

Dear Mr. Albert,

I emailed much of
this material to you via
"contact@remappingdebate.org."

Because I was unable to
get full copies of the original
Pro articles online, I
made copies of the articles
to send to you along with
my email "letter."

Once again, thanks for
your interest and the great
article.

J. M. Parax

Articles are in Chron. order.

Dear Mr. Alberti,

First of all, I would like to thank you for the thorough, informative article written in response to the NYT article, "Rhode Island Judge Has Stake in Pension Case Outcome." I discovered your response in WPRI blog, (Ted) Nesi's Notes today (12-20-12). I am a retired RI teacher who is being represented in the current lawsuit with many other state pension retirees. Although I certainly understand and sympathize with Mr. Glover, there are a number of us who are in a more precarious situation since half of the state's teachers and some percentage of the police were not able to pay into Social Security or Medicare. As of 1987, new hires were given Medicare only but previously-hired personnel were excluded. So, if the court finds RIRSA (pension reform bill of 2011) constitutional, we not only lose the COLA but, in the future, may find our pension in jeopardy.

I don't know how much research you've done on the history of this pension reform legislation, but I'd like to give you some additional information to round out the picture you presented. I will also email you articles and send you some sites where you may further research this somewhat complex issue.

I will start with EngageRI which is a 501(c)4 nonprofit superpac which is not required to reveal its donors. This group was formed during the summer of 2011 while Treasurer Raimondo was having numerous workshops, lectures, etc. about the financial situation of the state pension system. By the fall, it was estimated that this group had close to one million dollars in its coffer. EngageRI was very active throughout the three months leading up to the General Assembly's vote on the bill. Treasurer Raimondo insisted (and still does) that she had no direct role in Engage but only encouraged people in and out of the state (as we just recently found out) to get "engaged" in pension reform although the group is "in sync" with her in terms of what specific aspects of pension reform she supports. Last week, a WSJ reporter discovered that John Arnold, a Texas multi-billionaire and former Enron natural gas trader donated between 100k to 500k to Engage (Mike Stanton, Providence Journal, 12-13-12, in your email). The Arnolds have a foundation which supports criminal justice, education and pension reform efforts. Then, I read your article and learn of the two states in which pension benefits are treated as gratuities, one of which is Texas! At the time that pension reform law was passed, the Treasurer was asked about the possible conflicts of interest that may arise when donors to such a group are anonymous, she replied that donors have a right to benefit since everyone in the state benefits from her pension reform bill/law. After the release of the information concerning Mr. Arnold, she stated that she has encouraged the donors to reveal their identities but they have refused her request.

Part 2 in next mail.

Another concern is the rate of return attained these past two years. Because the anticipated rate of return was overly optimistic, the Treasurer lowered it to 7.5% which may still be a bit too high. While I concur with this change, I have been very disappointed in the dismal returns we have attained for 2011 and 2012—1.4%. Last year the Treasurer said the returns were low because she needed to lower the risk. She made adjustments to the investments including moving 900k from cash into 19 hedge funds. This year we just find out that the results are the same. In response to inquiries, she says that one needs to look at the results over a period of 10-15 years. It should be noted that distribution of a small COLA would depend on achieving an average rate of return of 5-6% over that period of time. These returns are among the lowest in the nation and that is puzzling since the Treasurer is highly educated in economics and finance and also has a law degree. In addition, she was a venture capitalist on Wall Street and in RI for ten years previous to her becoming Treasurer. (Will be emailing articles with more info on the rate of return for '11 and '12.) Another front page story in Providence Journal next to the Stanton article mentioned above on 12-13-12, was entitled, "Raimondo Says Travel Part of Treasurer's Job," written by Katherine Gregg. There has been some question about the amount of time Raimondo has spent traveling, doing state Treasury business, speaking about pension reform, and fundraising. One of the issues brought up by Gregg was the lack of detail in her daily log in comparison to the detail provided by her predecessor, Frank Caprio. While there does not seem to be a problem with her expenditures, she is unwilling to provide destinations and names of people with whom she met. This is problematic because some of her trips combine fundraising and state business except when she is on state-paid trips. On one trip, she was a guest of the Arnold Foundation (mentioned above). When the transparency is lacking, there is a question about the possible conflicts of interest.

I hope that you will continue to follow this lawsuit and possibly follow up on your original article. I will email articles referred to in this letter, as well as others that may be of interest. Thanks so much for your time.

J M Paras



REUTERS

EDITION: U.S.

Home

Business

Markets

World

Politics

Tech

Opinion

Breakingviews

Money



A DIFFERENCE YOU'LL BOTH ENJOY

NIVEA FOR MEN >> SAVE \$21

MuniLand

Follow MuniLand

Follow

RSS

Email

Like 41

Rhode Island's awful investment returns

By Cate Long
DECEMBER 22, 2011

12-22-11

Email

Print

Tweet

Like 0

PENSIONS | REFORM | RHODE ISLAND

« Previous Post
Next Post »

More From Reuters

Actress Jennifer Lawrence named 'most desirable' woman

Venezuela furious at Obama's comments

From Around the Web

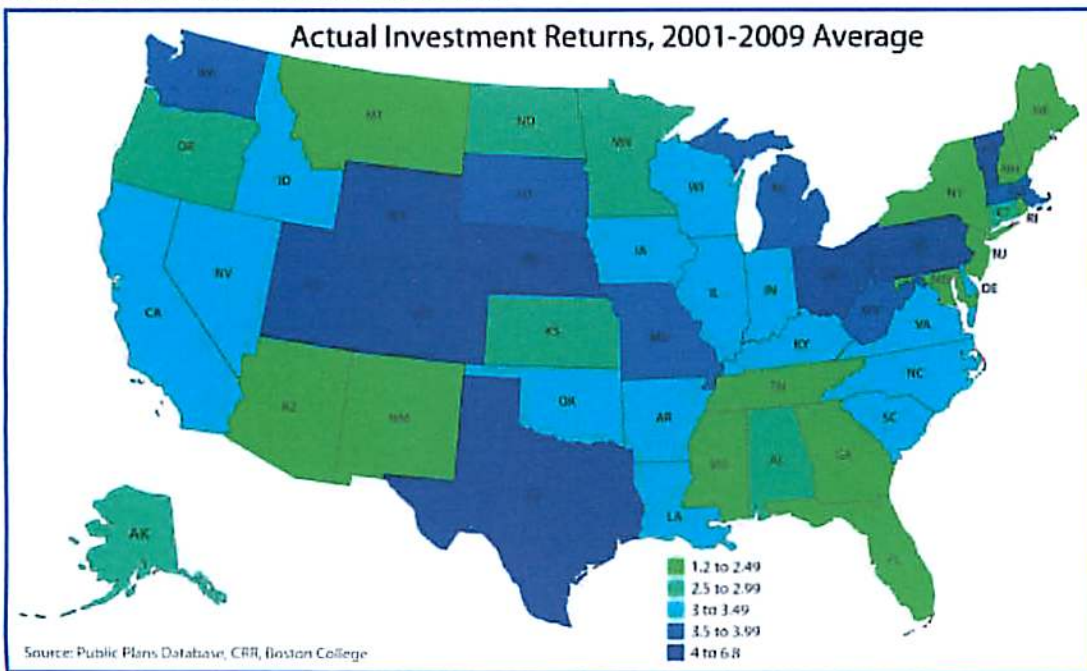
What am I paying for in the price of a gallon of gasoline? (ExxonMobil's Perspectives)

Switzerland's Seven Secrets for Success



It's getting a little tiresome to hear all the [adulation that's being heaped](#) on Gina Raimondo, the Rhode Island General Treasurer. She's been praised in the *Wall Street Journal*, *Time*, and now *CNBC* as some sort of fiscal Joan of Arc who rescued the state's public pension system from insolvency. I'll give Raimondo credit for leading the charge to reduce benefits to Rhode Island public workers and increasing their retirement age, but she's far from a pioneer in making tweaks to state pension plans – 17 other states have also made changes recently.

More importantly, the problems Raimondo addressed were not the biggest that the state faced. The main problem with Rhode Island's pension system is that it has very poor investment returns on its \$6.5 billion portfolio of assets. Over the past ten years the state's [investments returned 2.47 percent](#) compared with the national median of 3.4 percent ([page 6](#)). These returns are in the lowest tier of state pension plans, and this chronic underperformance is causing a substantial shortage of assets to pay retirees.



