



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

NEWS

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NAPPIER ANNOUNCES TREASURY'S TOP TEN ACHIEVEMENTS IN 2001

Effective Management Brings Savings for Taxpayers and Businesses; Records Levels Achieved in Unclaimed Assets Returned, College Savings Accounts Opened

Connecticut State Treasurer Denise L. Nappier, citing her commitment to increase opportunities and reduce costs for Connecticut families and businesses, has announced the Treasury's "top ten" achievements for 2001.

"During 2001, we achieved significant results, cutting assessments to Connecticut businesses, saving taxpayers millions through record-setting bond issues, recovering money for the pension fund, and enhancing the state's college savings program. I remain absolutely committed to ensuring effective financial management of public resources, high standards of professionalism and integrity, and expanding opportunity for the citizens and businesses of Connecticut," Nappier said. Highlights of 2001 include:

1. **Reducing Business Assessment Rates, Saving Connecticut Businesses \$4 Million Annually**, by tightening fiscal controls and strengthening management oversight in the Second Injury Fund. The assessment rate cut, effective in October, resulted in the lowest rate for insurers in 14 years, and lowest rate for self-insured employers in 7 years.
2. **Recovering \$125.2 Million For State Pension Fund** from Triumph Capital, a private equity firm that received pension fund assets from former Treasurer Paul Silvester. This recovery is the first achieved by any state or federal agency and highest amount recovered since the Silvester scandal unfolded two years ago.
3. **Saving Connecticut Taxpayers over \$90 million through Successful Bond Issuance and Refinancing**. Bond issues provide funds for capital improvement and four issues during the year will save Connecticut taxpayers by refinancing existing debt at lower interest rates.
4. **Returning Record Total of Unclaimed Assets, \$9.8 million**, to rightful owners during the 2001 fiscal year, on nearly 14,000 claims, the highest one-year total of claims paid and the largest dollar total in one year in the 65-year history of the State's unclaimed property program.
5. **Encouraging Record Number of Families to Save for Higher Education** through Treasury sponsored CHET, Connecticut's 529 College Savings Program. During 2001, approximately 8600 new accounts were opened, more than twice as many as any previous year.
6. **Leading 3rd Largest Class Action Settlement in U.S. History**, working with Attorney General's Office to achieve \$457 million settlement in securities fraud case against Waste Management, Inc. Treasury negotiated lowest fees paid for class action legal services and settlement was achieved in record time.

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7. **State Pension Fund Investments Consistently Outperformed Similar Public Funds** in volatile market, and **Short-Term Investment Fund (STIF) Achieved \$15 Million in Additional Savings for Connecticut's Communities** through their investments in STIF, which now has a record number of state and municipal agencies as investors.
8. **Beginning Pension Fund's Corporate Governance program**, the most comprehensive effort in state history. The program is designed to make the Connecticut Retirement Plans and Trust Funds an active shareholder by utilizing proxy voting and shareholder resolutions regarding key corporate governance issues. The program had several significant successes during 2001.
9. **Developing State-Wide Financial Education Initiative** with Fleet Bank and the National Self-Help Investment Plan (SHIP) to provide Connecticut residents, non-profit organizations, small businesses and neighborhood economic development organizations with information to help them prudently manage, save and invest money.
10. **Establishing State's First Domestic Equity Brokerage Program**, an initiative designed to increase opportunities for Connecticut brokers, businesses owned by women and minorities, and emerging businesses to do business with the State.

Nappier said the achievements of the past year build on previous accomplishments, such as the Treasury Reform Act of 2000, which continue to underscore her commitment to professionalism, excellence and integrity. The Treasurer noted that implementation of elements of the Reform Act continues, as do past initiatives such as the creation of a statewide Individual Development Account program, now administered by the State Department of Labor, to assist working families in saving money and accumulating assets.

Among the accomplishments and initiatives of 2001:

(1) Management Reforms Result in Rate Cut for Connecticut Businesses

On October 1, 2001, the State Treasurer's Second Injury Fund lowered assessment rates paid by Connecticut businesses to the lowest rate in 14 years for insurers, from 10% to 9.5%, and the lowest rate in 7 years for self-insured employers, from 14.5% to 13.7%. The rate cuts, a result of strengthened fiscal management, will save Connecticut businesses \$4 million annually. The rate reduction came after back-to-back annual rate freezes by Nappier while she initiated and instituted a series of management and fiscal reforms, which included establishing a Blue Ribbon Commission of industry experts, conducting an independent third-party audit, and hiring a full-time controller for the first time in the Fund's history.

