

Public Interest

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"Nappier should be applauded for stepping up to the plate on this one... (She) has done much to restore integrity and professionalism to the office... (and) has exercised excellent judgment throughout her career..."

Hartford Business Journal on Disney Shareholder Resolution, March 4, 2002

NAPPIER ADVOCATES SHAREHOLDER RESOLUTIONS TO SEPARATE AUDIT AND CONSULTING SERVICES

State Treasurer Denise Nappier addressed the Walt Disney Company's February Annual Meeting in Hartford to advocate support for a shareholder resolution co-sponsored by the Treasury that would require the company to separate audit and consulting work. Disney had originally opposed the shareholder resolution, but at the urging of Nappier and other shareholders, Disney reversed its position and agreed to institute a Board policy discontinuing its previous practice of awarding audit and consulting work to the same accounting firm. The Connecticut pension fund owns 1.1 million shares of Disney, valued at approximately \$28.2 million (as of February 15, 2002).

"Investors look to the Board and its Audit Committee for assurances that their investment is safe," said Nappier in regard to the issue. "These assurances can only ring true if there is a Board policy that clearly and tightly defines those consulting services which cannot be performed by the independent auditor."

A leading proponent of corporate governance issues, Treasurer Nappier had advocated separation of the auditing and consulting functions for two years prior to the Enron collapse, and recently reiterated her position in discussions with members of Congress and correspondence with the Securities and Exchange Commission (SEC).

"This is a very significant announcement by the CEO of a very important U.S. company. I hope that other companies, facing similar resolutions, will offer a similar response," said Nappier at the time.

Since then, other major companies that have agreed to the separation of audit and consulting services include: Bristol Myers Squibb, Ameren, Apple Computer, Dominion Resources, Equitable Resources, Johnson and Johnson, McGraw Hill, Viacom and TXU.

Nappier Reforms Result in Lower Rates for Connecticut Businesses, Yielding \$14.4 Million in Annual Savings

For the second consecutive year, State Treasurer Denise L. Nappier has reduced rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund.

The impact of the rate reductions, which follow implementation of a series of management reforms, is a savings of \$14.4 million annually for Connecticut businesses.

For insured employers, the assessment rate will decrease from 9.5% to 8.0%. For self-insured employers, the assessment rate will decrease 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.

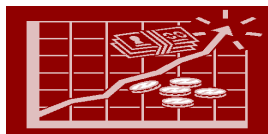
"We have achieved all of this without compromising



any benefits due Connecticut injured workers, while passing along savings to Connecticut businesses in the form of rate reduction," Nappier said.

The Second Injury Fund is a State operated workers' compensation insurance fund that assesses Connecticut employers to cover the costs of injured worker claims. The Fund protects a variety of workers, including those with bankrupt or uninsured employers.

"The rate reduction is grounded in prudent fiscal policy and sound management," Nappier stated.



PENSION FUND PERFORMANCE REMAINS STRONG, CONTINUES TO OUTPACE PEERS

Despite economic downturns, the \$20 billion Connecticut pension fund remains strong and continues to outperform similar public funds.

For the three year period ending March 31, 2002 the state pension fund ranked in the 14th percentile, performing better than 86% of other public funds with assets greater than \$1 billion, as reported by the Trust Universe Comparison Services (TUCS) rankings.

"As Treasurer, the focus of my attention will continue to be on ensuring that Connecticut's investments are safe and secure, selected based on merit and performance, free of political interference and in the best interest of the Connecticut families who depend on those funds for a secure retirement," said Treasurer Nappier.

For the three-year period ending March 31, 2002, the \$20 billion Connecticut Retirement Plans and Trust Funds ranked in the 14th percentile, performing better than 86% of other public funds with assets greater than \$1 billion.

(As reported by the Trust Universe Comparison Service rankings)

State Treasurer Recovers Assets

Treasurer Nappier, in conjunction with the Civil Division of the Office of United States Attorney for Connecticut, achieved the first recovery of assets since the scandal involving former State Treasurer Paul Silvester unfolded.

Triumph Capital, a private equity investment firm which received \$200 million in pension fund assets from Silvester's office in the days following his 1998 election defeat, returned \$125.2 million in cash and assets to the pension fund. Had the Treasurer's Office not acted as expeditiously, the pension fund would have risked losing a substantial portion – perhaps nearly two-thirds – of those assets.

Corporate Governance Changes

Since the adoption of comprehensive proxy voting guidelines in 2000, a number of companies agreed to changes in their corporate governance policies to comply with Connecticut's policies on independence of board directors, executive compensation, global working conditions, board diversity, and the MacBride Principles. The Office filed shareholder resolutions and was successful in achieving progress at companies including Norfolk Southern, Autodesk, Inc., HealthSouth, Abercrombie & Fitch, United Technologies Corporation, Cendant, Chesapeake Corporation, Jones Apparel Group, TRW, Bristol Myers Squibb, Ameren, Apple Computer, Dominion Resources, Equitable Resources, Johnson and Johnson, McGraw Hill, Viacom and TXU.

Creating Business Opportunities

The Treasury's "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.

Proposed by Treasurer Nappier, the program was unanimously endorsed as a six-month pilot program by the State's Investment Advisory Council 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.

Class Action Litigation Yields 3rd Largest 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.

"The reforms offer shareholders a stronger voice, greater independence and more accountability—all in the long-term financial interest of the company and its shareholders," Treasurer Nappier said.

"...Therein lies the key to good government-- that we demand not only honesty, but also prudence and adherence to a value system that does credit to our society. Together, they add up to a spirit of integrity in all aspects of decision-making."

*State Treasurer
Denise L. Nappier*

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NAPPIER IMPROVEMENTS YIELD GROWTH IN CHET, CONNECTICUT'S 529 COLLEGE SAVINGS PROGRAM



CHET, Connecticut's 529 College Savings Program, for the first time in its history has topped \$200 million in assets and 25,000 accounts, nearly a 280% increase since Treasurer Nappier revamped the program in March of 2000. CHET has been highlighted by the *Wall Street Journal* as one of the "best performers" among state 529 college savings programs across the country.

"Our goal is to offer Connecticut families a premier investment program for higher education, and encourage people to save for college," Nappier said. "We are very pleased by the response, because the ultimate beneficiaries are Connecticut's children. We will continue to do everything we can to keep CHET as one of the top programs in the country."

Effective January 1, 2002, changes in federal tax law made all CHET account earnings tax-free when used for qualified education expenses. The new tax changes, building on the Treasurer's previous changes to the programs' affordability and flexibility, have helped to make it an attractive investment vehicle for families saving for college.

Nappier said that CHET account owners are now able to open accounts with a range of investment strategies, which is helping to make the program even more attractive to families looking to save money for a child's education. The new options provide Connecticut families additional flexibility to choose investment vehicles which meet their particular needs, as well as their individual tolerance for investment risk.

The latest improvement in the CHET program is the ability for people to open an account and contribute online to a CHET account. The response to this new feature has been extremely positive.

Information about the CHET program can be obtained either by calling the toll-free telephone line, at: 1-888-799-CHET (2438), or by visiting the CHET Web site at: www.aboutchet.com.

With over 25,000 accounts and \$200 million in assets under management, CHET continues to be a top choice for Connecticut families saving for college!



Treasury's Return of Unclaimed Assets Reaches All-Time High; Nearly \$10 Million in Past Year

State Treasurer Denise L. Nappier has enthusiastically kicked off the 2002 campaign to return millions of dollars to thousands of state residents from the Treasury's unclaimed property accounts. Nappier unveiled the campaign slogan, "We've got money...some may be yours!" and announced that 167,000 new names have been added to the Treasury Web site.

In accordance with State law, the State Treasurer's Office collects and safeguards cash and other financial assets that have been unclaimed for a period of generally three to five years. The funds, called "unclaimed property," include savings or checking accounts, stocks, bonds or mutual fund shares, safe deposit box contents, or un-cashed checks, such as insurance benefits or wages.