A national clearinghouse for public pension fund data, the Public Fund Survey, wrote in its report for FY2010:

Over time, investment earnings have a major effect on the cost and funding condition of a public pension plan: from 1982 through 2009, investment earnings accounted for 60 percent of all public pension revenue.

So the major source of pension plan funding, investment returns on plan assets, has been terrible in Rhode Island. I'm not aware of any discussion or changes in the law to address this issue. Instead, state workers and retirees are carrying the load of getting the pension plan in better shape. The latest pension reform only addressed state worker conditions. Check out this list from WPRI.com:

cost-of-living adjustments (COLAs) may be awarded every 5 years during freeze

all employees except public-safety workers and judges go into the hybrid plan

same funding calculation to end COLA suspension for judges and troopers as others

part-timers will be able to get a pension, but based on 10 highest years to avoid "spiking"

all active workers will get a retirement age between 59 and 67 based on how close they are now

I'm withholding my praise for Gina Raimondo until the investment returns of the Rhode Island pension plan move closer to the national median. Then state workers won't have to bear the entire burden.

Further:

[RI Treasurer: RI Treasurer 2010 Report](#)

[Pew: Rhode Island plan proposes new approach to states' pension woes](#)

[WPRI.com: Study: RI pension bill 'a good approach' – and it may be legal](#)

[WPRI.com: Chafee bucks AFL-CIO, stands by law protecting bondholders](#)

[Providence-Journal: Rhode Island union official Paul Valletta says big change in predicted mortality rate helped create pension crisis](#)

[ProJo: Overhaul won't fix R.I. pension problem forever](#)

More From Reuters

[Actress Jennifer Lawrence named 'most desirable' woman](#)

[Venezuela furious at Obama's comments on ailing Chavez](#)

[Obama should treat gun control like LBJ did civil rights](#)

[Public agrees: Next step is gun control](#)

[The Unequal State of America: Why America is more unequal than most](#)

From Around the Web

[What am I paying for in the price of a gallon of gasoline? *\(ExxonMobil's Perspectives\)*](#)

[Switzerland's Seven Secrets for Success *\(Credit Suisse\)*](#)

[The Terrifying Line in Obama's Speech That Everyone Missed *\(Investors.com\)*](#)

[You Won't Believe Who Romney's Related To *\(Ancestry.com\)*](#)

[Five Old-School Ski Resorts You'll Fall in Love With *\(Away.com\)*](#)

[?]

Comments

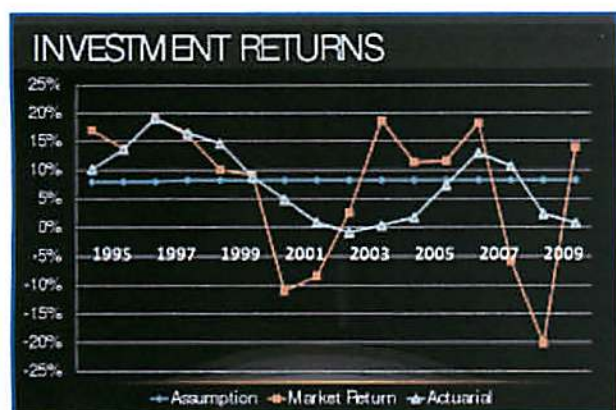
4 comments so far | [Comments RSS](#)

News | Weather | Video | Report It | Blogs | Sports | Traffic | On Air | Community |
 Target 12 | onPolitix | Rhode Show

[Home](#) : [Blogs](#)

RI pension fund earned 1.4% in 2011; Raimondo avoiding risk

 January 26th, 2012 at 5:41 pm by [Ted Nesi](#) under [Nesi's Notes](#), [On the Main Site](#)



By *Ted Nesi*

PROVIDENCE, R.I. (WPRI) – Rhode Island’s state pension fund earned a paltry 1.4% return on its investment portfolio last year, far below its target of a 7.5% annual return, WPRI.com has confirmed.

Treasurer Gina Raimondo’s office disclosed the figure for 2011, which is after expenses, in response to an inquiry on Thursday. The pension fund earned 12.5% in 2010, according to the House Fiscal Office.

“It’s really hard to manage money right now,” Raimondo told WPRI.com in an interview. She cited ongoing volatility in the stock market and the impact of the Federal Reserve’s low interest-rate policy on the state’s domestic fixed-income portfolio, which made up about 22% of the pension fund’s assets in 2010.

Rhode Island’s 1.4% return in 2011 beat the [1.1% return](#) earned by the nation’s largest public pension fund, the California Public Employees’ Retirement System. California’s teachers pension fund [grew 2.3%](#).

The Rhode Island pension fund’s assets totaled \$7.5 billion on June 30, 2011, according to the state’s annual audit. The money is saved to pay pension benefits to state employees, teachers, judges, troopers and municipal workers whose communities are in the state-run system.

Rhode Island’s pension system was 62% funded with a total liability of \$10.62 billion as of June 30, 2010, following passage of the overhaul signed by Governor Chafee in November. That figure excludes municipal workers.

The Rhode Island pension fund’s investment return averaged nearly 15% a year between 1984 and 1997 but fell to 2.4% over the last decade, which was significantly below the [national median of 3.4%](#).

“The main problem with Rhode Island’s pension system is that it has very poor investment returns,” Cate Long, a municipal bond analyst at Reuters, [wrote](#) last month. “These returns are in the lowest tier

<http://blogs.wpri.com/2012/01/26/raimondo-avoiding-risk-after-ri-pension-fund-earns-1-4...> 12/21/2012

of state pension plans, and this chronic underperformance is causing a substantial shortage of assets to pay retirees.”

Last year, Raimondo persuaded the state Retirement Board to [lower its forecast](#) of the pension fund’s average return from 8.25% to 7.5% a year, which increased the size of the state’s long-term pension shortfall [significantly](#).

Earning 7.5% a year “is a tall order – I’ll just leave it at that,” Raimondo said. “I’m going to work as hard as I can to achieve it. It’s very tough.” The state’s new hybrid pension plan and a formula that will only increase pension payments in good investment years will reduce the risk taxpayers face from subpar returns, she said.

The probability of the pension fund earning a compound return of 7.5% over the next 10 years [is less than half](#) based on its current mix of investments, Allan Emkin of Pension Consulting Alliance, a consultant hired by the treasurer’s office, told the House and Senate finance committees in October.

(The 7.5% return forecast is the combination of a 4.75% real return after expenses plus 2.75% inflation annually.)

Raimondo, who chairs the State Investment Commission, said she is “very, very focused on reducing the risk in our portfolio. ... When you’re running a pension fund the way we are – which is 60% funded, negative cash flow – you have to keep your eye on risk.”

Asked if the state will lose out on higher returns by reducing risk, Raimondo said: “If you do it right, I don’t think you do. You do give up some returns, but the way you want to run a portfolio is, if the market is up 10%, maybe you’re up 7%. But when the market’s down 10%, you’re down 2%. That’s where I’m trying to get this portfolio.”

Ted Nesi (tnesi@wpri.com) covers politics and the economy for WPRI.com and writes the [Nesi’s Notes](#) blog. Follow him on Twitter: [@tednesi](#)

- [Home](#)
- [About](#)
- [Coalition Members](#)
- [Research](#)
- [Pension Data](#)
- [Contact](#)

To search, type then pres

Promoting truth in public pension accounting



Subscribe to Truth in Pensions

Submit

Rhode Island Claims Alternative Investment Lowers Risk

by Rich Danker on July 6, 2012

In an announcement that is raising eyebrows, Rhode Island Treasurer Gina Raimondo said she's invested \$900 million (approximately 12%) of her state's pension assets into 19 hedge funds as a way to reduce risk. The money previously had been held in cash. The Providence Journal [reports](#) that "[Raimondo] said the hedge funds will give the state access to commodities and currency markets as well as short-selling stocks, a strategy that allows investors to make money when the price of a stock falls."

Given the single-sector meltdowns that have punished various asset classes from tech stocks to commodities to housing in the last decade, the quest to diversify and hedge is understandable. But implying that this is a safer position than cash seems odd. Rhode Island will also have to pay the associated investment management fees, which Raimondo's counterpart in South Carolina is [on a mission](#) to expose and contain.

