

Treasurer Dixon quits over illness

Carroll Democrat
blames diabetes;
leaving post Feb. 1

Praised as 'a pioneer'

Md. pension system
soared, then tumbled
under his investing

By MICHAEL DRESSER
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SUN STAFF

State Treasurer Richard N. Dixon, one of the most powerful figures in Maryland government, said yesterday that he will leave office because of worsening diabetes.

Dixon's surprise departure opens one of the three seats on the Board of Public Works, where he often cast the decisive vote on major state contracts.

His resignation also ends his rocky reign as chairman of the state employee pension system, which he led through years of growth before it staggered to a \$3 billion loss last year. He leaves amid contention over his investment strategy and sometimes imperious leadership.

Dixon's decision set off a flurry of speculation over who the General Assembly would choose to succeed him as treasurer when his resignation takes effect Feb. 1. The early favorite of many lawmakers appeared to be Del. Nancy K. Kopp, a Montgomery County Democrat.

Senate President Thomas V. Mike Miller said he and House Speaker Casper R. Taylor Jr. would name a joint committee today to evaluate applicants. Taylor, who some have speculated wants the job, said he is not interested.

Dixon, 63, made his announce- [See Dixon, 12A]



BARBARA H. TAYLOR: SUN STAFF
Departure: Maryland
Treasurer Richard N. Dixon
announces his resignation.

Treasurer Dixon quits, noting health problem

[Dixon, from Page 1A]

ment at a news conference in Annapolis where he leaned on a cane, appearing tired. He said diabetes had forced him to have a toe amputated and that he became blind in one eye more than a year ago.

The former stockbroker and decorated Vietnam veteran said that when he took office in 1996, he routinely worked from 8 a.m. to 6 p.m. "I'm finding I can't continue to work at that pace," he said.

Dixon's retirement caps a long and in many ways remarkable career in state government. He served 13 years in the House of Delegates, winning election four times as a black Democrat in an overwhelmingly white district in conservative Carroll County.

When he was elected treasurer in 1996, Dixon became the first African-American to sit on the Board of Public Works, which reviews most large state contracts. The comptroller and governor also serve on the board.

"Throughout his career he has broken down barriers, earning recognition for both his performance and leadership," said Gov. Parris N. Glendening. He praised Dixon as "a friend, a professional and a pioneer."

Turn toward governor

Dixon formed an alliance with Comptroller William Donald Schaefer to thwart Glendening on key issues that came before the board. But in mid-2000, after hearing complaints from legislative leaders, he switched sides and has generally supported the governor.

Dixon's support of Glendening enraged Schaefer, who subjected the treasurer to public abuse at board meetings. Dixon generally bore Schaefer's tirades stoically but would occasionally lash back — once accusing the comptroller of acting like a "quirky clown."

Schaefer seemed to verge on an apology in a letter to Dixon yesterday. "We have had differences, but my respect for you never lessened," Schaefer wrote. "My only regret is having possibly caused you pain or discomfort in the performance of your duties."

Schaefer, vice chairman of the pension system's trustees, automatically becomes chairman when Dixon's resignation takes effect. The 14-member pension board could elect someone to complete Dixon's one-year term, which ends in June, or leave Schaefer in place until then and vote on a successor, said Peter Vaughn, executive director of the pension system.

Since the structure was established in 1982, the chairman's job has been held by either the comptroller or treasurer. That is not a requirement, Vaughn said. The chairman need only be a trustee.

Schaefer did not respond to a request for comment yesterday. His spokesman, Michael D. Golden, said he did not know if Schaefer wants to be chairman of the pension system on more than an interim basis.

In recent months, Dixon has been embroiled in controversy over his stewardship of the \$28.4 billion pension system.

When Dixon became treasurer, he also became vice chairman of the pension board. The bullish former Merrill Lynch broker pushed the board to increase its investments in the stock market. Two years later, upon the death of long-time Comptroller Louis L. Goldstein, Dixon became chairman — further increasing his influence over the pension fund's investments.

Some board members complained that Dixon ran the board in a dictatorial manner, a stark contrast from Goldstein's collegial style. But Dixon succeeded in pushing the board in the direction he wanted it to go — taking greater risks in search of higher returns.

The strategy paid off — for a while. In the fiscal year that ended June 30, 2000, gains in the stock market pushed the pension system's assets over \$30 billion for the first time. Twenty years ahead of schedule, the plan was fully funded.

But the aggressive strategy backfired the next year, when the system lost \$3 billion and was

rated last in a national ranking of the investment performance of large public pension plans. The tumble exposed Dixon to second-guessing from legislative leaders and weakened his control over the board, which has moved to undo some of his policies.

The board voted this week to hire a full-time investment adviser, something legislative analysts had recommended for years but Dixon had opposed. He voted against the move in committee, but reversed himself on the board's final vote.

Defends his record

He said yesterday that disputes over the pension system had no effect on his decision to resign. He said he is leaving office strictly because of his health and a desire to spend more time with his family.

Sounding combative, the self-proclaimed "best treasurer in the country" delivered a vigorous defense of his record. "The office has probably never run as effectively or efficiently as it has today," he said.

Dixon notified Taylor, Miller and Glendening yesterday morning of his intention to resign. Within hours, Taylor convened a meeting of House Democrats to discuss the process of replacing him.

The joint legislative committee will choose a nominee for the \$100,000-a-year treasurer's job, who would need approval from a majority of the 188-member General Assembly, with each senator and delegate casting one vote.

In theory, any adult Maryland citizen can apply for the post. But traditionally, members of the majority party in the House of Delegates have had the inside track because there are three times as many delegates as senators.

Potential successors

One of those considering a run was Del. John S. Arnick, a Baltimore County Democrat who is left with bleak re-election prospects because of redistricting. Arnick said he would certainly think about applying for the job.

Del. Pauline H. Menes, a Prince George's Democrat who ran against Dixon in 1996, also has declared her interest. And Sen. Nathaniel McFadden was promoting the candidacy of former Del. John W. Douglass, a fellow Baltimore Democrat.

But by the end of the day, Kopp's name seemed to be the most widely mentioned by colleagues. "I'm very flattered," said Kopp, a 28-year veteran who is chairwoman of the Assembly's Spending Affordability Committee. "And, yes, I'm interested. I'm thinking about it."

Perhaps her most significant support yesterday came from House Appropriations Committee Chairman Howard P. Rawlings. When Taylor told him of Dixon's resignation, "I immediately thought of Delegate Kopp," Rawlings said. "That's my candidate. She's one of the top fiscal leaders in the state, and she's got a lot of integrity."

Taylor said that one possibility was for lawmakers to choose an interim treasurer who would serve out Dixon's term and stand aside in January next year, leaving the choice to the newly elected General Assembly. Miller said that course is possible, but added, "I would prefer to get the best candidate now."

Dixon's political career began in 1970, when then-Gov. Marvin Mandel appointed him to the Carroll County school board. Although Mandel said there was local grumbling about the appointment of an African-American, Dixon quickly earned respect, and eventually became chairman.

Dixon left the school board in 1978. After one unsuccessful campaign he was elected to the House of Delegates in 1983. His conservative votes sometimes angered Democrats, but solidified his reputation as an independent thinker who was loyal to his constituents.

He first ran for treasurer against incumbent Lucille Maurer in 1995, but his campaign ended in a withdrawal. When Maurer stepped down a year later because of ill health, he won the post easily.

Sun staff writer Jon Morgan contributed to this article.