



FUND PROXY VOTING—
CHALLENGES,
COSTS, AND PATHWAYS TO
MODERNIZATION

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Why Fund Proxy Campaigns are Unique

- Funds have large and heavily retail shareholder bases
 - In 2025, more than 125 million retail investors held fund shares
 - Retail investors accounted for 88% of mutual fund assets and 94% of long-term mutual fund (i.e., non-money market fund) assets
- Fund ownership is highly intermediated, making communication challenging and costly; and when reached, investors are increasingly wary
- Proxy participation by retail investors has historically hovered around 30%, vs. 80% for institutional investors

Challenges of Conducting Efficient Fund Proxy Campaigns

- High retail ownership, low retail participation, and communication challenges make it difficult for funds to conduct efficient campaigns
- This often leads to lengthy and expensive campaigns
 - Multiple rounds of solicitation (paper, emails, phone calls, texts)
 - Meeting adjournments
 - In some cases, failed efforts (usually due to quorum)
- Challenges are compounded where a “1940 Act Majority Vote”—with its higher quorum requirement—is needed

“1940 Act Majority Vote” Definition

- Under the 1940 Act, certain items must be approved by the vote of a majority of the outstanding voting securities of a fund (a “1940 Act Majority Vote”)
- A 1940 Act Majority Vote means the vote, at a shareholder meeting, of:
 - (1) 67% or more of the voting securities present at such meeting, ***if the holders of more than 50% of the outstanding voting securities of such fund are present or represented by proxy***; or
 - (2) more than 50% of the outstanding voting securities of such fund, whichever is less

Voting Requirements under the 1940 Act

- A 1940 Act Majority Vote is required for:
 - Changes to fundamental investment policies
 - Investment advisory agreements and sub-advisory agreements
 - Underwriting agreements
 - Rule 12b-1 plans
 - Mergers of affiliated funds
- Less demanding voting requirements generally apply to director elections and auditor votes

How Fund Shareholders Vote

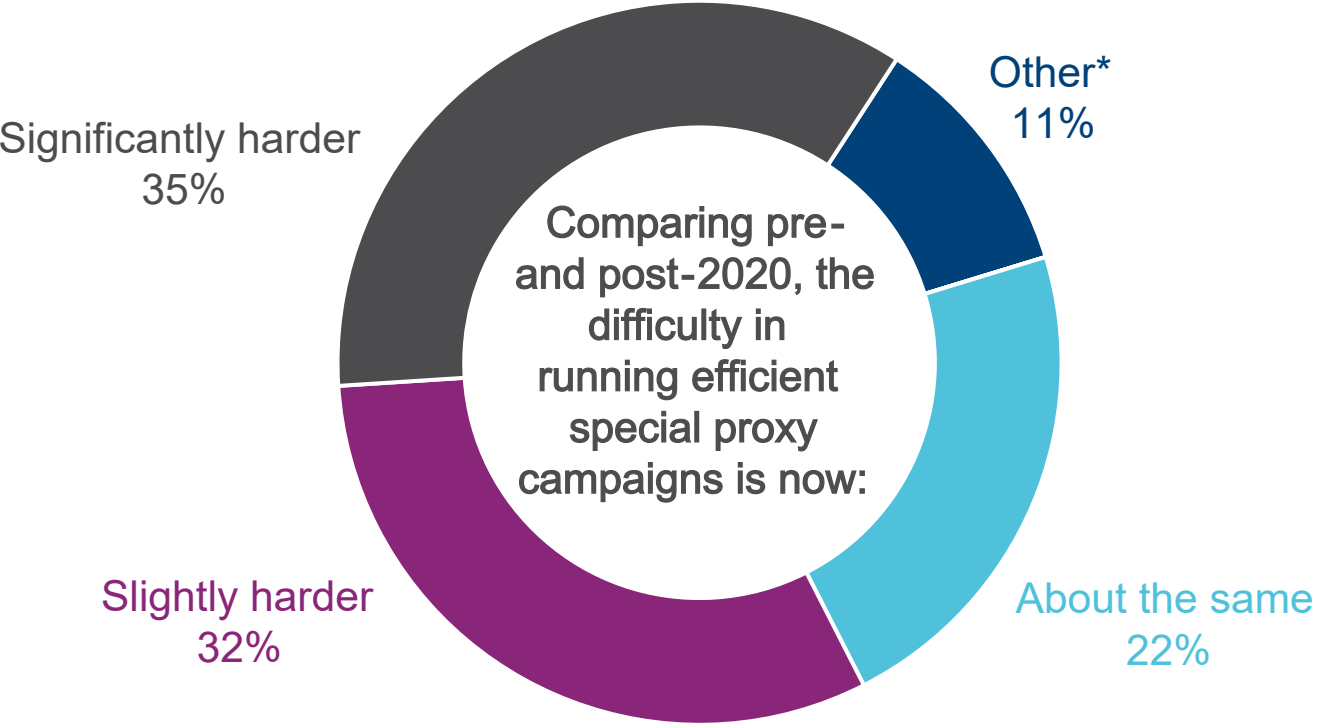
- Voting shareholders strongly favor 1940 Act Majority Items by wide margins
 - 2025 survey results (“diversified-to-non-diversified” policy changes): An average of 85% of shares at meetings voted “for;” excluding abstentions and broker non-votes, the % “for” was 92%
 - 2019 survey results (broad and larger sample of proposals): An average of 85% of shares at meetings voted “for;” excluding abstentions and broker non-votes, the % “for” was 94%

