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DENISE L. NAPPIER

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NAPPIER ANNOUNCES SIGNIFICANT SETTLEMENTS ON KEY CORPORATE GOVERNANCE ISSUES AT SIX COMPANIES

State Treasurer Withdraws Shareholder Resolutions as Discussions Continue

(Hartford) -- State Treasurer Denise L. Nappier has announced that because of significant progress in discussions on corporate governance issues of importance to shareholders of six leading international companies, shareholder resolutions sponsored by the state pension fund have been withdrawn.

Nappier said that the issues include **executive compensation**, the **independence of board members**, **methods for electing board members**, **severance benefits for executives** and **corporate environmental policies**. The companies, in which the Connecticut pension fund is a shareholder, include **Office Depot, McDermott International, Mattel, American Electric Power, Nextel** and **Siebel Systems**.

"We were pleased that on each of these issues, at each of these companies, substantial progress has been made to warrant the withdrawal of the shareholder resolutions. In some cases, the revisions to corporate governance policies can be seen as a model for others to follow. We will monitor actions by each company to fulfill their commitments," Nappier said.

"The events at Enron have clearly demonstrated that policies and procedures at the Board level can make a substantial difference in the bottom line for shareholders, and we will continue to advocate policies that are responsive to and in the best interest of shareholders including Connecticut," the Treasurer added.

Nappier is principal fiduciary of the $20 billion Connecticut Retirement Plans and Trust Funds (CRPTF) which invests retirement funds for state and municipal employees and teachers. The Treasurer has been a leading advocate in corporate governance issues to enhance shareholder value, and under her leadership the Connecticut pension fund, along with the state's Investment Advisory Council, adopted a comprehensive proxy voting policy in 2000.

The progress announced by Nappier follows a string of successes during the 2001 proxy season, and earlier this year at the Walt Disney Company, which agreed to separate audit and consulting services which previously had been handled by the same accounting firm.

OFFICE DEPOT (Executive Compensation)

The shareholder proposal at Office Depot was withdrawn in response to the company's new compensation policy for its top executives. Treasurer Nappier had submitted shareholder

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resolutions to the company in both 2001 and 2002 calling on the company to more closely tie its compensation policy for top executives to the performance of the company.

Connecticut's Proxy Voting Policies call for stock options and other compensation to be performance-based, with an eye toward improving shareholder value. Performance-based stock options are defined as 1) indexed options, whose exercise price is linked to an industry index; 2) premium-priced stock options, whose exercise price is above the market price on the grant date; or 3) performance-vesting options, which vest when the market price of the stock exceeds a specific target. "Well-designed stock option plans," Nappier said, "align the interests of executives and shareholders by providing that executives benefit when meaningful performance goals are met."

Discussions between Treasurer Nappier and Office Depot's leadership began in November 2000, when the Treasurer expressed concern about the company's executive compensation policy, especially in light of poor stock performance. The Connecticut resolution received 18% of the shareholder vote at the April 2001 annual meeting, and was submitted again for consideration in 2002. In early February 2002, the company's Board of Directors adopted a new compensation policy, which the Treasurer's Office found to be acceptable. Subsequent discussions between Treasurer Nappier and Office Depot's executive management team, including a review of the compensation plan, led to the decision to withdraw the shareholder resolution.

"The new compensation plan developed by Office Depot's Compensation Committee and approved by its Board is a significant change in direction for Office Depot. More closely linking compensation to total shareholder return is absolutely a step in the right direction," Nappier said. "I encourage other companies to examine the Office Depot plan and work these concepts into their own compensation plans for top executives."

The CRPTF resolutions urged Office Depot's board of directors to adopt an executive compensation policy that provides that future stock option grants made to senior executive officers would be performance-based, more closely linking top executive compensation to the actual returns received by the company's shareowners. Office Depot's new pay plan responds directly to Connecticut's concerns. It covers the CEO, three group presidents and six executive vice presidents, and replaces a portion of traditional stock option grants with performance-based stock options. Sixty five percent of the CEO's stock option grants will be performance-based under the plan.

In addition the company's deferred compensation plan for top executives will be changed as well. Instead of cash, restricted stock will be awarded. The deferred compensation will only be paid if certain performance targets are met. These targets are specifically tied to total shareholder return, as compared to industry peers.

The CRPTF holds 305,000 shares of Office Depot worth approximately $3,600,000. Office Depot is the largest seller of office products in the world, with headquarters in Delray Beach, Florida. Office Depot's stock price has recovered much of its loss from a high of $25 a share in the summer of 1999 to a low of $6 a share in December 2000.

McDERMOTT INTERNATIONAL (Election of Directors)

The CRPTF proxy voting guidelines call for annual election of all members of the Board of Directors, rather than electing one-third of the members each year for three year terms – commonly referred to as a classified board. Connecticut's shareholder resolution submitted at McDermott called for the company to adopt a policy consistent with Connecticut's guidelines.

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"The annual election of all directors provides more accountability to shareholders, and permits shareholders to express their approval or disapproval of any board member's performance each year, rather than once every three years," Nappier said.   A classified board is often used by management to protect their interests at the possible expense of shareholders.

