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Plan Sponsors Told of New ‘Fiduciary’ Standards

Webcast by CitiStreet Sounds Alert On Changing Scope of ERISA Responsibilities

QUINCY, Mass., Dec., 4, 2002 – Regulators who have been keenly focused on the fiduciary responsibilities of benefit plan sponsors since financial calamities rocked several large corporations are suggesting standards of disclosure and fiduciary duties that far exceed previous requirements, plan sponsors were told during a recent Webcast hosted by CitiStreet.

“There is a clear signal of change,” said Phil Lussier, president of CitiStreet’s Institutional Division.

He said the regulatory climate on benefit plans has been a critical focus amid the stock market decline and the investigation of several large corporations for accounting frauds. “There is a clear tone coming out of Washington, certainly out of the Department of Labor and Congress as well, that executives may have personal liability for the delivery of these plans as a fiduciary.”

Gary Jenkins, general counsel for CitiStreet, discussed the general fiduciary duties of plan sponsors and noted the increased vulnerability of plan sponsors began six years ago with a Supreme Court ruling (*Varsity v. Howe*) that said employers may be held liable as a fiduciary when they communicate information about benefit plans to their employees.

Steve Saxon, a partner in the Groom Law Group of Washington, D.C., the largest employee benefits specialty firm in the country, told the Webcast audience that a clear indication of the altered regulatory climate can be found in the amicus brief filed by the DOL opposing Enron’s motion to dismiss the case brought by its retirement plan participants.

In one key area of the brief, the Labor Department referred to a “duty to disclose,” that is, that plan sponsors must ensure that appointed fiduciaries have the material investment information required for them to carry out their responsibilities.

“It requires plan sponsors to anticipate the information needs of participants and guess what is material and what may not be material at any point in time,” he said. He added that expanded interpretations of the law are leading to a signal that a fiduciary “will be held responsible for what you knew and what you should have known, even for matters over which a fiduciary has no control. My view is that this pushes the envelope too far.”

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CitiStreet Webcast on New 'Fiduciary'—Page Two

Saxon also said that beyond the Labor Department, case law concerning the holding of company stock in employee stock ownership plans (ESOPs) is susceptible to new interpretations regarding the "presumption of prudence" found in *Moench v. Robertson*. That ruling will be re-litigated in the Enron case, he said.

"Remember this, that prudence is procedural," he told the plan sponsors listening to the Webcast, noting the great flux today concerning the legal scope of fiduciary responsibilities. "For now, you have to make sure you are doing all the right things."

He said plan sponsors should not expect a magic moment when all relevant benefits law is spelled out fully and clearly, but should begin now to review retirement plan investment practices, including assessing amounts of company stock in a plan, and how much of it is company matching stock and how much participants purchased of their own accord; getting fiduciary insurance coverage; and holding regular meetings and discussing all investments in a plan, including company stock, "which sometimes gets ignored, and that will show up in the minutes."

He said some of his firm's clients have called in outside experts to do compliance reviews or at least reviews of the process under which they make decisions on investments, particularly company stock.

Pointing to new penalties, he noted the Sarbanes-Oxley Act of 2002, the sweeping reform legislation intended to protect investors by improving the accuracy and reliability of corporate disclosures, spells out that companies failing to adhere to the proper notice periods will be fined \$100 per day per plan participant. (As an indication of the ramifications of such a fine, there are more than 3,000 U.S. firms with more than 2,500 employees, according to the Census Bureau.)

Saxon said he feels certain the Enron case will eventually find its way to the Supreme Court, and whatever the extent of its ruling, the fiduciary role of the plan sponsor is being redefined.