Cost of the Fund Proxy Process

- Total costs for fund proxy campaigns since 2020 have ranged from \$675 million to \$1.14 billion
 - Six campaigns each cost \$25 million or more
 - The most expensive campaign cost \$111 million
- In the last 20 years, three fund campaigns have exceeded \$100 million (one would be \$207 million in today's dollars)
- Follow-up solicitation costs are estimated to range between 42 and 61% of total costs (2019 analysis of 1940 Act Majority Items)
- Fund proxy reform would significantly reduce these costs

Conducting Special Proxy Campaigns Has Become Harder Since 2020

Percentage of survey participant responses



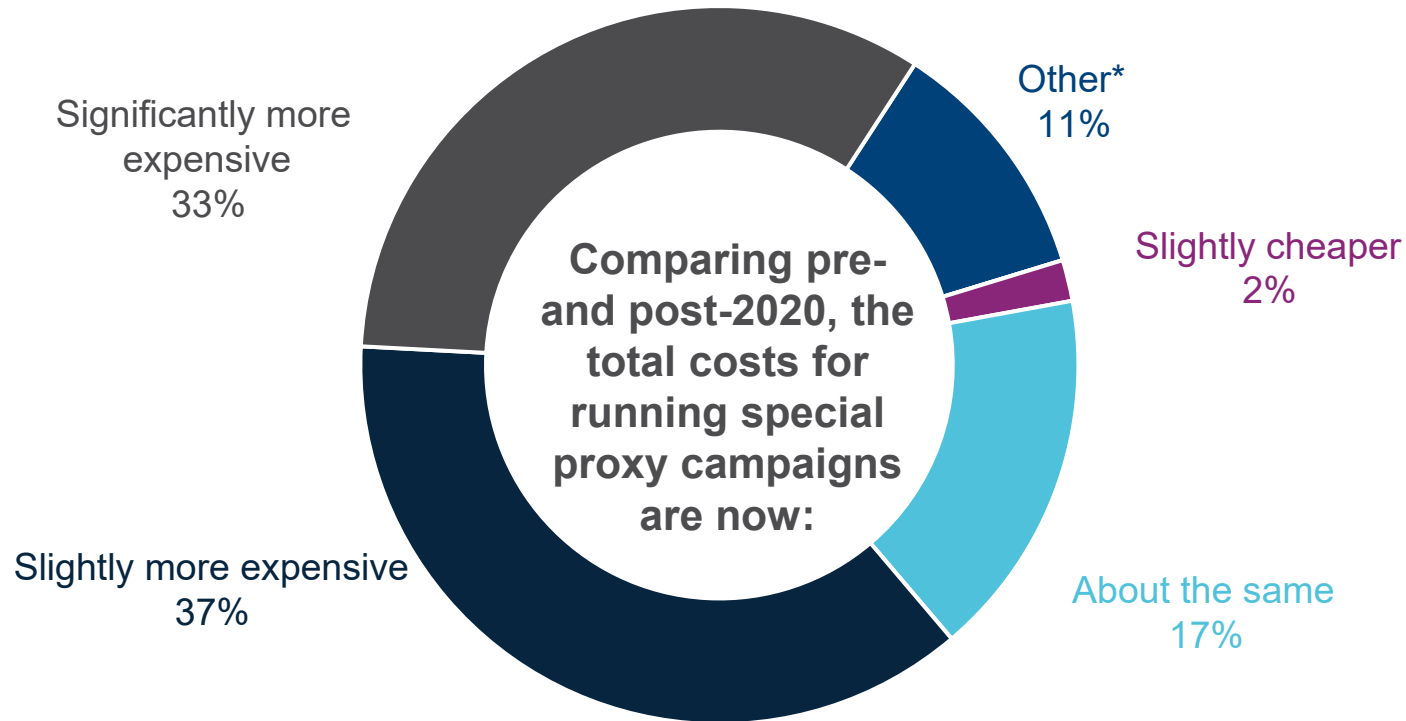
No survey participant indicated that special campaigns had become “s lightly” or “s ignificantly” easier.

8 *Three survey participants indicated they had no campaigns before 2020 on which to base a comparison. Two indicated that the comparison is too difficult because the campaigns before and after 2020 differed in complexity. One indicated that the campaigns differed in difficulty between “about the same” and “significantly harder.”



Special Proxy Campaigns Have Become More Expensive Since 2020

Percentage of survey participant responses



No survey participant indicated that special campaigns had become “significantly” cheaper.

9 *Three survey participants indicated they had no campaigns before 2020 on which to compare (though one indicated that itemized costs increased in 2021 compared to 2020). One noted its pre-2020 campaign was more expensive because of automation. One indicated that the comparison is too difficult because the campaigns before and after 2020 differed in complexity. One indicated that its campaigns differed in cost between “about the same” and “significantly more expensive.”

ICI's Recommendations for Improving the Fund Proxy Process

- Create an additional way to approve 1940 Act Majority Items—combine a lower quorum (greater than 33⅓%) with a higher affirmative vote percentage (at least 75%)
- Remove the voting requirement for certain items (e.g., fundamental policy changes) and replace it with board approval and advance shareholder notice
- Permit fund boards to appoint a greater number of new independent directors without a shareholder vote
- Permit funds to adopt retail voting programs similar to Exxon's
- Revise processing fees and shareholder communication rules to permit funds to directly contact shareholders and pick vendors
- Streamline proxy statement disclosure (e.g., by allowing linking)



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