{ 0 comments... [add one now](#) }

PENSIONS

Raimondo diversifies R.I. investments to lessen risk

General treasurer invests \$900 million of pension fund into 19 hedge funds, which she says will reduce portfolio's risk by 10 percent

By **PAUL EDWARD PARKER**
JOURNAL STAFF WRITER

PROVIDENCE — The state has diversified its pension-investment portfolio to reduce risk while still meeting the investment returns called for by pension-plan formulas, state General Treasurer Gina M. Raimondo said Tuesday.

Raimondo said that examining how the state invests its pension funds flowed from last year's effort to overhaul pension benefits, reducing the state's liability by, among other provisions, reducing guaranteed pension payments and putting money for employees into a 401(k)-style savings plan.

"That's only half of the equation," Raimondo said of the reduced liabilities. "We also have the asset side of the equation."

Shortly after taking office, Raimondo directed state consultants to study how pension funds were invested, with an eye toward assessing how risky the investments were.

"It's not just about measuring the return; it's also about measuring risk," Raimondo said. "We can't say we're going to hit 7.5 percent and come in at negative

INSIDE

Raimondo: State shouldn't default on 38 Studios' \$75-million loan guarantee. **A3**

SEE **PORTFOLIO, A3**

**INSTITUTE FOR
INTERNATIONAL SPORT**

38 STUDIOS

Raimondo: R.I. shouldn't default

Treasurer says it would hurt state in bond market to walk away from moral obligation

By PAUL GRIMALDI
JOURNAL STAFF WRITER

PROVIDENCE — Rhode Island General Treasurer Gina Raimondo said Tuesday that the state should pay investors the money they will be due on bonds issued to raise money for video-game company 38 Studios.

The state sold \$75 million in bonds in 2010 to bring the video-game company to Rhode Island from Massachusetts. The company founded by former Red Sox pitcher Curt Schilling was supposed to pay bondholders from the money it made developing video games. The company collapsed this year shortly after releasing its first game, "Kingdoms of Amalur: Reckoning." 38 Studios filed for federal bank-

ruptcy June 7, leaving taxpayers to pay the roughly \$100 million in principal and interest due on those bonds over the coming years.

Some have suggested the state renege on that obligation to save money and to discourage officials from repeating the investment mistake, among them Gary Sasse, fiscal adviser to former Gov. Donald Carcieri, and Robert Flanders, the previous receiver for the City of Central Falls.

House Speaker Gordon Fox, in recent media interviews, also didn't rule out the possibility that Rhode Island might opt to default on the bonds.

The bonds issued by the EDC are "moral obligation" financial securities rather than "general obligation" securities. Moral obligation bonds require the General Assembly to appropriate the money to make the principal and interest payments. In

the case of the 38 Studios bond sale, that amounts to \$12.75 million a year through 2020.

General obligation bonds are backed by the full faith and credit of the state, meaning taxpayers have committed to pay investors.

In an interview at The Journal's office, Raimondo warned that defaulting on the 38 Studios bonds could undermine the positive effects of the state's painful pension reform.

"If the state should violate its moral obligations that would substantially hurt the state's reputation in the bond market," she said. "You don't want to be the state that walks away from its moral obligations."

Taxpayers have to begin making good on the financial obligations tied to 38 Studios in May 2014.

After the state raised the \$75 million from the bond sale, it gave \$47.4 million to



THE JOURNAL/CONNIE GROSCH

Treasurer Gina Raimondo backs repayment.

Schilling's company and set aside \$23.4 million to make some bond payments should 38 Studios fail to do so.

Those reserve funds give state leaders time to decide whether to honor the remaining bond obligations.

pggrimald@providencejournal.com
(401) 277-7356

PORTFOLIO Continued from A1

Treasurer: Risk is reduced

20 and be shocked by it."

The 7.5-percent figure is the "assumed rate of return," the amount the state aims to make on its investments each year. That figure is used to calculate how much money must be paid into the pension system each year. It will also be used to calculate how much retirees will receive each year as a cost-of-living adjustment or COLA, which is essentially a raise. Currently, COLAs are suspended until the financial health of the pension fund improves. After that, COLAs would increase,

decrease or be eliminated each year based on how close the actual rate of return comes to the 7.5-percent target.

"I am much more focused on downside than upside," Raimondo said, adding that she would rather have smaller, more stable investment returns than big gains one year that might be followed by big losses the next.

Trying to achieve big gains is part of what got Rhode Island — and other investors — in trouble during the last decade.

"Everybody was chasing returns," she said. "When you chase returns, you tend to throw caution to the wind."

In the first part of this year, the treasurer invested \$900 million into 19 hedge funds, reducing the state portfolio's risk by 10 percent, Raimondo said. The \$900 million had been held in cash, so no assets had to be sold to make the transaction.

She said the hedge funds will give the state access to commodities and currency markets as well as short-selling stocks, a strategy that allows investors to make money when the price of a stock falls.

In short-selling, an investor borrows a certain number of shares of stock and sells

them at the current price, promising to replace those shares on a specific future date. If the price falls, the investor pays less for the replacement shares and pockets the difference between the original selling price and the lower price.

Hedge funds typically make investments that bet against each other, so they make at least some money regardless of which way the market moves.

The state hopes to make modest amounts of money when markets rise and lose only modest amounts when they fall, Raimondo said, rather than try for large gains at the risk of large losses.

pparker@providencejournal.com
(401) 277-7360

by Ian Donnis and Scott Mackay

- [Home](#)
- [about](#)

Rhode Island's pension fund earned just 1.4 percent in fiscal 2012

December 7, 2012

tags: [gina raimondo](#), [pensions](#)

by [Ian Donnis](#)

Rhode Island's \$7 billion+ pension fund — which is banking on an expected rate of return of 7.5 percent to pay its long-term obligations — earned just 1.4 percent over the fiscal year that ended June 30.

State Treasurer Gina Raimondo, who chairs the state Investment Commission and sparked the move last year to lower the pension fund's expected rate of return, says she doesn't think the state's expected 7.5 percent rate of return is too optimistic. In an interview, she said:

“It's important to realize that investments for pension funds and assumptions for investments for pension funds need to be looked at over the long term. There's a great deal of volatility.

So, for example, if you had picked the one year period from the beginning of October 2011 to the beginning of October 2012 it would have been 8.5 percent. So it's actually quite dangerous to look at anyone 12-month period, because as you know, there's a lot of up and down in the market.”

Fiscal years are a commonly used measure for comparing the performance of public pension funds.

Raimondo says “the right way” to look at the pension fund's performance is over a long period and looking forward.

The treasurer spoke hours after a hearing in which Superior Court Judge Sarah Taft-Carter heard opposing arguments about a state motion to dismiss a union-backed challenge to last

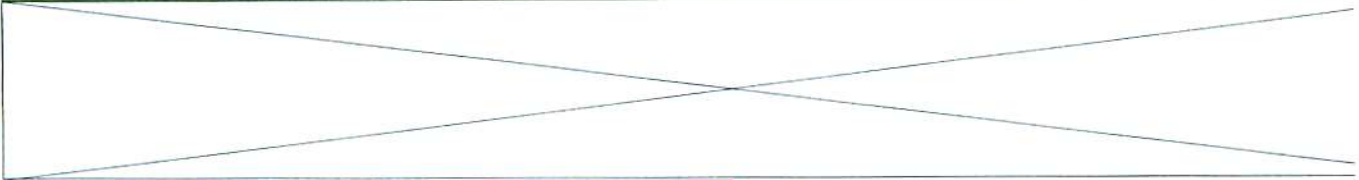
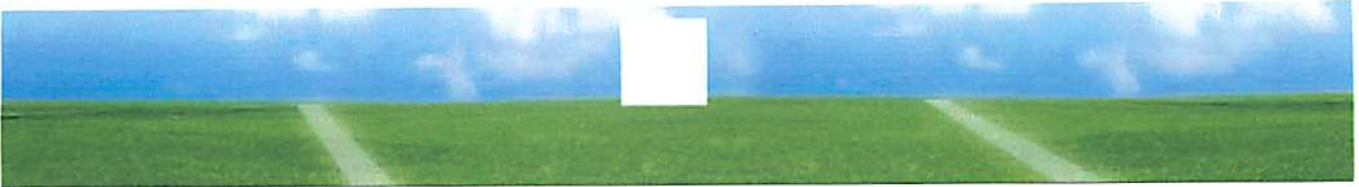
year's landmark pension overhaul. It's not clear when Taft-Carter will decide the motion. Today's hearing marked an early skirmish in what promises to be a prolonged legal fight.

