2004

AFL-CIO Key Votes Survey: How Investment Managers Voted in the 2004 Proxy Season

AFL-CIO Office of Investment

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Abstract

[Excerpt] Like other investment management decisions, pension funds generally delegate the authority to vote their shares to a money manager or a specialized proxy voting consultant. Because proxies are a plan asset, ensuring that they are voted in the interests of beneficiaries is part of a trustee's fiduciary duty. The *Key Votes Survey* is intended to help trustees fulfill this duty by reviewing the voting records of these investment managers and proxy consultants.

Keywords

AFL-CIO, investment, proxy, vote, consultants

Comments

Suggested Citation

AFL-CIO Office of Investment. (2004). *AFL-CIO key votes survey: How investment managers voted in the 2004 proxy season* [Electronic version]. Washington, DC: Author.
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AFL-CIO KEY VOTES SURVEY

How Investment Managers Voted in the 2004 Proxy Season

AFL-CIO Office of Investment
815 16th Street NW
Washington, DC 20006
202-637-3900
www.aflcio.org/proxyvotes

2004 AFL-CIO Key Votes Survey

Introduction

Since 1997, the AFL-CIO's *Key Votes Survey* has helped pension fund trustees fulfill their fiduciary obligations to monitor their investment managers' performance as it relates to proxy voting. Now more than ever, proxy voting is a critical fiduciary duty. As the scandals at Enron, Worldcom, Tyco, and other alleged corporate wrongdoers have shown, good corporate governance matters to shareholders. Proxy voting is the most direct means for shareholders to exercise oversight over the corporations they own. As investor attention to corporate governance has grown, many of the shareholder resolutions included in the *Key Votes Survey* have received higher levels of shareholder support. For example, a majority of shareholders approved AFL-CIO Key Votes at American Electric Power on golden parachutes, Delta Air Lines on executive pensions, Hilton Hotels on board independence, Intel and Raytheon on stock option expensing, and United Technologies on performance-based stock options.

Once a year, every public corporation holds a shareholder meeting at which the critical decisions shaping each company's governance are made—decisions such as who will serve on the board of directors, how the CEO will be paid, and what general policies the shareholders will recommend to the company's board. The *Key Votes Survey* is a record of how investment managers and proxy voting consultants voted the shares they manage on behalf of worker funds on key issues at these meetings during the proxy season.

In 1988 the U.S. Department of Labor advised pension fund trustees that under the Employee Retirement Income Security Act ("ERISA"), the voting rights attached to company stock are "plan assets" that must be managed according to ERISA fiduciary standards. The Department of Labor's Interpretative Bulletin 94-2 requires investment managers to "maintain accurate records as to proxy voting" and permit trustees to "review the actions taken in individual proxy voting situations."

Like other investment management decisions, pension funds generally delegate the authority to vote their shares to a money manager or a specialized proxy voting consultant. Because proxies are a plan asset, ensuring that they are voted in the interests of beneficiaries is part of a trustee's fiduciary duty. The *Key Votes Survey* is intended to help trustees fulfill this duty by reviewing the voting records of these investment managers and proxy consultants.

The proposals included in the *Key Votes Survey* are submitted by a variety of union sponsored and public pension funds, employee shareholders and other investors and are consistent with the *AFL-CIO Proxy Voting Guidelines*. These proposals represent a worker-owner view of value that emphasizes management accountability and good corporate governance. Percentage scores and tier groups are assigned to each firm to assist trustees in evaluating the relative proxy voting performance of competing investment managers.

The 2004 Proxy Season

The SEC's proposal allowing shareholders to nominate their own director candidates through equal access to the proxy helped set the tone for 2004. As a result, many companies appeared more willing to address shareholder concerns to forestall high director no-votes that might trigger proxy access.

The 2004 proxy season saw an unprecedented number of "vote-no" campaigns targeted at directors of companies that under-performed and have poor corporate governance. In total, more than 450 directors received withhold votes in excess of 15 percent.

Notably, a large number of shareholders withheld votes from acting CEOs, including Disney's Michael Eisner and Safeway's Steven Burd. These vote-no campaigns helped prompt needed corporate governance reforms. For example, Safeway removed three conflicted directors from its Board, named an independent lead director, and acted on three majority-vote proposals that Safeway had previously ignored.

Union-sponsored funds once again took the lead in promoting corporate governance reforms through shareholder resolutions. Union-sponsored funds submitted 43 percent of all the corporate governance proposals that were voted on in 2004. In total, 136 shareholder proposals received majority votes.

