How Michigan State and Oakland can win!

The strategies for the perennial powerhouse and the Cinderella story **SPORTS, 1B**

Detroit Free Press

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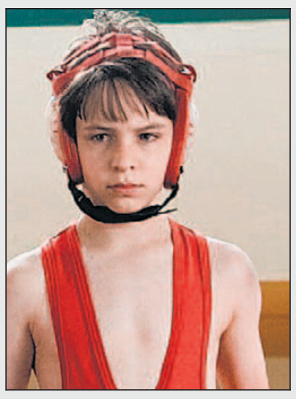

ROB McEWAN/Associated Press

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State could dissolve boards overseeing Detroit pensions

BILLS AIM TO PUT ABUSED SYSTEM UNDER CONTROL OF A NONPROFIT

By NAOMI R. PATTON
FREE PRESS STAFF WRITER

State legislators introduced bills Thursday that could potentially dismantle the City of Detroit’s two public pension funds and bring them under the management of a nonprofit trust based in Lansing.

The city’s general pension board and its police and fire pension board — with assets of about $5 billion — for years have made questionable investments, allowed lavish travel and lacked ethics policies, all chronicled all in a yearlong investigation by the Free Press.

City officials told the Free Press on Thursday that the Lansing legislation helps remedy a system that is fiscally unsustainable — with the city expected to contribute 25% of projected city revenue to the pension system by 2012 — and rife with mismanagement.

“We believe that based on the current status of those funds, that the pensions are vulnerable,” said Mayor Dave Bing’s group executive, Saul Green.

But Bing and legislators should expect push-back from pension board members and retirees, who would see control of their pension investments leave the city of Detroit.

“This is going to be the biggest war he’s ever fought,” said Ron Gracia, vice chairman of the General Retirement System.

▮ PLAN HAS BIPARTISAN SUPPORT. 9A

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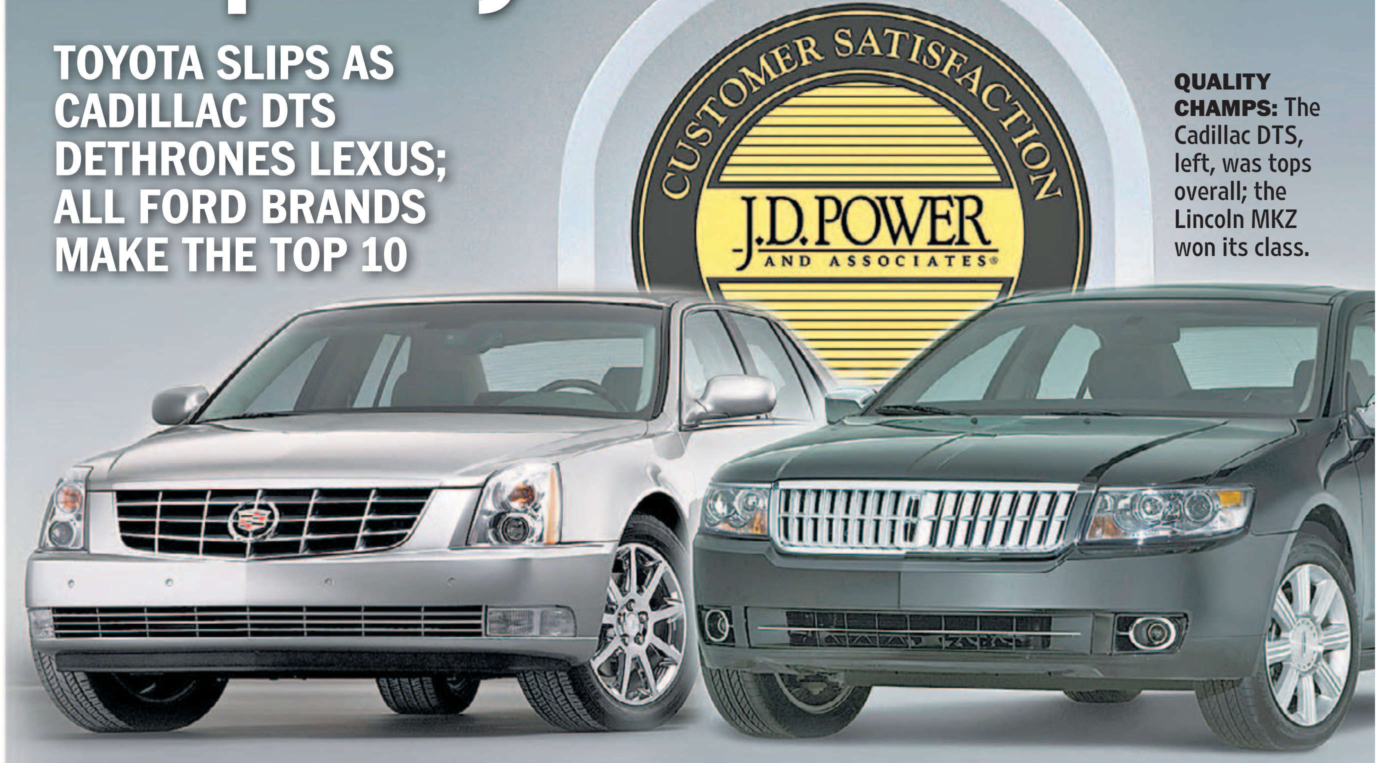
Read the Free Press’ investigative reports on Detroit’s pension boards

