

Charlotte's United Way Spurs Warning to Nation

Agency's probe of pension scandal spurs warning to affiliates elsewhere not to be like Charlotte

By Eric Frazier

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The United Way of America is sending a message today to all of its affiliates: Read the report detailing how a \$2.1 million CEO pension crippled public confidence in Charlotte's United Way, undermined its fundraising and cost a celebrated leader her job.

The report, commissioned by the United Way of Central Carolinas, delves into the controversial pension for former CEO Gloria Pace King.

It found that King engineered her lucrative deal two years ago, ignoring a lawyer's concerns that the new benefits might violate federal tax rules. Once the pension had been approved, the report says, King worked to hide it from the public and most of her board.

An Observer analysis this year of 31 United Ways across the country showed King at the top of most pay and benefits categories. Concerned about the newspaper's findings, the United Way of America in October surveyed 60 agencies and found that, unlike Charlotte, all of them followed recommended safeguards for setting pay.

Now, the national organization wants its 1,285 affiliates to read the report and see what can happen when precautions aren't taken.

"We want to make sure this is a one-time, one-place problem," United Way of America Chief Operating Officer Joe Haggerty said Monday.

The Charlotte report says key board committees let King and her staff control the process, and board leaders failed to get independent data and advice.

The compensation and executive committees acted "without sufficient information, attentiveness, independence and sensitivity, abetted by a flawed process in which authority and responsibility were ill-defined and broadly delegated," the report says.

"The pain, damage and embarrassment of recent events should linger long in the minds of future compensation committees and boards. They should be prepared to defend without apology the decisions they make – those that will be made public and those intended to remain confidential."

Tripling her pension

The report, more than 200 pages long, came from a seven-member panel led by Charlotte attorney Bob Sink.

It paints King as a strong-willed CEO who dominated a sprawling and fractured board. Sink

told the Observer that many of the board members didn't learn of King's new pension until after the media reported on it, two years after it had been approved.

The board's top leadership gave King the additional millions partly out of fear that she'd leave, Sink said.

Among the report's other major findings:

King ordered subordinates to find justification for her raise. Work on the pension began in 2004, when she e-mailed two staffers directing them to look into it. When progress stalled, she told her financial adviser it was time to "crack the whip" and get it done.

After a consultant's 2006 report recommended a \$729,000 pension plan, King suggested last-minute revisions that tripled its value. King and the consultant privately made the revisions just two days before the pension went before the board's executive and compensation committees.

The committees – made up of fewer than a dozen of the 65 overall board members – acted without briefing the full board. The executive committee can act for the agency. But its members said at the time they would inform the board. They failed to do so until after controversy erupted.

Early on, King overrode warnings by attorney Charlotte Offerdahl that King was already so well-compensated that any substantial new benefits might run afoul of IRS rules against excessive pay for nonprofit executives. Board members who approved the pension never heard those concerns. They also can't recall ever discussing the \$2.1 million price tag.

Once the pension was approved, the report says, King tried to keep news of it from the full board. She also delayed filing federal tax documents that would have disclosed the package to the public.

Board to respond today

Calls to most board members who OK'd the deal weren't returned Monday. Ned Curran, the chairman who signed the 2006 pension agreement, said he had not read the report and would not comment.

Board members are expected to speak on the report's findings at a news conference scheduled for today.

UNC Charlotte Chancellor Phil Dubois, a board member who wasn't involved in the pension's approval, called the report a "stunning" account of what went wrong.

"This is a tragedy for an organization that now must spend so much time rebuilding the public trust," Dubois said. "It's a tragedy that because of this, so many dollars are being kept from the people who need them most."

The head of one charity watchdog group said the board failed to oversee its CEO.

"This board was asleep at the switch," said Aaron Dorfman of the National Committee for Responsive Philanthropy in Washington.

"Boards are supposed to be protectors of the public trust."

The Sink report recommends "substantially" shrinking the board and establishing a less powerful executive committee.

It also calls for new safeguards on setting CEO pay, and creating auxiliary boards that would free the main board to keep closer tabs on the agency's finances and CEO.

A top fundraiser

King was fired Sept. 30. Charlotte attorney Bill Diehl, who represents her, has said the board still owes her at least \$1 million on the retirement deal. The board has said it will pay her no more than the \$676,000 in salary remaining on her three-year contract.

Diehl couldn't be reached by phone Monday. He would not meet with a reporter who showed up at his office late Monday afternoon.

He said last week that negotiations with the United Way over her pension have stalled.

"I don't think they want to settle it," Diehl said. "Ultimately, I will probably have to sue them. But there are some administrative hoops we first have to jump through that we are jumping through. These things just take time."

Russ Sizemore, the board's attorney, said he still hopes for a settlement.

King's new pension was known as a Supplemental Executive Retirement Plan, or SERP. Those plans are designed to increase retirement benefits for higher-paid employees whose pensions are restricted by IRS rules.

If the IRS determines King's pay was unreasonable, it could seize "excess" payments and fine her 25 percent or more of that amount. Board members could be fined as much as \$10,000 each.

The board is aware of the potential legal danger. "Yes, it's been an issue," said Sizemore. "We're working on it."

Sink's group spent 90 days on the study and interviewed about 20 people, including past and former board members and agency staff. Sink said King is the only person who declined to cooperate.

The report's portrait of her contrasts sharply with the reputation she earned during her 14 years at the United Way's helm. The Charlotte agency ranks in the top 20 United Way fundraisers nationally.

Board members have credited King with boosting the organization to No. 2 in the country in the number of donors giving at least \$10,000.

Sink told the Observer that board members approved King's pension because they feared she might be lured away.

"Believe me, it was on their minds about losing her," Sink said. "...I don't think it was just sloppiness or just insensitivity (to United Way donors), it was all of these things, combined with a strong personality" in the CEO.

The United Way has struggled since King's pension surfaced. It ended its annual campaign in mid-November \$20million shy of last year's total.

The United Way said the economy plus donor anger contributed to the shortfall. But an Observer survey of more than a dozen agencies nationwide found no comparable drop in donations.

Sink said the report might be painful for some. But he expressed hope it will prompt reforms and renew public confidence in the organization.

"We said from the beginning we would lay the facts out there, however we saw them," Sink said.

"You expose the wound. I hope because we exposed it, you help heal it."

Staff writers Gary L. Wright, Ames Alexander and Michael Gordon contributed.

Photo: Gloria Pace King

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