

August 13, 2009

Subject: File No. S7-18-09

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It is MOSERS' belief that legitimate placement agents serve a valuable role to investors in alternative asset classes. It is our view that some of the best investment opportunities are with smaller firms that have spun out from larger organizations or are raising institutional capital for the first time. Typically, small firms do not have the internal resources to effectively market their funds on a global basis. If placement agents are prohibited from being paid by investment managers for facilitating the investment process on behalf of public pension funds, MOSERS will have a more arduous and costly process accessing the best global investment opportunities.

MOSERS has utilized the services of placement agents since 2002 when we launched our alternative investment program. Placement agents have helped facilitate MOSERS' detailed and thorough due diligence process with alternative asset managers across the globe. Specifically, placement agents have contributed the following value-added assistance to MOSERS' investment process:

- Helped introduce us to pre-screened, best-of-breed general partners (GPs)
- Arranged comprehensive due diligence meetings and conference calls
- Provided performance related data concerning historical track records
- Managed the communication process which includes responding to follow-up inquiries and providing updates on fundraising progress
- Disseminated timely partnership information and facilitated the closing process

MOSERS staff agrees with SEC Chairman Shapiro's statement at an open meeting in July, "The selection of investment advisers to manage public plans should be based on merit and the best interests of the plans and their beneficiaries, not the payment of kickbacks or political favors." In fact, in a proactive effort to help ensure that investment decisions were made solely on the merits of the investment opportunity, MOSERS' Board of Trustees adopted a governance policy in 2004 to discourage political "pay-to-play" activity. This language is incorporated into all of existing partnership documents. In light of the recent alleged abuses concerning the use of placement agents, MOSERS is currently considering requiring more documentation of placement agents' relationships and fees to enhance transparency.

MOSERS' current governance policy helps us avoid any undue political influence regarding investment decisions. While it is MOSERS' Board of Trustees' responsibility to establish an asset allocation policy, the Board delegates the investment implementation decisions including strategy decisions and money manager selection choices to the Chief Investment Officer and the Chief General Asset Consultant (who serves under contract at the pleasure of the Board). The Executive Director is required to certify that the decision process is in compliance with policy. This governance structure has served MOSERS well and if other public pension funds considered adopting this type of structure, the potential for political influence in their investment decision making process would be considerably reduced.

MOSERS welcomes reforms on curtailing political pay-to-play practices at public pension funds however, there are various ways to prevent political contributions from influencing or undermining investment selections. **Prohibiting legitimate placement agents from working with public pension funds is an extreme measure that will have unintended consequences; that is, it will reduce our ability to access some of the best managers throughout the world and ultimately result in lower investment returns for our members.**