



Annual Evaluation of the

CONNECTICUT HIGHER EDUCATION TRUST

For the Period Ending December 31, 2020

Submitted to:

The Committees on Education and Finance, Revenue
& Bonding of the Connecticut General Assembly

June 30, 2021

Statutory Requirements

This *Annual Evaluation of the Connecticut Higher Education Trust* ("CHET" or "Trust") is jointly submitted by the Connecticut State Treasurer's Office and the Executive Director of the Office of Higher Education to the Committees on Education and Finance, Revenue and Bonding of the Connecticut General Assembly, pursuant to Section 3-22e(b) of the Connecticut General Statutes.

Pursuant to Section 3-22k of the general statutes, the annual audited financial statements for CHET are included in the Annual Report of the Treasurer, which is transmitted to the Governor and members of the General Assembly on December 31 of each year. The audited financial statements also are transmitted to the CHET Advisory Committee pursuant to Section 3-22e of the general statutes. The CHET Advisory Committee meeting was held on December 7, 2020.

The members of the CHET Advisory Committee as of the December 31, 2020 were:

Shawn T. Wooden, State Treasurer
Timothy D. Larson, Executive Director, Office of Higher Education
State Sen. Eric C. Berthel, Ranking Member, Education Committee
State Rep. Kathleen M McCarty, Ranking Member, Education Committee
State Rep. Robert Sanchez, House Co-Chair, Education Committee
State Sen. Douglas McCrory, Senate Co-Chair, Education Committee
State Sen. Kevin D. Witkos, Ranking Member, Finance, Revenue and Bonding Committee
State Rep. Christopher Davis, Ranking Member, Finance, Revenue and Bonding Committee
State Sen. John Fonfara, Senate Co-Chair, Finance, Revenue and Bonding Committee
State Rep. Jason Rojas, House Co-Chair, Finance, Revenue and Bonding Committee
Patrick Torre, Vice President of Finance, University of New Haven
Kerry Kelly, Interim CFO, Connecticut State Community College
Steven McDowell Jr., Assoc. Vice President for Financial Aid & Title IX Services,
Connecticut State Community College
Julie Savino, Executive Director, University Financial Assistance, Sacred Heart University
Holly Williams, Fiscal & Program Policy Director, Office of Policy and Management

Background and Program Management

CHET is a qualified state tuition program established pursuant to Section 529 of the Internal Revenue Code. Connecticut's authorizing statute was unanimously approved by the Connecticut General Assembly and signed into law by the Governor in 1997 (Public Act No. 97-224, the "Act"). The program began operating on January 1, 1998. While the Trust is considered an instrumentality of the State, the assets of the Trust do not constitute property of the State, and the Trust is not construed to be a department, institution, or agency of the State.

The Act designates the State Treasurer as the Trustee of CHET. The assets of CHET are privately managed by professional money managers under the supervision of the State Treasurer. TIAA-CREF Tuition Financing Inc. ("TFI") serves as program manager for the direct-sold 529 program.

In August 2019, the State Treasurer exercised the option in the management agreement to extend the term of the contract to August 31, 2020.

In August 2010, the State Treasurer entered into a management agreement with The Hartford Financial Services Group, Inc. ("Hartford Funds") to offer an advisor-sold plan. In July 2019, the State Treasurer exercised the option in the management agreement to extend the contract with The Hartford Financial Services Group to extend the contract through August 31, 2020.

In January 31, 2020, the State Treasurer issued an Request for Proposal from qualified firms interested in serving as program manager for the CHET 529 program, consisting of the direct-sold plan ("CHET Direct"), offered to the public and the advisor-sold plan ("CHET Advsiior"), offered through financial investment professionals. The plan manager would work with the Office of the Treasurer to develop and offer plans that are recognized as the best in the country based upon the quality of underlying funds, breadth of investment options, quality customer service, and platform that supports account owners at home and in the workplace.