Many of these shareholder proposals focused on executive compensation issues, which accounted for over 40 percent of all governance proposals. In 2003, the average CEO of a major company received $9.2 million in total compensation.

Over the past decade, stock option compensation has been the single largest component of executive compensation. Significantly, the estimated value of stock option grants to CEOs fell nearly 40 percent in 2003. As in previous years, many shareholder resolutions sought to reform the use of stock options.

Two-dozen stock option expensing shareholder proposals received majority votes, including at Intel, which has been an outspoken opponent of FASB's rulemaking to require option expensing. Other proposals urged the adoption of performance-based equity compensation. For the first time, a proposal to award performance-based options received a majority vote at United Technologies.

Other majority votes included limiting golden parachutes and executive pensions, repealing classified boards, and eliminating supermajority voting provisions. Also for the first time, a resolution seeking a two-thirds independent Board of Directors received a majority vote at Hilton Hotels.

In 2004 the SEC required mutual funds to publicly disclose their proxy votes. This development has greatly enhanced the transparency of the proxy voting process, and increased the possibility of detecting conflicts of interest in how mutual funds vote their proxies. According to this year's *Key Votes Survey*, all of the top ten mutual fund families ended up in the bottom tier.

Survey Methodology

The proposals making up the *Key Votes Survey* are selected from among shareholder proposals submitted to companies by a wide array of Taft-Hartley multi-employer and public employee pension and benefit funds, employee-shareholders and other investors, as well as management nominated directors who are opposed by institutional investors.

Pension fund trustees and consultants surveyed the proxy voting records of investment managers and forwarded the surveys to the AFL-CIO Office of Investment. Survey results are confirmed directly with the participating investment managers. Voting data for each mutual fund family is gathered from the SEC Form NPX for the fund with the largest shareholding for each vote in question.

The resulting data on investment manager voting can assist plan trustees in comparing the corporate governance policies and practices of their service providers. Assessments of particular proposals are based on the *AFL-CIO Proxy Voting Guidelines*.

Each investment manager is given a percentage score arrived at by comparing votes cast with the *AFL-CIO Proxy Voting Guidelines*. A list of the votes included in the *Key Votes Survey* is on page 8. The total number of proposals on which a manager voted depends on the number of companies the manager held. The ratings of managers that held shares of many companies may be more representative of their proxy-voting policies than the ratings of managers that held shares of only a few. Abstentions on shareholder proposals are counted as votes not in accordance with the Proxy Voting Guidelines. A "Withhold" vote for each of director election included in the *Key Votes Survey* is consistent with the *AFL-CIO Proxy Voting Guidelines*.

Each investment manager or consultant was asked to report on the votes they cast for their entire portfolio of assets managed, or for the majority of those assets. Some firms chose to report their Taft-Hartley client votes in addition to their majority of assets. Those scores are listed as an endnote to the report. Managers who refuse to disclose their proxy voting are listed in the bottom tier.

A complete Key Votes Survey voting record for each investment manager can be found on the AFL-CIO's website at http://www.aflcio.org/proxyvotes. A summary of these investment manager scorecards begins on page 8. Managers are first listed alphabetically by name, then by performance tier groups. Managers have been divided into tiers using the following criteria:

- "Top Tier" - Managers who voted on five or more proposals and scored 100 percent.
- "Middle Tier"- Managers who voted on five or more proposals and scored between 50 percent and 100 percent.
- "Bottom Tier" - Managers who voted on five or more proposals and scored below 50 percent, or who refused to disclose their proxy votes.
- "Fewer Than 5 Votes" - Managers who are considered to have an inadequate sample size on which to be ranked, so such managers are not placed in any of the three tiers.

Proposals in Brief

Proposals selected for the *Key Votes Survey* have generally fallen into five broad categories: encouraging greater board independence, reining in excessive executive compensation, promoting sound corporate governance practices, increasing management accountability and advancing a worker-owner view of value. The *AFL-CIO Proxy Voting Guidelines* support independent boards of directors, measures to restrain excessive executive pay and link it to various measures of performance, reforms to increase management accountability, measures that encourage companies to develop the skills and human capital of their workers and mechanisms aimed at promoting disclosure and protecting brand integrity.

It is important to note, however, that these positions should not be applied mechanically. Measures to enhance management accountability, for instance, are more important at companies where management is entrenched and unresponsive. Similarly, measures to restrain executive pay or stock options are more important at companies where executive compensation is excessive. The list of key votes was assembled with attention to both the merits of the proposals and the context at particular companies. Below are descriptions of the types of shareholder proposals listed on the survey this year:

Board Independence

Effective boards must exercise independent judgment, and director conflicts of interest can compromise this fundamental duty. Board independence proposals seek to mitigate conflicts of interest by requiring that at least two-thirds of a corporation's directors be independent. This heightened level of board independence can enhance management accountability to shareholders by providing objective board oversight.

