



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

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**Statement by Connecticut Treasurer Denise L. Nappier
RE: Backdating of Stock Options**

As principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds (CRPTF), I am quite concerned about the latest in a seemingly endless succession of scandals that undermine investor confidence and sound new alarms about the compensation paid to top corporate executives.

Much to the detriment of public companies and their shareholders, it appears that practices including 1) the backdating of option grants, 2) awarding options immediately prior to announcement of positive financial news, and 3) policies that set award dates based on a historically low stock price, are more prevalent than anyone had imagined. These practices introduce yet another aspect to the ongoing public and investor concerns about executive pay, intensifying dissatisfaction and undermining confidence, which our economy can ill afford.

The compensation practices of a company and its board provides a "window" into the integrity of the board's decision-making process and the company's strategic positioning for long-term financial success. I fear that the backdating of stock options and other practices that set the strike prices below market value, whether manipulated by company executives alone or with the "blessing" of the Board's compensation committee, further demonstrates that the best interest of the company and its shareholders are increasingly inconsistent with compensation practices.

Some of these practices are due to poor executive compensation policy or lackluster oversight by Board compensation committees, while others are clearly fraudulent. However, in all cases, there must be a response.

Indeed, in one case the CRPTF, along with other public funds, is proceeding with legal action against key executives and the board of directors of UnitedHealth Group, where it appears that the board has been complicit in the backdating of options for the CEO. While we plan to pursue the full value of the assets lost through UnitedHealth Group's fraudulent actions, we do not believe that case-by-case enforcement by litigation is in the best interest of our nations' corporations or shareholders.

The confidence of shareholders has been shaken to the point of cynicism, which can only result in the weakening of our securities markets. I therefore urge the SEC to require expanded disclosure of companies' compensation policies for the granting of executive stock option grants, specifically including the manner in which award dates are determined, so that investors can fully understand a company's compensation practices and the effect of these policies on shareholder value.

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