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# About Those 'Speculators' . . .

*Pension funds also got whacked by Uncle Sam.*

Remember how President Obama blamed Chrysler's bankruptcy filing last month on "a small group of speculators" who turned down Treasury's $2 billion final offer for their $6.9 billion in debt? Well, it turns out that hedge funds and other short sellers weren't the only secured creditors who got a raw deal from Uncle Sam.

Indiana Treasurer Richard Mourdock revealed this week that his state's police and teacher pension funds have lost millions of dollars in the Chrysler "restructuring." Indiana's State Police Fund and Major Moves Construction Fund, which finances roads and bridges, together lost more than $1 million. And the Teacher's Retirement Fund "suffered, at a minimum, a loss of $4.6 million due to the action of the Federal government," reports Mr. Mourdock.

Far from being speculators, these funds represent retired public employees, including cops and teachers. The funds paid a premium to buy "secured" status, only to discover that they were politically outranked by the United Auto Workers in the White House hierarchy.

"In the past, to be 'secured' meant an investor was 'first in line' in the event of a bankruptcy and 'non-secured' creditors would receive value after secured-creditors were paid," Mr. Mourdock says. "In the Chrysler bankruptcy, however, secured creditors received $.29 on the dollar even as non-secured creditors received higher values and ended up with a 55% ownership of the new company, which is fundamentally wrong and a dangerous precedent to the capital markets."

We've worried that the Chrysler sandbagging would discourage bond investment. And, sure enough, Mr. Mourdock says that from now on no funds under his control will invest in the secured debt of "General Motors, other manufacturing companies, or those insurance companies who have or will be receiving bailout funds." Given the recent actions by the feds, he adds, "the risk is too great for any prudent investor to accept."

This isn't political grandstanding. Public investment officials like Mr. Mourdock have a fiduciary duty to seek maximum returns for retirees. The question for all public officials responsible for investing pension money is whether they too should conclude that investing in U.S.-aided companies now carries so much political risk that it violates their legal obligations. Such are the wages of White House disdain for legal contracts.

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