



# Public Interest

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*"They represent a comprehensive and responsible reform that will help to ensure the protection of our public dollars."*

*- Treasurer  
Denise L. Nappier*

## Treasury Reform Initiative Becomes State Law, Nappier Blueprint Stresses Disclosure, Oversight

State Treasurer Denise Nappier outlined a comprehensive 11-point Treasury Reform plan to the legislature in January 2000 in the wake of the scandal involving former Treasurer Paul Silvester. The Nappier plan provided the blueprint for a series of reforms that were approved by the General Assembly and signed into law by Governor Rowland.

The Treasury Reform Act measures, which are now being implemented, "will achieve what the citizens of Connecticut expect and deserve... an end to political influence peddling, a ban on finder's fees, stronger oversight and full disclosure," Nappier said. "They represent a comprehensive and responsible reform that will help to ensure the protection of our public dollars."

The new Treasury Reform Act 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.

"This new law will help restore public confidence in the investment process and gives the force of law to the administrative actions I've already taken," Nappier said. "More importantly, it requires full public disclosure of every decision, every step of the way -- and full public disclosure is the best way to ensure we don't see a repeat of the lawbreaking of Paul Silvester."

The Act requires prior disclosure of third-party fees the Treasurer and quasi-public agencies pay in connection with securities investment contracts, bars the Treasurer and employees from directing the payment of third-party fees or making personal use of credits or other valuable items given by a broker or firm in connection with trust fund investments. In addition, the Treasury Reform

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## Higher Education Savings Program Offers Families Opportunity to Save Money, Obtain Tax Advantages

State Treasurer Denise Nappier has re-launched the Connecticut Higher Education Trust (CHET) program, with substantial revisions designed to make the program more accessible and affordable for Connecticut families.

Following through on a commitment she first made during her campaign for Treasurer, Nappier hired a new program manager for the savings plan, negotiated lower management fees for account holders and reduced the minimum amount necessary to open an account from \$500 to \$25. The series of changes

has 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 partici-

pants has increased more than 50% since the reopening in March 2000.

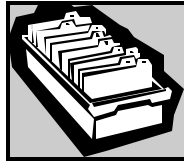
"Our goal from day one was to offer Connecticut families a premier investment program to save for higher education," Nappier said.

When used for qualified higher education expenses, earnings are exempt from Connecticut State income taxes, and federal income taxes are deferred until funds are withdrawn, at which time account earnings are taxed at the student's rate.

For more information about CHET, call 1-888-799-CHET.



The higher ratings are expected to result in lower borrowing costs, thereby reducing the tax burden on Connecticut businesses.



## Nappier Policies Result in Credit Rating Agencies Upgrade of Second Injury Fund

Three independent credit rating agencies have recognized the new financial strength of Connecticut's Second Injury Fund (SIF).

Moody's, Fitch and Standard & Poor (S&P) have each upgraded the Second Injury Fund based on an improving financial performance that follows steps taken by Treasurer Nappier and the leadership of the SIF division to tighten financial controls for the Fund and strengthen its long-term financial structure. Nappier's actions also resulted in the second consecutive year without an increase in the assessments paid by Connecticut businesses.

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. The higher ratings are expected to result in lower borrowing costs, thereby reducing the burden on the Connecticut businesses which ultimately pay the costs of the Fund in the form of rate assessments.

Moody's has upgraded the Fund from A1 to Aa3 with a positive outlook, a significant increment which puts the Second Injury Fund into the second-highest possible category. S&P upgraded the fund's rating from AA- from A+, and Fitch has given the Fund an upgrade to AA from AA-, citing greater claim certainty and assessment stability, as well as recently implemented program initiatives.

### Nappier's Treasury Reforms Become Law

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Act bans anyone from paying or receiving "finder's fees," including lobbying fees, in connection with any transaction involving the state, a quasi-public agency, or a political subdivision.

Nappier had sought a comprehensive ban that would include other state agencies.

The Treasurer said the new law will "improve the investment decision-making process, strengthen the pension funds and enhance the long-term financial security of the fund participants and beneficiaries."

The new law also restricts the governor's power to appoint someone to fill a vacancy in the Office of Treasurer when the General Assembly is not in session. It requires the deputy treasurer to fill any vacancy that occurs in a year when a regular election for treasurer is scheduled.