GM, Ford zoom forward in quality race

TOYOTA SLIPS AS CADILLAC DTS DETHRONES LEXUS; ALL FORD BRANDS MAKE THE TOP 10



QUALITY CHAMPS: The Cadillac DTS, left, was tops overall; the Lincoln MKZ won its class.

By BRENT SNAVELY
FREE PRESS BUSINESS WRITER

General Motors and Ford are giving Toyota even tougher competition when it comes to long-term quality — a critical consideration for car buyers.

The two Detroit automakers delivered a strong performance in the 2010 vehicle dependability study from J.D. Power and Associates, which measures 198 different problems in 3-year-old models.

All of Ford’s three brands ranked among the Top 10 and GM’s Buick placed third, tying Toyota’s Lexus.

What’s more, the Cadillac DTS made by GM was named the top-ranked vehicle in the study, unseating the Lexus LS. In fact, three of the top-five rated vehicles are made by GM.

“It is the first time in more than a decade that a domestic brand vehicle has been the top-rated vehicle,” said David Sargent, J.D. Power’s vice president of global vehicle research.

For years, Detroit automakers have improved in shorter-term quality studies. Now, that seems to be translating into cars that better withstand the test of time.

All of Chrysler’s three brands, however, were ranked below average. Japanese automaker Toyota, which continues to be dogged by unintended acceleration and other quality issues, slipped two spots to sixth place.

▮ GM, FORD NEED TO GET WORD OUT. 9A

▮ TOP RATINGS BY VEHICLE TYPE. 9A

Most dependable

The following cars had the fewest problems over a three-year period, said J.D. Power and Associates study of vehicle dependability.

1. Cadillac DTS
2. Mercury Montego
3. Buick LaCrosse
4. Lexus LS 460
5. Buick Lucerne
6. Ford Five Hundred
7. Mercury Milan
8. Lincoln MKZ
9. Lexus GX 470
10. Audi A6, Honda Accord, Toyota Prius

Source: J.D. Power and Associates 2010 Vehicle Dependability Study KOFI MYLER/Detroit Free Press

Freep.com **See more photos of the top 10 cars on the J.D. Power dependability list**

Granholm’s vegetarian proposal touches off a food fight

By DAWSON BELL
FREE PRESS STAFF WRITER

Gov. Jennifer Granholm said Thursday that she won’t rescind her proclamation urging Michiganders to forgo meat-eating on Saturday, even as new demands arrived in her office from state cattlemen.

Gary Voogt, a beef producer from Marne and past president of the National Cattlemen’s Beef Association, asked Granholm to “admit you got flimflammed by an animal rights activist group, Governor, it is time to, as we say, cowboy up.”

Voogt’s menu for Saturday:

▮ Breakfast: bacon, eggs and potatoes fried in the bacon grease, blueberries, yogurt and apple juice;

▮ Lunch: steak stew or chili and apple;

▮ Dinner: 18-ounce ribeye steak.

Defenders of the meat-out proclamation also chimed in.

In an e-mail to the Free Press, Jerry Schneble, director of the metro Detroit nonprofit Totally Vegetarian who said he sought the proclamation, didn’t like being called a “food elitist” by agriculture defenders.

“I would point out that two-thirds of all Americans are either overweight or obese,” he wrote, “and I can guarantee you they did not get that way by overeating fruits and vegetables.”

