by itself render a vote too expensive to cast.

The Department offers three permitted practices to obviate the need for individual cost-benefit analysis on proxy votes. However, the Trustees are concerned that the permitted practices may violate their fiduciary duty under ERISA. The first permitted practice to vote with management’s recommendation seems counter intuitive. Why would a company’s management seek investor input if the investors follow management’s recommendation? Our market is set up to provide investor rights as a means to hold stock issuers accountable to stock owners. We do not need to look too deeply into corporate scandals to know corporate managers are capable of poor judgement and often have their own conflicts of interest. We also view complete deference to management’s view to be a form of robo-voting that would be inconsistent with our proxy voting policy.

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The second permitted practice sets out that funds need only vote on specific items such as corporate events, repurchases of shares, issuances of additional securities with dilutive effects on shareholders or contested/elections for directors. Again, we are concerned that this approach would cause us to violate the fiduciary duties of prudence and loyalty. Issues such as the alignment of executive pay with shareholder interests, whether the board is sufficiently independent of management, and whether auditors are being paid consulting fees at a level that may pose a conflict of interest are material inputs to company performance. We are well aware that we may abstain from voting where the cost of voting is excessive. Examining each proxy item to determine whether it merits a vote under the second permitted practice is an overly costly process with no clear benefit to our plan participants.

The third permitted practice to refrain from voting proposals when the plan's holdings of the issuer relative to the plan's total investment assets is below quantitative thresholds is likely to mean we would never vote. The Department suggested a threshold of five percent ownership of the company or where the company represented five percent of plan holdings. The IPF is among the vast majority of asset owners who would rarely meet this threshold. We are concerned this would lead to a near dominance of voting among the largest passive investment management firms, should non-ERISA funds also follow the guidance under this proposal. This permitted practice would suppress the vote and could create problems for companies seeking to reach quorum on their annual proxy ballot.

The Department reported it is proposing the rule out of concern that some fiduciaries may be acting in ways that increase plan expenses to support proxy proposals on environmental, social or public policy agendas that have no connection to increasing the value of investments. As you know, the subject matter of proxy proposals are highly regulated by the U.S. Securities and Exchange Commission. While we do not support all environmental, social and governance proposals, we do believe the vast majority of proxy votes are material and worth our input.

We urge the Department to withdraw or rework the Proposed Rule. The costs of proxy voting are minimal and, for the IPF, would only increase with adoption of this Proposed Rule. Thank you for your time and consideration. Please contact the Fund Office at (202)383-3935.

Sincerely,

DocuSigned by:

Robert Arnold

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Robert Arnold, Trustee

DocuSigned by:

Matthew Aquiline

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Matthew Aquiline, Trustee