Cumulative Voting

Cumulative voting provides an opportunity for shareholders to place an independent voice on their board. These proposals seek to give proportionate weight to votes by shareholders whose holdings are sufficiently large to elect at least one but not all the directors.

Director "Vote-No" Campaign

Shareholders dissatisfied with the performance of one or more directors—because, for example, the director is insufficiently independent of management, or has participated in board or committee decisions that are not in the best long-term interest of shareholders—may urge other shareholders to withhold support from the under-performing director. Unlike an independent proxy contest, a vote "no" campaign does not propose an alternative board candidate. However, it does communicate shareholder sentiment to directors and to the company's management.

Executive Pensions

Companies often give executives pension credit for years not worked or pay above-market interest on deferred compensation. While shareholders must ultimately pay for these benefits, executive retirement plans are poorly disclosed, rarely understood and almost never put up for a vote. In response, union-sponsored funds have introduced a new type of shareholder proposal seeking shareholder approval of such extraordinary retirement benefit provisions.

Expense Stock Options

The excessive use of stock option grants in CEO pay packages has diluted companies' long-term profitability. Stock option expensing proposals support deducting the estimated cost of stock options from corporate earnings because options are an expense that affects shareholder value. Many companies have recently announced they will voluntarily begin expensing, but others refuse to do so.

Golden Parachutes

Overly generous severance packages, or "golden parachutes," may reward underperformance leading up to the termination of an executive and may reflect a lack of independence on the part of the board of directors. Subjecting such agreements to shareholder approval helps protect the board from manipulation and ensures that severance payments are reasonable and appropriate.

Human Rights

These proposals seek to implement human rights policies at companies that operate in countries with repressive governments. For example, these proposals may urge the company to not use state security forces that have been associated with human rights abuses. Implementing such policies will help the company to protect its reputation and to reduce the risks of adverse publicity, divestment campaigns and lawsuits.

Independent Board Chair

Independent board chair proposals seek to separate the positions of chief executive officer and board chair. The primary purpose of the board of directors is to oversee management on behalf of shareholders. For this reason, an independent director who does not serve as an executive of the company can best provide the necessary leadership and objectivity as chair.

Performance-based Options

Performance-based options link executive compensation more closely to company performance and encourage management to set and achieve challenging performance goals and outperform industry peers. Performance-based stock options include indexed options, which tie the exercise price to a market or peer group index; premium-priced options, in which exercise price exceeds the market price for the company's stock on the date of grant; and contingent-vesting options, which do not become exercisable until the company's stock price hits a specific target.

Labor Rights Standards

These proposals call for the adoption and/or enforcement of principles or codes relating global labor standards, or for further reporting of the issues. Enforcing a global code or policy based on the Fundamental ILO conventions can improve workplace relations, which in turn can increase productivity, improve quality, reduce workplace injuries, limit risk and liabilities associated with lawsuits, improve brand image, and yield other economic benefits.

Limit Tracking Stock Awards

Tracking stock is a special type of stock issued by a publicly held company to track the value of one segment of that company. Granting parent company executives tracking stock equity may create conflicts of interest. In addition, tracking stocks generally offer fewer shareholder rights and reduced accounting transparency. For these reasons, tracking stock awards may be an inappropriate form of compensation for executives of the parent company.

Nondiscrimination Policy

These proposals seek to prevent discrimination on the basis of race, national origin, religion, gender, disability and sexual orientation. Companies that commit to equal employment opportunity bolster their standing with employees and the public and thus their economic well-being.

Performance-Based Pay

The Internal Revenue Code does not allow corporations to deduct more than $1 million in annual compensation for senior executives unless the compensation is performance-based. These proposals seek shareholder approval of executive compensation exceeding this limit.

Reincorporation

The jurisdiction in which a company chooses to incorporate has an impact on the governance rights and legal protections of shareholders. Proposals to reincorporate from one state to another as well as from tax haven countries such as Bermuda to the U.S. are evaluated on the basis of the jurisdictional impact that such a move would have on a company's corporate governance and management accountability.

