



**OFFICE OF  
STATE TREASURER  
DENISE L. NAPPIER**

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# NEWS

**FOR IMMEDIATE RELEASE**  
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## **NAPPIER ANNOUNCES TREASURY'S TOP ACHIEVEMENTS IN 2000**

*Passage of Treasury Reform Act, Record-Setting Return of Unclaimed Assets, Growth of College Savings Program, Financial Strength of Second Injury Fund Among Outstanding Efforts*

Connecticut Treasurer Denise L. Nappier today announced the "top ten" achievements of 2000 at the Treasurer's Office, as she completed her second year as Treasurer. Among the year's highlights are a series of successful efforts to improve opportunities for Connecticut families and reduce costs to taxpayers.

"I take great pride in the progress we made this year to restore integrity and public confidence in the Office of the Treasurer. The Treasury Reform Act, which I proposed in February and which the General Assembly passed in May, was the centerpiece of that effort. However, that is far from all this year has been about," Nappier said, "I am equally proud of the work we are doing to create opportunities for Connecticut's families." Highlights of 2000 include:

1. **Achieved approval of the Treasury Reform Act**, after outlining a comprehensive reform plan that provided the blueprint for legislative action following the scandal involving former Treasurer Paul Silvester.
2. **Returned more unclaimed assets -- \$9 million --** to rightful owners than in any year in the history of the unclaimed property program, and conducted the most successful outreach program ever -- with more than 65,000 e-mail inquiries and 45,000 claims being filed thus far in the "Name It and Claim It" campaign.
3. **Attracted a record number of new investors saving for college** following the re-launch of the **Connecticut Higher Education Trust (CHET)** program, with lower fees and a new program administrator. CHET is now one of the leading programs in the country.
4. **Sound management and tighter fiscal controls in the Second Injury Fund** eliminated a projected budget shortfall, led to the second consecutive year without a fee increase to Connecticut businesses, and an across-the-board upgrade in the Fund's credit rating.
5. Successfully **achieved legislative approval and state, federal and private-sector funding** for a Connecticut **Individual Development Account program** -- matched savings accounts for low- and moderate-income families to assist individuals seeking economic self-sufficiency.
6. Managed **state pension fund investments to best performance** in past five years and **Short-Term Investment Fund to an all-time high** of \$4.8 billion.
7. **Re-established Connecticut's corporate governance proxy voting program**, and supported shareholder resolutions in support of diversity, workers' rights and environmental information available to the public.
8. **Strong response from individual and institutional investors** in state bond sales

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- consistently pushed rates to or through AAA rate scales, resulting in savings to taxpayers. An upgrade by all three rating agencies in Second Injury Fund bonds, resulting in savings to taxpayers of approximately \$1.3 million over the life of the bonds.
9. **Stepped up the Treasury's securities litigation efforts**, including distinction of being selected as lead plaintiff and co-lead plaintiff in the *Waste Management and Campbell Soup* litigation to recover pension fund assets.
  10. Continued to monitor compliance with **Fleet Bank's financial commitment to community reinvestment** in accordance with its agreement with the Treasurer and Attorney General as part of its merger process with BankBoston.

"The Treasurer's Office is all about opportunity, and that was clearly our emphasis during the year. Whether it was creating new opportunities in the CHET or IDA programs, returning unclaimed assets, or preventing fee increases to Connecticut businesses, we achieved tangible and meaningful results in 2000. In the year ahead we will continue to chart a course that will ensure the effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut," Nappier said.

### **COLLEGE SAVINGS PROGRAM GAINS MOMENTUM, RECOGNITION**

Nappier re-launched the Connecticut Higher Education Trust (CHET) program in March, making it more accessible and affordable for Connecticut families, with lower fees and a new program manager. The changes brought immediate results: an independent analysis of state college savings programs featured in *USA Today* rated CHET as one of the top programs in the country, and the number of participants has increased 45% since the reopening in March.

"Our goal from day one was to offer Connecticut families a premier investment program for higher education," Nappier said. "Higher education is more important and more expensive than it has ever been before and we appreciate that one's ability to pay for college tomorrow depends on the quality of the investment program begun today. That's why these changes to CHET are so important for Connecticut families, and we want people to know about them."

### **PLAN TO PROMOTE SAVINGS FOR LOW, MODERATE INCOME FAMILIES APPROVED**

IDAs are matched savings accounts for low- and moderate-income families to save for first-time home purchases, job training and education or small business start-ups. The General Assembly approved legislation, advocated by Treasurer Nappier and a public-private sector task force she appointed, to create the "Connecticut IDA Initiative," which establishes a structure for IDA partnerships between the private sector, community-based organizations and government. The plan received bi-partisan support, and initial funding in the State Department of Labor. Late in the year, a \$400,000 federal grant was received to help jumpstart the program.

"IDAs teach working families how to build their assets and gain a foothold on the ladder of success," Nappier said. "For families living from paycheck to paycheck, an IDA program is one way to offer hope that hard work will bring results. It is the best investment we can make."

### **UNCLAIMED PROPERTY RETURNS SET RECORD, OUTREACH EFFORTS INTENSIFY**

The Unclaimed Property Division returned a record \$9 million to owners during fiscal year 1999-2000, which ended June 30. The Treasurer's Office kicked off a new outreach program to reunite people with their unclaimed assets – resulting in record-setting response. In the three months since the effort was launched, more than 74,000 inquiries have been received. The outreach effort included establishment of a new website, [www.nameitandclaimit.org](http://www.nameitandclaimit.org), tripling the

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size of the on-line database to 500,000, and adding a toll-free customer response line in Spanish. More than 45,000 new claims have been filed since the initiative began. The Division also reported a new record for reporting of unclaimed property to the State from businesses and corporations, approximately \$36 million.

