

Placement Agents to Cease Work with CA Public Pension Plans

Poll shows 67% of placement agents intend to cease to work with CA-based public schemes affected by implementation of AB-1743

A Preqin study of global placement agents has revealed widespread discontent over new legislation which requires those working with public pension funds in the state to register as lobbyists.

AB-1743 came into effect on 1st January and subjects placement agents working with CalPERS, CalSTRS, California Judges Retirement System and the University of California Regent's Retirement Fund to strict compensation reporting procedures, requires that they attend ethics training in Sacramento, and prevents them from making campaign contributions. Contingency fees are also outlawed. The purpose of the legislation is to prevent corruption.

The Preqin Study Showed:

- 78% of firms responding will not be immediately registering placement agents as lobbyists.
- The prohibition on contingency fees was the most cited cause of discontent amongst those surveyed: 58% stated that they would cease doing business with CA primarily for this reason.
- 33% believe that attending ethics training in Sacramento is unnecessary. 47% stated that the training should be conducted online rather than in person.
- 92% anticipate their expenses increasing as a result of the legislation.
- Other states are contemplating introducing similar laws. 63% of those surveyed stated that they would not register in any states if this happened, while 27% would register selectively depending on opportunities.
- 84% stated that they would rely less on public funds as a result of the legislation.
- Many placement agents surveyed volunteered that they felt they were being punished for the wrongdoing of politicians.

To download a copy of the full findings, please visit the following page:

http://www.preqin.com/docs/reports/Placement_Agents_in_California.pdf

Comment:

"The majority of placement agents participating in the Preqin study are unhappy with certain, if not all, aspects of the legislation. The prohibition of contingency fees is the most contentious aspect of AB-1743; most feel it is unfair that they should work with no incentive. The study suggests that many placement agents will no longer work with CalPERS and CalSTRS as a result.

A number of those surveyed also believe that the legislation will be ineffective at achieving its purpose as it does not cover the majority of those that were involved in illicit activities which spawned the legislation. Time will tell whether the stated actions will materialize, but if they do there could be serious repercussions for those pension systems covered."

Tim Friedman, Head of Communications, Preqin

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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