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2004 Proxy Season AFL-CIO Key Votes

Shareholder Proposals

"For" vote is consistent with the AFL-CIO Proxy Voting Guidelines

Company	Meeting	Item	Proposal Subject
America West Holdings	5/20/04	3	Board Independence
American Electric Power	4/27/04	3	Golden Parachutes
Arden Realty	5/11/04	2	Golden Parachutes
Cintas	10/14/03	7	Labor Rights Standards
Coca-Cola	4/21/04	9	Independent Board Chair
Delta Air Lines	4/23/04	5	Executive Pensions
Dominion Resources	4/23/04	3	Performance-based Pay
Du Pont (E.I.) de Nemours	4/28/04	4	Labor Rights Standards
Entergy	4/23/04	5	Cumulative Voting
Exxon Mobil	5/26/04	10	Adopt Nondiscrimination Policy
Freeport McMoRan C&G	5/6/04	4	Human Rights
Granite Construction	5/24/04	3	Independent Board Chair
Hilton Hotels	5/27/04	6	Board Independence
Intel	5/19/04	4	Stock Option Expensing
Massey Energy	5/18/04	3	Golden Parachutes
Nabors Industries	6/1/04	3	Reincorporation
Raytheon	5/5/04	7	Stock Option Expensing
Sprint	4/20/04	3	Performance-based Options
Tyco International	3/25/04	6	Reincorporation
United Technologies	4/14/04	5	Performance-based Options
Verizon Communications	4/28/04	8	Limit Tracking Stock Awards

Director Elections

"Withhold" vote is consistent with the AFL-CIO Proxy Voting Guidelines

Company	Meeting	Item	Director Nominee
Comcast	5/26/04	1	Brian Roberts
			Decker Anstrom
Safeway	5/20/04	1	Steven Burd
			Robert MacDonnell
			William Tauscher
United Rentals	5/20/04	1	Bradley Jacobs
			John Milne

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Alphabetical Listing of Investment Manager Statistics

1838 Investment Advisors	21 out of 22 = 95.4%
ABN AMRO Asset Management	1 out of 2 = 50%
AIM Mutual Funds	2 out of 18 = 11.1%
Alliance Capital Management	14 out of 28 = 50%
Amalgamated Bank	26 out of 26 = 100%
AmalgaTrust	8 out of 8 = 100%
American Century Mutual Funds	8 out of 19 = 42.1%
American Express Mutual Funds	3 out of 25 = 12%
AmeriServ Trust & Financial Services	11 out of 14 = 78.5%
Amivest	4 out of 4 = 100%
ARK Asset Management	14 out of 14 = 100%
Aronson & Johnson & Ortiz	6 out of 11 = 54.5%
ASB Capital Management	6 out of 6 = 100%
Atalanta Sosnoff Capital	1 out of 1 = 100%
Atlanta Capital Management	4 out of 5 = 80%
Banc One Investment Advisors	12 out of 26 = 46.1%
Bank of New York	18 out of 28 = 64.2%
Barclays Global Investors	8 out of 28 = 28.5%
Barrow Hanley Mewhinney & Strauss	4 out of 8 = 50%
Batterymarch Financial	Refused To Disclose
Bear Stearns Asset Management	10 out of 23 = 43.4%
Becker Capital Management	7 out of 15 = 46.6%
Bernstein Investment Management &	9 out of 20 = 45%
Boston Company Asset Management	6 out of 20 = 30%
Boston Partners Asset Management	5 out of 7 = 71.4%
Boyd Watterson Asset Management	2 out of 2 = 100%
Brandes Investment Partners	Refused To Disclose
Brandywine Asset Management	8 out of 19 = 42.1%
Cadence Capital Management	3 out of 4 = 75%
Cambiar Investors	1 out of 3 = 33.3%
Campbell Newman Asset Management	1 out of 1 = 100%
Capital Guardian Trust Company	Refused To Disclose
Capital Research Mutual Funds	5 out of 20 = 25%