▮ READ BOTH LETTERS AT FREEP.COM

Metro

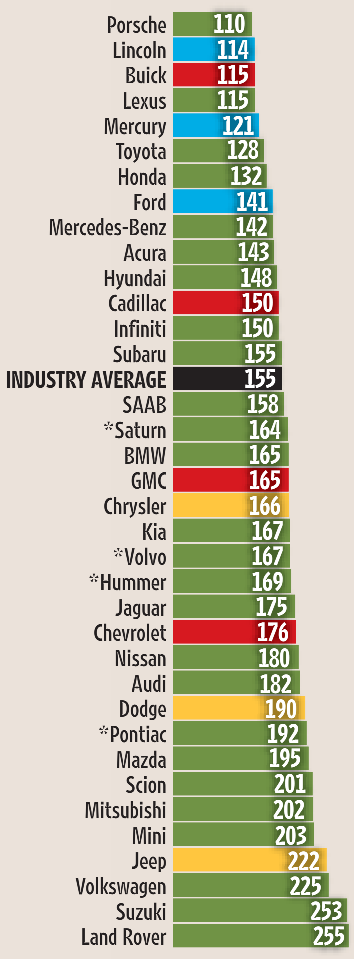
Lawmakers try to understand mix-up

Richard Short

Convicted embezzler Richard Short’s brazen attempt to get $9.1 million in state tax credits for a new business sent lawmakers scrambling Thursday to find out how he tricked a state agency. Meanwhile, Short — in a jailhouse interview — said he would have revealed his past “had anyone asked.” **12A**

2010 vehicle dependability study

Both General Motors and Ford did well in J.D. Power's vehicle dependability study this year. All three Ford brands were in the top 10 and GM's Buick placed third, tying Lexus.



*Being discontinued or sold

NOTE: Isuzu is included in the study but not ranked due to small sample size.

Source: J.D. Power and Associates

MARTHA THIERRY and KOFI MYLER/Detroit Free Press

Top models

The following vehicles received the lowest scores and finished first in their segment.

Top cars

SUBCOMPACT CAR
Honda Fit

COMPACT CAR
Toyota Prius

COMPACT SPORTY CAR
Mazda MX-5 Miata

MIDSIZE SPORTY CAR
Chevrolet Monte Carlo

MIDSIZE CAR
Buick LaCrosse

LARGE CAR
Mercury Montego

COMPACT PREMIUM SPORTY CAR
BMW Z4

ENTRY PREMIUM VEHICLE
Lincoln MKZ

MIDSIZE PREMIUM CAR
Audi A6

LARGE PREMIUM CAR
Cadillac DTS

PREMIUM SPORTY CAR
Mercedes-Benz SL-Class

Top multi-activity vehicles

COMPACT MAV
Honda CR-V

MIDSIZE MAV
Toyota Highlander

LARGE MAV
Toyota Sequoia

LARGE PICKUP
Toyota Tundra

MIDSIZE PICKUP
Honda Ridgeline

MIDSIZE VAN
Ford Freestar

PREMIUM MAV
Lexus GX 470

LARGE PREMIUM MAV
Lincoln Mark LT

Improving Ford, GM need to get quality message across

By BRENT SNAVELY
FREE PRESS BUSINESS WRITER

Consumers continue to avoid automotive brands that perform well in J.D. Power and Associates' long-term dependability survey — evidence, the firm says, of the nagging perception gap that has challenged Detroit automakers for years.

Cadillac, Ford, Hyundai, Lincoln and Mercury have the greatest lags between dependability performance and consumer perception, said David Sargent, J.D. Power's vice president of global vehicle research.

Overall, vehicle dependability improved by 7% in 2010, according to the J.D. Power annual vehicle dependability study, which measures the number of problems experienced by the owners of 2007 model year cars and trucks.

The average industry score improved to 155 problems per 100 vehicles, down from 167 last year.

Porsche, the No. 1 brand in the study, had 110 problems per 100 vehicles, an improvement over last year, when Buick and Jaguar tied for first with 120 problems per 100 vehicles.

Ford and General Motors posted impressive gains in this year's study, even though they might not always be recognized by consumers.

However, George Peterson, president of AutoPacific, an automotive research and consulting firm, said Ford is making progress, in part because of its ability to survive without asking for emergency federal loans last year.

"The perception of Ford seems to be increasing by leaps and bounds," Peterson said. "People are still upset that GM went into bankruptcy and took their money."

