



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

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NAPPIER ANNOUNCES TREASURY'S TOP TEN ACHIEVEMENTS IN 2002

Pension Fund Among Top in Nation; Increased Savings for Taxpayers and Businesses; Record Recovery of Assets, More Connecticut Families Saving for Higher Education

Connecticut State Treasurer Denise L. Nappier, citing her commitment to increase opportunities and reduce the tax burden on Connecticut families and businesses, has announced the Treasury's "top ten" achievements for 2002.

"We achieved significant results for Connecticut's taxpayers and businesses in 2002, despite a difficult economy," Nappier said. "We aggressively refinanced state debt, recovered millions of dollars for the pension fund, and returned more money to state residents than ever before in our unclaimed property 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." Highlights of 2002 include:

- 1. Managing Pension Fund to Top 1% in Nation**, outperforming similar funds in a national survey of public pension funds with assets over \$1 billion.
- 2. Saving Connecticut Taxpayers \$91 million through Successful Bond Issuance, Debt Refinancing and Defeasance.** Successful debt management practices took advantage of lower interest rates and will save Connecticut taxpayers millions of dollars over the life of the bonds.
- 3. Fighting for Shareholders Rights and Pursuing Corporate Governance Initiatives**, achieving significant corporate governance victories.
- 4. Saving Connecticut Businesses \$14.4 Million Annually**, by tightening fiscal controls and strengthening management oversight in the Second Injury Fund. The assessment rate paid by businesses was cut in July, resulting in the lowest rates in a decade.
- 5. Returning Record Total of Unclaimed Assets, \$10.1 million**, to rightful owners during the 2002 fiscal year, the largest dollar total in one year in the 66-year history of the State's unclaimed property program.
- 6. Recovering \$350 million through Treasury Asset Recovery/Loss Prevention Program in 2002**, bringing the four-year total to just over \$1 billion.
- 7. Encouraging Record Number of Families to Save for Higher Education** through Treasury sponsored CHET, Connecticut's 529 College Savings Program. During 2002, approximately 13,000 new accounts were opened, a 70% increase since the beginning of the year.
- 8. Launching Corporate Board Diversity Initiative**, the first of its kind in the country, will take a multi-tiered approach to tackling the challenge of making corporate board membership more independent and diverse, and includes the state's top business organizations.

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9. **Teaching Financial Literacy throughout Connecticut** with Connecticut businesses and community partners 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. **Attracting Investors and Producing Solid Results for municipal investors in Short-Term Investment Fund**, serving over 250 Connecticut municipalities and local entities.

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 excellence, integrity and increased opportunities for the people of Connecticut. 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 initiative, now administered by the State Department of Labor to assist working families begin to save money and accumulate assets. Among the accomplishments and initiatives of 2002:

(1) Managing Pension Fund to Top 1% in Nation

Despite the recent market downturn, the Connecticut pension fund has strongly outperformed its investment benchmark and the market. As of September 30, 2002, Connecticut's pension fund performance ranked in the top 1% in the nation over the past four years, according to the latest national survey of public pension funds with assets over \$1 billion.

Nappier said over the past four years (ending September 30, 2002), the pension fund return was 2.96%, compared with a negative 0.39% return for the investment benchmark, and a negative 4.15% return for the S&P 500. The investment benchmark is endorsed by the independent Investment Advisory Council and is representative of the fund's diversified holdings.

"Connecticut's pension fund has performed solidly and weathered the storm of a turbulent market," Nappier said. "We have consistently been taking less risk, and receiving a better return, than other public funds, and have resisted pressure to make riskier investments."

(2) Saving Connecticut Taxpayers over \$91 million through Bond Issuance, Refinancing and Defeasance

During 2002, the State Treasurer's Office managed the sale of \$2.5 billion of bonds, including \$508 million that refinanced existing State debt to lower interest rates, and defeased additional bonds for savings. The debt refinancing and defeasance produced debt service savings for Connecticut taxpayers in excess of \$46.5 million. In addition, the successful issuance of \$2 billion in bonds to provide new funding provided \$44.7 million in additional budget savings helping to alleviate the state budget dilemma.

The Treasury refinanced the debt issues at among the lowest rates in recent state history and achieved the lowest rates on a new money 20-year bond issue in over thirty years. Proceeds from the new money issues will fund local school construction projects; investments in UCONN 2000 and the state university system; transportation infrastructure; and other state grant and building projects.

"While I firmly believe 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 to lessen the burden on taxpayers wherever possible while providing necessary funds for Connecticut's capital needs," Nappier said. "Our success has contributed to relieving budget pressures in a very difficult year."

(3) Fighting for Shareholders Rights and Pursuing Corporate Governance Initiatives

Building on the foundation established in 2000 with the adoption of comprehensive proxy voting guidelines, Treasurer Nappier's office has been in the forefront of national efforts to enhance shareholder rights and strengthen corporate accountability.

Nappier, an early and outspoken critic of the proposed reincorporation of The Stanley Works Corporation to Bermuda, was successful, with Connecticut Attorney General Richard Blumenthal in first blocking and then preventing the company's plan to reincorporate offshore, which would have significantly reduced shareholder rights.