Alphabetical Listing of Investment Manager Statistics

Carret Capital	7 out of 7 = 100%
Credit Suisse Asset Management	Refused To Disclose
Chartwell Investment Partners	11 out of 11 = 100%
Chicago Asset Management	5 out of 5 = 100%
Chicago Equity Partners	12 out of 12 = 100%
Citigroup Asset Management	9 out of 28 = 32.1%
Colony Capital Management	5 out of 5 = 100%
Columbia Management	11 out of 19 = 57.8%
Columbia Partners Investment	13 out of 13 = 100%
Columbus Circle Investors	2 out of 2 = 100%
Comerica Bank	17 out of 28 = 60.7%
Congress Asset Management	3 out of 3 = 100%
Cooke & Bieler	12 out of 12 = 100%
Davis Hamilton Jackson & Associates	4 out of 4 = 100%
Dearborn Partners	28 out of 28 = 100%
Delaware Investments	17 out of 24 = 70.8%
Denver Investment Advisors	5 out of 13 = 38.4%
DèPrince, Race & Zollo	4 out of 4 = 100%
Deutsche Asset Management	10 out of 26 = 38.4%
Dimensional Fund Advisors	2 out of 28 = 7.1%
Dodge & Cox	1 out of 3 = 33.3%
Domini Social Investments	7 out of 12 = 58.3%
Duff & Phelps Investment Management	9 out of 14 = 64.2%
Evergreen Investments	13 out of 28 = 46.4%
Ferguson Wellman Capital	11 out of 17 = 64.7%
Fidelity Investments	0 out of 28 = 0%
Fiduciary Management Associates	7 out of 7 = 100%
Fifth Third Asset Management	15 out of 28 = 53.5%
Fifth Third Bank	15 out of 28 = 53.5%
Financial Consulting Group	26 out of 26 = 100%
Financial Counselors	5 out of 10 = 50%
Fox Asset Management	1 out of 17 = 5.8%
Franklin-Templeton Mutual Funds	12 out of 22 = 54.5%
Freedom Capital Management	9 out of 9 = 100%

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Alphabetical Listing of Investment Manager Statistics

Gartmore Global Investments	9 out of 19 = 47.3%
Gartmore Separate Accounts	1 out of 1 = 100%
Glass, Lewis	19 out of 28 = 67.8%
Globalt Investments	6 out of 6 = 100%
Goldman Sachs Asset Management	12 out of 26 = 46.1%
Great Lakes Advisors	6 out of 9 = 66.6%
Harbor Capital Management	12 out of 12 = 100%
Harris Investment Management	7 out of 23 = 30.4%
HGK Asset Management	9 out of 9 = 100%
ICC Capital	9 out of 9 = 100%
ING Investment Management	24 out of 26 = 92.3%
Institutional Capital	1 out of 6 = 16.6%
Institutional Shareholder Services	13 out of 28 = 46.4%
INTECH	22 out of 22 = 100%
INVESCO	16 out of 27 = 59.2%
J. & W. Seligman	14 out of 20 = 70%
Janus Capital Management	1 out of 7 = 14.2%
JMR Financial	26 out of 26 = 100%
JPMorgan Fleming	12 out of 28 = 42.8%
Killian Asset Management	4 out of 4 = 100%
Lazard Asset Management	13 out of 15 = 86.6%
Loomis, Sayles	11 out of 20 = 55%
Lord Abbett	2 out of 8 = 25%
LSV Asset Management	7 out of 18 = 38.8%
M.D. Sass Associates	1 out of 1 = 100%
MacKay Shields	3 out of 3 = 100%
Marco Consulting Group	28 out of 28 = 100%
McMorgan	9 out of 9 = 100%
Mellon Financial	9 out of 28 = 32.1%
Merrill Lynch Mutual Funds	4 out of 28 = 14.2%
Mesirow Financial Investment	12 out of 12 = 100%
MFS Mutual Funds	0 out of 14 = 0%
Missouri Valley Partners	6 out of 6 = 100%

Alphabetical Listing of Investment Manager Statistics

Montag & Caldwell	0 out of 2 = 0%
Morgan Stanley Investment Management	11 out of 28 = 39.2%
National Investment Services	3 out of 3 = 100%
Navellier & Associates	8 out of 21 = 38%
New Amsterdam Partners	1 out of 1 = 100%
Nicholas Applegate Capital Management	6 out of 14 = 42.8%
Northern Capital Management	6 out of 6 = 100%
NWQ Investment Management	5 out of 7 = 71.4%
Oppenheimer Capital	1 out of 5 = 20%
OppenheimerFunds Mutual Funds	8 out of 19 = 42.1%
Pacific Financial Research	0 out of 4 = 0%
Pacific Income Advisors	10 out of 10 = 100%
Paradigm Asset Management	10 out of 10 = 100%
Payden & Rygel	8 out of 8 = 100%
Phillips, Hager & North	3 out of 5 = 60%
Phoenix Investment Counsel	5 out of 8 = 62.5%
Pillar Point Equity Management	9 out of 9 = 100%
Provident Investment Council	0 out of 1 = 0%
Proxy Vote Plus	28 out of 28 = 100%
Proxy Voter Services	28 out of 28 = 100%
Prudential Investment Management	17 out of 28 = 60.7%
Putnam Investments	1 out of 24 = 4.1%
Quest Investment Management	5 out of 5 = 100%
Rainier Investment Management	5 out of 9 = 55.5%
Ram Trust Services	12 out of 14 = 85.7%
RCM	8 out of 16 = 50%
Rhumbline Advisers	13 out of 27 = 48.1%
Rittenhouse Asset Management	12 out of 23 = 52.1%
Rorer Asset Management	4 out of 4 = 100%
Rothschild Asset Management	7 out of 8 = 87.5%
Sawgrass Asset Management	3 out of 3 = 100%
Schroder Investment Management	5 out of 13 = 38.4%

