

**Minutes of the Connecticut Higher Education Trust (CHET)
Advisory Board Meeting
Thursday, December 2, 2010**

Members Present:

James Blake, Executive Vice President, Southern Connecticut State University
Nancy Brady, Director of Finance, Connecticut Department of Higher Education, Designee
(Representing Hon. Michael P. Meotti, Commissioner, Connecticut Department of Higher Education)
Rep. Andrew Fleischmann, House Chairman, Education Committee
John Mengacci, Undersecretary for Policy Development and Planning, Office of Policy and Management
(Representing Hon. Brenda Sisco, Acting Secretary, Office of Policy and Management)
Ryan Wolfe, Research Analyst, Designee (representing Rep. Vincent Candelora, House Ranking Member,
Finance, Revenue & Bonding Committee)

Absent:

Denise L. Nappier, Connecticut State Treasurer
Sen. Thomas P. Gaffey, Senate Chairman, Education Committee
Sen. Kevin Witkos, Senate Ranking Member, Education Committee
Rep. DebraLee Hovey, House Ranking Member, Education Committee
Sen. Eileen Daily, Senate Chairman, Finance, Revenue & Bonding Committee
Sen. Andrew Roraback, Senate Ranking Member, Finance, Revenue & Bonding Committee
Rep. Chris Perone, House Vice Chairman, Finance, Revenue & Bonding Committee
Julie L. Dolan, Vice President of Finance, Fairfield University
Julie Savino, Dean of Student Financial Assistance, Sacred Heart University
Margaret Wolf, Director of Financial Aid, Capital Community College

Others Present:

Howard Rifkin, Deputy Treasurer, Office of the State Treasurer
Linda Hershman, Chief of Staff and Assistant Deputy Treasurer, Office of the State Treasurer
Pamela Bartol, Assistant Investment Officer, Office of the State Treasurer
Bettye Jo Pakulis, Executive Assistant, Office of the State Treasurer
Jeffrey Cohan, Assistant Vice President and Director, 529 Plans,
The Hartford Financial Services Group, Inc.
Pam McNulty, Senior Director, TIAA-CREF Tuition Financing, Inc.
Scott Schwind, Director, Rogerscasey
Kathleen Tunson, Program Manager, TIAA-CREF Tuition Financing, Inc.

Call to Order

Mr. Rifkin called the meeting to order at 1:41 pm.

Approval of Minutes of the December 3, 2009, CHET Advisory Committee Meeting

Mr. Rifkin presented the minutes from the December 3, 2009, CHET Advisory Committee Meeting. Mr. Mengacci made a motion to approve the minutes as drafted; the motion was seconded by Rep. Fleischmann. The motion was passed unanimously.

Program Updates

Mr. Rifkin opened the meeting by reminding Advisory Board members our office had just finished an RFP process for a new 529 program manager. He reported there were five full responses, one that's not in technical compliance. Interview process determined to re-contract with TIAA-CREF to run direct sold plan. (TIAA-CREF only chose to bid for direct sold plan).

The other four proposals received were joint Direct and Advisor sold proposals. Mr. Rifkin asked all respondents to re-submit proposals with Advisor sold plan only. Mr. Rifkin announced The Hartford was selected in October 2010 as CT's new 529 Advisor sold program. Howard introduced Jeff Cohan, Assistant Vice President and Director of 529 programs for the Hartford who spoke at the end of the meeting in more detail about the new program.

Recap of YTD 2009

Pam McNulty, Senior Director of Tuition Financing, Inc. gave a review of CHET performance for the year ending September 30, 2010. Ms. McNulty provided a power point of stats and reported there were over 96,000 accounts, with 8,000 new accounts during the year, and over 2,800 accounts that came in last December so there was a good chance CHET would break 100,000 account marks either in December or January. The account assets were \$1,394 billion as of close of business December 1, 2010. There was about 9% account growth versus industry average of about 7%. Historically CHET asset growth also beat the industry for underlying investments. Ms. McNulty pointed out that the account owners can open an account with as little as \$25. Qualified withdrawals have increased about \$10 million or more as the program matures and rollovers increased about 50%. Ms. McNulty commented on a few program enhancements, such as the ability to make online withdrawals. TFI continues to improve functionality of the CHET website. About 58% of account owners make withdrawals or rebalance online. Ms. McNulty also spoke about investment performance. All options were tracking closely to their respective benchmark. Prior to new contract term, program management fee was a total annual asset based fee of 60 basis points which included program management fee, state fee and underlying fund expenses (known as unitary pricing). On November 22 the new program launched along with new contract with State of Connecticut. With the new program enhancements, TFI looked into diversifying into new asset classes and implementing a non unitary pricing structure which includes a program management fee at 20 basis points plus cost of underlying mutual funds plus state fee resulting in total annual asset based fees of between 34 basis points and 98 basis points depending upon Option selected. For the Managed Allocation options this was a price reduction of approximately 40%. Ms. McNulty briefly spoke about 3 new options to round out the menu; Under the Managed Allocation Options – an age based conservative option was added to complement the existing moderate and aggressive options; also added an Index Fixed Income option and an Active Equity option.

Marketing (TIAA-CREF)

Ms. Tunson worked with Linda Hershman and Betty Jo Pakulis from the Treasurer's office on marketing throughout the state and has been with TIAA-CREF since 2005. Ms. Tunson discussed four year- round marketing campaigns: Year- end (holiday gifting), Tax time, Post tax time and Back to School (College Savings Month). Ms. Tunson also launched a 529 educational website in Spanish. Treasurer Nappier initiated the website to reach out to the Hispanic population. Ms. McNulty also hired a bilingual consultant, Mauriel Vega, based in their Hamden office so he could speak at 529 events in both Spanish and English to educate families about the program. Ms. Tunson reminded Advisory Board members that Treasurer Nappier's commitment to promoting CHET to all socioeconomic levels was built into the overall marketing plan throughout the year and specifically

spoke about marketing initiatives around sporting events and partnerships with organizations throughout the state which help engage low to moderate families (all events are listed in the annual report).

New Advisor-Sold Plan

Mr. Cohan introduced himself and discussed the new advisor sold 529 plans which launched Oct 1, 2010. This is the first state – sponsored advisor- sold 529 plans. CHET advisor is for people who invest through a financial adviser. Financial advisers in Connecticut now have a home state 529 plans to use when helping families plan for college. Connecticut residents are eligible to the same deductions as direct sold plans. Account owners are allowed to deduct 529 contributions from their state income taxes up to 5,000 for an individual or up to \$10,000 for married couple filing jointly. The Hartford will manage investment made into the CHET advisor program. As of December 1, 2010 there were \$2 million in sales and 300 accounts. Next year the Hartford will report on all the accounts and how the program is progressing.

Adjournment

There being no further business, Mr. Rifkin adjourned the meeting @ 3:17 pm.