About CitiStreet

CitiStreet, one of the largest global benefits delivery firms in the United States, is headquartered in Quincy, Mass. It has 3,000 employees and offices in East Brunswick, N.J., Jacksonville, Fla., Lewiston, Maine, and Boston, and 35 field offices around the nation. It also has a division, CitiStreet Australia, with offices in Sydney and Brisbane. CitiStreet serves more than 7.5 million participants and administers approximately \$180 billion in assets in the United States for defined contribution, defined benefit and health and welfare plans of corporate, government, health care, Taft-Hartley and not-for-profit organizations. It also serves about 800,000 participants and administers about \$2.5 billion in assets outside the United States. CitiStreet is a 50/50 joint venture between State Street Corp. (NYSE:STT) and Citigroup (NYSE:C). For more CitiStreet information, visit the Web site at www.citistreetonline.com.

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**CitiStreet to Take Fiduciary Responsibility and Provide First Fully Integrated,
Un-Biased Advice To Retirement Plan Participants, Powered By Financial Engines**
Action Comes in Wake of Key DoL Advisory on Investment Advice

QUINCY, Mass., and PALO ALTO, Calif., June 10, 2002 – In a move that signals a new direction for investment advice following a key Department of Labor opinion, CitiStreet announced today it will be the first benefits provider to offer retirement plan participants fully integrated investment advice, powered by Financial Engines, a leading independent advice technology provider.

The DoL Advisory Opinion 2001-09A, issued Dec. 14, 2001, allows financial institutions to provide advice directly to retirement plan participants when the advice is based on the computer programs and methodology of a third-party, independent advisor, thereby eliminating conflicts of interest. Under this new relationship, CitiStreet Advisors, LLC, serves as the provider of advisory services and fiduciary, while Financial Engines serves as the independent sub-advisor and provider of the advice technology platform.

CitiStreet has been providing call center-delivered advice based on work stations powered by Financial Engines for over three years. Until the DoL Advisory Opinion, to avoid any conflicts of interest, that advice was limited to five level-fee index funds. Following the DoL opinion, CitiStreet and Financial Engines moved to expand their relationship where CitiStreet will deliver advice on existing plan investment options both online and through its call center advisors.

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CitiStreet Launches Revolutionary Advice Service—Page Two

CitiStreet has also taken steps to enhance onsite guidance and education workshops to include face-to-face advice that is consistent and complementary to its online and call center offerings for clients who seek more high-touch advice delivery. Financial Engines' advice technology platform will serve as the foundation for delivering independent advice to CitiStreet clients that is integrated and consistent across all delivery channels and extremely cost-effective.

"Expanding the use of advice technology allows CitiStreet to deliver premium and personalized services for participants as investors," said James S. Phalen, chairman and CEO of CitiStreet. "CitiStreet, as advisor, will deliver service through multiple channels, ensuring the highest quality advice available to all participants."

Through its alliance with Financial Engines, CitiStreet will be able to broaden its relationships with employer clients, directly serving not only their defined contribution record keeping needs but also acting as the primary advisor for plan participants. Also, as the direct advisor to employees, CitiStreet will have the opportunity to continue serving participants' advisory needs post-retirement or if they move on to a new employer.

"CitiStreet is privileged to be making a difference in individuals' lives by providing an objective service that will help them save and invest in a way that improves their financial futures," said Ray Martin, president, CitiStreet Advisors, LLC. "We are excited to continue working with our plan sponsors and Financial Engines to provide individuals with the services they need and the investment advice they can trust to plan for a secure retirement."

CitiStreet and Financial Engines have been working together for the past three years to offer employers two investment advice options for participants. Participants would either elect to use the Financial Engines Direct Advice online service or the CitiStreet Advice Account, offered exclusively through the CitiStreet call center, for participants who prefer to talk to a call center representative to receive advice on a specific set of funds.

Through the Advice Account, CitiStreet and Financial Engines have seen early results of the benefits that employees receive when they have multiple access points to advice. For example, callers increase savings from an average of 2.7% to an average of 6.8%, an increase of more than 150%, and forecasts show a caller's chance of reaching retirement goals nearly doubles to 52 percent.

