



May 25, 2012

VIA E-MAIL

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Dear Sir:

Re: Ontario Securities Commission– 2012-2013 Statement of Priorities

Thank you for the opportunity to provide comments to the Ontario Securities Commission (the "OSC") in response to the OSC's 2012-2013 Statement of Priorities released in draft for comment on March 30, 2012 (the "Draft Statement of Priorities").

Alberta Investment Management Corporation (AIMCo) is one of Canada's largest and most diversified institutional investment fund managers, with an investment portfolio of approximately \$71 billion. We invest globally on behalf of our clients, 26 pension, endowment and government funds in the Province of Alberta.

AIMCo became a Crown corporation on January 1, 2008, and its sole shareholder is the Province of Alberta. AIMCo manages funds for a diverse group of Alberta public sector clients. We create portfolios that reflect the clients' chosen risk and return profiles. The majority of AIMCo's assets under management come from Alberta public sector pension plans and provincial endowment funds. Collectively known as AIMCo's Balanced Funds, these clients are primarily invested in equities, bonds and inflation sensitive products. Other assets, managed for the Government of Alberta, are generally invested in money market and short-term bonds.

The pension funds meet the retirement income needs of nearly 300,000 active and retired public sector employees. In 2009, these funds paid out nearly \$1.3 billion in pension payments, refunds and transfers to other plans. The government funds we manage are used for Albertans' priorities such as health care, education, infrastructure and social programs.

We would like to comment in particular on one section of the Draft Statement of Priorities set out under Goal #1 – Deliver Responsive Regulation. That section reads in part as follows:

- *Improve the proxy voting system by:*
 - *conducting an empirical analysis to review concerns raised about the accountability, transparency and efficiency of the voting system*
 - *facilitating discussions amongst market participants on improving the functioning of the proxy system, taking into account the needs and concerns of retail investors, and*

- *working with the CSA to review the role of proxy advisers in our capital markets by soliciting feedback from issuers, investors and other market participants*

In our view, improvements to the proxy voting system are long overdue and are critical to the credibility of shareholders' votes. We would therefore like to respond to each of the points set out above.

- We agree that the OSC (or the Canadian Securities Administrators (the CSA)) should conduct an empirical review of the system. We emphasize that this review must be an independent review. By that we mean that the party conducting the review must be independent of the third party service providers who operate the proxy voting system. We are concerned that securities regulatory authorities have been too dependent on these third party service providers for information about the operation of the proxy voting system and the problems that may exist. While each of these providers makes a significant contribution to the operation of the system, they are also heavily invested in the current model and in any changes that might be made to that model. The OSC must understand the issues that may exist without regard to the agendas of those whose business is dependent on the system. An independent review will require a significant expenditure of funds, but without such a review we do not believe that the OSC will be in a position to evaluate the integrity of the system.
- While we acknowledge that facilitating discussions amongst market participants is always worthwhile, we think the OSC's time would be better used on the independent evaluation of the system. Moreover, one of the most important third party service providers in the system (Broadridge) is not a market participant. The OSC and the CSA have included the various service providers in working groups and consultation sessions relating to the proxy voting system over the years. Repeating this exercise at this point would not be the best use of OSC staff's time. Moreover, there are private sector initiatives currently underway that are seeking to facilitate these same discussions.
- We are not concerned about the role of proxy advisers. They provide a number of valuable services. While their voting recommendations may be a matter of interest to us, we evaluate matters on which we are entitled to vote carefully and cast our votes as we consider appropriate.

In summary, we believe that an independent systemic review is the most valuable contribution the OSC could make to improve the proxy voting system, and only the OSC (or the CSA) have the authority to conduct a review that will be credible for everyone with an interest in the integrity of system.

Moreover, this review will allow the OSC or CSA to address the other two issues which we believe should be short term priorities. The first is ensuring that the lists of beneficial holders entitled to vote at a meeting that are submitted by intermediaries in response to a notice of record date must be fully reconciled so that only one person may provide voting instructions with respect to each share. The other is ensuring that beneficial holders must receive confirmation from the issuer (through intermediaries as appropriate) that their voting instructions have been received and recorded at the meeting.

Thank you again for this opportunity to comment on the Draft Statement of Priorities. Should you have any questions, please contact Darren Baccus by telephone at (780) 392 - 3631 or by email at darren.baccus@aimco.alberta.ca.

Yours sincerely,



Darren Baccus