

Placement Agents Statement

California Chapter 668 of 2010 defines a placement agent to mean a person, hired, engaged, or retained by, or serving for the benefit of or on behalf of, an external manager to act as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an external manager to a public retirement system in the state for compensation. It excludes from that definition an employee, officer, director, equityholder, partner, member, or trustee of an external manager who spends one third or more of their time during a calendar year managing the securities or assets owned, controlled, invested, or held by the external manager. It prohibits a person from acting as a placement agent in connection with any potential system investment made by a state public retirement system unless that person is registered as a lobbyist.

The Act requires a person acting as a placement agent in connection with any potential system investment made by a local public retirement system to file any applicable reports with a local government agency that requires lobbyists to register and file reports and to comply with any applicable requirements imposed by a local government agency. It provides that an individual acting as a placement agent is a lobbyist and is thereby required to comply with all regulations and restrictions imposed on lobbyists by the Act. It expands the definition of administrative action to include, with regard only to placement agents, the decision by any state agency to enter into a contract to invest state public retirement system assets on behalf of a state public retirement system.

This Act specifies that a placement agent who is registered with the Securities and Exchange Commission and regulated by the Financial Industry Regulatory Authority is permitted to receive a payment of fees for contractual services provided to an investment manager, except to the extent that payment of fees is prohibited by the proscription on contingency payments to placement agents.

The law requires the state employees retirement system and state teachers' retirement system to provide to the Legislature a report about the use of placement agents in connection with investments made by those retirement systems.

Submitted as:

California

[Chapter 668 of 2010](#)

Status: Enacted into law in 2010.