Raimondo says Rhode Island's expected 7.5 percent return on the state pension fund is at "the high end of the reasonable range" considered by state investment advisers and actuaries, "but it was a reasonable number."

Rhode Island's 1.4 percent return for fiscal 2012 was slightly better than the 1 percent earned in 2012 by the California Public Employees' Retirement System, although CalPERS' target for growth was a modest 1.7 percent, according to the Los Angeles Times.

Raimondo says the state's 10 year return is about 7.9 percent and the 15-year return is about 5.53 percent.

WPRI's Ted Nesi reported in January that Rhode Island's pension fund earned a 1.4 percent return for 2011. As Ted has noted, investment expert Allan Emkin is more skeptical about the Ocean State's ability to reach its investment goals.



News | Weather | Video | Report It | Blogs | Sports | Traffic | On Air | Community
Target 12 | onPolitix | Rhode Show

[Home](#) : [Blogs](#)

Texas Enron trader's fortune helped fund Engage Rhode Island

 December 11th, 2012 at 10:59 pm by [Ted Nesi](#) under [Nesi's Notes](#), [On the Main Site](#)



Some of the secrecy surrounding Engage Rhode Island has been pierced.

The deep-pocketed advocacy group, which provided crucial support to Treasurer Gina Raimondo last year in her push to pass the landmark state pension overhaul, received between \$100,000 and \$500,000 from a Houston billionaire who was a trader for the ill-fated energy company Enron, [The Wall Street Journal revealed](#) Tuesday night.

A spokesman for John Arnold, 38, and his wife, Laura, confirmed their donations to the paper. Arnold founded Centaurus Advisors LLC, a Houston-based hedge fund, with [\\$8 million of his own money](#) in 2002. He closed the fund earlier this year. Arnold's net worth is estimated at \$3 billion by [Forbes magazine](#).

Reached late Tuesday night, EngageRI spokesman John Duffy declined to discuss the Arnold's financial support. "We respect the privacy of our donors and we continue to do so," he said. The group is organized as a 501(c)4 and is not required to disclose its donors.

Duffy said EngageRI has received almost \$1 million [since it was created](#) in the summer of 2011, suggesting the Arnolds provided between one-tenth and half the money EngageRI has raised so far. The group has spent about \$740,000 lobbying for the pension changes.

A review by WPRI.com shows the Arnolds also donated directly to Raimondo on May 18.

John Arnold gave \$2,000 to Raimondo's campaign and another \$1,000 to Hope Now PAC, a political action committee chaired by Warwick Rep.-elect Joe Shekarchi, Raimondo's 2010 campaign manager, and staffed by Jackie Baginski, Raimondo's campaign finance director, according to R.I. Board of Elections records. Laura Arnold also gave \$1,000 to Hope Now PAC.

The Wall Street Journal revelation about the Arnolds' donations to EngageRI comes the same day the paper's editorial page [lambasted Governor Chafee](#) for talking with union leaders about a settlement to end their lawsuit challenging the pension law. "It's too bad the governor has decided that taxpayers must lose in order for him to win re-election," the editorial said.

The Arnolds have [supported President Obama](#) and other Democrats. Their nonprofit [Laura and John Arnold Foundation](#) lists public pensions as one of its policy focuses, and they have backed changes in [California and other places](#). Last year the Arnold Foundation co-hosted a conference on the issue along with the George W. Bush Institute at Southern Methodist University in Dallas.

"The cost of public employee benefits in most states and communities is unsustainable," the foundation's website says. "The economic and social costs of this looming crisis are potentially crippling to our nation. We seek to remedy this untenable situation by promoting transparency and concrete solutions that address the problem in a manner that is comprehensive, lasting, and fair to all parties."

Josh McGee, the foundation's vice president for public accountability initiatives, praised the treasurer [in a Houston Chronicle op-ed](#) last June reflecting on the failed attempt to recall Wisconsin Gov. Scott Walker.


"Raimondo, the touted pension champion in Rhode Island, is now the most popular politician in her state, primarily due to her leadership on this difficult issue," McGee wrote. "Other leaders would be well-served to heed Raimondo's mantra, 'This is about math, not ideology,' before they fall into a budgetary abyss."

John Kilduff, a partner at hedge fund Again Capital LLC, described John Arnold as "legendary" in [a Bloomberg News interview](#) earlier this year. "There are contenders and pretenders, and he was a contender," Kilduff said.

Tags: [campaign finance](#), [engageri](#), [gina raimondo](#), [john arnold](#), [laura arnold](#), [pensions](#), [raimondo-chafee](#)

[Permalink](#) [30 Comments](#)

30 Responses to "Texas Enron trader's fortune helped fund Engage Rhode Island"

1.  *Jan* says:
[December 11, 2012 at 11:12 pm](#)

Transparency? How insulting! Let's promote transparency by secretly contributing \$100,000.00 to steamroll legislation. I wonder if he was a member of ALEC. Disgusted is the only word that comes to mind right now. No wonder Ms. Raimondo supported their anonymity.

FOR 'NUTCRACKER' DANCERS, IT'S A FAIRY MERRY CHRISTMAS. GO! D1

\$1.00

Weather



Plenty of sun
Forecast, B8

The Providence Journal

Home Delivery
401.277.7600

THURSDAY, December 13, 2012 | providencejournal.com

PENSIONS



John Arnold, former Enron trader and hedge-fund manager, gave six-figure contribution to EngageRI, which promoted passage of pension overhaul

By MIKE STANTON
JOURNAL STAFF WRITER

The revelation of a Texas billionaire's six-figure contribution to EngageRI, the business-backed group that supported Rhode Island General Treasurer Gina Raimondo's pension changes, has pulled the veil back on the shadowy world of secretly funded advocacy groups and out-of-state money.

John Arnold, a former hedge-fund manager and natural-gas trader at Enron, and his wife, Laura, donated between \$100,000 and \$500,000 to the Rhode Island advocacy group, according to The Wall Street Journal.

The Arnolds, listed by Forbes magazine last year as among the 100 richest Americans, have a charitable foundation in

SEE DONATION, A11

Texas billionaire gave to advocacy group

Raimondo says travel part of treasurer's job



Says the 53 days she has spent out of state since taking office allow her to spend time, in person with investors'

By KATHERINE GREGG
JOURNAL STAFF WRITER

PROVIDENCE — General Treasurer Gina Raimondo, a prolific fundraiser and much sought-after speaker on pension issues, has been out of state 53 days since taking office. Put another way, Raimondo has been in Boston, New York, Washington and other cities the equivalent of 10% five-day work weeks since January 2011.

Rhode Island taxpayers paid for very little of her travel expenses. Most were paid by private groups and founda-

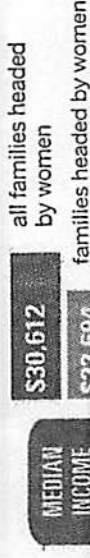
SEE RAIMONDO, A10

PROVIDENCE

Students say science classes

HOUSING | HEAVY BURDEN ON WOMEN

Annual income and housing expenses



DONATION

Billionaire donated to group promoting pension overhaul

Continued from A1

Houston that focuses on reforms in criminal justice, education and public pensions.

The revelation Wednesday that the Arnolds gave to EngageRI, which refuses to reveal its donors and legally doesn't have to, touched off a debate about transparency and the role of money in politics.

The Arnolds, who rarely give interviews, declined to say exactly how much they donated. Representatives of their foundation said they could not comment on the Arnolds' "personal donations."

The Arnolds' contribution represented a significant chunk of the \$740,000 that EngageRI spent to promote passage of the pension law, approved in November 2011, much of it on television and radio advertising.

"Raimondo talks about 'truth in numbers' — she should tell the truth about who her financial backers are," said J. Michael Downey, president of Council 94, American Federation of State, County and Municipal Employees, the state's largest public employee union. His union and others have sued to overturn the law. "I'm disgusted to see wealthy people from out of state putting money into a crusade to steal retirement security from a janitor who makes \$12,000."

John Marion, executive director of Common Cause Rhode Island, said the Texas-sized donation is a "trickle-down" of the national problem of secret money influencing the political process.