"We are excited to power CitiStreet's fully integrated advice offering, which is a model that will redefine the way advice is delivered," said Jeff Maggioncalda, president and CEO of Financial Engines. "CitiStreet is leading the industry by fully integrating our advice technology to provide employees advice through the Web, phone, paper, and face-to-face."

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CitiStreet Launches Revolutionary Advice Service—Page Three

CitiStreet's integrated online and call center advisory service, powered by the Financial Engines' advice technology platform, will set a new benchmark by giving all individuals access to services that previously existed only for high net worth clients. These services include personal assistance with investment selections and transactions from a professional advisor over the core holdings in the retirement plan; ongoing tracking and monitoring of account performance; periodic follow-ups for review; a total portfolio view of all accounts; and continuous portfolio rebalancing services.

Under the new advice model, individuals who call the CitiStreet Call Center will have access to financial advisors who will walk them through their current investment strategy, give them specific fund recommendations across the options in their employer's plan, and be able to implement investment and contribution changes on the spot. The financial advisor will also set up an online Direct Access account that employees can use themselves online.

Participants who use the Direct Access service will log in to their account and, through a guided online experience, explore changes they can make in their risk level and savings to improve their investment strategy. The advice experience is seamless and users can freely access advice any way they choose, allowing employees to log in online to their accounts anytime or call a CitiStreet financial advisor for assistance with their investment advice needs. By using the Financial Engines platform for Direct Access and Call Center advice, CitiStreet ensures its plan sponsors that all plan participants will receive consistent advice whether through a call center, online or face-to-face.

About CitiStreet

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CitiStreet Launches Revolutionary Advice Service—Page Four

About Financial Engines

Financial Engines provides advice technology to help financial institutions and employers solve real-world investor problems for their clients and employees. Financial Engines' services provide specific, actionable investment recommendations based on the outcomes an investor wants to achieve and can be delivered through the web, phone, or face-to-face. More than 15 financial institutions and 750 plan sponsors have hired Financial Engines to make advice available to over 3.0 million individuals. Nobel Prize winning economist William F. Sharpe founded the company with a revolutionary vision: to make institutional-quality advice available to financial institutions and employers that serve individual investors. For more information on Financial Engines, visit www.financialengines.com.

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California Teachers' Group Selects CitiStreet For 403(b) Plan
CalSTRS To Provide, Pay For, Advice Platform

QUINCY, Mass., April 2, 2002—CitiStreet, one of the nation's largest global benefits providers, has been selected to provide 403(b) services, including an advice platform, for the California State Teachers' Retirement System (CalSTRS).

The five-year contract marks the rare inclusion of an advice platform to be paid for by a teachers' group.

"Our 403(b) program is unique in the combination of advantages it provides to participants. Considering both the core funds and the self-managed account, we provide a broad choice of investment options, at a cost that is well below those charged by more traditional annuity-based plans. And the CitiStreet advice platform is one of the features we selected to help ensure our members have all the necessary resources to successfully plan for their retirement years," said Ed Derman, deputy chief executive officer, external affairs and program development at CalSTRS.

Randy Taylor, senior vice president of government markets for CitiStreet, said the inclusion of advice was groundbreaking.

"This has to be one of the first, if not the first, times in the country that a teachers' group is providing advice, and funding it, for teachers from kindergarten through community college," said Taylor.

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CalSTRS Selects CitiStreet—Page Two

The restructured package, which will include a new Web site and an expanded fund lineup, will immediately affect about 3,000 teachers and \$60 million in assets in the CalSTRS 403(b) plan, which is called the Voluntary Investment Program and is a low-cost deferred compensation supplement to the teachers' pension plan.

"We anticipate this program, because of its unique offering in the marketplace of advice to teachers and its new array of services and funds, will add a significant number of participants," Derman said.

The program includes a core account with a primary lineup of a money market fund, an S&P 500 index fund and an equity index fund. CalSTRS will be adding eight additional funds, including three lifestyle funds that are targeted to specific retirement dates. Advice will be provided on those investments through Financial Engines, whose forecasting and advice capabilities allow high-quality, personalized advice to every employee online.

