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Assemblyman Hernandez Introduces Controller-Sponsored Bill on Placement Agents

SACRAMENTO – Assemblyman Ed Hernandez (D-West Covina) today introduced a bill requiring placement agents to register as lobbyists before pitching investment ideas to public pension plans in California.

The legislation – AB 1743 (Hernandez) – would define placement agents as lobbyists in accordance with the state's Political Reform Act. Placement agents would be subject to strict gift limits, campaign contribution prohibitions, and be banned from receiving compensation contingent upon any CalPERS investment decision. The placement agents, their firms and employers would be required to report quarterly on their fees and compensation and on any honoraria or gifts.

The bill is sponsored by State Controller John Chiang, the California Public Employees' Retirement System (CalPERS), and Treasurer Bill Lockyer.

"This bill enhances transparency and removes any cloud of secrecy around investment decisions made by public pension funds," Hernandez said. "The message we're sending is that we won't let a few placement agents damage the credibility of our public pension plans. The focus is on full disclosure and protecting the system from any kind of improper influence."

The law would apply to CalPERS, the California State Teachers' Retirement System and local retirement systems in California if those jurisdictions have similar lobbyist registration requirements in place.

"This bill will help ensure full transparency and accountability when it comes to our investment decisions," said Rob Feckner, President of the CalPERS Board of Administration.

The latest proposal is Hernandez's second measure restricting the actions of placement agents. Last fall, he successfully pushed through legislation, also sponsored by Chiang, CalPERS and the Treasurer, placing strict new reporting requirements on placement agent activities and strengthening the revolving door policy for retiring pension fund board members, supervisors, and other staff members.

Chiang and Lockyer say the Legislature should act quickly to pass the latest proposal.

"Our legislation puts the interests of taxpayers, public pension fund members, and retirees first," Chiang said. "Subjecting placement agents to the same ethics rules as lobbyists will help safeguard public pension fund investments from individuals seeking questionable influence."

"Public pension fund investment decisions should not carry even the faintest whiff of secret handshakes in the shadows with politically-connected influence peddlers," Lockyer said. "This legislation will help protect the integrity of those decisions by increasing transparency and reducing the ability of high-paid middlemen to use money and gifts to win favorable treatment. And it will help make sure the interests of workers, retirees and taxpayers remain paramount."

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