On December 2, 2020, Connecticut State Treasurer's Office announced that Fidelity Investments ("Fidelity") was selected as the new program and investment manager for the CHET Direct and CHET Advisor programs, with an effective date of February 8, 2021 for the direct-sold plan and March 22, 2021 for the advisor-sold plan. In December 2020, the Office of the Treasurer and TFI, Hartford Funds, and Fidelity developed a plan conversion for the first quarter of 2021.

CHET Direct

As of December 31, 2020, CHET Direct had 138,871 unique accounts with \$3.96 billion in assets. This compares to 132,374 accounts and \$3.50 billion in assets on December 31, 2019, representing increases of 4.9% and 13.1% for accounts and assets, respectively. At the end of this year, CHET Direct added a total of 4,281 new accounts, representing a 2% increase from a year ago. The plan experienced 1,438 accounts closing during the past year. Net contributions as of December 31 were \$59.5 million, resulting from \$149.9 million in contributions subtracted from \$90.4 million in redemptions. The average account size at the end of December 2020 was \$28,541 versus \$26,456 during the same time last year.

Investment Options

CHET Direct allows investors to invest in age band portfolios that will rebalance automatically as a child age. Investors can select from conservative, moderate, or aggressive age bands, depending on their investment risk tolerances. These options are designed for investors who wish to make deposits and leave the investment decisions to investment managers. For those investors who want to be more active in their asset management, CHET Direct offers individual options covering different asset classes.

Age Band Options

The three CHET Direct age-based options offered by TFI consist of nine portfolios for each option, allowing for a transition to a more conservative portfolio for the beneficiary as the child approaches

college age. All the age band investment options blend both passive index and active mutual funds to construct the portfolios.

The existing age bands for the conservative, moderate and aggressive options are:

- 0-4 years
- 5-8 years
- 9-10 years
- 11-12 years
- 13-14 years
- 15 years
- 16 years
- 17 years
- 18 years and over

Individual Options

There are 11 individual options that are either actively or passively managed across different asset classes.

Actively managed:

- Active Global Equity Option
- Active Fixed-Income Option
- High Equity Balanced Option (a blend of equity and fixed income)
- Social Choice Option (large-cap U.S. equities)
- Principal Plus Interest Option (a life insurance funding agreement)
- Global Tactical Asset Allocation Option
- Money Market Option

Passively managed:

- Global Equity Index Option
- U.S. Equity Index Option
- International Equity Index Option
- Index Fixed-Income Option

Underlying Funds

Both the age band and individual portfolios have underlying funds that span asset classes. There are twenty-three total underlying funds used in the CHET Direct options. A total of twenty-two institutional mutual funds (from TIAA-CREF, Blackrock, DFA, Harding Loevner, State Street, T. Rowe Price, Templeton, Metropolitan West, and GMO fund families) underlie the investment options. The Principal Plus Interest Option is invested through a funding agreement with TIAA-CREF Life Insurance Company. Some options use multiple underlying funds.

Administrative and Program Fees

CHET Direct's administrative and program management fees are competitive relative to fees charged by top providers in the 529 industry. The Principal Plus Interest Option does not disclose a program management fee. The total asset-based fees for the age-based investment options range from 0.17% to 0.35%, depending upon which option is selected. Active options fees range from 0.98% to 0.25%, based on the option. The index options fees range from 0.16% to 0.27%. There is an annual state fee of 0.01% of the average daily net assets of the Trust to pay for expenses related to oversight of the Trust.

In June of 2018, TFI, the CHET Direct Plan manager, advised the Treasurer, trustee of CHET, that thirty-three CHET account holders had online access to their accounts established by unauthorized individuals that resulted in withdrawals of approximately \$1.4 million. Of this amount, more than \$442,000 was recovered or stopped. TFI fully restored the accounts of all impacted CHET accounts and provided holders and beneficiaries with two years of identity fraud protection services, identity restoration services, and \$1,000,000 in identity theft insurance coverage. Federal, state, and local law enforcement agencies conducted a joint investigation. Following these incidents, TFI implemented system enhancements, additional internal controls, and extra manual reviews to prevent fraudulent activity. In addition, at the request of our office, TFI retained an independent auditor to review this incident and make any further recommendations.