The CalSTRS program also offers a self-managed account, which permits participants to select among more than 3,000 mutual funds, including more than 500 without any transaction fee or load.

CalSTRS administers retirement, disability and survivor benefits for California's public school educators in grades kindergarten through community college, serving approximately 687,000 members and benefit recipients.

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CitiStreet Completes First Year With Successes In All Divisions
CEO Says State Street, Citigroup Joint Venture Off To A Great Start

QUINCY, Mass., April 2, 2001—CitiStreet, the joint venture between State Street Corp. and Citigroup, enjoyed success in all areas of its business during its first year of operation, said James S. Phalen, the CEO of CitiStreet.

CitiStreet, which launched a year ago this week, showed gains among small- to mid-size businesses and large corporations, as well as in the health care, non-profit, government, education and Taft Hartley markets. CitiStreet added 2,223 new accounts and increased the number of plan participants served by about 1.5 million.

“We felt from the beginning that combining the large institutional benefits business of State Street and Citigroup’s strong retail expertise would allow us to offer the widest and best array of products and services in the business. The idea is now a reality,” said Phalen.

Phalen said factors in CitiStreet’s success included the company’s experience and focus on retirement and benefits services, its workforce of talented people, its commitment to the most sophisticated technology and its range of products and services.

CitiStreet’s products include self-directed brokerage accounts; an advice platform that provides person-to-person service as well as advice over the Internet; various fund offerings from State Street Global Advisors and Citigroup Asset Management, which includes the mutual funds of Smith Barney; specialty products such as its retirement packages designed exclusively for law firms; full plan administration; a special compliance program for teacher associations; and many more.

Phalen also pointed to the large number of related products and services offered by its parent firms, along with the support network they provide.

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CitiStreet Celebrates First Year—Page 2

“We have our own direct sales force, and then we have a corollary sales force of thousands of people from Salomon Smith Barney, Travelers and Citibank (all divisions of Citigroup) and from State Street,” said Phalen.

For example, in winning the “non-qualified” plan – a plan that offers benefits beyond the maximums of traditional 401(k)s – of Sharp Electronics U.S., a subsidiary of the Japanese company, CitiStreet was helped along by a global relationships manager at Citibank. And State Street’s long relationship with large institutions like BJC HealthCare of St. Louis contributed to CitiStreet’s selection.

CitiStreet also benefited from its reputation as a preeminent provider of benefits administration, a CitiStreet business now run out of Jacksonville, Fla., whose new business will include serving the optional retirement plan now being offered Florida’s 650,000 public workers.

Robert Dughi, CitiStreet president and board member, pointed to CitiStreet’s educational services for plan sponsors and participants, including one-on-one counseling, a robust resource center and print and electronic educational content.

“It has been an amazing year for our business because of all that is happening with the economy. People want help more than ever and we can give it to them,” said Dughi.

Looking forward, Dughi said he anticipates continued demand for increased levels of services especially in the advice area, stock options, stock purchases and interactive technology. He said technology is the key to answering that demand.

“The challenge of our business is that we are 24x7 and that people are demanding more products all the time. We started with a technology we knew would have to operate effectively at any time and could be easily expandable,” he said of CitiStreet, which launched its Web site, www.citistreetonline.com, in January to showcase its offerings for all types of defined contribution, defined benefit and health and welfare services.

Dughi noted the firm’s selection this year by more than 1,500 small companies and non-profit organizations was often attributed to CitiStreet’s ability to tailor its technology for each client.

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“Whether it is a big or small company or organization, we build solutions for each company, one at a time. We listen very carefully to what the customer wants and then we design a product and fit it just for them. We are not a one-solution-fits-all business,” said Dughi.

Among imminent advances in CitiStreet technology, Dughi noted, will be the launching of the company’s new e-product for defined contribution customers.

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