



June 14, 2009

Detroit pension trustees take flight on funds' tab

The Free Press sued to get the records. Little is offered; some were destroyed. Are the assets of city workers safe?

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The trustees who oversee Detroit's two public pensions, their lawyers and staff spent \$380,000 over the past year circling the globe to attend conferences — often traveling in packs, with virtually no limitation on where they went or how often they traveled.

Trustee Ronald Gracia spent the most time on the road — billing the General Retirement System for \$105,000 in travel, including three trips to Singapore and \$18,600 on travel to Hong Kong, according to records provided by the pension funds.

The two public pensions, with 21 trustees, have guarded their travel records from scrutiny. The Free Press sued to get the records — which are actually only summaries from the past year.

The funds have yet to turn over actual receipts that would show, for instance, where trustees and staffers stayed and how they spent some of the money. Other documents have been destroyed.

However limited, these summaries provide a fuller snapshot than previously reported examples of the pensions' freewheeling travel practices.

The records also raise questions about how the travel squares with the trustees' legal duty to protect city workers' and retirees' assets, pension fund experts say.

Gracia declined to be interviewed. But in an e-mail, he said in today's world of global economics, trustees have an obligation to stay educated. He also said that the pension funds are in good financial shape.

Other pension officials declined comment.

• **GLOBETROTTERS:** [Where Detroit pension trustees visited](#)

Trustees' lavish travel draws scrutiny

In early November, bankers and energy executives gathered in Singapore for three days of talks about Asian oil and gas investment. And Gracia was among them.

After his 10-day, \$20,000 trip, Gracia traveled back to Singapore in February for more than two weeks to attend back-to-back conferences — on exchange-traded funds and the Pan-Asian real-estate business — at a cost of nearly \$16,000. He returned again in late March for his fourth Singapore conference, this one costing nearly \$19,000.

Of the 21 trustees who oversee the city's two pension funds – one for police and firefighters, one for general city workers – no one traveled more than Gracia. His trips cost the fund for city retirees an estimated \$105,000 in the past year alone, pension records show.

On some trips, records show, Gracia was approved to spend more than twice as much as colleagues for the same conference. He spent a full three months on the road.

Tough times for pensions

In all, the two funds spent \$380,000 over the past year for travel by trustees, their lawyers and staff. Some of that travel occurred during an 18-month period in which Detroit's public pensions lost billions in investments.

Gracia said trustees have a legal obligation to be "continually educated."

"I would opine that in today's world of global economics and the interrelationships of multiple markets on many continents, it is a very steep learning curve for new trustees these days," Gracia said in an e-mail asking him to explain the purpose and benefits of his travels.

"Trustees have a fiduciary requirement which benefits the system by being able to deal with the business of trust funds with knowledge of what is before them and to be able to ask proper questions on investment issues. An 'empty-headed' trustee is no excuse under the law."

But John Chamberlin – a University of Michigan professor of political science and public policy who teaches ethics – said much of the trustees' travel seems like "an abuse of the public trust. It's not clear to me why one would need to go to Singapore or Dubai to get educated."

Loose travel policies

Trustees have a fiduciary duty to protect the assets of retired and current city workers. And yet, travel policies for the city's general retirement and police and fire pension funds appear to put no limit on the number of trips trustees and their top staff members can take, or how much they can spend in total.

Last year, trustees for the funds approved travel for more than 100 conferences worldwide; it remains unclear how many conferences they attended.

Sheila Kneeshaw, another general retirement trustee, spent 50 nights – and \$34,000 – traveling to conferences and meetings in places such as Edinburgh, Scotland; San Diego, and Scottsdale, Ariz.

Kneeshaw did not return calls for comment.

Joe Harris – the city's former auditor and chief financial officer under recently departed Detroit Mayor Ken Cockrel Jr. – said the pension funds' spending on travel is "symptomatic of the abuse and the negligence ... in which the pension funds are being managed."

Susan Mangiero, president of Pension Governance Inc., an independent research, analysis and training company in Trumbull, Conn., said public pension plans need "a clear policy about travel. ... It's public money, and taxpayers and plan participants would like to know the money is being properly spent."

The policy should also address whether vendors are allowed to pay for trips. On some of the Detroiters' trips, the funds did not cover all costs – and it's not clear who did. In one case, the trustees approved an investment after the company promoting it sent four of them to California wine country.

"It's important to have policies on what is deemed to be a legitimate and reasonable expense, from a governance aspect and budget aspect," Mangiero said.