Investment Performance

In 2020, Morningstar modified its methodology for rating 529 plans, increasing the transparency and simplifying the framework by removing the Performance factor while retaining the current four factors: People, Process, Price, and Parent. On August 31, 2020, CHET Direct earned a Bronze Star rating from Morningstar in October 2020. This award reflects Morningstar's conviction in CHET Direct's ability to outperform its peer group over a full market cycle of at least five years.

Performance of Age Band Options

CHET Direct's age-based portfolios are allocated to aggressive, moderate, and conservative investment styles. The nine age-based portfolios in the aggressive options earned returns between 12.15% to 7.70% for the one-year period ending December 31, 2020. In the moderate option,

portfolios returned 10.85% to 5.60%. Annual returns for the same period in the conservative option were between 9.16% and 3.48%.

Performance of Individual Options

The individual investment options include global equities, fixed income, and short-term active and passive investment vehicles. The one-year active investment returns ranged from 20.23% for the Active Global Equity Option to 0.28% for the Money Market Option. The index investment returns ranged from 20.70% for the U.S. Equity Index Option to 7.30% for the Index Fixed Income Option. The Principal Plus Interest Option had a return of 1.99% for the one year period.

CHET-Direct Marketing and Promotion

- The Treasurer's Office worked closely with TFI to develop and execute a robust multi-channel marketing plan to promote CHET, strengthen public awareness, and increase understanding of the importance of saving for a college education. The Treasurer's Office and TFI remain committed to promoting the benefits of saving for college early to families of all backgrounds and cultures throughout Connecticut. In addition to broad-based marketing to the core target market, CHET also incorporated an outreach effort to low- to moderate-income individuals to ensure that all Connecticut residents have the knowledge and access to save with CHET. Further, over the past two years, TFI expanded outreach and marketing to the state's Latino and African American constituents through targeted events, community influencers, and social media.

Key highlights include:

- CHET Baby Scholars continued as a flagship program through November 2020, providing college savings accounts for newborns in Connecticut. The program was initially funded in 2014 with \$4.4 million from the Connecticut Student Loan Foundation. By November of 2020, \$4.1 million was distributed to accounts for Connecticut's newborns. The Baby Scholar program was temporarily suspended on November 1, 2020, to be restarted on March 31, 2021, managed under a new program manager, Fidelity Investments. All CHET participants who qualify for the Baby Scholar program between November 1, 2020, and March 31, 2021, will be funded in 2021.
- In 2020, the CHET Advance Scholarship program awarded 224 high school freshmen won scholarships in the seventh year of the CHET Advance Scholarship program. The winners hail from all eight counties in Connecticut. Since 2013, the Treasurer's Office has awarded \$3.52 million in scholarships to 1,424 students through the CHET Advance Scholarship program, at no cost to the State.
- CHET also continued the annual Dream Big! essay and drawing competition for elementary and middle school students, running for thirteen consecutive years. The Dream Big! competition received a total of 25,250 entries and was awarded a total of \$317,800 since

inception. In 2020, forty-eight winners were selected from 1,359 entries, with the total awarded at \$26,000.

- TFI partnered with a data-driven marketing agency, Epsilon, to execute core direct and digital marketing for CHET. Over the course of 2020, TFI continued to implement an onboarding program for all new account owners, followed by monthly communications to stay in contact with existing CHET account owners. TFI also leveraged an automated outreach program for individuals who inquire about CHET, whether online, via phone, at an event or any other activity, to follow up and encourage the opening of an account. Lastly, TFI continued to engage in outreach to prospects across the State through digital and direct marketing programs.
- In 2020, CHET continued to execute on a reenergized social media, public relations, and mass media plan. Integrated advertising and direct marketing campaigns ran throughout the year, focusing on tax time, graduation time, back-to-school, and year-end contributions. CHET's advertising and direct marketing efforts served to increase CHET's brand awareness among state residents. The campaigns focused on the value of saving for college and the specific benefits of Connecticut's 529 college savings program

CHET Advisor

CHET Advisor was established in 2010 with Hartford Funds, a subsidiary of The Hartford, Inc. ("Hartford Funds") serving as program manager. As of December 31, 2020, CHET Advisor had 30,170 program accounts with \$801.8 million in assets. Accounts grew by 4.3% and assets by 18.3% from previous-year levels. Net contributions as of December 31 were \$41.1 million, resulting from \$93.1 million in contributions reduced by \$52.0 million in redemptions.