In addition, during 2002 the Treasurer's Office filed 18 shareholder resolutions on corporate governance issues, which resulted in seven settlements and two majority votes. Major victories included Disney, EMC, American Electric Power, Great Lakes Chemical, Reebok and AT&T on issues including executive compensation, independence of board members, methods for electing board members, global labor standards, global warming and transparency.

(4) Saving Connecticut Businesses \$23.6 Million

For the second consecutive year, the implementation of management reforms and stricter oversight has led Treasurer Nappier to reduce rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund. The impact of the rate reductions is a savings of \$14.4 million annually for Connecticut businesses. For insured employers, the assessment rate decreased from 9.5% to 8.0%. For self-insured employers, the assessment rate decreased from 13.7% to 11.6%. The new rates are lower than they have been in a decade. The cumulative savings to businesses of the two rate reductions is \$23.6 million — a 25.3% reduction in rates in the past two years.

"We have achieved all of this without compromising any benefits due Connecticut injured workers, while passing along savings to Connecticut businesses in the form of rate reduction," Nappier said.

(5) Returning Record Total of Unclaimed Assets, \$10.1 million

The Unclaimed Property Division returned a record \$10.1 million in fiscal year 2002, the largest dollar total in one year in the 66-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.

Nappier also noted that in fiscal year 2002, more than \$34 million was turned over to the Treasurer's Office from businesses filing Unclaimed Property holder reports.

(6) Recovering \$350 million through Treasury Asset Recovery/Loss Prevention Program

The most comprehensive effort to recover pension fund assets and prevent loss of funds in Treasury history has brought in over \$1 billion since 1999 when it was initiated by Treasurer Nappier, including more than \$350 million in 2002.

The loss prevention program includes the 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.

"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."

(7) Encouraging Record Number of Families to Save for Higher Education

A record number of Connecticut families are saving for college with CHET, Connecticut's 529 College Savings Program. As of December 31, 2002, the program had more than 31,000 accounts and over \$250 million in assets under management. The increase in accounts coincided with the introduction of a new federal tax law January 1, 2002 that made all qualified withdrawals from 529 plans federally tax exempt and the introduction by CHET of two new investment options with differing risk profiles. During the year, CHET also began offering online enrollment and account access for the first time, resulting in more than one-quarter of new accounts being opening online. A year ago, on December 31, 2001, CHET had 18,323 accounts and \$137 million in assets under management.

CHET has been rated as one of the top 529 college savings programs by an independent analysis, and was heralded as one of the best age-based performers by *The New York Times*. 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).

(8) Launching Corporate Board Diversity Initiative

The Corporate Board Diversity Initiative complements a decision in October 2002 by the New York Stock Exchange, which includes many of the nation's largest firms, to adopt new standards requiring that independent directors comprise a majority of a board. The new standards were developed in response to public concerns over numerous corporate financial scandals during the year.

"There is an historic and unprecedented opportunity for greater diversity on America's corporate boards," Nappier said. "With hundreds of corporate boards looking to add new members, there is a real chance, as never before, to add diversity to the board room and new strength to the bottom line. This effort brings together our state's business community and the front-line organizations that have been working to expand opportunity throughout our state. I'm confident it will be a partnership with benefits that accrue to the citizens and businesses of Connecticut."

The Treasurer's Office has partnered with Connecticut's top business member organizations – the Connecticut Business and Industry Association (CBIA), the Southwestern Area Commerce and Industry Association (SACIA), the Connecticut Technology Council, and The National Association of Corporate Directors Connecticut River Valley Chapter. The initiative also includes the participants in "*Reflecting Connecticut/Reflejando a Connecticut*," a project to increase representation of people of color and women on state and municipal boards and commissions.

(9) Statewide Financial Education Initiative

Following through on a commitment to increase financial education opportunities available to Connecticut residents, State Treasurer Denise L. Nappier, in partnership with private and community agencies, has built on statewide financial education initiatives during the past year.

Initiatives included the Connecticut Sullivan Financial Education Program, *Credit When Credit is Due, Get Checking*, The Money Conference for Women, Stamford Housing Authority Partnership for Financial Education, and the Community Developers Success Initiative.

The financial literacy programs are designed to provide individuals and businesses with the tools to pursue financial opportunities that will help improve financial circumstances and enable them to make good decisions about economic development activities in their lives and communities.

"The financial education programs initiated by my office are all about opportunity and making a real investment in people," Nappier said. "By participating in the program and learning the basics of money management, individuals are able to gain a foothold on the ladder of success."

(10) Short-Term Investment Fund Continues Solid Performance, Attracts More Investors

The Treasury's Short-Term Investment Fund, which invests for state and municipal entities, outperformed its benchmark for the year, earning an additional \$15 million for Connecticut counties and their taxpayers. In addition to the State and its agencies, the Short-Term Investment Fund now serves 252 Connecticut municipalities and local entities and has 950 accounts. This year the Fund attracted 71 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."

Nappier, Treasury Receive Recognition

Denise L. Nappier, elected in 1998 and re-elected in 2002, is completing her fourth year as State Treasurer, serving in Office longer than any of 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 2002, Treasurer Nappier received an honorary degree in Doctor of Humane Letters during the 112th commencement ceremonies at Teikyo Post University, and was honored by Citizens for Economic Opportunity (CEO) with the first Annual Corporate Responsibility Leadership Award for her determined leadership in promoting corporate accountability, the rights of shareholders and workers, and economic opportunity. 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.