"The Second Injury Fund is now on the strongest financial management footing ever," Nappier said. "The rate reduction is the result of hard work, careful analysis and implementation of my new policy guidelines with the best interests of employers, injured workers and the taxpayers of Connecticut in mind."

(2) \$125.2 Million in Assets Returned to State Pension Fund

Following the Silvester scandal in 1999, Treasurer Nappier stated her determination to, wherever possible, recover funds that were part of the illegal schemes. The Treasurer's Office worked in conjunction with the U.S. Attorney's Office to recover assets that had been committed to Triumph Capitol, and the recovery is the first by any state or federal agency from the scandal.

"My primary obligation as principal fiduciary is to preserve the assets of the pension fund, and I pursued recovery of the Triumph assets vigorously," Treasurer Nappier said. "A return of funds and other assets at this level is unprecedented in Connecticut, and highly unusual within the industry."

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(3) Bond Issues Save Connecticut Taxpayers \$90 Million, Reestablish Market Confidence after September 11

During 2001, the State Treasurer's Office managed the sale of approximately \$4.6 billion in bonds for purposes such as state facilities and grants to towns for schools, transportation systems, Bradley Airport expansion, the Clean Water program, the University of Connecticut 2000 program, and securitization of electric utility stranded costs. Several bond issues also included refinancing of existing debt to lower interest rates, producing a total debt service savings for Connecticut taxpayers in excess of \$90 million. The success of the bond issues contributed to alleviating the state budget dilemma and the low interest rates will continue to provide savings to taxpayers for years to come.

"While I firmly believe that Connecticut must begin to rein in the amount of debt that it issues, we will continue to make sure that Connecticut's debt is managed effectively. Our goal is lessen the burden on taxpayers wherever possible while providing necessary funds for Connecticut operations," Nappier said.

One of the tax-saving bond issues was in its second day of retail orders on September 11 when the terrorist attack closed financial markets. The Treasurer's Office rescheduled that sale, after a careful assessment of market conditions, to September 25. It was among the first bond sales in the re-opened market, playing an important role in reestablishing market confidence, and had the lowest combined interest rate of any such bond sale in state history.

The State also earned two major credit rating upgrades from Moody's Investor Services for its largest bonding programs: the General Obligation program (from Aa3 to Aa2) and the Special Tax Obligation program (from A1 to Aa3).

(4) Return of Unclaimed Property Reaches All-Time High in FY2001

The Unclaimed Property Division returned a record \$9.8 million to nearly 14,000 claims in fiscal year 2001, the highest one-year total of claims paid and the largest dollar total in one year in the 65-year history of the State's unclaimed property program. These successes were due in large part to the Treasury's *Name It and Claim It* initiative, which increased outreach efforts to claimants by increasing the size of the online unclaimed property database to 500,000 names, adding a toll-free number for Spanish-speaking inquirers, and establishing a new web site, www.nameitandclaimit.org.

The Treasurer's Office also increased efforts to encourage holders to return unclaimed property to the State so that it could be reunited with the rightful owners. During fiscal year 2001, over \$39.5 million was turned over to the State, which was \$2.3 million more than had been returned the previous year.

(5) CHET Program Attracts Record Number of Families to Save for College

A record number of Connecticut families are saving for college with CHET, Connecticut's 529 College Savings Program. As of December 31, 2001, the program had 18,323 accounts and over \$137 million in assets under management. During the year, in an effort to give Connecticut families more ways to save for higher education, Treasurer Nappier worked with program manager TIAA-CREF to make two additional investment options, with differing risk profiles, available through CHET. CHET has been rated as one of the top 529 college savings programs by an independent analysis, and was recommended by *MONEY* magazine for Connecticut

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residents. For more information or to enroll in CHET, visit the web site at: www.aboutchet.com, or call the toll-free number at: 1-888-799-CHET (2438).

(6) 3rd Largest Class Action Settlement in U.S. History

The Connecticut Treasury was lead plaintiff in a class-action suit against Houston-based Waste Management, Inc., and worked with Attorney General Richard Blumenthal to negotiate a \$457 million settlement, the third largest securities class action settlement in United States history, as well as key corporate governance reforms. The reforms include greater independence for the company's audit committee and enhanced accountability for shareholders with respect to corporate management. Attorney's fees in the case were negotiated to far below the industry norm for comparable securities class actions.

