



Confronting the Need for Fund Proxy Voting Reform

Out-of-Date Requirements

Regulated funds—mutual funds, ETFs, and closed-end funds—must gain shareholder approval for certain items, such as changing fundamental policies, adopting or amending advisory agreements, electing directors, or merging affiliated funds. But funds often struggle to run efficient, cost-effective proxy voting campaigns and reach the very high quorum threshold set by federal law, making many of the simplest campaigns burdensome and costly.

Here's Why

- » Funds typically have highly diffuse, retail-oriented shareholder bases, with nearly 130 million US retail investors holding a **whopping 87%** of the \$34.1 trillion in US mutual fund total net assets.
- » Retail investors are far less likely to vote proxies than institutional investors, with 2025 proxy voting participation rates of 28% and 77%, respectively, **according to Broadridge data**.
- » Funds must overcome, at great expense, legal and other impediments to communicating directly with their shareholders, due to the highly intermediated nature of fund ownership (e.g., shareholders invest through broker-dealers, registered investment advisers, and retirement plans) and evolving communication preferences that make individuals harder to reach and less responsive.

Costly for Shareholders

These significant difficulties in reaching shareholders and achieving quorum lead to protracted proxy campaigns, multiple rounds of vote solicitation, and meeting adjournments, causing frustration for shareholders, funds, and intermediaries. These underlying challenges can result in exorbitant costs, which are ultimately borne by funds and their investors. These burdens are particularly extreme for smaller funds, even if price tags in absolute terms are smaller.

“We’re spending a lot of money to irritate our shareholders.”

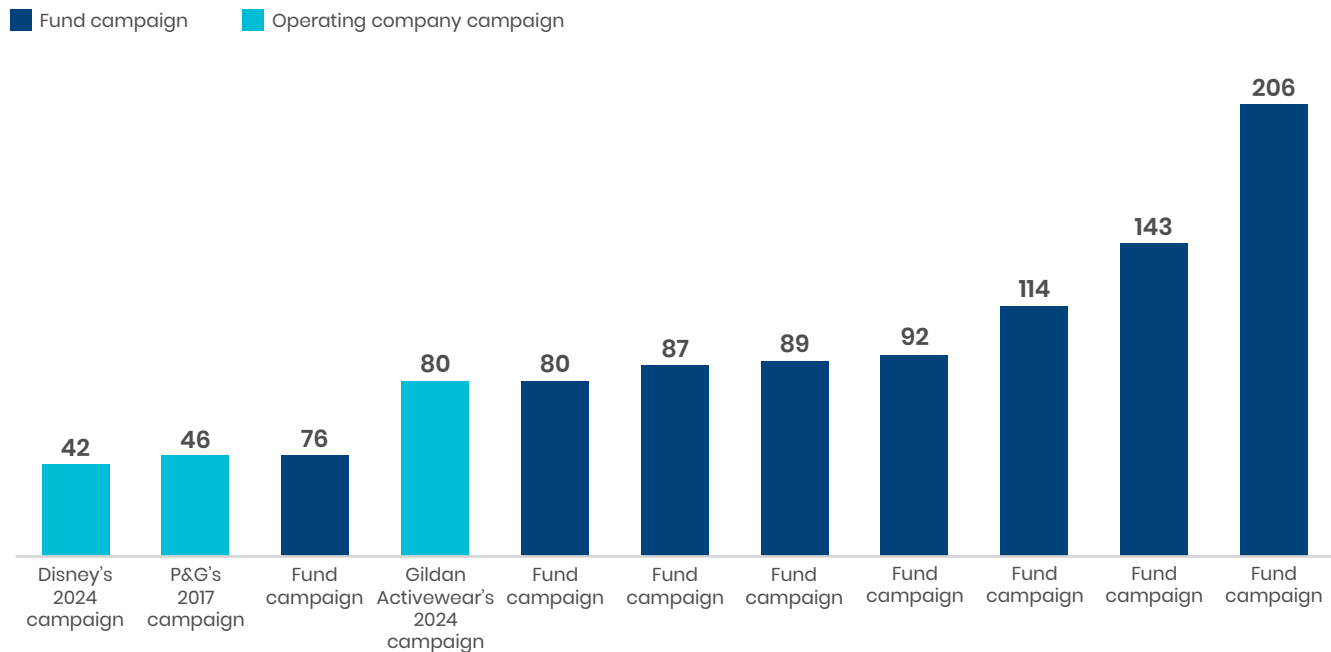
—ICI Member

More Expensive than the Priciest Corporate Proxy Fights

Disney estimated the cost of its widely-publicized 2024 contested director elections—at the time **dubbed “the priciest shareholder fight ever”**—to be about **\$42 million** in today’s dollars. The **Procter & Gamble (P&G)** and **Gildan Activewear** proxy fights were similarly contentious and newsworthy. But some fund proxy campaigns—all uncontroversial—have cost even more.

Fund Proxy Campaign Costs for Funds Often Exceed Those of Operating Companies

Cost in millions of dollars,* inflation-adjusted



* Cost estimates are taken from data reported in [Analysis of Fund Proxy Campaigns: 2012–2019](#) and [Confronting the Growing Burden of Fund Proxy Campaigns](#).

Note: Operating company costs exclude costs incurred by activists. Proxy campaigns are inflation-adjusted to 2026 dollars for comparability.

Sources: ICI, Federal Reserve Bank of St. Louis, and public documents.

Putting Fund Proxy Reform Back on the Agenda

Under the broad banner of “proxy reform,” several other topics receive significant attention from market participants, policymakers, and even courts, including shareholder proposals and proxy advice. Fund proxy reform would directly benefit retail investors and also deserves regulatory attention. ICI recommends:

- » Coupling a lower quorum threshold with a higher affirmative vote requirement **as an alternative way** to approve certain items.
- » Allowing alternatives to shareholder approval (e.g., board approval and advance shareholder notice) for certain 1940 Act majority items, including changes to fundamental policies.
- » Permitting funds to establish retail voting programs that allow shareholders to provide standing voting instructions.
- » Permitting fund boards to appoint a greater number of new independent directors.
- » Revising proxy processing fees and shareholder communication provisions.
- » Reducing the lengthy tabular presentations in multi-fund proxies.

For recent data supporting the need for reform and details on ICI’s proposed solutions, read our white paper: [Confronting the Growing Burden of Fund Proxy Campaigns](#).