



Davis Lewis, left, president of consulting firm OperationsInc, and Lawrence Peikes, partner at law firm Wiggin & Dana, conduct the 'HR Primer for Hedge Fund/Financial Services Firms' Wednesday at the Hyatt Regency Greenwich.

## Handbooks in hand

*HR experts preach importance of employee manual*

By Julie Fishman-Lapin  
Staff Writer

Hedge fund managers are paid to think about their investments and investors, not about setting up a human resources infrastructure.

But in a region where new hedge funds are popping up as fast as spring daisies and growing into substantial enterprises, managers have to give some attention to crafting an employee handbook and making sure personnel files are up to snuff.

That was the focus of a Wednesday seminar at the Hyatt regency Greenwich that teamed an HR expert and a lawyer to advise members of the area's alternative investment community.

"The people that start these companies tend not to be operationally oriented. Their focus is developing a portfolio of investors and developing a portfolio of investments," said David Lewis, president of OperationsInc, a Stamford-based HR and operational consulting firm. "The human resources piece - the whole infrastructure you would like to have in any business- tends to be neglected."

Many fund managers come from large Wall Street firms; personnel functions were in the background, he said.

"It was not something they had to worry about setting up or something they had to worry about monitoring," Lewis said.

Now, hedge managers find that they are not only investment strategists but also employers. And if their business takes off, they are suddenly in charge of an exponentially growing workforce.

The seminar gave participants practical advice for dealing with day-to-day employee relations issues with potential to morph into legal disputes if not handled properly, beginning with the importance of keeping personnel files.

Connecticut law requires a business to keep a file on each employee and to document hiring, promotion, compensation and disciplinary decisions, said Lawrence Peikes, a partner in the law firm of Wiggin & Dana.

Also, employers should know that according to state law, employees have a right to put something in their file responding to anything they don't agree with, Peikes said. For example, if a worker

disputes a performance evaluation, he or she can put a memo in their file with their objections.

Included in the file should be payroll records and documentation of hours worked. These files are crucial to a defense against employee lawsuits or a Department of Labor audit, he said.

"A good documentation trail and good content will help you down the road with unexpected liability," Lewis said.

Hedge funds are already receiving unwanted scrutiny as a result of new Securities and Exchange Commission regulations that require most to register with the agency, Lewis said.

"What I believe that means is they will be more susceptible to compliance-related audits from organizations such as the Department of Labor," he said.

One of the most important things every business should have is an employee handbook — a rule book that includes time off, attendance and overtime policies, work day hours and appropriate use of company equipment, Lewis said.

Employers have to make it clear that they don't have contractual intent in their handbooks and offer letters, Peikes said, adding that one of the biggest mistakes companies make is giving employees a 90-day probation period upon hiring.

"Once they get past those 90 days, they think they have a job for the rest of their lives," Peikes said.

Connecticut is an at-will state, and employees can be fired at any time, so it doesn't make sense to have a probationary period, he said.

All managers should receive training about the handbook so policies are not open to interpretation, Lewis said.

"Without consistency, you increase your liability considerably," he said.

Setting up human resource policies isn't solely about litigation protection, however. It's also about employee retention and the ability to attract employees away from top Wall Street firms.

Most new hires in the hedge fund world are accustomed to strong human resources departments in their previous jobs. They never had to think about where to go with a benefit question or whom to talk to when a paycheck is wrong.

"The resource doesn't exist, for the most part, in a company of this nature," Lewis said.