

Pensions and Investments News

FORMER PENSION EXEC IN JAIL FOR ALLEGED THEFT OF \$350,000

BY TERRY WILLIAMS · JUNE 10, 1996

COLORADO SPRINGS, Colo. - A pension fund administrator turned real estate manager is in jail on charges he stole \$350,000 from the \$100 million El Paso County Retirement System and some of its beneficiaries.

Mike Witty, chairman of Pinnacle Investment Consultants, Colorado Springs, is being held on \$100,000 bond, said David Zook, chief district attorney. A preliminary hearing was scheduled for late last week.

According to Mr. Zook, Mr. Witty stole about \$70,000 in death and retirement benefits from pensioners. The balance of the alleged stolen funds are from fees generated by real estate transactions and improvements that Mr. Witty made on behalf of the fund.

"We allege that he billed the plan for improvements to properties that were not made and (the funds) were converted to his own use," said Mr. Zook. "We have alleged that he cheated on his expense account."

Mr. Witty's attorney, Vincent DeGarlais, said there would be no comment about the case or the charges contained in the 46-count indictment.

Mr. Witty served as both benefits administrator and real estate manager for the fund (Pensions & Investments, March 20, 1995). He invested \$27 million - 35% of total assets at the time - in real estate before resigning the administrative position. No criminal laws were violated because all of conflicts of interests were clearly disclosed, the district attorney said at the time.

Seven of eight contracts Mr. Witty had with the retirement system were cancelled in late 1995 to settle a lawsuit brought by the El Paso County Commissioners against the retirement system's trustees. Mr. Witty nevertheless earned an estimated \$1 million in fees from the retirement system between 1993 and 1995, according to pension fund records.

Two other pension fund officials connected to Mr. Witty's alleged theft and questionable practices pleaded no contest earlier this year to charges brought against them by the district attorney. Former El Paso County Treasurer and pension board member Sharon Shipley and board member Carl Hatton agreed to pay fines and resign their positions in February.

An investigation revealed that Mrs. Shipley and Mr. Hatton accepted loans from Mr. Witty at the same time they approved real estate allocations to his firm. Mrs. Shipley borrowed \$32,000; Mr. Hatton borrowed \$175,000.