



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

FOR IMMEDIATE RELEASE

Wednesday, January 12, 2000

NAPIER 11-POINT REFORM PLAN WOULD IMPROVE INVESTMENT DECISION-MAKING, PREVENT ABUSES OF INVESTMENT PROCESS

Comprehensive Plan Also Aims to Reduce Opportunities for Money to Influence Government Decisions

State Treasurer Denise L. Nappier today announced a comprehensive 11-point reform plan designed to "add value to the investment decision-making process" and open the process to full public disclosure in the wake of the corruption scandal involving former Treasurer Paul Silvester. Nappier summarized her proposals as requiring "sound decisions based on full review and full disclosure. No deals, no secrets."

The Nappier plan calls for the development of a detailed Investment Policy Statement that must be reviewed by the Investment Advisory Council (IAC), formalizes the IAC's role in the hiring of investment advisors and imposes new limitations on a lame-duck Treasurer's ability to make certain investments.

"In my view, these proposals are not merely a response to a scandal. They represent an attempt to turn a scandal into an opportunity by using the public focus on pension fund management to make meaningful, constructive changes which will improve the investment decision-making process, strengthen the funds and thereby enhance the long-term financial security of the fund participants and beneficiaries," Nappier said.

The Nappier plan would also eliminate political influence peddling from the investment decision-making process, prohibit a Treasurer from directing the payment of fees, make disclosure of payments to third-parties by vendors and subcontractors mandatory and extend the disclosure requirement to all of the state's quasi-public agencies with investment functions similar to those of the Treasurer's Office.

In addition, Nappier is proposing extending the ban on campaign contributions by Treasury vendors to all statewide candidates and that a special statewide election be held to fill a vacancy in the Office of State Treasurer should one occur when the General Assembly is not in session.

Contact: Bernard L. Kaval er
Director of Communication
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

Over the past several months, Nappier has worked closely with members of the IAC to examine how the laws governing state funds and pension funds in particular might be amended to better protect the assets committed to the Treasury's oversight.

Today, the IAC members unanimously voted to endorse all three of Nappier's governance proposals as part of her comprehensive plan. Those proposals, which would deal specifically in statute with how the Treasurer and the Investment Advisory Council make investment decisions, will be forwarded to the General Assembly, which convenes in February.

In addition, Nappier's plan includes a series of proposals that speak directly to the need to strengthen state laws designed to prevent abuses of the investment process and to reduce the opportunity for money to influence government decision-making.

"It is more important to focus on **how** investment decisions are made rather than merely on **who** makes them," Nappier said. "Without improved statutory requirements for the decision-making process, there always will be room for bad decisions or corrupt decisions -- regardless of who makes them. That is the message of the Silvester scandal and, of more importance, it is through the enhancement of our current system that we have our greatest opportunity to add value to the investment management process."

The Nappier plan also calls for appropriate civil and criminal penalties to be established in connection with each of the new provisions and, in the case of any civil or criminal financial penalty imposed, that the proceeds should be payable to the pension funds.

"No structure anyone can devise will ever guaranty that a fund will be absolutely safe from the misconduct of someone bent on plundering it. The process of decision-making, however, can and must be improved," Nappier said.

Nappier noted that former Treasurer Silvester was "not elected to the public office he abused and was rejected by the voters when they had an opportunity to assess his merits. And we have a system which -- with its existing set of checks and balances -- resulted in the detection and conviction of Paul Silvester within a matter of months after he committed his crimes."

The Nappier plan also calls for what the Treasurer describes as "overarching" issues -- that the General Assembly fully-fund the state's pension system and establish of a system of public financing for elections as part of comprehensive campaign finance reform.

The Treasurer said she looks forward to working with the General Assembly and the various state commissions and agencies that have put forth proposals that respond to various aspects of the Silvester scandal. She also noted that the results of ongoing investigations may also lead to additional steps becoming necessary.

"The bottom line is that there is room for improvement, and we must act in a manner that will add value to our investment decision making process, not simply make changes for the sake of change," Nappier said.

Contact: Bernard L. Kaval er
Director of Communication
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US