



STATE RETIREMENT  
*and* PENSION SYSTEM  
of MARYLAND

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R. Dean Kenderdine  
*Executive Director*  
*Secretary To The Board*

U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Attention: Elizabeth M. Murphy, Secretary

October 5, 2009

RE: File Number S7-18-09 – Political Contributions by Certain Investment  
Advisors

Dear Madame Secretary:

On behalf of the Board of Trustees of the State Retirement and Pension System of Maryland, I would like to thank you for the opportunity to comment on the Securities and Exchange Commission's proposed rule, file number S7-18-09, entitled Political Contributions by Certain Investment Advisors.

We are dismayed by the events that led to the Commission to address the "pay-to-play" issue. We are concerned that some approaches proposed to address this matter may result in unintended hardships being placed upon public pension funds. Clearly, the actions that occurred in New York were criminal. However, it is our belief that the strict outright prohibition of investment management firms' use of placement agents to implement their marketing efforts to public pension funds would result in increased costs to the investment firms (which would ultimately be passed on to investors) and a reduction in viable investment opportunities being presented to public pension funds.

Placement agents are neither employed nor contracted by public pension funds, and generally yield no influence in their decision making. The services placement agents provide are to investment firms in the form of "outsourced" marketing and client service activities. In its purest form, placement agents either supplement or replace the direct marketing efforts of the investment firm. Placement agents work for investment firms and are under their control. They do not work for institutional investors, such as public pension funds. Clearly, in the New York situation, this relationship was subverted. While we believe it is the proper role of the Commission to attempt to put in safeguards to prevent a reoccurrence of the actions which took place in New York, we believe that these proposed actions would unduly interfere with the ability of an investment firm to structure and operate its business in a manner it believes to be most effective and efficient. We believe this will result in public funds not being

presented with the broadest array of investment opportunities and hinder the competitiveness of the investment management marketplace.

Pension funds have benefited from the efforts of placement agents. Placement agents are often utilized by small and new investment firms, which include numerous women and minority firms, to introduce them to potential investors, including public pension plans. In such situations, placement agents are providing a service not only to their clients, but afford pension plans an opportunity to be exposed to managers that often would be off their radar scope. In this vein, the placement agents facilitate the due diligence process, which increases the productivity of many resource challenged pension funds. If placement agents were prohibited from approaching public funds, we believe it would have an adverse impact on our return potential and increase our cost of operations.

Rather than implementing the proposed ban, we would urge the Commission to consider other solutions, such as requiring placement agents and other third party solicitors to register with the Commission and be subject to restrictions as are other investment advisors.

We would like to thank you for this opportunity to share our perspective. Please feel free to contact our Chief Investment Officer, Mansco Perry, III, or me with any questions concerning these comments. I may be reached at (410) 625-5600 or [dkenderd@sra.state.md.us](mailto:dkenderd@sra.state.md.us). Mr. Perry may be reached at (410) 625-5620 or [mperry@sra.state.md.us](mailto:mperry@sra.state.md.us).

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', written over a horizontal line.

R. Dean Kenderdine  
Executive Director and  
Secretary to the Board of Trustees

RDK/mp