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Alphabetical Listing of Investment Manager Statistics

Segall, Bryant & Hamill	3 out of 5 = 60%
SEI Investments Management	27 out of 27 = 100%
Sierra Investment Partners	13 out of 13 = 100%
Simms Capital Management	1 out of 1 = 100%
Sirach Capital	2 out of 2 = 100%
Smith Barney Mutual Funds	8 out of 25 = 32%
Stacey Braun Associates	8 out of 8 = 100%
State Street Global Advisors	5 out of 28 = 17.8%
State Street Research	3 out of 11 = 27.2%
StoneRidge Investment Partners	9 out of 9 = 100%
Strong Capital Management	6 out of 21 = 28.5%
Systematic Financial Management	16 out of 16 = 100%
T. Rowe Price Mutual Funds	9 out of 27 = 33.3%
TCW	4 out of 11 = 36.3%
Trillium Asset Management	11 out of 12 = 91.6%
Trust Fund Advisors	9 out of 9 = 100%
Turner Investment Partners	13 out of 13 = 100%
UBS Global Asset Management	5 out of 22 = 22.7%
US Bancorp Asset Management	13 out of 28 = 46.4%
US Trust Company NY	1 out of 27 = 3.7%
Van Kampen Mutual Funds	7 out of 20 = 35%
Vanguard Mutual Funds	5 out of 28 = 17.8%
Victory Capital Management	18 out of 27 = 66.6%
Voyageur Asset Management	9 out of 10 = 90%
Waddell & Reed Asset Management	3 out of 14 = 21.4%
Walden Asset Management	6 out of 6 = 100%
Washington Capital Management	4 out of 4 = 100%
WEDGE Capital Management	2 out of 3 = 66.6%
Weiss, Peck & Greer	12 out of 19 = 63.1%
Wellington Management	12 out of 25 = 48%
White Pine Capital	10 out of 10 = 100%
Wright Investors' Service	17 out of 17 = 100%

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Tier Group Listing of Investment Manager Statistics

Top Tier

Amalgamated Bank	26 out of 26 = 100%
AmalgaTrust	8 out of 8 = 100%
ARK Asset Management	14 out of 14 = 100%
ASB Capital Management	6 out of 6 = 100%
Carret Capital	7 out of 7 = 100%
Chartwell Investment Partners	11 out of 11 = 100%
Chicago Asset Management	5 out of 5 = 100%
Chicago Equity Partners	12 out of 12 = 100%
Colony Capital Management	5 out of 5 = 100%
Columbia Partners Investment	13 out of 13 = 100%
Cooke & Bieler	12 out of 12 = 100%
Dearborn Partners	28 out of 28 = 100%
Fiduciary Management Associates	7 out of 7 = 100%
Financial Consulting Group	26 out of 26 = 100%
Freedom Capital Management	9 out of 9 = 100%
Globalt Investments	6 out of 6 = 100%
Harbor Capital Management	12 out of 12 = 100%
HGK Asset Management	9 out of 9 = 100%
ICC Capital	9 out of 9 = 100%
INTECH	22 out of 22 = 100%
JMR Financial	26 out of 26 = 100%
Marco Consulting Group	28 out of 28 = 100%
McMorgan	9 out of 9 = 100%
Mesirow Financial Investment	12 out of 12 = 100%
Missouri Valley Partners	6 out of 6 = 100%
Northern Capital Management	6 out of 6 = 100%
Pacific Income Advisors	10 out of 10 = 100%
Paradigm Asset Management	10 out of 10 = 100%
Payden & Rygel	8 out of 8 = 100%
Pillar Point Equity Management	9 out of 9 = 100%
Proxy Vote Plus	28 out of 28 = 100%

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Tier Group Listing of Investment Manager Statistics

Proxy Voter Services	28 out of 28 = 100%
Quest Investment Management	5 out of 5 = 100%
SEI Investments Management	27 out of 27 = 100%
Sierra Investment Partners	13 out of 13 = 100%
Stacey Braun Associates	8 out of 8 = 100%
StoneRidge Investment Partners	9 out of 9 = 100%
Systematic Financial Management	16 out of 16 = 100%
Trust Fund Advisors	9 out of 9 = 100%
Turner Investment Partners	13 out of 13 = 100%
Walden Asset Management	6 out of 6 = 100%
White Pine Capital	10 out of 10 = 100%
Wright Investors' Service	17 out of 17 = 100%