Program Offerings

While CHET Advisor offers similar investment options to CHET Direct, the structure of an advisor-sold plan is different by its nature. This plan offers three different share classes (A, C and E) and has different fee structures for each share class. Share classes are structured to include compensation for the financial advisor.

Share classes and fee structure are as follows:

- Class A: Under the Class A fee structure, there is an up-front sales charge of up to 5.5%, which is reduced as the total value of all savings plan accounts of the account owner grows above certain levels.
- Class C: Under the Class C fee structure, there is no up-front sales charge. However, withdrawal of any contribution that has been in the account for twelve months or less will be charged a contingent deferred sales charge equal to 1% of the amount withdrawn. Class C shares that have been held for four years or longer are automatically converted to Class

A. The shares that roll into Class A will not pay any Up-Front Sales Charge. Thereafter, contributions that have been in an account for at least four years, together with any earnings associated with those contributions, automatically transfer to the Class A fee structure within approximately a month of the four-year anniversary of the account holding such shares.

- Class E: This class is available only to certain groups associated with Hartford Funds. Under the Class E fee structure, there is no up-front or contingent deferred sales charge.

Under all CHET Advisor asset classes, there is an additional state administrative fee of 0.01% to pay for expenses related to the oversight of the Trust.

Investment Options

CHET Advisor provides investors with the opportunity to invest in age-band portfolios that rebalance automatically as a child ages. This option is designed for investors and their financial advisors who wish to have their asset allocation decisions made and automatically updated for them over time. For those investors who wish to take a more active role in their asset management with their financial advisors, CHET Advisor offers individual options covering different asset classes.

Age Band Options

The CHET Advisor offers nine age-band portfolios to smooth the investor glide paths.

The existing age bands are:

- 0-3 years
- 4-6 years
- 7-9 years
- 10-11 years
- 12-13 years
- 14-15 years
- 16 years
- 17 years
- 18 years and over

Individual Options

CHET Advisor also offers two types of individual funds for investors: static and individual portfolios.

Static portfolios are designed for different investment risk tolerances. The four static portfolios are comprised of different, specific proportions of equity, fixed income, and other investments. The Checks and Balances Portfolio was removed in February 2019 based on feedback from the CHET consultant, Aon.

Static Portfolios:

- Conservative
- Growth
- Aggressive Growth
- Balanced

The other individual portfolios allow an active investor to choose among twelve asset-specific funds to create a customized portfolio of equity, fixed income, and capital preservation assets.

Individual Portfolios:

Equity Portfolios

- Small-Cap Growth
- Mid-Cap
- International Opportunities
- Growth Opportunities
- Dividend & Growth
- Equity Income
- Core Equity

Fixed Income Portfolios

- Inflation
- Total Return
- World Bond

Mixed Asset Portfolio

- Balanced Income

Capital Preservation Portfolio

- Stable Value

Underlying Funds

There are sixteen funds that are used as underlying funds to the age-based and static portfolios, fourteen of which are offered as individual options. Some options use multiple underlying funds. As of December 31, 2020, several CHET Advisor funds were actively managed by Wellington Management Company, the sub-advisor to The Hartford, in addition to Schroders for emerging markets, Invesco for Stable Value, and BlackRock/iShares for two passive equity funds. The underlying annual distribution fee for the Stable Value Class C portfolio remains at 0.25% as of February 2019.

Investment Performance

CHET Advisor's nine aged-based (Class A) portfolios produced positive returns between 12.34% and 4.85% for the one year period ending December 31, 2020. The static portfolios (Class A) generated returns of between 12.36% and 7.27% for the one-year period ending December 31, 2020.

Proposed CHET Direct Offering with Fidelity Investments (in 2021)

Investments

The CHET Direct Sold Program managed under Fidelity will offer 3 different types of 529 portfolios and provides performance information for each proposed investment option on a quarterly basis.