Saying that "McDermott has recognized that annual election of directors is good corporate governance," Treasurer Nappier withdrew the CRPTF resolution submitted to McDermott when the Company's CEO agreed that after completion of a subsidary's asbestos-related Chapter 11 reorganization the CEO will recommend that the Board support a resolution for annual election of directors. The CEO also agreed to a proxy solicitor to seek the affirmative vote required by the company's by-laws.

The CRPTF hold 59,770 shares of McDermott, worth approximately $2.7 million. McDermott is a energy services company, providing engineering, fabrication, installation, procurement, research, manufacturing, environmental systems and project management for a variety of customers in the energy and power industries, with headquarters in New Orleans, Louisiana.

AMERICAN ELECTRIC POWER (Global Warming and Greenhouse Gas emissions)

CERES – a well known environmental activist organization–released a major study in March which showed that American Electric Power (AEP), through its coal burning electric power plants, creates more CO_2 than any other company in the U.S. CO_2 is the primary greenhouse gas, and CO_2 emissions have been cited as a major cause of global warming.

Treasurer Nappier withdrew the pension fund's resolution at AEP when the Company's CEO agreed that AEP would evaluate the greenhouse gas (GHG) reporting protocol developed by the World Resources Institute and the World Business Council on Sustainable Development, which was a key element of the discussions with the company. AEP agreed to continue to discuss the relevant data and work with the CRPTF and other interested parties.

"Our agreement with AEP will lead to further discussions and creation of a baseline for measurement of CO_2 emission reductions, a key first step in setting emission reduction goals, and working to meet them," Nappier said.

The CRPTF holds 59,770 shares of AEP, worth approximately $2.7 million. AEP is an electric utility which produces electricity throughout the mid-west and south, with headquarters in Columbus, Ohio.

SIEBEL SYSTEMS (Executive Compensation)

The CRPTF co-filed with the AFL-CIO Reserve Fund on an executive compensation resolution at Siebel Systems. The resolution pointed out that in 1998, 1999 and 2000, CEO Thomas Siebel was granted options to purchase 8 million shares of Company stock. (Assuming a 5% annual appreciation, the present value of the 2000 award alone when granted was $252,422,581.)

The resolution urged the Board of Directors to adopt a policy that a portion of future stock option grants to senior executives be performance-based. The resolution was withdrawn based on an agreement with the company which states that they will study Siebel's current executive compensation practices, and the Chief Financial Officer and key board members will pursue discussion of these issues with the CRPTF and the AFL-CIO.

"I am pleased that Siebel Systems recognizes that its executive compensation policy needs review. I look forward to the opportunity to work with the company, and the AFL-CIO, towards the

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establishment of a compensation policy that more closely ties compensation of top executives to shareholder return," said Treasurer Nappier.

The CRPTF holds 138,900 shares of Siebel, worth approximately $5 million. Siebel Systems is a leading provider of eBusiness application software, with more than 8,000 employees in more than 34 countries and 136 offices around the world. The company is based in San Mateo, California.

NEXTEL (Board Member Independence)

The CRPTF resolution called for a majority of independent directors on the Board, and all independent directors on key board committees. Treasurer Nappier withdrew the resolution when Nextel agreed to recommend the creation of a Corporate Governance Committee whose initial focus would be to develop a strategic plan with the goals of achieving 1) a majority of independent Directors on the Board and 2) solely independent directors on key committees.

The New York City Employees Retirement System (NYCERS) filed a similar resolution addressing independent members on the nominating committee. That resolution was co-sponsored by the AFL-CIO Reserve Fund. Representatives from the CRPTF, NYCERS, and the AFL-CIO had a number of conversations with company officials, including a meeting with company officials, which led to the agreement. The company has an unusual board structure as a result of merger and investment relationships. Currently four of the board seats are controlled by these investors, all of whom are considered insiders.

"I am pleased with the steps that Nextel has agreed to take to address the important issue of board independence. This will be a challenge for the new Corporate Governance Committee, especially given the corporate structure now in place," Nappier said, "but because the company recognizes the importance of independent directors, I am hopeful they will ultimately be able to make the necessary structural changes."

The CRPTF holds 162,000 shares of Nextel, worth approximately $1,134,000. Nextel is a telecommunications company with headquarters in Reston, Virginia.

MATTEL (Severance Benefits)

Treasurer Nappier withdrew the CRPTF resolution filed with Mattel because the company has now agreed to add language to its discussion of severance benefits in a report of the company's Compensation Committee contained in the Proxy Statement for the upcoming annual meeting. The company agreed to state that it is their general policy not to grant severance benefits in excess of the amount provided in an executive's employment contract. The policy emphasizes that this is particularly true when an executive is departing as a result of poor performance.

"I am pleased that Mattel recognizes the importance of tying pay to performance and that poor performance should not be rewarded," said Treasurer Nappier. "This policy will help to maintain shareholder confidence in the Board's is management of executive compensation."

The CRPTF holds 948,000 shares of Mattel, worth approximately $18,300,000. Mattel is a producer of toys with headquarters in El Segundo, California.

More information on the Connecticut Retirement Plans and Trust Funds proxy voting policies is available at www.state.ct.us/ott

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