Finally, the act imposes civil penalties for violating the third-party and finder's fee provisions.

More information about the new law is available on the Treasurer's Office web site.



### Pension Fund Performance Remains Strong; Highest Ranking in Peer Comparison

The Connecticut pension fund continues to reach new heights and perform strongly, achieving its best performance in the past five years compared with similar public funds.

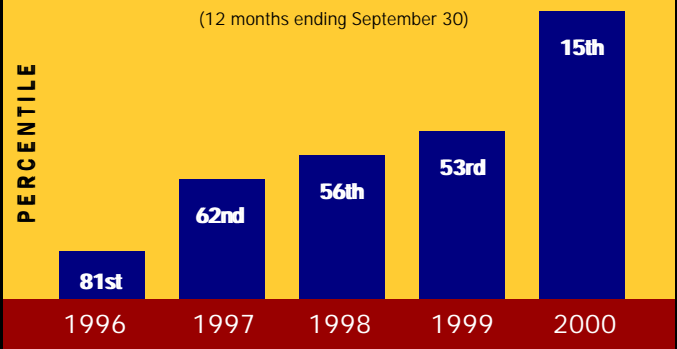
For the 12-month period ending September 30, the state pension fund returned 16.58% gross of fees, ranking in the 15<sup>th</sup> percentile, performing better than 85% of other public funds with assets greater than \$1 billion. That was the highest 12-month ranking for the state pension fund in the last five years in the Trust Universe Comparison Services (TUCS) rankings.

Previous rankings for similar 12-month periods were 53<sup>rd</sup> percentile (1999), 56<sup>th</sup> percentile (1998), 62<sup>nd</sup> percentile (1997) and 81<sup>st</sup> percentile (1996).

The fund value in 2000 was between \$21 and \$22 billion throughout the year, a level unsurpassed in state history.

"We will continue to work diligently to achieve solid returns for the pension beneficiaries who expect and deserve a secure retirement," said Treasurer Nappier.

#### Connecticut Pension Fund Performance Compared with Public Pension Funds In Excess of \$1 Billion



*"Nappier has performed admirably since taking over the office and (her recent) action reaffirms that."*

*"She and the General Assembly have righted many of the wrongs and in doing so restored public confidence in the office."*

*- Connecticut Post  
October 17, 2000*



### CORPORATE RESPONSIBILITY STRESSED IN NEW GUIDELINES

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, workers and 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 that include guidelines regarding corporate responsibility, proposed by Treasurer Nappier and approved by the Investment Advisory Council. They were the basis for support of shareholder initiatives for board independence and diversity, worker's rights, executive compensation and making environmental data available to the public.

### SHORT-TERM INVESTMENT FUND HITS ALL-TIME HIGH, PARTICIPATION INCREASES

The Treasurer's Office operates the State's Short-Term Investment Fund (STIF), which invests funds for state and municipal entities. The Fund 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. STIF earned 6.01 percent during fiscal year 2000, exceeding the average return of similar funds. This strong performance resulted in more than \$16 million in additional interest income for Connecticut's governments and their taxpayers.



### RATING UPGRADES, TAXPAYERS SAVE IN STATE BOND ISSUES

There were 10 strong bond sales during 2000, for a total of \$1.7 billion. The bond issues provided capital funding for the University of Connecticut, the State University system and Community Technical Colleges, local school construction projects, hous-

ing 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 bond issues were lowering borrowing costs thereby providing savings to taxpayers; a credit upgrade on UConn and Second Injury bonds, and increasing retail participation in General Obligation bond sales to record levels.

### LEAD PLAINTIFF IN CLASS ACTION SUITS

Under Treasurer Nappier's leadership, the Office has stepped up participation in securities litigation to recover pension fund assets. The Office was named lead and co-lead plaintiff, respectively, in two leading lawsuits alleging fraudulent misconduct, against Waste Management and Campbell Soup Co. In the Waste Management case, the Office successfully negotiated lower than standard legal fees, which will result in increased net recovery for class participants. In another legal arena, the Office joined a multi-state lawsuit against Western Union, seeking the return of money left unclaimed by individuals following the sale of the company.



### NAPPIER TO FLEET BANK: SOLID START, MORE TO DO

In negotiations with Fleet Bank regarding their 1999 merger with BankBoston, Treasurer 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 in 2000, 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.

Companies have an obligation to consider not only short-term shareholder interests but also the long-term economic well being of the communities, workers and consumers they rely on.

*"Denise Nappier has made a significant impact on both her profession and our community. She serves as an exemplary role model."*

*- Susan Lennon, Director, Hartford College for Women, presenting Treasurer Nappier with the Laura A. Johnson Woman of the Year Award*

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**Denise L. Nappier**  
**State Treasurer**

*Denise Lynn Nappier is the 82<sup>nd</sup> Treasurer of the State of Connecticut. She is 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.*

*Treasurer Nappier has received high praise for her commitment to ensuring the effective financial management of Connecticut's pension funds, thereby helping to preserve the future financial security of nearly 160,000 fund participants and beneficiaries.*

*She brings the same commitment to maintaining the highest possible standards of professionalism and integrity to the management of all the state resources committed to her oversight as Treasurer.*

*Treasurer Nappier is a vigorous advocate for using the state's financial resources – and the powers of the Treasury – to expand economic opportunities for all of the citizens and businesses of this state.*

## Unclaimed Property Outreach Effort Brings Record-Setting Response Across Connecticut

Stepping up efforts to return millions of dollars to thousands of state residents, Treasurer Nappier and Assistant Treasurer Madelyn Colón kicked-off the State Treasury's new "Name It and Claim It" campaign in September.

The unclaimed assets include uncashed checks, such as insurance benefits or wages, savings or checking accounts, stocks, bonds or mutual fund shares or safe deposit box contents. Each year the Treasurer's Office receives millions of dollars in unclaimed funds in accordance with state law because the owners cannot be found.

As part of the new outreach effort, Nappier announced: 1) the establishment of a new web site, [www.nameitandclaimit.org](http://www.nameitandclaimit.org), 2) the expansion of the web-



site database of names to just over 500,000 names, tripling the size of the previous list, and 3) the establishment of a telephone line for assistance in Spanish, 1-800-618-3404, in addition to the English toll-free line, 1-800-833-7318.

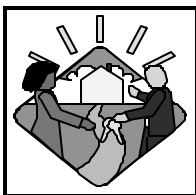
In addition, a newspaper supplement including the names of 29,000 new potential claimants was published in seven daily newspapers in Octo-

ber and a supplemental list with 26,000 additional names was published in December, in accordance with state law.

The response by the public has been phenomenal, with more than 74,000 inquiries received by year's end—more than double the response from previous outreach campaigns. More than 45,000 claims were filed as a result of those inquiries.

The Treasury outreach effort comes following news that in the fiscal year ending June 30, 2000, more than \$9 million was returned to claimants, more than has ever been returned in one year.

The Unclaimed Property Division also reported a new one-year record for reporting of unclaimed property to the State from businesses and corporations: \$36 million.



## New Asset-Building Program for Low-Income Families Begins, Receives Federal Grant; Nappier Task Force Led to State Initiative

During the 2000 Connecticut General Assembly session, Treasurer Nappier's office led successful efforts to create a statewide Individual Development Account (IDA) program, called the "Connecticut IDA Initiative," designed to expand economic opportunities for Connecticut's working families.

Working with members of the Individual Development Account Task Force, legislative leaders and state agencies, the Treasurer's Office achieved passage of legislation supported by an appropriation from the State's general fund and the adoption of a tax credit for business entities contributing to IDA programs.

Individual Development Accounts are matched savings accounts which enable low-income families to save for first-time home purchases, job-training and education or business start ups. An important element in IDA programs is financial literacy education provided to account-owners. The IDA initiative encourages low-income employed people and qualified disabled people to save for specified purposes by matching the money they deposit in an IDA account. The maximum match ratio is \$2 for every \$1 a participant deposits; the match cannot exceed \$1,000 per calendar year and \$3,000 for the program's duration.

The initiative was based on recommendations outlined in a report issued in January by a 23 member panel appointed by Nappier that included representatives of community organizations, financial institutions, state and local government. The Connecticut IDA Initiative will be run by the State Labor Department through eligible tax-exempt, nonprofit community-based organizations. At year's end, the Connecticut IDA program received a \$400,000 federal "Assets for Independence" grant.

"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, the IDA program is one way to offer hope that hard work will bring results. It is the best investment we can make."

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**[www.state.ct.us/ott](http://www.state.ct.us/ott)**