1. Age-Based: Age-Based Strategies are managed according to the approximate year the beneficiary is projected to enter college, becoming more conservative over time. Fidelity uses a “smooth” glide path approach. Fidelity will offer the age-based portfolios in active, blend, and index management styles.
 - a. Active: The Fidelity Fund portfolios invest primarily in actively managed underlying funds. They are designed to generate returns that outperform a composite of major market indices over the long term. Additionally, the portfolios utilize active asset allocation, active security selection, and invest in a broad set of global asset classes.
 - b. Blend: The Fidelity Blend portfolios invest in a mix of actively managed and index funds. They are designed to generate returns that outperform a composite of major market indices over the long term. Additionally, the portfolios utilize active asset allocation, active security selection, and invest in a broad set of global asset classes.
 - c. Index: The Fidelity Index portfolios invest in index funds. They are designed to generate returns that closely mirror the performance of a composite of major market indices over the long term.
2. Static: Static portfolios are managed with the strategic asset allocation remaining the same over time. Fidelity offers the static portfolios in active and index management styles.
 - a. Active: The Fidelity Fund portfolios invest primarily in actively managed underlying funds. They are designed to generate returns that outperform a composite of major market indices over the long term. Additionally, the portfolios utilize active asset allocation, active security selection, and invest in a broad set of global asset classes.
 - b. Index: The Fidelity Index portfolios invest in index funds. They are designed to generate returns that closely mirror the performance of a composite of major market indices over the long term.
3. Individual Fund Portfolios: Options include equity, fixed income, and money market portfolios. Each portfolio has the same investment objective as its underlying mutual fund.

Fidelity will offer four index portfolios, a money market portfolio, and a bank deposit portfolio at the time of conversion in early 2021.

The two options to be offered by Fidelity that is similar to the Principal Plus Interest option offered by TFI are the Bank Deposit Portfolio and the Money Market Fund options. The Bank Deposit Portfolio is composed exclusively of a deposit in an FDIC-insured, interest-bearing account. It seeks preservation of principal and is designed for beneficiaries of any age. The Money Market Fund (Fidelity Government Cash Reserves Fund) seeks as high a level of current income as is consistent with the preservation of capital and liquidity as the money market investment option.

Fidelity and State Treasurer's Office will work on developing a Stable Value option and ESG option for plan participants. The Stable Value option will replace the TFI Principal Plus Interest option.

Strategy	Management Style	Portfolio	Product Description
Age-Based Portfolios	Active	College	Age-Based Portfolios are investment options designed to accommodate Beneficiaries based on age. These portfolios invest primarily in dedicated actively managed Fidelity mutual funds.
		2021	
		2024	
		2027	
		2030	
		2033	
		2036	
	2039		
	Blend	College	Age-Based Portfolios are investment options designed to accommodate Beneficiaries based on age. These portfolios invest in dedicated index and actively managed Fidelity mutual funds.
		2021	
		2024	
		2027	
		2030	
		2033	
		2036	
	2039		
	Index	College	Age-Based Portfolios are investment options designed to accommodate Beneficiaries based on age. These portfolios invest in dedicated index Fidelity mutual funds.
		2021	
		2024	
		2027	
		2030	
2033			
2036			
2039			
Static Portfolios	Active	Aggressive Growth	Static Portfolios are investment options designed to accommodate beneficiaries according to a static asset allocation.
		Moderate Growth	
		Conservative	
	Index	Aggressive Growth	
		Moderate Growth	
		Conservative	
Individual Portfolios	Index	500 Index	Individual Fund Portfolios are investment options designed to provide the option to build a personalized approach to college saving and investing.
		International Index	
		Intermediate Treasury Index	
		Total Market	
		US Sustainability Index	
	Active	Money Market	

Bank Deposit	N/A	Bank Deposit	The Bank Deposit Portfolio is an investment option composed exclusively of a deposit in a FDIC insured interest-bearing deposit account and accommodates Beneficiaries without regard to age.
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Capabilities

Fidelity’s direct sold plans will offer convenient 529 digital self-service capabilities, including online account opening, which accounts for over 90% percent of direct-channel 529 accounts opened. Customers will be able to transact 529 related business through Fidelity’s automated phone system, or through a dedicated college planning associate.

