

**DEPARTMENT OF FINANCE BILL ANALYSIS**

**AMENDMENT DATE:** March 24, 2011  
**POSITION:** Neutral

**BILL NUMBER:** SB 398  
**AUTHOR:** E. Hernandez

**BILL SUMMARY: Retirement: Placement Agents**

This bill would revise the definition of placement agents, investment funds, and external managers to clarify the intent of recently enacted legislation, Chapter 668, Statutes of 2010 (AB 1743). AB 1743 requires placement agents that do business with the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to be subject to the same reporting and ethics rules that govern lobbyists under the California Political Reform Act of 1974. The intent of AB 1743 was that the reporting and ethics rules apply to placement agents who solicit investments for external managers and not to broker-dealers and underwriters of general securities who are merely executing transactions on behalf of the retirement systems.

**FISCAL SUMMARY**

This bill would have no fiscal impact on the state.

**COMMENTS**

The Department of Finance is neutral on this bill because there is no fiscal impact to the state.

This bill would clarify that the reporting and ethics rules that govern lobbyists under the California Public Reform Act are to apply to placement agents who solicit investments for external managers and removes those entities that merely trades securities for the benefit of the retirement systems.

Both CalPERS and CalSTRS support this bill. The goal of AB 1743 was to identify and regulate activities of individuals soliciting investments for external managers. AB 1743 required placement agents that do business with state and local public retirement systems to register as lobbyists. After enactment, some in the financial community raised concerns that AB 1743 could be interpreted to include all broker-dealers engaged in general securities transactions with CalPERS and CalSTRS. This bill would clarify the original intent of AB 1743.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
		LA	CO	PROP	FC	2010-2011	FC	2011-2012	
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
1900/PERS	SO	No		-----	No/Minor	Fiscal Impact	-----		0830
<u>Fund Code</u> 0830	<u>Title</u> Public Employees' Retirement Fund								

Analyst/Principal (0931) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)