"In a little state where it doesn't take a lot of money to influence public outcomes, when you see big sums of out-of-state money coming in, it's worrisome," said Marion. "The Arnolds may have pure motives, but we should know who is giving. What if people without pure motives donated? We only know about this donation because an enterprising reporter found out."

Raimondo has said she sees no problem with the law

old Foundation, to talk to the Arnolds and others at their foundation about pension reform.

This year, the Arnold Foundation has teamed up with a Washington think tank, the Pew Center on the States, to offer free technical support to Rhode Island cities and towns who are required under the 2011 pension law to submit plans to revamp their ailing retirement systems. The partners are also assisting other state and municipal governments around the country, while the Arnolds, through their political advocacy group, have donated to movements to reduce municipal pension costs in San Diego and San Jose, Calif.

The Arnolds also donated \$2,000 personally in May to Raimondo's campaign, according to state campaign-finance records, and another \$2,000 the same day to a Rhode Island political action committee, Hope Now, which was formed at the behest of the treasurer to support like-minded candidates and issues.

Raimondo's spokeswoman confirmed that the treasurer solicited donations to Hope Now, many from out-of-state business and financial people. The PAC, formed in May, has raised \$57,000 and spent \$8,000, much of it on campaign contributions to Rhode Island legislative candidates who supported the 2011 pension law. Raimondo, a potential candidate for governor in 2014, has \$48,880 in the PAC, as of Dec. 3, as well as \$1 million in her personal campaign account.

One candidate backed by Hope Now, Sen. Joshua Miller, D-Cranston, said that he received a call from Raimondo's chief of staff, Joseph Pratt, saying that the PAC would like to send him a check to support his reelection campaign. Hope Now donated \$100 to his campaign in August.

Pratt did not respond to requests for comment. But the



THE PROVIDENCE JOURNAL/CONNIE GROSCH

General Treasurer Gina Raimondo sits next to her chief of staff, Joseph Pratt, at a legislative hearing in 2011. Raimondo's office confirmed that Pratt made phone calls this year to candidates to arrange for them to receive donations from Hope Now.

does have to report donations, also gave to Mattiello, DaPonte and Melo, as well as to House Speaker Gordon Fox's PAC and Senate President M. Teresa Paiva Weed.

Hope Now was formed by Joseph Shekarchi, who managed Raimondo's 2010 campaign for treasurer, and Edward J. Galvin, an East Providence accountant active in Democratic politics who also serves as Raimondo's campaign accountant and compliance officer. Shekarchi resigned in August to focus on his successful campaign for state representative from Warwick.

Jackie Baginski, a political consultant who works for Raimondo's campaign, also works soliciting donations for Hope Now, said Galvin.

"Gina opened the PAC to support like-minded candidates and causes to move Rhode Island forward," said Galvin.

Galvin's brother, John Galvin, is the president of EngageRI. The brothers said Wednesday that they have never discussed their organizations or coordinated their efforts, which is not allowed.

Although a spokesman for the Arnolds acknowledged their donation to EngageRI, John Galvin declined to discuss it.

his own energy hedge fund as Enron collapsed amid a criminal investigation.

Arnold's reputation survived, though, as the accounting scandals that brought down Enron had little to do with the firm's legitimate trading business. He and his wife, Laura, donated \$700 million to their family foundation, formed in 2008. This spring he closed his Centaurus Energy Master Fund to focus on philanthropy. According to a Houston Chronicle story, the Arnolds have pledged to give away most of their fortune of more than \$3 billion.

Raimondo says that the Arnold Foundation reached out to her in summer 2011, having read about her efforts on pension reform.

Josh McGee, a foundation vice president who focused on pension issues, said that he offered Raimondo policy advice as the treasurer helped formulate the 2011 pension law, then invited her to Houston in December, after it had passed.

"The treasurer was able to successfully run a campaign designed to fix the pension system and get it through the legislature," said McGee. "She was the public face, so we were interested in learning about her approach and seeing how we might take the

fects, proper
the Defenda
cluding cash
of any insur
fendand corp
preserve the
herby vester
same; to col
the debts, pr
assets and ef
fendand corp
such cash
with full pov
defend, adju
mise all elai
by or agains
corporation a
tervene or be
all suits, act
ings relating
sets, effects
may in the
Permanent R
sary or desira
tion, mainten
vation of the
sets of said D
tion.

4. That th
made in succ
pointment of
ceiver hereto
der of this Ce
manent Rece
and be vested
all assets,
choses-in-acti
heretofore acc
porary Receiv
confirm and
such agreeme
tered into by
Receiver and
perform the se

5. That the
ceiver is auth
cretion, to co
ness of the De
tion until furth
Court, and to
sons as may
the foregoing
connection th
such moneys;
to his hands a
far as the sam
sary, for the
and for conti
ness of said I
ration until f
this Court.

6. That the
ceiver is aut
expenses for
ices and to pu
such mercha
and materials
tion may be ne
tinuance of th
Defendant cor

7. That the
ceiver be and
thorized and
sell, transfer
right, title and
right, title and
Defendant cor
to any real pro
al property, tar
ble, for such
money as to b
sonable and p
sale or sales, p
er, that approv
for such sale
Court on ex p
by the Perman

8. That the
ceiver is her
and empower
lic auction any
sets referred to
He is also au
gage an auctie
sert such displ
without the St
land as he deen
tising for suc
public auction
by the Perman

represented a significant chunk of the \$740,000 that EngageRI spent to promote passage of the pension law, approved in November 2011, much of it on television and radio advertising.

"Raimondo talks about 'truth in numbers' — she should tell the truth about who her financial backers are," said J. Michael Downey, president of Council 94, American Federation of State, County and Municipal Employees, the state's largest public employee union. His union and others have sued to overturn the law. "I'm disgusted to see wealthy people from out of state putting money into a crusade to steal retirement security from a janitor who makes \$12,000."

John Marion, executive director of Common Cause Rhode Island, said the Texas-sized donation is a "trickle-down" of the national problem of secret money influencing the political process.

"In a little state where it doesn't take a lot of money to influence public outcomes, when you see big sums of out-of-state money coming in, it's worrisome," said Marion. "The Arnolds may have pure motives, but we should know who is giving. What if people without pure motives donated? We only know about this donation because an enterprising reporter found out."

Raimondo has said she sees no problem with the law that EngageRI doesn't have to reveal its donors.

"The treasurer is supportive of any group advocating for comprehensive pension reform," said her spokeswoman, Joy Fox, on Wednesday.

Fox confirmed that Raimondo made the introductions between the Arnolds and EngageRI after they began talking in the summer of 2011, and that the treasurer knew about their donation.

In December 2011, following passage of the Rhode Island Retirement Security Act, Raimondo traveled to Houston, as a guest of the Ar-

ch advocacy group, have donated to movements to reduce municipal pension costs in San Diego and San Jose, Calif.

The Arnolds also donated \$2,000 personally in May to Raimondo's campaign, according to state campaign-finance records, and another \$2,000 the same day to a Rhode Island political action committee, Hope Now, which was formed at the behest of the treasurer to support like-minded candidates and issues.

Raimondo's spokeswoman confirmed that the treasurer solicited donations to Hope Now, many from out-of-state business and financial people. The PAC, formed in May, has raised \$57,000 and spent \$8,000, much of it on campaign contributions to Rhode Island legislative candidates who supported the 2011 pension law. Raimondo, a potential candidate for governor in 2014, has \$48,880 in the PAC, as of Dec. 3, as well as \$1 million in her personal campaign account.

One candidate backed by Hope Now, Sen. Joshua Miller, D-Cranston, said that he received a call from Raimondo's chief of staff, Joseph Pratt, saying that the PAC would like to send him a check to support his reelection campaign. Hope Now donated \$100 to his campaign in August.

Pratt did not respond to requests for comment. But the treasurer's office confirmed late Wednesday that Pratt made phone calls to candidates to arrange for them to receive donations from Hope Now.

Among the dozen or so legislative candidates who received donations from Hope Now, according to its report filed with the Rhode Island Board of Elections: House Majority Leader Nicholas Mattiello, House Finance Chairman Helio Melo and Senate Finance Chairman Daniel DaPonte, who survived a strong challenge from a union-backed opponent. (EngageRI's own PAC, which

staff, Joseph Pratt, at a legislative hearing in 2011. Raimondo's office confirmed that Pratt made phone calls this year to candidates to arrange for them to receive donations from Hope Now.

does have to report donations, also gave to Mattiello, DaPonte and Melo, as well as to House Speaker Gordon Fox's PAC and Senate President M. Teresa Paiva Weed.

