



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

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# **NEWS**

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## **Connecticut Treasury's Asset Recovery/Loss Prevention Program Nets \$1 Billion Plus; Nappier Urges Public, Private Pension Funds to Develop Similar Efforts**

### ***State Treasury Has Recovered More Than \$350 Million this Year***

Connecticut State Treasurer Denise L. Nappier is urging public and private pension funds in Connecticut to develop asset recovery and loss prevention programs, saying the efforts could bring back millions of dollars to their pension funds, especially at a time when all major institutional funds have lost value due to the downturn in the stock market.

Nappier, principal fiduciary of Connecticut's state pension fund, said the Treasury program that she instituted three years ago has brought just over \$1 billion into the pension fund, including more than \$350 million thus far this calendar year.

"Our loss prevention and asset recovery program works both sides of the ledger, benefiting the pension fund's bottom line by bringing money into the fund and strengthening our policies and practices in dealing with the companies we trust to invest our assets," said Nappier. "The results have been solid and beneficial, and our efforts can be a valuable model for other funds."

Nappier said, for example, that the program has brought \$2.6 million into the fund during the past few years simply by filing necessary paperwork in class action suits. "This is really found money. In the past, like many other funds, Connecticut did not have a mechanism to find out about class action settlements in which the fund could receive a share of the settlement by filing a claim. We now stay up-to-date on cases that could benefit the fund, and we go after money we're entitled to," Nappier said.

Treasurer Nappier said the amount collected by the Treasury in class action proceeds has increased from \$135,000 in fiscal year 2000, when the program first began, to \$1.05 million in 2001 and \$1.40 million in fiscal year 2002, which ended June 30, 2002. Nappier also noted that the number of class action cases has steadily increased in recent years, reflecting a greater focus on corporate malfeasance and "heightening the obligation of fiduciaries to establish responsible programs of asset recovery and prevention."

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

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The loss prevention aspects of the initiative include development of best practice contract terms, re-negotiation of contract terms, and elimination of contract ambiguities. Asset recovery efforts include enhancement of the proof of claim filing process, negotiated settlement of fee disputes, application to serve as lead plaintiff in class action litigation, encouragement of other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees, and filing lawsuits, where necessary, to recover assets.

Nappier noted that the loss prevention and asset recovery program is not limited to the pension fund, but also includes contractual relationships in other aspects Treasury operations, including the second injury fund, unclaimed property and cash management.

Nappier said that the Treasurer's Office also seeks lead plaintiff status in cases in order to protect the fund from corporate malfeasance or other illegal acts, and also works to negotiate reasonable legal fees as part of the litigation. The pension fund currently serves as co-lead plaintiff in a case against Campbell Soup and was recently named lead plaintiff in a legal action against JDS Uniphase.

Earlier this year, a federal court approved a settlement reached by Treasurer Nappier and Attorney General Blumenthal in a class action case against Waste Management in which the state pension fund was lead plaintiff. The \$457 million settlement with the company is the third largest securities class action settlement in history, achieved significantly faster than the average class action case and at substantially lower cost to the class. The pension fund is currently awaiting distribution of its share of the settlement.

Included in the funds recovered this year is \$347 million recovered from Crossroads Group, one of the state's private equity investment managers, resolving a dispute regarding contractual language governing the distribution of income from investments.

In the case of the Connecticut pension fund, a large percentage of the recovered funds related to the scandal involving former Treasurer Silvester. In 1999, Nappier successfully achieved a \$161.5 million reduction in commitments made by Silvester to private equity firms in his last weeks in office, and terminated another \$400 million in contracts. Subsequently, Nappier, working with the Office of United States Attorney, recovered \$125.2 million for the pension fund from Triumph Capital, a private equity investment firm that has been indicted on federal corruption charges.

The fund has saved another \$6.7 million since the program began as a result of fee disputes being resolved. Contract ambiguities and improper contract amendments inherited from the prior administration resulted in disputes regarding the calculation of performance-based fees.

The total recovery, recapture and commitment reductions for the Connecticut pension fund during the Nappier Administration is \$1.04 billion. Nappier said that while she did not anticipate other funds equaling those numbers, each could bring substantial dollars into their fund with a comprehensive loss prevention and asset recovery program.

"Our job is to safeguard the assets of pension beneficiaries," Nappier said, "and this effort is an integral element in helping us to fulfill that important mission."

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