The State Treasurer's Office is currently engaged in another class action suit, as co-lead plaintiff in a suit against Campbell's Soup Company, to recover pension fund losses from alleged fraudulent activities. Campbell's Soup Company attempted to have the case dismissed, but a federal judge denied the motion.

(7) Pension Fund, Short-Term Investment Fund Continue Solid Performance

Despite a volatile market, the State Pension Fund investments continually outperformed similar public funds in excess of \$1 billion during the year, according to the Trust Universe Comparison Services (TUCS) ranking. For the 12-months ending September 30, the \$20 billion Connecticut Retirement Plans and Trust Funds (CRPTF) outperformed 84% of other public funds.

The Treasury's Short-Term Investment Fund, which invests for state and municipal entities, reached an all-time record of \$5.3 billion in April 2001, and outperformed its benchmark for the year, earning an additional \$15 million for Connecticut municipalities and their taxpayers. The Short Term Investment Fund has had a 130% increase in assets under management in the past five years, and this year the Fund attracted 147 new STIF accounts.

"The Short-Term Investment Fund is an excellent way for Connecticut communities to invest in a AAAM rated investment vehicle that also provides them with the liquidity required for daily cash flow needs," Nappier said. "Our objective is to provide Fund participants with superior investment performance while minimizing risk, which is why this has becoming an increasingly attractive vehicle for communities throughout the state."

(8) Pension Fund's Corporate Governance Program Begins

In 2001, Treasurer Nappier began a corporate governance program that marked Connecticut's re-emergence -- for the first time in five years -- as an active, responsible institutional investor, with the most comprehensive series of proxy voting policies in the state's history. During the 2001 proxy season, the Treasurer's Office had several successes. The Office filed shareholder resolutions and took action at several companies, including Norfolk Southern, Autodesk, Inc., United Technologies Corporation, Cendant, TRW, Chesapeake Corporation, HealthSouth, Abercrombie & Fitch, and Jones Apparel Group. All the companies agreed to change some area of their corporate policy to comply with Connecticut's policies on independence of board directors, executive compensation, global working conditions, board diversity, and the MacBride Principles.

"A well-developed corporate governance program enables us to get the best possible financial return on the state pension dollars while also being mindful of issues both globally and in our communities," said Treasurer Nappier.

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(9) Statewide Financial Education Initiative Launched in Public-Private Partnership

The State Treasury, Fleet Bank and the National Self-Help Investment Plan (SHIP) worked together to initiate a series of community-based conferences to provide financial education to Connecticut residents, non-profit organizations, small businesses and neighborhood economic development organizations.

The initiative is designed to provide individuals with the tools to pursue financial opportunities that will help improve personal circumstances and enable them to make good decisions about economic development activities in their neighborhoods. The first conference was held in November in New Haven, and conferences are scheduled for Waterbury, Hartford, Stamford, Bridgeport and New London.

(10) Domestic Brokerage Program Will Create Opportunities

The "Domestic Equity Brokerage Program" is designed to keep more of the Treasury's brokerage business in Connecticut, and provide women and minority owned firms and firms new to the industry with greater opportunities to share in the Treasury's business. It was proposed by Treasurer Nappier, unanimously endorsed as a six-month pilot program by the State's Investment Advisory Council, and will begin early in 2002.

The initiative encourages investment managers to allocate 30 percent of brokerage commissions to Connecticut-based broker-dealers; 25 percent to minority broker-dealers and/or women broker-dealers; and 5 percent to emerging broker-dealers. Broker-dealers will continue to be hired directly by the pension fund's domestic equity portfolio managers, who manage nearly \$8 billion of the fund's \$20 billion in assets.

"The program has two important goals," said Nappier. "First, keep more of the Treasury's business right here in Connecticut. Second, provide opportunities for brokerage businesses too often shut out – firms owned by women and minorities, and new firms trying to break into the field. This initiative is good for Connecticut and it is a step toward leveling the playing field for broker dealers trying to earn business with Connecticut's pension fund."

Nappier, Treasury Receive Recognition

Denise L. Nappier, elected in November 1998, is completing her third year as State Treasurer, serving in Office longer than her three predecessors. 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. Previously, she served nearly a decade as Treasurer of the City of Hartford.

During 2001, Treasurer Nappier was awarded with the Kappa Alpha Psi Achievement Award for Bettering the Community, the Community Renewal Team's Teaching Children/Reaching Families Award, and the West Indian Foundation Service Award. The Treasurer's Office also received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada.