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**Third Party Marketers’ Response to Joseph DiStefano Column  
on ‘Celebrity’ Third-Party Marketers, Pennsylvania Treasury Department**

*Philadelphia Inquirer* business columnist Joseph DiStefano penned a [column](#) this weekend discussing public pension plans, placement agents and the relationships between decision makers.

While [Third Party Marketers Association](#) understand the press wanting to report a story, many articles unfairly infer that every placement agent is using undue influence in exchange for investments from public funds. Mr. DiStefano specifically talks about former Philadelphia area sports celebrities who became placement agents {not all are placement agents – John Spagnola, mentioned in the article, is a consultant} after their careers on the field and helped investors sign public pension funds.

Our business, and the relationships we develop, are much more robust and extend to distribution channels beyond pension funds. While some placement agents do try to raise money from public funds—after all, they do control the largest pools of capital in the United States—placement agents work with all different types of investors including corporations, endowments and foundations, family offices, wealth managers, RIAs and individuals.

The majority of us who work in the business are not athletes or politicians who can use their “celebrity” to influence public entities to invest. Furthermore, just because people like Lynn Swann and Spagnola chose to work in the investment business does not mean that they are using their fame in an unfair or unethical manner.

Third party marketing is an outsourced, independent sales and marketing effort that assists investment management firms in raising assets. Professional third party marketers are typically registered with several regulatory agencies, depending on their business models and provide investment managers with value-added [sales and marketing services](#). The Third Party Marketers Association (3PM) is a global association of independent, outsourced sales and marketing firms that support the alternative and traditional investment management industry worldwide. 3PM believes that proper registration is a necessity and takes steps to ensure its members abide by specific [principles and best practices](#).

Every industry is plagued with bad actors that give their profession a bad name. Mr. DiStefano discusses a case where a placement agent bribed New York State Treasurer Alan Hevesi. While this was not a proud moment for our industry, it takes two to tango.

Illicit business practices could not have occurred if someone in a position of power did not also abuse their position.

At some point the industry has to stop looking at placement agents as the bad actors and look at the public pension plans themselves who are hiring managers represented by “famous” people. Just because a placement agent played for a local sports team, starred in someone’s favorite movie or has their music played on the radio, does not mean that they experienced in selling investments.

People who make investment decisions for their pension systems have a fiduciary responsibility to act in the best interest of their pensioners. This duty includes thoroughly vetting and understanding an investment regardless of who is offering that investment.

Pension plans across the country have taken steps to ensure that employees working with investment managers, and the placement agents that represent them, are properly registered and are fully transparent in providing disclosures regarding compensation and the agreement between the manager and the placement agent. .

It appears that the time has come for the State of Pennsylvania to follow the lead of several prominent pension plans that have developed placement agent policies that promote transparency.

New Mexico is a leader in this area. . The state took the time to understand the role of a placement agent and value-added services these professionals provide. Rather than ban the use of placement agents, New Mexico adopted policies and procedures to ensure agents used by money managers hired by the state were properly registered.

Investment advisers also have a fiduciary responsibility to act in the best interest of their clients. Given this, they too should vet any third-party agents representing their firm. Part of this duty includes ensuring that the solicitor is capable of understanding an investment and conveying the risks and benefits, in a balanced manner, to potential investors. If a placement agent was hired by an investment manager just because he or she was famous and could secure mandates from a public pension plan , then the investment manager should also be held accountable for the breach of their fiduciary duty.

Mr. DiStefano mentions that at PSERS, 97 of the 259 outside managers hired utilized the services of a placement agent. While this could be a sign that the Plan itself is open to coercion, but maybe there is another explanation for this fact. One alternative could be that PSERS is hiring smaller managers than other pension plans which could very well account for the fact that these managers are utilizing the services of a placement agent. It is a fact that small investment advisers are the prevalent users of placement agents. Given their size many don’t have the resources to hire an internal staff to handle sales and marketing and as a result choose to outsource these services to a placement agent.

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### **About Third Party Marketers Association, Inc. (3PM)**

3PM is a global association of independent, outsourced sales and marketing firms that support the alternative and traditional investment management industry worldwide. 3PM Members are registered and licensed organizations consisting of experienced sales and marketing professionals who come together to establish and encourage best practices, share knowledge and resources, enhance professional standards, build industry awareness and generally support the growth and development of professional outsourced investment management marketing. Members of 3PM benefit from regulatory advocacy, best practices and compliance, industry recognition and awareness, manager introductions, educational programs, online presence, conferences and networking and service provider discounts. More information is available at [www.3pm.org](http://www.3pm.org).