Hope Now was formed by Joseph Shekarchi, who managed Raimondo's 2010 campaign for treasurer, and Edward J. Galvin, an East Providence accountant active in Democratic politics who also serves as Raimondo's campaign accountant and compliance officer. Shekarchi resigned in August to focus on his successful campaign for state representative from Warwick.

Jackie Baginski, a political consultant who works for Raimondo's campaign, also works soliciting donations for Hope Now, said Galvin.

"Gina opened the PAC to support like-minded candidates and causes to move Rhode Island forward," said Galvin.

Galvin's brother, John Galvin, is the president of EngageRI. The brothers said Wednesday that they have never discussed their organizations or coordinated their efforts, which is not allowed.

Although a spokesman for the Arnolds acknowledged their donation to EngageRI, John Galvin declined to discuss it.

"They have every right to come forward, but our position is that we don't talk about our donors," said Galvin, the chief financial officer of Collette Vacations in Pawtucket. "We're a nonprofit advocacy group, acting well within the law."

John Arnold, 38, earned a reputation at Enron as the "king of natural gas," buying gas contracts in one part of the country and selling them for a profit in another. According to a 2009 Fortune magazine story, he earned Enron nearly \$750 million in 2001, then left in 2002 to form

his own energy hedge fund as Enron collapsed amid a criminal investigation.

Arnold's reputation survived, though, as the accounting scandals that brought down Enron had little to do with the firm's legitimate trading business. He and his wife, Laura, donated \$700 million to their family foundation, formed in 2008. This spring he closed his Centaurus Energy Master Fund to focus on philanthropy. According to a Houston Chronicle story, the Arnolds have pledged to give away most of their fortune of more than \$3 billion.

Raimondo says that the Arnold Foundation reached out to her in summer 2011, having read about her efforts on pension reform.

Josh McGee, a foundation vice president who focused on pension issues, said that he offered Raimondo policy advice as the treasurer helped formulate the 2011 pension law, then invited her to Houston in December, after it had passed.

"The treasurer was able to successfully run a campaign designed to fix the pension system and get it through the legislature," said McGee. "She was the public face, so we were interested in learning about her approach and seeing how we might take the lessons learned in Rhode Island and expand it around the country."

McGee has since visited Rhode Island as part of the Arnold Foundation's partnership with the Pew Center to assist Pawtucket, Woonsocket, Warwick, Smithfield, Cumberland, Scituate and other Rhode Island communities fix their local pension plans.

"Rhode Island is interesting to us," said McGee. "A lot of things are do-able there because of its size."

With staff reports from Katherine Gregg

mstanton@providencejournal.com
(401) 277-7724

choses-in-action heretofore accu porary Receiver confirm and at such agreement tered into by su Receiver and to perform the sam 5. That the Receiver is authorized, to continue of the Defe tion until further Court, and to em sons as may be the foregoing pu connection then such moneys as to his hands and far as the same s sary, for the st and for continu ness of said Def ration until fur this Court.

6. That the Receiver is author expenses for go ices and to purc such merchand and materials as tion may be nece tinuance of the b Defendant corpo

7. That the Receiver be and he thORIZED and er sell, transfer an right, title and in right, title and in Defendant corpo to any real prop al property, tangi ble, for such su money as to him sonable and pro sale or sales, prov er, that approval for such sale or Court on ex pan by the Permanent

8. That the Receiver is hereby and empowered t lic auction any or sets referred to in He is also auth gage an auctione sent such display without the State land as he deems tising for such public auction sa by the Permanen accordance with sions of this pa be considered and clared to be a (

TOWN OF FOX

RHODE IS

Request for F

Paving Main

Progra

Bid # P1:

The Town of I

soliciting sealed j

a firm to provi

management pro

grams may be o

registering as a v

web at www.psa

m. under "Onli

"Finance Depart

Alerts! Regis

Business."

Search for leg

in-paper and

providencejourna

To advertise call: 4

FOR 'NUTCRACKER' DANCERS, IT'S A FAIRY MERRY CHRISTMAS. GO! **D1**

\$1.00

Weather



Plenty of sun
Forecast, **B8**

The Providence Journal

Home Delivery
401.277.7600

THURSDAY, December 13, 2012 | providencejournal.com

PENSIONS

Texas billionaire gave to advocacy group



John Arnold, former Enron trader and hedge-fund

manager, gave six-figure contribution to EngageRI, which promoted passage of pension overhaul

By **MIKE STANTON**
JOURNAL STAFF WRITER

The revelation of a Texas billionaire's six-figure contribution to EngageRI, the business-backed group that supported Rhode Island General Treasurer Gina Raimondo's pension changes, has pulled the veil back on the shadowy world of secretly funded advocacy groups and out-of-state money.

John Arnold, a former hedge-fund manager and natural-gas trader at Enron, and his wife, Laura, donated between \$100,000 and \$500,000 to the Rhode Island advocacy group, according to The Wall Street Journal.

The Arnolds, listed by Forbes magazine last year as among the 100 richest Americans, have a charitable foundation in

SEE **DONATION, A11**

Raimondo says travel part of treasurer's job



Says the 53 days she has spent out of state since taking office allow

her to 'to spend time, in person with investors'

By **KATHERINE GREGG**
JOURNAL STAFF WRITER

PROVIDENCE — General Treasurer Gina Raimondo, a prolific fundraiser and much sought-after speaker on pension issues, has been out of state 53 days since taking office.

Put another way, Raimondo has been in Boston, New York, Washington and other cities the equivalent of 10½ five-day work weeks since January 2011.

Rhode Island taxpayers paid for very little of her travel expenses. Most were paid by private groups and founda-

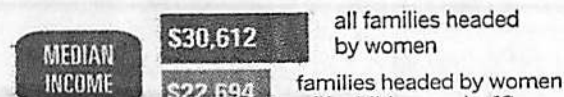
SEE **RAIMONDO, A10**

PROVIDENCE

Students say science classes

HOUSING | HEAVY BURDEN ON WOMEN

Annual income and housing expenses



Travel expenses detailed

tions or her campaign account which, at last report, topped that of any other state-level politician at more than \$1 million.

Raimondo, who earns an annual salary of \$108,808 as treasurer, says her frequent travel reflects her view of what she should be doing as the overseer of the state's \$7-billion pension portfolio and guardian of the state's credit rating.

"The treasurer needs to be on the road a certain amount of the year in order to hold asset managers accountable and be out meeting with institutional investors and that's what I have been doing," she said in a recent interview.

"It is extremely important, actually, for the treasurer ... to spend time, in person with investors, so they can ask questions and I believe, especially in these times of uncertainty and fiscal distress, it is more important than ever that [a] treasurer bend over backwards to be transparent and open with our investors and so that means going to them, because they don't all want to come here."

Raimondo said her trips have had tangible benefits for taxpayers. Citing the recent sale of \$81.4 million in general obligation bonds as an example, she said: "It was the lowest cost of capital in the state's history ... and I believe that that was in part due to the aggressive marketing effort that I did.

"I went to New York. I went to Boston on several occasions to meet with our institutional investors ... to make the case that they should invest in Rhode Island," she said.

Where has she been?

A few examples: Raimondo's daily calendar reflects a two-day visit to Washington in early February for a series of meetings on pensions, and a conversation about "financial empowerment" with Valerie Jarrett, a senior adviser to President Obama.

On a two-day trip to New York City in March, she did back-to-back interviews with the Institutional Investor Magazine, Bloomberg News, The Wall Street Journal, The Bond Buyer and CNBC.

Last week, she was in Chicago to speak at the Union League Club, at a breakfast co-hosted by the Institute for Truth In Accounting. Her topic, according to the event program: "How she persuaded the voting public, labor rank-and-file, and Rhode Island's Democratic-controlled General Assembly to put state pensions back on sound financial footing."

At other points, she was in Houston, as the guest of a philanthropic foundation founded by hedge-fund billionaire and Raimondo campaign contributor John Arnold and his wife, Laura; and in Aspen, Colo., for an "Aspen-Rodel Fellowship Seminar," as a fellow in the group's "public leadership" program. (The Wall Street Journal reported this week that Arnold had made a six-figure donation to EngageRI, a group backed by Rhode Island business leaders that advocated for last year's state pension overhaul.)