This year, J.D. Power ranked all three of Ford's brands among the top 10 in the firm's long-term quality study. Also, four Ford, Lincoln or Mercury models finished first in their vehicle class.

Bennie Fowler, Ford's group vice president of global quality, said the perception of Ford's quality will continue to improve as long as the company's quality continues to improve.

"What we know at Ford is you can't fool the customers," Fowler said. "You have to be consistent over time."

Lori Cumming, GM's executive director of global product development quality, also expects the perception of GM's quality to improve over time.

"The way we can do that is to just keep on launching great vehicles," Cumming said. "Results like this are very helpful."

This year, GM's Buick brand finished in third place and the Cadillac DTS was the top-rated vehicle in the entire study, beating the Lexus LS, which has finished first for the past several years.

The Cadillac DTS had the fewest problems of any car in the industry with just 76 per 100 vehicles.

"We are also excited that we have three of the top-five performing vehicles," Cumming said.

But while GM had bright spots, its Chevrolet brand, which is one of the four core brands the company decided to keep after it emerged from bankruptcy last year, received a score of 176, or 21 below average.

Sargent said Chevrolet's performance in the long-term study is likely to improve over the next several years because the brand's scores have been improving in another study that measures quality over a shorter time frame.

"We've seen substantial improvements for all four brands they are keeping," Sargent said. "They are heading in the right direction."

Toyota, which typically has outperformed all other manufacturers, saw its results slip this year.

"Toyota has hit kind of a plateau on reliability and dependability," Sargent said.

Chrysler, meanwhile, continued to struggle. All three of its brands scored below average.

"Clearly, they have a lot of work to do," Sargent said. "They are working hard on it. They are very smart people and are dedicated to fixing it."

"TOYOTA HAS HIT KIND OF A PLATEAU ON RELIABILITY AND DEPENDABILITY."

DAVID SARGENT, J.D. Power's vice president of global vehicle research

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Battle expected over pension boards plan

Bing, lawmakers aiming to rein in allegations of funds' abuse with new bills

By NAOMI R. PATTON and JENNIFER DIXON
FREE PRESS STAFF WRITERS

MANDI WRIGHT/Detroit Free Press

City of Detroit police and fire trustees at a meeting last year. Legislation to dissolve the City of Detroit's General and Police and Fire pension boards and have them managed by the Municipal Employees' Retirement System was introduced Thursday in bills in both the state House and the Senate.

There were rumors the past few days that legislation to dissolve the City of Detroit's General and Police and Fire pension boards and have them managed by the Municipal Employees' Retirement System would be introduced in Lansing.

But no one was sure until state legislators presented the bipartisan bills Thursday in both the House and the Senate.

"This is going to be the biggest war he's ever fought," said a fuming Ron Gracia, vice chair of the General Retirement System, about Mayor Dave Bing. "How dare they try and do some (expletive) like that."

Bing administration officials and legislators expect a fight from pension board members, retirees and the city's unions, but insist the legislation is meant to fix the system that they say has been crippled by bad investments and allegations of spending abuse.

The city projects paying about $681 million into both pension funds from fiscal years 2009-10 to 2011-12, a figure they say is more than what cities such as Baltimore, Chicago, Cleveland, Pittsburgh and St. Louis pay.

"The amount we have to pay and are projected to pay are just unsustainable," said Saul Green, Bing's group executive. "The only way we can pay our obligations would be to raise taxes or we're going to have to cut services ... which again this community can't take."

1st-year outlook

In the first year of MERS managing the city's retirement systems, Green said, the city could "conservatively" see a $20-million reduction in its contribution to the pension boards. He also said that the transition to MERS would not adversely affect retirees' pensions.

"We're certainly concerned with the pension system," said Don Taylor, president of the Retired Detroit Police and Fire Fighters Association, which also has a bill in the Legislature to allow retirees to vote for trustees on the police and fire board. "There's no accountability."

He said he still needs to talk to the mayor's office before the group takes a position on the legislation.

Difference of opinion

The two bills were sponsored by Rep. George Cushingberry, D-Detroit, and Sen. Mickey Switalski, D-Roseville, and Sen. Ron Jelinek, R-Three Rivers, and Rep. Dave Hildenbrand, R-Lowell, respectively.

Rep. Shanelle Jackson, D-Detroit, said, "I think it's the wrong way to go ... Every document that I've seen suggests that the funds are performing well."

Jackson said she also was "disheartened" to see that a Detroit legislator was sponsoring the bill, and she wondered aloud about the performance of MERS.