Fidelity’s operational capabilities in the 529 market benefited from Fidelity’s extensive experience in a wide range of financial services. Once requests are received, Fidelity will process participant transactions at a high volume and high level of efficiency and success by back office personal, leveraging next generation robotics to assist.

Plan enrollment will be available online via the CHET website, aboutCHET.com, with centralized mail through Fidelity’s Covington, KY office or in person or via mail at the Fidelity Connecticut investor offices. Fidelity will be able to receive mail each day and will maintain a unique address for overnight mail.

Participants will be able to obtain all transactional and account level data and information at any time digitally or via phone.

Comprehensive 529 plan administrative services will include:

- Enrollment
 - Educational materials/Viewpoints to aid in understanding the importance of college savings and how to meet savings goals
 - Literature and enrollment materials
 - Participant enrollment digitally, through regional center or investor center associates or via paper application
 - Participant confirmations via eDelivery
 - Robust planning & guidance tools to help new participants understand the importance of saving early and track their goals and progress
- Participant Inquiries and Transactions
 - Additional contributions can be made via the web, a mobile device, paper/mail, or telephone
 - Account owners will be able to log in via the web or mobile device to view their account balances, see all activity in the account, and view the account’s investment basis and the cumulative profit or loss that the account has experienced since the account’s inception. Customers will be able to access daily net asset value for all

the 529 plan portfolios, 1 month, year-to-date, 1-year, 3-year and 5-year returns (as applicable).

- Exchanges and allocation changes via online, paper/mail, or telephone
- Fidelity's plans will offer participants the ability to perform exchanges and allocation changes via online, paper/mail, or telephone.
- Dedicated CHET 800 number directed to CHET college planning associates
- Statements and confirmations (online, eDelivery or paper-based)
- Participant Changes
 - Successor Participant changes via online, phone or paper/mail
 - Systematic investment plan changes via online, phone or paper/mail
- Mobile Check Deposits
 - Ability to deposit checks directly into a 529 via mobile device
- Online Gifting Program
 - Participants can set up a personalized dashboard and share a dedicated link with friends and families
 - Gift contributions can be made directly via electronic check
 - Automated notifications and online tracking of gifts is available via the dashboard
- Qualified Withdrawals/Distributions
 - Distributions directly to participant, beneficiary or school via online, phone or paper/mail
 - Rollover to new designated Beneficiary via online, phone or paper/mail
 - Rollover to new 529 Plan account via online, phone or paper/mail
- Tax Reporting
 - 1099Q generation
 - Track and enforce cap limits

Customer Service

Fidelity plans to staff approximately fifty dedicated college planning specialists are available Monday through Friday, 8:00 a.m. to 9:00 p.m. ET. As a contingency, Fidelity will prepare and upskills associates outside the college planning team to handle overflow volume. This ensures these calls are prioritized and handled promptly during peak volume times. During the off hours for this team, all college planning calls will be answered by Fidelity's service representatives, whom are available 24-7, 365 days a year. Fidelity also accept email inquiries, with responses take up to 3-5 business days.

Fidelity does offer language lines through a third-party vendor for non-English-speaking callers. For hearing-impaired, Fidelity offers a TTY number as well as online chat services as well.

Marketing

When it comes to marketing the CHET plans within Connecticut, Fidelity will leverage digital platforms, social media, and local investor center and regional center associates to market the Program in the direct channel:

- Acquisition: Fidelity will partner with State Treasurer's Office to develop an integrated marketing and public relations strategy to identify target participants in Connecticut and help educate them on the benefits of the 529 plan. Marketing and public relations activities will be supported by an in-house team of marketing and ad agency professionals who provide strategic and creative services; Fidelity's five local investor center offices; Fidelity's user experience and design team and state-of-the art web capabilities; and dedicated college planning telephone associates.
- 529 Customer Development: Fidelity will provide education and guidance through an ongoing series of communications to existing 529 customers designed to help them manage their investments and encourage them to save regularly.