The total cost to state taxpayers for Raimondo's travels is \$2,876, according to a summary provided by the treasurer's office.

The amount she charged to her \$1.073-million campaign account for transportation and other travel expenses, including hotel accommodations, is at least \$7,554.57, according to a Journal analysis of her public fundraising and spending reports.

The amount outside groups paid to fly her to meetings, speaking engagements or awards is unavailable.

A new Ethics Commission regulation will require Rhode Island's public officials to disclose for the first time, next April, who paid for their 2012 trips. But when asked who had paid for Raimondo's, her

savings wherever possible and this is one example," Fox said.

"By allowing organizations to cover travel expenses primarily related to speaking engagements about pensions and the investment portfolio among other topics, Rhode Island taxpayer money is saved ... As a result, the state has only incurred an expense of about \$2,800 over the last two years for her official travel."

In a separate interview, Raimondo acknowledged that some of these trips doubled as both fundraising and state business meetings, but said she never did any fundraising on state-paid trips.

"What I can tell you with certainty is: when the state pays for my travel, I do not raise money," she said. "So the state paid \$2,800 of my travel expenses the past two years, and on none of those trips did I raise money."

But, she said, "I am always looking to save the taxpayer money, so if the campaign pays for my travel, and I do a business meeting, then the state has me working and doesn't have to pay for my travel."

She cited, as an example, the staff meeting she conducted by phone while she was on a campaign-paid trip to Charlotte, N.C., for the Democratic National Convention. While there, she also took part in "brainstorming on fiscal issues," as a member of a panel co-sponsored by Bloomberg and the Peter G. Peterson Foundation.

Travel expenses for 9 of her trips — 16 of her travel days — were charged to the state.

They include her flight from New York to Boston in January 2011 to attend an investment workshop, a trip to Washington in June 2011 for a Pew Charitable Trust panel discussion on pensions, her February meeting in Washington with Jarrett, and a trip to New York in March for a series of media interviews.

It is not easy to draw comparisons between the travel schedule of Raimondo, who

would not, for example, involve regular contact with major players in the New York financial arena.

In the nearly two years Raimondo has been in office, the state treasurer's office has spent a total of \$40,706 in state dollars on travel by Raimondo, her top aides and William Finelli, a retired teacher on the state Retirement Board who went at state expense to an annual convention of the National Council on Teacher Retirement in Maryland. (Finelli is also a regional vice president for the National Education Association of Rhode Island.)

By comparison, Governor Chafee's office spent \$27,420 on staff travel during a comparable period of time. Chafee was out of the state 13 weekdays in 2011, 14 in 2012, and a total of 44 days including Saturdays and Sundays, according to a summary provided by his office.

The governor routinely pays his own airfare, and his spokeswoman, Christine Hunsinger, said only his recent trip to France, to meet with senior executives of a software company with a subsidiary in Rhode Island, was paid by a non-government group, the Commodores.

The more apt comparison to Raimondo is her predecessor, Frank Caprio, who broke new ground in Rhode Island's political world in 2009 by making public a detailed account of his time during the previous 18 months.

Released when Caprio was building a campaign fund to run for governor, his daily schedules showed how and with whom he spent his time in office, from a noon luncheon meeting described as "Lehman's/Capriccio" to "dinner with Gabriella & Frankie."

Caprio had, at that point, traveled outside Rhode Island for 42 days since Jan. 1, 2008, at an overall cost of \$465.19 to the state, \$736.52 to the Council on State Governments, \$617.82 to the National Association of State Treasurers, and \$9,248 to his

draising co
barra prov
answer: "T
eled, alone
California,
September
Cathy Wei
Angeles, ar
nia Govern
regarding f
West Coas
was intend
Treasurer's
Democratic

In respo
request, Ra
vided a dail
ities and w
taking offic

But asid
tion of her
rett, the reo
do not, as
whom she r
traveling a
pensions o
powerment

Asked v
provide the
tail as Capr
not past tr
how we are
fiscal calend

She is
talk about
in travel
campaigns
which detail
ment, but
dates of t
tions.

These re
er, reflect
tions" by th
"meet and
her.

They int
telman, a l
Eisenhofer
who specie
litigation,
lic pension
Taft-Hartle
Tramontar
uty chief of
Bill Clintor
er of the
consulting
Strategies
consultant
in Washin
Mutual e
Langwell o

continued from A1

detailed

In a two-day trip to New York City in March, she did back-to-back interviews with Institutional Investor magazine, Bloomberg News, Wall Street Journal, The Motley Fool and CNBC.

Last week, she was in Chicago to speak at the Union League Club, at a breakfast hosted by the Institute for Charitable Accounting. Her program, according to the event organizer, was "How she persuaded the public, labor unions, and Rhode Island Democratic-convened General Assembly to state pensions back on solid financial footing."

On other points, she was in Boston, as the guest of an anthropic foundation dedicated by hedge-fund billionaire and Raimondo campaign contributor John Arrington and his wife, Laura; and in Aspen, Colo., for an "Aspen Rodel Fellowship Seminar" as a fellow in the program's "public leadership" program. (The Wall Street Journal reported this week that Arnold had made a six-figure donation to EngageRI, a group backed by Rhode Island business leaders that advocated for last year's state pension overhaul.)

The total cost to state taxpayers for Raimondo's travels: \$2,876, according to a tally provided by the treasurer's office.

The amount she charged for her \$1.073-million campaign account for transportation and other travel expenses, including hotel accommodations, is at least \$7,554.57, according to a Journal analysis of her public fundraising spending reports.

The amount outside expenses paid to fly her to meetings, speaking engagements or awards is unavailable.

A new Ethics Commission will require Rhode Island's public officials to disclose for the first time, next year, who paid for their 2012

spokeswoman, Joy Fox, said the treasurer's office has not kept such records.

"Treasury looks for cost savings wherever possible and this is one example," Fox said.

"By allowing organizations to cover travel expenses primarily related to speaking engagements about pensions and the investment portfolio among other topics, Rhode Island taxpayer money is saved ... As a result, the state has only incurred an expense of about \$2,800 over the last two years for her official travel."

In a separate interview, Raimondo acknowledged that some of these trips doubled as both fundraising and state business meetings, but said she never did any fundraising on state-paid trips.

"What I can tell you with certainty is: when the state pays for my travel, I do not raise money," she said. "So the state paid \$2,800 of my travel expenses the past two years, and on none of those trips did I raise money."

But, she said, "I am always looking to save the taxpayer money, so if the campaign pays for my travel, and I do a business meeting, then the state has me working and doesn't have to pay for my travel."

She cited, as an example, the staff meeting she conducted by phone while she was on a campaign-paid trip to Charlotte, N.C., for the Democratic National Convention. While there, she also took part in "brainstorming on fiscal issues," as a member of a panel co-sponsored by Bloomberg and the Peter G. Peterson Foundation.

Travel expenses for 9 of her trips — 16 of her travel days — were charged to the state.

They include her flight from New York to Boston in January 2011 to attend an investment workshop, a trip to Washington in June 2011 for a Pew Charitable Trust panel discussion on pensions, her February meeting in Washington with Jarrett, and a trip to New York in March for a series of media interviews.

It is not easy to draw com-

parisons to the investment of the state's \$7-billion pension portfolio, and other general officers whose state jobs would not, for example, involve regular contact with major players in the New York financial arena.

In the nearly two years Raimondo has been in office, the state treasurer's office has spent a total of \$40,706 in state dollars on travel by Raimondo, her top aides and William Finelli, a retired teacher on the state Retirement Board who went at state expense to an annual convention of the National Council on Teacher Retirement in Maryland. (Finelli is also a regional vice president for the National Education Association of Rhode Island.)

By comparison, Governor Chafee's office spent \$27,420 on staff travel during a comparable period of time. Chafee was out of the state 13 weekdays in 2011, 14 in 2012, and a total of 44 days including Saturdays and Sundays, according to a summary provided by his office.

The governor routinely pays his own airfare, and his spokeswoman, Christine Hunsinger, said only his recent trip to France, to meet with senior executives of a software company with a subsidiary in Rhode Island, was paid by a non-government group, the Commodores.

The more apt comparison to Raimondo is her predecessor, Frank Caprio, who broke new ground in Rhode Island's political world in 2009 by making public a detailed account of his time during the previous 18 months.