"During the past three years, \$28 million has been returned to rightful owners, more money than has been returned in any three-year period in the history of the unclaimed property program," said Nappier. "We have millions of dollars more to give back...so we ask everyone to search the web site for their names or the name of someone they know. Help us to give you back your money!"

Nappier noted that on the current list of individuals with unclaimed assets are nearly 200,000 individuals with between \$50 and \$1,000, over 400 with between \$10,000 and \$30,000, and over seventy people with more than \$30,000 waiting to be claimed. During fiscal year 2001, the Office returned nearly \$10 million and the top amount to be claimed was \$158,000.

Nappier also stepped up efforts to have unclaimed property remitted to the state so it could be reunited with rightful owners. In fiscal year 2001, a total of \$39,520,947 was turned over to the Treasurer's Office from businesses filing Unclaimed Property holder reports, an increase of \$2.3 million from the previous year.

Businesses are required to report unclaimed property annually to the State Treasurer's Office, and during FY2001, the Treasury mailed thousands of redesigned and revised *Holder Reporting Manuals* to businesses across the state to encourage reporting.

"All of our outreach efforts, to rightful owners and business holders, support the principal mission of unclaimed property as a consumer protection service, safeguarding the ownership interests of Connecticut citizens," said Assistant Treasurer Madelyn Colón.

Check out the State Treasury's Unclaimed Property List online at: www.nameitandclaimit.org

Or call our toll-free number: **1-800-833-7318**
(Spanish: 1-800-618-3404)

It's user-friendly and it's free!



Denise L. Nappier
State Treasurer

Denise Lynn Nappier is the 82nd 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's commitment to the highest standards of excellence, professionalism and integrity is evident throughout the Treasury's management of state resources, and her leadership has brought solid results for the citizens of Connecticut.

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.

Treasurer Nappier has also initiated successful efforts to establish a statewide asset-building initiative for low and moderate-income families, with public and private partners, and a range of initiatives advocating and offering financial education for state residents.

Under her administration, the Treasurer's Office has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA).

Treasury's Financial Education Initiatives Bring New Opportunities to Connecticut Citizens

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, launched three statewide financial education initiatives during the past year. The initiatives included the Connecticut Sullivan Financial Education Program, *Credit When Credit is Due* and *Get Checking*.

The State Treasury, Fleet Bank and the National Self-Help Investment Plan (SHIP) worked together to initiate the Connecticut Sullivan Financial Education Program, 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 State Treasurer's Office, Fleet Bank, Consumer Credit Counseling Services of Southern New England, and numerous community agencies joined together to offer the *Credit When Credit is Due* and *Get Checking* programs.

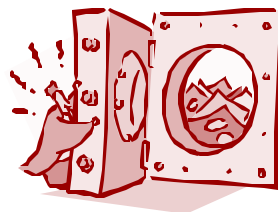
Credit When Credit is Due helps individuals who are seeking to re-establish their credit. Upon successful completion of the program, participants may apply

for an unsecured installment loan from Fleet.

The *Get Checking* program provides education and financial counseling for individuals who do not currently have access to checking services. Upon successful

completion of the program, participants may apply for a checking account at Fleet.

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



Bond Issues Save Connecticut Taxpayers \$175 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 grants to towns for school construction, transportation systems, Bradley Airport expansion, clean drinking water for Connecticut's communities, improvements on UConn's campus, and securitization of electric utility costs. Several bond issues also included refinancing existing debt at lower interest rates, producing a total debt service savings from bond issues during the year of more than \$90 million over time.

Bond issues managed by the Treasury during the past three years will provide savings to taxpayers in excess of \$175 million. The successful management of Treasury bond issues has also contributed unanticipated savings that aided the state budget process.

"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 to 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 the midst of accepting retail orders on September 11, 2001 when the terrorist attack on the World Trade Center 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).

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