"We don't know how they're performing," she said. "Why would (Detroit) want to give up direct control of the pensions, of their employees? ... I'll be actively campaigning against these bills." Cushingberry could not be reached for comment.

The Distressed Municipal Pension System Act bill applies to systems with a value of at least $2 billion.

A pension board would have to be declared "distressed" after the state treasurer receives written notification from a trustee of the system, its actuary, 10% of its members, or the head of the municipality under various conditions.

Green said the General Retirement System is meeting three of the six conditions and the police and fire fund is meeting four of the six conditions.

The second bill, which amends the Municipal Employees' Retirement Act of 1984, adds two members to the MERS board, representing Detroit for a two-year transition period.

"The shortcomings of the current fund managers (have) been well documented," said Switalski, adding he expected better returns on investments with MERS. "This would improve the viability of the pension funds."

But Gracia points out that the pension boards were fully funded in 2008 before the markets crashed. Today, he said both are close to 90% funded.

"We recovered quite a bit from the downturn of the market," he said. "They need to talk to people. They just can't operate in a vacuum."

Who to trust?

Bob Stevenson, an Ann Arbor-based pension attorney for nearly 35 years, questioned the wisdom of the move, suggesting that the Bing administration should work to restructure the existing boards.

"Undoubtedly, the Detroit pension systems have been poorly run, but I don't think the answer in my view would be to transition to MERS," Stevenson said. "I would find some means to keep these pension plans autonomous."

Another attorney disagrees.

"The trustees and their chosen advisers have brought this on themselves. Detroit's pension plans are for the benefit of the city's workers, not the pension's trustees," said John Conway, one of the attorneys representing current and former City of Detroit employees and retirees in a class action against trustees of the General Retirement Systems and some of their advisers.

"There has been a complete disconnect between what the trustees should be doing and what they are doing," Conway said.

Al Garrett, president of the Michigan American Federation of State County and Municipal Employees (AFSCME) Council 25, that represents about 3,500 city workers, said he was surprised that the topic has not come up in labor negotiations with the unions, and that he wasn't sure what Bing wants to accomplish.

"I'm not sure that MERS is more successful than the pension boards," Garrett said, adding that the city "still has an obligation to pay the benefits."

Garrett also said he knows "the board appears to be undisciplined," but he said board members were duly elected by their peers.

The lack of discipline Garrett referred to showed up in a Free Press investigation revealing lavish travel by trustees and staff, large pay raises for the funds' longtime lawyer, and investments that went sour.

Switalski said he thinks that the bills will have strong support in Lansing, and hopes "it's accepted in the spirit it's offered."

"I think the mayor will fight for it," he said of Bing.

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Freep.com /PENSION

Read the bills introduced Thursday and previous investigative reports

What the Free Press uncovered

Over the last year, the Free Press has investigated spending and investment practices at Detroit's two public pensions, reporting, among other things, that pension board trustees have traveled the world with few restrictions and lost millions in risky deals.

Throughout, the two pension boards — one for police and fire employees, the other for general city workers — have resisted efforts to release public records or shed light on how they make decisions.

Among the newspaper's findings:

- That trustees, their lawyers and staff spent $380,000 in a year's time circling the globe to attend conferences — often traveling in packs, with virtually no limitation on where they went or how often. One trustee, Ronald Gracia, spent $105,000 on travel, including three trips to Singapore. Another, Barbara-Rose Collins, spent more than $20,000 to attend a conference in Dubai, only to acknowledge she didn't get much out of the trip.
- That the pension plans destroy most travel records after closing the books on the year, despite a state law that requires most public agencies to keep records for seven years.
- That the boards allow trustees to take trips, expensive meals, tickets to sporting events and other perks from money managers, law firms and other companies that want to do business with the funds.
- That an adviser to the boards recommended three investments that were rife with red flags. The deals collapsed, costing the pension plans $90 million, and millions more in other deals are at risk. The adviser wrote approvingly of businesses and people with well-documented histories of liens, fraud, lawsuits or failing to pay bills.
- That trustees routinely ignored their own rules requiring companies seeking investment dollars to reveal whether they are paying middlemen. They invested with businesses that failed to complete a required questionnaire that asks for details on payments to any third parties. The Securities and Exchange Commission has proposed a ban on such middlemen, saying they have the potential to be a corrupting and distorting influence.

- BY JENNIFER DIXON