

Keeping Connecticut Financially Savvy

Connecticut State Treasurer Denise L. Nappier talks about financial literacy, pension funds, career highlights and being a role model.

BY SUSAN CORNELL

Decades: As the first African-American woman ever elected as a state treasurer in the U.S., the first African-American woman elected to a statewide office in Connecticut, and the first woman to be treasurer in Connecticut, do you feel a strong responsibility to serve as a role model for the young women (and especially young African-American women) who may follow in your footsteps?

Denise Nappier: I do feel a sense of responsibility to serve as a model, not only for young women or African-Americans, but for all people. That is because perceptions, or misperceptions I should say, about women, about minorities, about anyone different, still challenge our initiative and threaten to undermine our progress. During my first campaign for state treasurer, whether because of my gender or my race, or both, at times people assumed I knew nothing about the field of finance, which was frustrating.

I had served as Hartford's city treasurer for nearly 10 years, and based on my actual experience, I was the most qualified candidate in the field. I knew I could do the job, and I also knew that others before me had faced doubting audiences and still emerged victorious. All in all, it's an important lesson for anyone—don't let others' perceptions shape your potential.

As they say, the proof is in the pudding, and we've done well at the treasury. When compared with our peers in the industry, for the seven year span of my administration, our investment performance is in the 17th percentile—which means we've done better than 83 percent of other large pension funds. And our investment return over the past couple of years has averaged about 13 percent, which is absolutely a solid return.

What do you see as the hurdles that stand in the way of young women becoming involved in finance, or in government?

There's no question that women ought to be involved in the field of finance, and increasingly, they are. I personally believe that women bring something unique to the table and add value to the work of any financial organization. I've certainly encouraged companies in which we invest, and with whom we do business, to provide women with an opportunity to earn a place where the corporate decisions are made, whether as part of the executive management team or as a member of the board of directors. We've seen some progress, but not nearly enough.

Do you have any involvement with organizations or initiatives that empower women or minorities, or do you speak on this topic at schools, etc.?

This is a topic that I'm asked to talk about, and I'm pleased to do so, whether it's at a high school graduation, a Girl Scouts award ceremony, or the annual meeting of a corporation or Chamber of Commerce. I also encourage firms that I come in contact with to be involved in organizations interested in the next generation of financial professionals, including women and minorities—organizations that provide education, networking and professional development opportunities for tomorrow's talent.

You've been involved in helping organizations promote financial literacy education, and were key in the development of an affordable housing program in Connecticut. Why do you feel these things are so important? Is it a personal desire to help people, a belief that financially stable citizens are good for the economy, or both?

My emphasis, my core business as state treasurer, is on dollars and cents, and I firmly believe that the financial clout of the treasury can be used to make a difference in people's lives. That extends to the fundamental need for a good job, a decent home and a sound education. In that respect I take quite seriously my responsibility as a leader in this state to bring opportunities to our citizens.

For example, I believe that financial education is absolutely critical in an ever-changing world, and it's been a fundamental component of my office's work. As Connecticut's chief elected financial official, I see the financial fitness of our people as tied to the long-term sustainability of the state's economy. Financial education

provides the tools to improve economic security and build a better future—for one's family and the broader community.

Similarly, my decision to propose the establishment of a Housing Trust Fund in Connecticut for the first time in state history was grounded in the fact that it made fiscal and economic sense for our state, its residents and its businesses.

Our research indicated that the Trust Fund would make a significant difference in many ways. By providing no interest and low interest loans and grants to for-profit and non-profit housing developers and community development financial institutions to



construct and rehabilitate affordable, quality housing, it will allow more people to live where they work; encourage young people, families and individuals to remain in Connecticut; help businesses in the recruitment and retention of employees; generate revenue for municipalities in the form of property taxes; and, if done right, it even has the potential to mitigate some of the gridlock in our transportation system. The program is just getting underway, and is now accepting proposals for funding.

What is your top priority as state treasurer?

As the principal fiduciary of our state's now \$23 billion pension fund, I have a fiduciary obligation to act in the best interest of the beneficiaries of our state pension funds that depend on these funds for their future financial security. My core responsibility is to safeguard and grow the pension fund assets, and my efforts in areas like corporate governance flow from that obligation.

What's the key to effective corporate governance?

