

**Connecticut Higher Education Trust (“CHET”) Advisory Committee Annual Meeting**

**Friday April 13, 2018, 1:30 pm**

**Office of the State Treasurer, 55 Elm Street, Hartford, CT**

**MINUTES**

**Members Present**

Senator Scott Frantz, CGA Finance, Revenue and Bonding  
Vincent Lugo, University of New Haven  
Keith Norton, Office of Higher Education  
Shannon Sarver, Sacred Heart University  
Lawrence A. Wilson, Deputy Treasurer, Office of the Treasurer (representing Denise L. Nappier, State Treasurer and Trustee, CHET)  
Chris Zavagain, Senate Republican Office

**Others Present**

Kerry Alexander, TIAA  
David Barrett, Office of the Treasurer  
Emily Bjornberg, Office of the Treasurer  
Jeff Cohan, The Hartford  
Joanne Dombrosky, Office of the Treasurer  
Glenn Friedman, TIAA  
Elizabeth McLaughlin, TIAA  
Pam McNulty, TIAA  
Allison Mortensen, The Hartford  
Mike Myers, The Hartford  
Claire Shaughnessy, Aon Hewitt Investment Services  
Christine Shaw, Office of the Treasurer  
Seraphin Tala, Office of the Treasurer  
Vivian Tsai, TIAA

**Call to Order**

Deputy Treasurer Lawrence A. Wilson called the meeting to order at 1:38 p.m.

**Welcoming Remarks**

Deputy Treasurer Wilson thanked the committee for attending the meeting, highlighted a few of CHET’s accomplishments over the last year, particularly statistics regarding CHET’s growth.

**Adoption of Minutes**

Short of a quorum, there was no adoption of the 2017 minutes.

### **Presentation by The Hartford Funds**

Deputy Treasurer Wilson introduced the presenting team from the Hartford. Mr. Cohan began by talking about CHET Advisor today, which has over \$531 million in assets under management and 28,000 accounts today.

Mr. Cohan mentioned that the most popular investment options are the age-based tracks which dial back risk as a child grows older. He feels confident that The Hartford has overhauled its program this year with the help of the AON Hewitt. The program management fee was reduced by a third in 2017 and the Treasury has also reduced its fees.

Mr. Cohan then introduced Allison Mortensen who described the new age-based portfolio options in regards to risk adjustment. Although the glide paths start with higher risk, they mitigate the risk as distributions approach so that families are protected. This is also tied to the ideal glide paths as defined by the Morningstar rating agency as well as the pattern of similar products offered by industry peers. The use of passive funds was also increased in 2017. The underlying fund fee was reduced by at least 13 basis points with an average reduction of 14 basis points across the glide path.

On the marketing side, Mr. Cohan said that CHET Advisor continues to reach out to financial advisors, to encourage them to make college savings a part of their clients' financial plan. He mentioned that the advisors themselves asked this year for a drop in their own fees. This may be counter-intuitive, but Mr. Cohan reports that he does believe it is responsible for some of the extraordinary growth in the program.

### **Presentation by TIAA Tuition Financing, Inc.**

Deputy Treasurer Wilson then mentioned a recent instance of fraud in the CHET Direct program. It is notable that this is the first time CHET has experienced fraud despite housing 140,000 accounts. Mr. Wilson then introduced Kerry Alexander of TIAA.

Mr. Alexander started the presentation by introducing Vivian Tsai and Pam McNulty. He then detailed some of the awards that TIAA has been honored with in 2017. He then discussed the growth of CHET Direct over the course of 2017 and also reported that TIAA has won the Lipper Award for the third year in a row.

Mr. Alexander then said that CHET Direct has grown to almost \$3.1 billion in assets. TFI's job, he said, is to make sure people feel confident about the use of CHET and consider it a high quality product.

**Presentation by TIAA Tuition Financing, Inc. (cont'd)**

Mr. Alexander then introduced Beth McLaughlin to discuss the marketing program for CHET direct. Ms. McLaughlin described the state-wide scholarships, CHET Advance and CHET Dream Big.

Ms. McLaughlin discussed marketing for 2017. She said that one of the big changes is that TFI is working with a company called Epsilon which is focused on “lead-generation” through radio, television, social media and online video. She also discussed certain digital campaigns such as “tax time,” “back to school time,” and “holiday time.”

She said that CHET Baby Scholars is a fabulous thing for birth to 1-year olds and is attracting more than 8 percent of new births. Coupled with CHET Baby Scholars, our CHET Advance and Dream Big Scholarships touch every school in CT every year.

Glenn Friedman then detailed the TFI investment team. He later highlighted some of the investment changes in 2017 including the smoothing out of the glide path in the age-based portfolios.

**Presentation by Office of the Treasurer**

Christine Shaw led a discussion on the implications for CHET of the 2017 federal tax law. The two provisions which were most important for CHET were the expansion of qualified withdrawals for k-12 spending as well as the ability to roll a 529 account into an ABLE account. It is important to note that these expanded definitions are only applicable for federal purposes. Connecticut’s law currently makes clear that qualified expenses only apply to higher education.

Keith Norton made the comment that he hopes CHET continues to focus specifically on higher education, as it was originally set up to do, especially in light of the increased cost of attending college.

**Adjournment**

The meeting adjourned at 2:55 p.m.

**Next Meeting Date**

Deputy Treasurer Wilson proposed the date of April 12, 2019, at 1:30 p.m. as the next annual CHET Advisory Committee meeting date. Without a quorum, this date is set tentatively.

Respectfully Submitted by

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Emily Bjornberg  
Office of the State Treasurer

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Date of approval