### **PENSION FUND VALUE, SHORT-TERM INVESTMENT FUND AT RECORD-SETTING LEVELS**

For the 12-month period ending September 30, the state pension fund returned 16.58% gross of fees, ranking in the 15<sup>th</sup> percentile, performing better than 85% of other public funds with assets greater than \$1 billion. That was the highest 12-month ranking for the state pension fund in the last five years. Previous rankings for similar 12-month periods were 53<sup>rd</sup> percentile (1999), 56<sup>th</sup> percentile (1998) and 62<sup>nd</sup> percentile (1997). The fund value in 2000 was between \$21 and \$22 billion throughout the year, a level unsurpassed in state history.

The Treasury's Short-Term Investment Fund, which invests funds for state and municipal entities, reached an all-time record -- \$4.8 billion -- in September, and has attracted a growing number municipalities and local entities -- a 50% increase from the number of participating investors just four years ago.

### **STRENGTHENED FINANCIAL CONTROLS IN SECOND INJURY FUND**

The Second Injury Fund is a state operated workers' compensation insurance fund, managed by the Office of the Treasurer, which assesses Connecticut businesses to cover the costs of claims by injured workers when an employer has no workers' compensation insurance coverage and to reimburse insurers for payments made to injured workers with more than one employer.

In the wake of projected Fund budget shortfalls and recommendations to increase fees charged to Connecticut businesses, Treasurer Nappier ordered a series of management reforms in the Second Injury Fund, including: 1) strengthening internal financial management controls and the development of standardized examination procedures to ensure that insurance companies and employers are paying the correct assessment, 2) creation of a Blue Ribbon Commission to review financial status and practices, 3) conducting an independent third-party audit by a leading international accounting firm, 4) setting stricter internal policies regarding the cost and volume of settlements, and 5) hiring of a full-time controller for the Fund. As a result, fees did not increase and rates remained frozen for the second consecutive year.

In October the major credit rating agencies -- Moody's, Fitch and Standard & Poor (S&P) -- upgraded the Fund's credit rating, citing improved financial performance and Nappier's steps to tighten financial controls and strengthen the Fund's long-term financial structure. The higher ratings are expected to result in lower borrowing costs, thereby reducing the burden on businesses.

"We have brought escalating costs associated with settling cases -- principally debt retirement -- under control, improved management of the Fund, and instituted policies to ensure responsible, reliable and prudent management decisions, based on sound actuarial principles," Nappier said. "My goal was to prevent an unnecessary fee increase and get the Fund on sound footing, and we have accomplished that."

### **DECISIVE ACTION TO REFORM TREASURY IN WAKE OF SILVESTER SCANDAL**

In the wake of the Silvester scandal, Treasurer Nappier outlined a comprehensive 11-point Treasury Reform plan to the legislature in January, which provided the blueprint for a series of reforms approved by the General Assembly and signed into law by Governor Rowland. The

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reforms, which are now being implemented, will "improve the investment decision-making process, strengthen the funds and enhance the long-term financial security of the fund participants and beneficiaries," Nappier said.

The new law calls for 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 investment decisions. It also eliminates political influence peddling from the investment decision-making process, prohibits a Treasurer from directing the payment of fees, and makes disclosure of payments to third-parties by vendors and subcontractors mandatory.

### **NEW PROXY VOTING GUIDELINES & SECURITIES LITIGATION**

Corporate responsibility is the principle that companies have an obligation to consider not only short-term shareholder interests but also the long-term economic well-being of the communities, the workers and the consumers they rely on for business. For the first time since 1995, Connecticut has re-established itself as a responsible institutional investor, with the adoption of comprehensive proxy voting guidelines, proposed by Treasurer Nappier and approved by the Investment Advisory Council. These guidelines were the basis for support this year of shareholder initiatives for board diversity, worker's rights, and environmental information. In addition, under Treasurer Nappier's leadership, the Office has stepped up participation in securities litigation to recover pension fund assets, being named lead and co-lead plaintiff, respectively, in two leading lawsuits alleging fraudulent misconduct, against Waste Management and Campbell Soup Co.

### **SOLID BOND SALES, SAVINGS FOR TAXPAYERS**

There were 10 strong bond sales this year, for a total of \$1.7 billion. The issues provided capital funding for the UConn, the State University system and Community Technical Colleges, local school construction projects, housing and economic development programs, state roads and bridges, Second injury settlements and a much-needed parking garage at Bradley International Airport. Among the achievements in the various bond issues were lowering borrowing costs – thus providing savings to taxpayers; a credit upgrade on UConn and Second Injury fund bonds, and increasing retail participation in General Obligation sales to record numbers.

### **MONITORING COMMUNITY REINVESTMENT COMMITMENT AT FLEET**

In negotiations with Fleet Bank regarding their 1999 merger with BankBoston, Nappier and Attorney General Blumenthal reached an agreement resulting in an increase in the merged bank's 5-year commitment to community reinvestment in Connecticut from \$2.1 to \$2.9 billion -- a 33 percent increase above the level that had been planned. At a follow-up public forum this year, held as required by the '99 agreement, Nappier assessed Fleet's follow-through on that commitment as solid, but stressed that more needed to be done in the areas of small business and consumer lending. Nappier continues to monitor Fleet's follow-through and to meet with bank officials on a wide range of issues.

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Nappier was elected State Treasurer in November 1998 after serving nearly a decade as Hartford City Treasurer. When she took office in January 1999, she became the first African-American woman elected to serve as a State Treasurer in the United States, the first African-American woman elected to a statewide office in Connecticut, and the first woman elected Treasurer in state history.

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