

September 8, 2009

US Securities and Exchange Commission
100 F Street
Washington, D.C., 20549-2001

Dear Sirs:

Re: Political Contributions by Certain Investment Advisors
File No. S7-18-09

This letter is in response to the SEC opportunity to comment on the role of placement agents as seen from the perspective of public sector institutional investors.

The State Association of County Retirement Systems, (SACRS) is a 55-year-old association consisting of the retirement systems in twenty counties whose systems were created under the California County Employees Retirement Law. The SACRS member systems assets total approximately \$80 billion and provide benefits to 400,000 county employees and retirees.

Rather than a ban on placement agents, the SACRS encourages the SEC to allow their continued usage in the public institutional investment world, but require full disclosure by any individual or investment firm seeking investment funds from a public retirement system.

The concept of a placement agent is not unique to the investment arena. Many industries utilize an external sales force. The ability for smaller firms to use an external sales force promotes and enables competition. For example food products, pharmaceuticals and mass merchandisers have utilized this approach. They are proven ways for smaller companies to compete effectively and efficiently with larger firms who have the financial wherewithal to maintain a proprietary sales force. It is important to differentiate between a sales force – either external or proprietary – and corrupt sales persons. Greater transparency disclosure, and prosecution of those who violate specific regulations are a more reasonable approach than banning outside sales forces altogether.

It is our understanding that the SEC is not only reviewing the role of placement agents, but also pension consultants and other third parties involved in soliciting investments from public retirement funds. For public sector funds, these firms play an important role in helping the smaller, often start-up, investment managers make contact with institutional investors. These small shops, be they private equity or other investment firms that use public trading strategies, cannot afford the time or travel required to make contacts with multiple pensions while also managing their portfolios. Placement agents make their living in knowing what

institutional investors are seeking for their pension funds. They assist in matching the needs of the institutional investor with the particular specialty of the investment manager. Without them, many small investment managers would never have the opportunity to grow the size of their operations.

Many of the public retirement systems have elected officials as trustees. These individuals reach office and stay in office by actively campaigning. And to effectively campaign requires large amounts of contributions. Cessation of political contributions to these individuals, even though they are trustees, is not possible. Attempts to limit contributions have been repeatedly tried and failed. Many groups have advocated that there should be a prohibition on campaign contributions. This eliminates the appearance of "buying access" and removes a big potential for compromising decisions that should be based solely on merit. But the ambiguous nature of campaign laws and decisions of both federal and state courts makes it nearly impossible to control campaign contributions. To continue to try to create laws or regulations to stop or limit contributions is not very realistic.

To provide balance between investment advisors and decision makers, SACRS requests that the SEC seriously consider requiring full disclosure by any individual or investment firm seeking investment funds from a public retirement system. Institutional investors do not make the decision to hire placement agents. Therefore, the only way to regulate their conduct is through disclosure requirements. We believe that the disclosure should be broader in scope than just political contributions, but should also include gifts, reimbursements, honoraria, and any personal or business relationships between the parties. Regulations should provide through the Request For Proposal (RFP) process that placement agents, consultants and other third parties involved in soliciting investments from public retirement funds must disclose any relationships with individuals on the specific board or with the fund's staff, and their family members. Likewise, the trustee or staff member who has a relationship with the third party or with the investment manager, must also disclose that relationship to the other trustees and if there is a conflict of interest, the individual must disqualify himself or herself from making or participating in an investment decision, or from using his or her position to influence or attempt to influence a pension fund decision.

Furthermore, regulations should provide that a violation of these disclosure requirements would lead to extensive fines and prison sentences for the individuals involved.

Thank you for the opportunity to comment on this very important matter.

Sincerely,

Robert R. Palmer
Interim Executive Director