Middle Tier

1838 Investment Advisors	21 out of 22 = 95.4%
Alliance Capital Management	14 out of 28 = 50%
AmeriServ Trust & Financial Services	11 out of 14 = 78.5%
Aronson & Johnson & Ortiz	6 out of 11 = 54.5%
Atlanta Capital Management	4 out of 5 = 80%
Bank of New York	18 out of 28 = 64.2%
Barrow Hanley Mewhinney & Strauss	4 out of 8 = 50%
Boston Partners Asset Management	5 out of 7 = 71.4%
Columbia Management	11 out of 19 = 57.8%
Comerica Bank	17 out of 28 = 60.7%
Delaware Investments	17 out of 24 = 70.8%
Domini Social Investments	7 out of 12 = 58.3%
Duff & Phelps Investment Management	9 out of 14 = 64.2%
Ferguson Wellman Capital	11 out of 17 = 64.7%
Fifth Third Asset Management	15 out of 28 = 53.5%
Fifth Third Bank	15 out of 28 = 53.5%
Financial Counselors	5 out of 10 = 50%
Franklin-Templeton Mutual Funds	12 out of 22 = 54.5%
Glass, Lewis	19 out of 28 = 67.8%

Tier Group Listing of Investment Manager Statistics

Great Lakes Advisors	6 out of 9 = 66.6%
ING Investment Management	24 out of 26 = 92.3%
INVESCO	16 out of 27 = 59.2%
J. & W. Seligman	14 out of 20 = 70%
Lazard Asset Management	13 out of 15 = 86.6%
Loomis, Sayles	11 out of 20 = 55%
NWQ Investment Management	5 out of 7 = 71.4%
Phillips, Hager & North	3 out of 5 = 60%
Phoenix Investment Counsel	5 out of 8 = 62.5%
Prudential Investment Management	17 out of 28 = 60.7%
Rainier Investment Management	5 out of 9 = 55.5%
Ram Trust Services	12 out of 14 = 85.7%
RCM	8 out of 16 = 50%
Rittenhouse Asset Management	12 out of 23 = 52.1%
Rothschild Asset Management	7 out of 8 = 87.5%
Segall, Bryant & Hamill	3 out of 5 = 60%
Trillium Asset Management	11 out of 12 = 91.6%
Victory Capital Management	18 out of 27 = 66.6%
Voyageur Asset Management	9 out of 10 = 90%
Weiss, Peck & Greer	12 out of 19 = 63.1%

Bottom Tier

AIM Mutual Funds	2 out of 18 = 11.1%
American Century Mutual Funds	8 out of 19 = 42.1%
American Express Mutual Funds	3 out of 25 = 12%
Banc One Investment Advisors	12 out of 26 = 46.1%
Barclays Global Investors	8 out of 28 = 28.5%
Batterymarch Financial	Refused To Disclose
Bear Stearns Asset Management	10 out of 23 = 43.4%
Becker Capital Management	7 out of 15 = 46.6%
Bernstein Investment Management &	9 out of 20 = 45%
Boston Company Asset Management	6 out of 20 = 30%
Brandes Investment Partners	Refused To Disclose

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Tier Group Listing of Investment Manager Statistics

Brandywine Asset Management	8 out of 19 = 42.1%
Capital Guardian Trust Company	Refused To Disclose
Capital Research Mutual Funds	5 out of 20 = 25%
Credit Suisse Asset Management	Refused To Disclose
Citigroup Asset Management	9 out of 28 = 32.1%
Denver Investment Advisors	5 out of 13 = 38.4%
Deutsche Asset Management	10 out of 26 = 38.4%
Dimensional Fund Advisors	2 out of 28 = 7.1%
Evergreen Investments	13 out of 28 = 46.4%
Fidelity Investments	0 out of 28 = 0%
Fox Asset Management	1 out of 17 = 5.8%
Gartmore Global Investments	9 out of 19 = 47.3%
Goldman Sachs Asset Management	12 out of 26 = 46.1%
Harris Investment Management	7 out of 23 = 30.4%
Institutional Capital	1 out of 6 = 16.6%
Institutional Shareholder Services	13 out of 28 = 46.4%
Janus Capital Management	1 out of 7 = 14.2%
JPMorgan Fleming	12 out of 28 = 42.8%
Lord Abbett	2 out of 8 = 25%
LSV Asset Management	7 out of 18 = 38.8%
Mellon Financial	9 out of 28 = 32.1%
Merrill Lynch Mutual Funds	4 out of 28 = 14.2%
MFS Mutual Funds	0 out of 14 = 0%
Morgan Stanley Investment Management	11 out of 28 = 39.2%
Navellier & Associates	8 out of 21 = 38%
Nicholas Applegate Capital Management	6 out of 14 = 42.8%
Oppenheimer Capital	1 out of 5 = 20%
OppenheimerFunds Mutual Funds	8 out of 19 = 42.1%
Putnam Investments	1 out of 24 = 4.1%
Rhumbline Advisers	13 out of 27 = 48.1%
Schroder Investment Management	5 out of 13 = 38.4%
Smith Barney Mutual Funds	8 out of 25 = 32%
State Street Global Advisors	5 out of 28 = 17.8%
State Street Research	3 out of 11 = 27.2%