Released when Caprio was building a campaign fund to run for governor, his daily schedules showed how and with whom he spent his time in office, from a noon luncheon meeting described as "Lehman's/Capriccio" to "dinner with Gabriella & Franke."

Caprio had, at that point, traveled outside Rhode Island for 42 days since Jan. 1, 2008, at an overall cost of \$465.19 to the state, \$736.52 to the Council on State Governments. \$617.82 to the Na-

campaign account.

When asked about one of the travel expenses paid by Caprio's campaign, his fundraising consultant Amy Garbarra provided this detailed answer: "The Treasurer traveled, alone, to Los Angeles, California, for meetings on September 10, 2008, with Cathy Weiner Bunnin of Los Angeles, and former California Governor Gray Davis (D), regarding fundraising on the West Coast ... The meeting was intended to expand the Treasurer's base with major Democratic donors."

In response to a Journal request, Raimondo also provided a daily log of her activities and whereabouts since taking office.

But aside from the mention of her meeting with Jarrett, the records she provided do not, as a rule, say with whom she met when she was traveling and talking about pensions or "financial empowerment."

Asked why she did not provide the same level of detail as Caprio, she said: "I am not past treasurers. This is how we are disclosing my official calendar."

She is also unwilling to talk about the trips reflected in travel expenses on her campaign-spending reports, which detail the dates of payment, but not necessarily dates of travel or destinations.

These reports do, however, reflect "in-kind contributions" by the hosts of various "meet and greet events" for her.

They include: William Tietelman, a lawyer at Grant & Eisenhofer in Washington, who specializes in securities litigation, representing public pension funds, union and Taft-Hartley funds; Karen Tramontano, a one-time deputy chief of staff to President Bill Clinton, and Sally Painter of the Washington, D.C., consulting firm Blue Star Strategies in Washington; consultant Stephanie Foster in Washington; and Liberty Mutual executive Dennis Langwell of Boston.

GOVERNMENT

Fisheries chief to step down in 2013

Jane Lubchenco of National Oceanic and Atmospheric Administration

JAY LINDSAY
ASSOCIATED PRESS

BOSTON — The woman who oversaw the New England fishery's tumultuous transition to a new fishery management system resigned Wednesday.

Jane Lubchenco announced she was stepping down as administrator of the National Oceanic and Atmospheric Administration in February. She was a former college professor who returned to her West Coast home and academia.

In New England, the reports show key areas of poor health as fish catches fell to a historic low in 2013. In September, the Commerce Department declared a national fishery disaster in New England, fearing the historic fishery was nearing collapse.

In a letter addressed "NOAA Family," Lubchenco — whose broad portfolio includes charge over the agency nationwide — listed her 2009 appointment as "ending over-fishing and building depleted stocks, returning fishing to a sustainable ability."

But U.S. Sen. Scott Brown said Lubchenco's tenure has been disastrous for the state's fishermen and the acting head of the Commerce Department should appoint someone to lead the sad chapter of mismanagement.

The new management plan, enacted in March, gives fishermen a

For Raimondo, transparency

General Treasurer Gina M. Raimondo held a fundraiser at Rick's Roadhouse before the "Monday Night Football" game between the New England Patriots and the Houston Texans. And firefighters rallied outside, protesting the state pension overhaul that she had quarterbacked.

The next day, the Wall Street Journal revealed that a Houston billionaire (former Enron natural-gas trader John Arnold) had donated between \$100,000 and \$500,000 to EngageRI, the business-backed group that pushed for those pension changes.

And that prompted Robert A. Walsh Jr., executive director of the National Education Association Rhode Island, to say, "We wonder if she was rooting for the Houston Texans, based on EngageRI's largest donors being from Houston."

While Raimondo is, in fact, a Patriots fan, you don't need a telestrator to see the game plan that could be used against her in a Democratic primary for governor.

"Here's the headline for a negative ad against her: A multimillionaire lawyer with



Edward Fitzpatrick

a wine cellar and a multimillionaire former Enron executive team up to back Gina's efforts to take away a [cost-of-living adjustment] from a 75-year-old widow," Walsh said (referring to Arnold and to Kevin Boies, a lawyer defending the pension overhaul in court). "These commercials write themselves."

Brown University political science Prof. Wendy Schiller said unions are being opportunistic. "To paint her as someone who only cares about the rich is the exact opposite of what she has been trying to do, which is to preserve the viability of a system that gives working-class people pensions," she said.

But Schiller said, "Unless she comes up with a good narrative to counter this depiction that she only cares about the rich, she is going

to have a big problem in the primary." She said Raimondo will need to emphasize her own story of growing up in a blue-collar family in Smithfield and succeeding in the "traditionally man's world" of business.

In a Democratic primary, Raimondo could face Providence Mayor Angel Taveras and former Auditor General Ernest A. Almonte. So that provides one context for viewing the past week — which began with firefighters protesting against Raimondo and ended with Providence police reaching an agreement with Taveras to suspend pension cost-of-living increases for 10 years.

"It has been one of Taveras' best weeks and one of Raimondo's worst," Schiller said. "But it's early."

In an interview Friday, Raimondo said she respects the right of the firefighters to protest, and she said, "Public employees have done nothing wrong." But if the pension system isn't fixed now, the question in the future won't be about cost-of-living increases; it'll be about whether to slash pensions as they did in Central Falls, she said.

Raimondo said she saw the impact of a reduced pension when the Bulova watch factory closed, putting her father out of a job. "I take this very seriously," she said. "It's not us-versus-them. Pension reform is in everybody's interest."

NORTHEAST FURS

Luxury Furs and Outerwear

Rhode Island's Newest Fur Salon

Dino Quaglietta, Bob Habershaw
and Paul Goudis, formerly of
William H. Harris Furs, invite you to the

now name of the game

Walsh said EngageRI should disclose its donor list if for no other reason than it might include firms or individuals who stand to benefit from the pension system changes. "I think this is a huge political problem for her," he said. "And I'm shocked she has not called upon EngageRI to release its donor list."

Last year, on Channel 12's "Newsmakers," Raimondo noted that EngageRI had disclosed its board members and was not required to disclose its donors, and when asked about potential conflicts, she said, "I have no doubt that people funding it have a self-interest in pension reform because everybody does."

But when asked on Friday whether EngageRI should voluntarily disclose its donors, Raimondo said, "They should. I wish they had. Because I am a believer in transparency."

Well, why isn't the group naming its donors then? "I don't control EngageRI," Raimondo replied. "I'm supportive of what they do." But, she said, "It's a separate organization."

While it's separate, Raimondo encouraged the group's formation and has made introductions for fundraising purposes. So has she called for EngageRI to identify its donors? "I have called on them to do it, and they are not listening," she said. "They said, 'We are

following the law.'"

When asked about Raimondo's comments on disclosing donors, spokesman Jon Duffy said, "EngageRI respects the privacy of its contributors." He said, "Frankly, the privacy is what allows us to fundraise."

Duffy noted that as a 501(c)4 nonprofit, the group is not required to divulge its donors. "If we were running hard-core PAC-type ads just ripping people, like we saw in the presidential race, that would be one thing, but all we are doing is educating people," he said. "EngageRI started as a positive voice in pension reform. Look at the ads — all facts, all based on 'truth in numbers.' We are not doing anything that should get people mad."

Walsh disagreed, noting that unions and retirees are suing the state over the pension overhaul. "I have 32,000 people in a lawsuit and roughly 17,000 people affected by the pension changes



Raimondo



Walsh



Marion

that would beg to differ that they didn't anger anyone," he said.

Duffy accused unions of a "double standard," saying the Rhode Island Retirement Security Coalition, a group of public-sector unions, failed to file lobbyist reports. "They should stop their holier-than-thou approach and be transparent," he said. Walsh said the coalition is part of a 501(c)4 group, called Working Rhode Island, that has reported its donors, which are mostly labor unions. "We know the rules, and we follow the rules," he said.

Common Cause Rhode Island executive director John M. Marion said EngageRI should disclose its donors. He said donors might have legitimate concerns about repercussions. (The Journal has reported that Crossroads Rhode Island saw donations drop and Collette Vacations lost union business after publicly backing EngageRI.)

But, Marion said, "This is one of the biggest groups involved in one of the central questions for Rhode Island in the last decade. People have questioned their motives. So clearing the air would only help in making a stronger case."

You don't have to be John Madden to see that the right play now is: transparency.