

Dixon re-elected pension board chair

Board refuses to endorse apology to fund manager

By MICHAEL DRESSER
SUN STAFF

Despite recent turmoil on the state pension board, Maryland Treasurer Richard N. Dixon was re-elected as its chairman yesterday without opposition.

The vote means that Dixon, who has become the subject of increasing controversy in recent months, will serve at least another year as head of the \$31.9 billion pension system for government employees.

But soon after re-electing

Dixon, the board administered a stern rebuke, refusing to go along with his plan to apologize to an under-performing money manager for suspicions raised by a member of the board.

Dixon also backed down from a plan to cut the size of the board's powerful investment committee in a way that might have excluded T. Eloise Foster, Gov. Parris N. Glendening's new budget chief. When members arrived at yesterday's meeting, they were presented with a revised agenda that dropped the proposal.

Dixon's re-election as board chairman comes at a time when the pension system is struggling to reach its assumed rate of return — a benchmark it has exceeded in all but one of the past 10 years.

Peter Vaughn, executive director of the State Retirement and Pension System, said that as of the end of May, the fund was producing a 7.74 percent rate of return. He expressed confidence that an improving market would push the fund over its 8 percent goal by the end of the fiscal year June 30.

Last year, after four straight years of double-digit returns, the fund barely met that standard with an 8.1 percent rate of return.

One factor in the fund's lackluster performance this year has been

the lagging performance of several of its stock market investment management firms — including one that has produced a 0.9 percent rate of return on about \$100 million in state money since it began working for the state in January 1998.

That firm, Relational Investors LLC, became a flash point yesterday when Dixon proposed to send it an apology over questions raised in a report by pension board member Carl Lancaster. The report raised concerns about Relational's investment strategy and suspected insider trading at a company it invested in.

The board's 8-5 vote not to send such a letter apparently surprised Dixon, who had been confident enough of its support that he showed a reporter a draft of the apology letter last week.

"I as one member of the board feel we owe him an apology," Dixon said.

Members balked at the notion that they owed an under-performing money manager an apology for asking hard questions. "That's my job. What do I have to apologize for?" said member Morris L. Krome.

After losing the vote, Dixon said he would write an apology letter to the company on his own.