Tier Group Listing of Investment Manager Statistics

Strong Capital Management	6 out of 21 = 28.5%
T. Rowe Price Mutual Funds	9 out of 27 = 33.3%
TCW	4 out of 11 = 36.3%
UBS Global Asset Management	5 out of 22 = 22.7%
US Bancorp Asset Management	13 out of 28 = 46.4%
US Trust Company NY	1 out of 27 = 3.7%
Van Kampen Mutual Funds	7 out of 20 = 35%
Vanguard Mutual Funds	5 out of 28 = 17.8%
Waddell & Reed Asset Management	3 out of 14 = 21.4%
Wellington Management	12 out of 25 = 48%

Fewer Than Five Votes

ABN AMRO Asset Management	1 out of 2 = 50%
Amivest	4 out of 4 = 100%
Atalanta Sosnoff Capital	1 out of 1 = 100%
Boyd Watterson Asset Management	2 out of 2 = 100%
Cadence Capital Management	3 out of 4 = 75%
Cambiar Investors	1 out of 3 = 33.3%
Campbell Newman Asset Management	1 out of 1 = 100%
Columbus Circle Investors	2 out of 2 = 100%
Congress Asset Management	3 out of 3 = 100%
Davis Hamilton Jackson & Associates	4 out of 4 = 100%
DèPrince, Race & Zollo	4 out of 4 = 100%
Dodge & Cox	1 out of 3 = 33.3%
Gartmore Separate Accounts	1 out of 1 = 100%
Killian Asset Management	4 out of 4 = 100%
M.D. Sass Associates	1 out of 1 = 100%
MacKay Shields	3 out of 3 = 100%
Montag & Caldwell	0 out of 2 = 0%
National Investment Services	3 out of 3 = 100%
New Amsterdam Partners	1 out of 1 = 100%
Pacific Financial Research	0 out of 4 = 0%
Provident Investment Council	0 out of 1 = 0%
Rorer Asset Management	4 out of 4 = 100%

Tier Group Listing of Investment Manager Statistics

Sawgrass Asset Management	3 out of 3 = 100%
Simms Capital Management	1 out of 1 = 100%
Sirach Capital	2 out of 2 = 100%
Washington Capital Management	4 out of 4 = 100%
WEDGE Capital Management	2 out of 3 = 66.6%

Taft-Hartley

The voting records set forth below reflect votes for a segment of clients. Each firm's voting record for a majority of votes cast is reported separately in the Summary Statistics by Manager and Tier Group sections.

ABN AMRO Asset Management	2 out of 2 = 100%
Alliance Capital Management	27 out of 27 = 100%
Bernstein Investment Management &	16 out of 16 = 100%
Brandywine Asset Management	7 out of 8 = 87.5%
Citigroup Asset Management	14 out of 14 = 100%
Columbia Management	10 out of 10 = 100%
Comerica Bank	18 out of 18 = 100%
Fifth Third Asset Management	4 out of 4 = 100%
Fifth Third Bank	4 out of 4 = 100%
Institutional Capital	6 out of 6 = 100%
Lord Abbett	8 out of 8 = 100%
LSV Asset Management	10 out of 10 = 100%
Navellier & Associates	3 out of 3 = 100%
Putnam Investments	22 out of 22 = 100%
RCM	4 out of 4 = 100%
Segall, Bryant & Hamill	2 out of 2 = 100%
Strong Capital Management	3 out of 6 = 50%
TCW	5 out of 5 = 100%
US Bancorp Asset Management	11 out of 11 = 100%
Voyageur Asset Management	3 out of 3 = 100%

Full investment manager scorecards are available electronically in the Capital Stewardship Toolbox of the AFL-CIO's website at http://www.aflcio.org/proxyvotes.