

MASSACHUSETTS

Public Employee Retirement Administration Commission

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MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Connecticut Pension Fund Scandal

DATE: January 4, 2000

In recent months, disturbing details have emerged concerning the illegal actions of former Connecticut State Treasurer Paul Sylvester. He recently pleaded guilty to six counts of bribery, money laundering, and racketeering. Mr. Sylvester has admitted to soliciting cash, consulting contracts, and future employment from private equity investment firms in exchange for selecting them as investment managers for the state pension fund during the final weeks of his term. The new State Treasurer has been attempting to recoup state funds invested with the managers in the transactions that are being questioned. The investigation is ongoing but to date, none of the investment managers involved has been charged with any criminal activity.

As you know, PERAC Regulations outline a Code of Ethics for Fiduciaries and a Standard of Conduct for Fiduciaries as well as make explicit the fact that fiduciaries are governed by Chapter 268A, the State Ethics Law. Needless to say, the practices outlined in these articles violate PERAC Regulations and Massachusetts Criminal Law.

Because of the importance of these matters to public pension fund investing, we thought it would be appropriate to distribute copies of recent media articles on this investigation. We will continue to keep Massachusetts retirement systems informed on these and other relevant matters.