



Asset Management

Variable Portfolio Proxy Campaigns

How proactive planning can help you more efficiently manage your next proxy campaign with annuity contract holders.

Mutual fund companies with variable annuity portfolio products held by annuity providers face unique challenges during a proxy event. Annuities are insurance products that guarantee a specified level of income to contract holders (i.e. investors). In many cases, contract holders may select investments (usually mutual funds) as part of their annuity portfolio. These investments assign proxy vote authority in a similar manner to other investment accounts.

Various mechanisms such as “echo voting” usually ensure quorum; however, funds are still required to distribute (and tabulate) proxy material to all underlying annuity contract holders with vote entitlement. Echo voting is a process in which a designee (e.g. annuity provider) votes outstanding unvoted shares proportionately aligned with votes returned from other contract holders. Because funds must engage all contract holders across many insurance companies, time constraints, data visibility issues and lack of communication may impede an efficient process.

A successful proxy distribution requires meticulous planning and coordination. Toward that end, this article contains an overview of the process for managing distribution with annuity providers and their contract holders. Understanding the process can help clarify available options—and illuminate ways to more effectively prepare you for your next proxy.

COORDINATE DATA PROCUREMENT

Mutual funds must obtain contact information for all annuity contract holders with vote authority as of the proxy record date. All annuity providers will send a data file, also referred to as a pass-thru file, which contains detailed information regarding the contract holders. Disparate legacy systems at various annuity companies means recordkeeping and related data file practices vary widely across the industry.

It’s important to be proactive and allow plenty of time between record date and mail date. It will be necessary to reach out to annuity providers well in advance in case of delays in providing data pass-thru files.

PERFORM DATA RECONCILIATION

Acquiring pass-thru files is only the beginning. Next, you’ll need to have the data consolidated, reconciled and standardized so it’s useable for your proxy distribution. Shares held at the fund’s recordkeeper are the baseline so pass-thru data should closely align to the baseline for each position held in a CUSIP.



Since data formats vary so widely, data standardization is a significant part of the proxy distribution process. Without cleansed data, there is a risk of sending unnecessary additional account mailings, which increases cost and results in processing inefficiencies. This can add to the complexity of tracking, reconciling and tabulating votes.

PRESERVE VOTE INTEGRITY

Finally, you need to process and tabulate votes as they are returned. Like any other proxy distribution contract holders are typically entitled to one vote per share. In many cases, annuity providers are also given vote authority through echo voting. Depending on contract stipulations, echo voting practices can vary by campaign and may at times require different voting thresholds. Proxy vote tabulation requires tracking all the various account types and echo vote return thresholds, as well as all direct votes from individual contract holders, who elect to participate.

TALK TO BROADRIDGE

It's critical to find a proxy partner who can easily manage complex distributions and tabulation processes. And that starts with superior data reconciliation and management. Because Broadridge manages more than four billion shareholder communications annually, we execute proven best practices that help expedite distribution and maximize vote integrity. From start to finish, we'll work side by side to help you achieve the outcome you expect.

Broadridge, a global Fintech leader with over \$4 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and analytics. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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Manage your next proxy with total confidence.

- Let us help you plan an effective proxy distribution with annuity contract holders.
- Tap into our expansive industry relationships to acquire shareholder data more quickly.
- Rely on our sophisticated data reconciliation and standardization processes.
- Take advantage of our vote tabulation solution to ensure vote integrity.
- View detailed vote tabulation reporting that helps you understand outcomes.

For more insights into how you can prepare for your next Variable Portfolio proxy, contact the contributors to this article:

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