

Mourdock steps up

The Issue: Official balks at Chrysler deal.

Our View: He's looking out for state funds.

Indiana State Treasurer Richard Mourdock found himself at the center of a fiscal firestorm last week for attempting to protect Indiana police and teachers pension funds and highway construction funds.

Not so pleased were the Obama White House and others who are concerned about the precedent Mourdock is setting, and the impact it could have on Chrysler LLC and its bankruptcy filing.

But Mourdock is upset, as well, about the precedent set by the White House in changing the rules for creditors in the Chrysler bankruptcy.

Mourdock, of Evansville, reported this past week that as a result of White House actions, the Indiana State Police Pension Fund lost \$147,400 and the Major Moves highway construction fund lost \$896,000, while the Indiana Teachers Retirement Fund, managed by its own board, lost about \$4.6 million.

As a consequence of the treatment given the Indiana funds, Mourdock said that in the future, no investment funds under his control would be directed to the so-called secured corporate debt of companies that are receiving federal bailout money. He also encouraged others to do the same.

In addition, he said appeals were filed by the police and teachers funds, asking the U.S. Bankruptcy Court to block the sale of Chrysler's assets.

The issue is this: the state funds were considered 'secured creditors' in Chrysler, meaning that in the event of bankruptcy, they would be the first to be paid. They paid a premium for that priority status. Indeed, as the system has traditionally worked, non-secured interests would be paid only after the secured creditors had been satisfied first.

However, in the case of Chrysler, the tables were turned. Mourdock said President Barack Obama put the interests of others ahead of the interests of the secured lenders.

According to the Wall Street Journal, Mourdock said that secured investors received only 29 cents on the dollar, while some nonsecured interests, including the United Auto Workers, received higher value in the White House-brokered arrangement.

The White House, meanwhile, said all parties, including the auto workers union and Chrysler bondholders, had to sacrifice to save the company, according to the Associated Press.

Obama said that some of those who were objecting to the arrangement were seeking an "unjustified taxpayer-funded bailout" and later agreed to accept a smaller amount, the AP reported.

Mourdock took some heat, as well, from another Hoosier politician. Brian Howey of Howey Politics Indiana quoted U.S. Rep. Joe Donnelly, a Democrat representing Indiana's Second District, as saying that Mourdock's actions could force the liquidation of Chrysler and cost Indiana some 5,000 Chrysler jobs in Kokomo.

We doubt seriously that should that happen that it would be Mourdock's fault. The automaker had major problems long before Mourdock ever entered the picture.

All Mourdock is doing is looking out for the interests of the investors he represents. In this case, they are retired state police officers and taxpayers whose highway construction funds are at risk. And he is encouraging those who represent retired teachers to do the same.

He is doing his job.