



NY Common Fund Bans Placement Agents; NYC Looks To Follow

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The **New York State Common Retirement Fund** has banned the use of placement agents, paid intermediaries and registered lobbyists and the **New York City Retirement Systems** are looking to follow suit.

In an announcement today, State Comptroller **Thomas P. DiNapoli** said the ban includes entities "compensated on a flat fee, a contingent fee or any other basis" and said the plan has hired **Day Pitney**, a law firm specializing in pension fund issues, and investment consulting firm **Pension Consulting Alliance** to assist in the review of the plan's investments with firms under investigation by State Attorney General **Andrew Cuomo** and the *Securities and Exchange Commission*.

The announcement comes after it was disclosed that several firms were hired by former Comptroller **Alan Hevesi**'s administration as part of a kickback scheme that has already led to charges against political advisor **Hank Morris** and former Deputy Comptroller and CIO **David Loglisci** (*FINdaily*, 3/19). Both are charged by the SEC allegedly extracting millions of dollars in kickbacks from money managers seeking to manage assets for the retirement fund.

"The Hevesi administration violated the public trust," DiNapoli said, in a statement. "Since I took office, we've worked to implement reforms that will help restore integrity and trust in this office. Banning placement agents and lobbyists from involvement in investments is the next step, and it's a big step."

New York City Comptroller **William Thompson** followed DiNapoli later in the day with an announcement he is moving to ban the use of placement agents in investments with the New York City Retirement Systems. The move comes after it was discovered the city pension funds invested \$125 million in **Quadrangle Group**, which used Morris as a placement agent, although his relationship with the firm was never disclosed.

"The recent indictment and felony complaint by the New York Attorney General and complaints filed by the Securities and Exchange Commission have called into question the conduct of certain entities and individuals that identified themselves or allegedly acted as placement agents in connection with investments made by the New York State Common Retirement Fund," Thompson said, in a statement.

He added, "I am extremely troubled by the allegations and believe that such improper conduct underscores the need for broad and comprehensive reform nationally with respect to the activities of placement agents. At this time, the wisest course of action would be to immediately prohibit the use of such paid intermediaries in connection with our investments."

The announcements have already led the **Third Party Marketers Association** to form a committee to address what it calls "the wide range of misconceptions that are being spread about the 3PM industry."

"Our goal is to remind the industry that our members follow the codes of conduct and industry standards of best practices and professional conduct established by the Association," said 3PM President **Donna**

DiMaria, in a letter to 3PM members. "It is imperative that we reiterate the fact that all 3PMs should not be painted with the same broad brush and that more often than not most 3PMs run their businesses in a highly ethical manner and are compliant with the regulatory rules and regulations."

Further details on the state ban were not available by press time.

Jeff Simmons, spokesman for Thompson, said in a statement regarding the potential ban, "There are a number of issues that will be discussed with the trustees, including the parameters of any prohibition."