These strategies will be carried out via various marketing channels, which include paid media/advertising, community outreach, online marketing and website, customer communications, Fidelity.com advertising and search, social media and branch office support.

Fidelity will make the CHET 529 plans accessible to all, including low and moderate-income families by eliminating the investment minimum requirement, meaning that all families can open and start saving at any time. Fidelity will explore this potential participant base as they develop a marketing plan for CHET in 2021.

While Fidelity does not employ on site, in-state marketing associates, Fidelity will employ a centralized team of marketing specialists dedicated to promoting 529 plans on both a national and local basis. Fidelity's local marketing development coordinator would work alongside the plan's relationship manager and Connecticut state contacts to help organize and implement in-state events and sponsorships. Fidelity will look to help staff these events leveraging their investor center associates located in Fairfield, Greenwich, New Haven, Stamford and West Hartford, and/or the plan's relationship manager.

Additionally, Fidelity will continue to maintain the successful programs that have been part of the CHET Program prior to transition. For 2021, Fidelity proposes to merge the CHET Advance Scholarship and CHET Dream Big! Competition to one larger program that will see nearly \$350,000 in awards granted to Connecticut residents.

The CHET Baby Scholars program continues on as well, with changes beginning in July 2021 in order to ensure the program's longevity. With the removal of the "opt in" process, now all CT residents that open a CHET account for a beneficiary that is one year old or under or within one year of adoption will receive a \$100 contribution.

Finally, Fidelity will partner with State Treasurer's Office when it comes to financial literacy in the state. They will propose initiatives and events to make a difference in the lives of school-age children and teachers in Connecticut communities through financial education.

Proposed CHET Advisor Offering with Fidelity Investments (in 2021)

Investments

The CHET Advisor Program to be managed under Fidelity will offer 3 different types of 529 portfolios and provides performance information for each proposed investment option on a quarterly basis.

1. **Age-Based:** Fidelity's Age-Based Strategies are managed according to the approximate year the beneficiary is projected to enter college, becoming more conservative over time. Fidelity uses a “smooth” glide path approach. Fidelity’s age-based portfolios in the Advisor Plan invest primarily in actively managed underlying funds. They are designed to generate returns that outperform a composite of major market indices over the long term. Additionally, the portfolios utilize active asset allocation, active security selection, and invest in a broad set of global asset classes.
2. **Static:** Fidelity's static portfolios are managed with the strategic asset allocation remaining the same over time. In the Advisor Plan, the static portfolios invest primarily in actively managed underlying funds. They are designed to generate returns that outperform a composite of major market indices over the long term. Additionally, the portfolios utilize active asset allocation, active security selection, and invest in a broad set of global asset classes.
3. **Individual Fund Portfolios:** Options include equity, fixed income, money market, and balanced portfolios. Each portfolio has the same investment objective as its underlying mutual fund. Fidelity also has over 30 years of experience and manages over \$38 billion in stable value assets within Fidelity's fixed income business and plans to launch a Stable Value option within the CHET Advsiior 529 plan.

Strategy	Management Style	Portfolio	Product Description
Age-Based Portfolios	Active	College	Age-Based Portfolios are investment options designed to accommodate Beneficiaries based on age. These portfolios invest in primarily active dedicated managed Fidelity mutual funds.
		2022	
		2025	
		2028	
		2031	
		2034	
		2037	
		2039	
Static Portfolios	Active	Aggressive Growth	Static Portfolios are investment options designed to accommodate beneficiaries according to a static asset allocation.
		Moderate Growth	

Individual Portfolios	Active	Asset Manager 60%	Individual Fund Portfolios are investment options designed to provide the option to build a personalized approach to college saving and investing.
		Diversified International	
		Dividend Growth	
		Equity Growth	
		Equity Income	
		Growth Opportunities	
		High Income	
		Inflation-Protected Bond	
		Limited Term Bond	
		New Insights	
		Small Cap	
		Stock Selector Mid Cap	
		Strategic Dividend & Income	
		Strategic Income	
		Total Bond	
Value Strategies			
Stable Value			