Fight for records

The pension funds have sought for years to keep their travel records secret, with trustees voting in 2006 to destroy travel records as soon as they close the books on a year.

The Free Press first filed a Freedom of Information Act request for travel records from the pension funds last July but was rebuffed.

The pensions demanded thousands of dollars for some records and claimed to have destroyed others.

The newspaper sued in January in Wayne County Circuit Court for travel and other records, most since 2006.

Last week, pension officials provided a summary of trips taken by trustees and staff members for the current fiscal year, which ends this month. But they produced no underlying expense reports or receipts for hotels, plane tickets, entertainment or other expenditures. The paper continues to seek those records.

Pension lawyers said in court records that all but a small number of 2007-08 travel records were destroyed.

State law requires public agencies to keep their travel records for seven years. Experts on the law disagree on whether local public pensions, including Detroit's, are covered by the records rules.

But even if the law does not apply, experts said trustees' fiduciary duties to protect plan assets include protecting travel records, so that they can be inspected.

The trips

Some findings from the released summary records:

- General fund trustee Susan Glaser billed the retirement system for 12 nights last December in San Francisco, where she said she attended a conference that lasted only three days. When she returned from her \$7,242 trip, Glaser told fellow trustees that she had visited the San Francisco offices of investment adviser Adrian Anderson and his company, North Point Advisors, according to meeting minutes. Anderson provides investment advice to trustees for the funds.

Glaser did not return phone calls seeking comment, but a pension official said she attended a second conference in San Francisco that is not reflected in reports.

- Records show Gracia repeatedly left for conferences two or more days before they began and took days to return home, at the pension fund's expense. For example, he spent more than two weeks attending back-to-back conferences in Singapore. One was a three-day event; the other was a two-day meeting.

Gracia also spent 10 nights traveling to Singapore in late March for a five-day conference on Asia's power sector. He went to Hong Kong for a four-day conference at an estimated cost of \$18,601. Another trustee, Wendell Anthony, also went to Hong Kong. He was gone six days and spent \$9,421, about half of Gracia's tab.

Gracia said some trips involve a 12- to 16-hour time difference, and "it takes a few days for your body to adjust to that. ... It is brutal."

- While a grim economy has forced many organizations to forgo out-of-state conferences or limit the number of attendees, Detroit's pension funds routinely send four or more people to the same events. Kneeshaw and six other general retirement trustees and staff spent \$26,310 to go to San Antonio. Six pension fund officials traveled to San Juan, Puerto Rico, in January at a cost of nearly \$15,000. Another group of six traveled to Puerto Rico last July for nearly \$18,000.

- Last October, a financial company paid much of the tab for three trustees to visit four vineyards in California's Napa Valley. The firm, Churchill Cos. of Clearwater, Fla., was seeking investment backing for a project that involved installing solar panels at the four wineries.

The trustees charged the pension fund \$270 each for meals and miscellaneous expenses. The records do not show who picked up their airfare, hotel and ground transportation, but Churchill representatives acknowledged that they sponsored the trip.

A month later, the general retirement system invested \$11.5 million in the solar projects through Churchill. Churchill President Keith Gloeckl said the loan was repaid in six months and called it "a great deal, a home run for a return on investments for the pension fund."

- As the Free Press previously reported, general retirement trustee Barbara-Rose Collins spent more than \$20,000 in travel to a Dubai conference late last year — the single most expensive travel tab by any trustee. She told the newspaper she didn't get much out of the trip.

Other notable journeys

The Free Press made repeated calls to several other trustees with notable travel in the past year, including Kneeshaw and Anthony, who also visited Dubai, but didn't hear back.

Police and fire trustee Marty Bandemer said his four trips — to Scottsdale, Ariz., last September; Puerto Rico and Miami Beach over the winter, and New Orleans in April — were for "continuous education." He declined to say what he learned, referring questions to the fund's lawyer, Ronald Zajac.

Fellow trustee Paul Stewart — who went to Puerto Rico twice, Miami Beach, Phoenix and New Orleans — also referred questions to Zajac.

Zajac did not return calls seeking comment.

'It's our money'

City workers who contribute to the pension funds called the expenses unnecessary, especially at a time when the funds have lost 30% of their value.

"I'm really outraged to find out they're spending this kind of money in hard economic times," said Andrew Daniels El, a water department mechanic. "They're taking this money and acting as though it's their money when it's our money."

Sammie Barber, another water mechanic, said trustees are spending his retirement dollars "freely ... without any kind of regret."

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