When I was first elected, I re-established corporate governance proxy voting at the Connecticut pension fund. In my view, we have the fiduciary obligation to seek opportunities to enhance shareholder wealth, and that includes voting our proxies. In fact, the proxy vote is considered an asset under pension law, because it has value and can impact our holdings.

As active shareholders we encourage responsible corporate citizenship on issues including limiting excessive executive compensation, safeguarding employee pension plans, independence of board members and key committee members, eliminating conflicts of interest in corporate accounting practices, protecting rights in the workplace, corporate environmental policies and promoting board diversity.

Tell me more about the issues you have been active on.

This year what we have been very active on is working to limit the astronomical salaries and bonuses paid to top corporate executives. In an environment of pension uncertainty and job insecurity, the seemingly endless array of bonuses, stock options and huge salaries that are apparently routinely handed out are hard to miss, and, from the standpoint of investors, hard to accept. And that's especially true when they're coupled with poor investment performance and shareholders are losing money.

Another issue where we've made significant progress in recent years is on disclosure of the financial implications of climate change ... an issue that had barely reached the surface for most businesses when I first became treasurer. As an institutional investor, while we recognize that climate change is about the future health of our planet, our issue is about the financial impact on the companies that would be directly affected. Increasingly, companies are recognizing that the risks posed by climate change also bring business opportunities, such as in the development of new clean energy technologies.

Why do Connecticut's high school students, as well as students across the country, lack personal finance basics, and how will the Jumpstart Coalition work here in Connecticut?

In my view, a solid grounding in financial matters has become a virtual prerequisite for success, and our goal must be for every child to acquire the financial savvy that their future will demand. Financial education has been a critical component of my office's work because as Connecticut's chief elected financial official, I see the financial fitness of our state's youth as tied to the long-term sustainability of the state's economy. That's why we held a state-

wide summit on youth financial education a few years ago, and why we've built on that initial effort ever since.

The Jumpstart Coalition represents the first statewide organization in Connecticut to bring financial literacy efforts under one umbrella, inviting organizations, public and private, to join as full, active and involved members. And we will move forward, later this year, with a conference for educators interested in financial literacy, as well as a second summit for high school students from across our state. I believe this coalition will make a tremendous difference in providing our young people with a better understanding of financial matters.

Tell me about the benefits of CHET, how it ranks as a savings plan, and how well it's been received.

As the state's treasurer, I understand the importance of good, smart investments. CHET is a higher education savings program, known as a Section 529 plan, and is designed to offer investors a tax-advantaged way to save and invest for higher education.

When I was first elected treasurer in 1998, the management fees were excessive and the minimum contribution levels were too high, making the program too expensive for many of the families who should benefit from it most. We have changed that. Now, CHET has among the lowest fees in the country and an account may be opened with as little as \$25. A CHET account can be opened by any individual, including a grandparent, family friend or neighbor, and offers a range of investment options, depending upon their tolerance for risk and their investment preferences.

Contributions to a CHET account have been free from federal and Connecticut income taxes for some time, but the latest good news for Connecticut families is that the state legislature this year approved a proposal I advocated to establish a tax deduction on contributions to CHET accounts. So, if Connecticut families have already contributed this year, or make

contributions to a CHET account in 2006, they will be able to deduct those contributions on their taxes next year. There's more information on the CHET website, www.aboutchet.com

What do you consider the top three highlights or accomplishments of your life?

These may not be the top three, but here are three that come to mind. One, my re-election as state treasurer, which was a tremendous vote of confidence by the people of our state in my administration's accomplishments and the agenda we set for the treasurer's office. Two, the legislature approving the Treasury Reform package back in 2000, which gave the force of law to the changes I instituted after the corrupt former administration that I replaced at the state treasury. And three, and this is from my days running Riverfront Recapture in Hartford in the 1980s, successfully working through all the state and federal bureaucracies to get I-91 lowered in downtown Hartford so that we could regain access to the river. It was a massive undertaking with many naysayers, but it has set the stage for years of progress in our capital city.

What do you like to do in your spare time? Any favorite haunts?

As most anyone who knows me will tell you, and as my last answer suggests, most of my spare time is taken up at the office. It's an occupational hazard I guess. I'm quite serious about my responsibilities at the state treasury, and it's not unusual to find me there late into the night. I guess I'm a believer in the old adage that anything worth doing is worth doing right. But when I do get a break, I enjoy walking, biking and engaging in a lively debate about current events with family and friends. #

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