

Meeting Minutes from the December 2, 2024 Connecticut Higher Education Trust (CHET) Advisory Committee Annual Meeting

Wednesday, December 2, 2024, 10 A.M. – 12:00 P.M.

Members Present

Erick Russell, State Treasurer and Trustee of CHET
State Representative Maria Horn, House Co-Chair, Finance, Revenue and Bonding Committee
State Representative Jeff Currey, House Co-Chair, Education Committee
State Representative Holly Cheeseman, Ranking Member, Finance, Revenue and Bonding Committee
State Representative Kathleen M. McCarty, Ranking Member, Education Committee
Kerry Kelley, Vice President of Finance and Administration, CFO, Connecticut State Community College
Patrick Torre, Associate Vice President for Finance, University of New Haven
Julie Savino, Executive Director, University Financial Assistance, Sacred Heart University
Holly Williams, Fiscal and Program Policy Section Director, Office of Policy and Management
Steven McDowell Jr., Associate Vice President for Financial Aid Services and Title IX Services, Connecticut State Community College

Members Absent

State Senator Henri Martin, Ranking Member, Finance, Revenue and Bonding Committee
State Senator Douglas McCrory, Senate Co-Chair, Education Committee
Senator Eric C. Berthel, Ranking Member, Education Committee
State Senator John Fonfara, Senate Co-Chair, Finance, Revenue and Bonding Committee
Timothy D. Larson, Commissioner, Office of Higher Education

Others Present

Anastasia Rotheroe, Principal Investment Officer Public Equities and Corporate Governance, Office of the Treasurer
Kevin Alvarez, Deputy Chief of Staff and Policy Director, Office of the Treasurer
Gabriela Koc, Engagement Manager, Office of the Treasurer
Jennifer Putetti, Legislative Director, Office of the Treasurer
Kay Ceserani, Meketa Investment Group
William Duryea, Meketa Investment Group
Jared Newman, Fidelity Investments
Tony Durkin, Fidelity Investments
Ron Hazel, Senior Director, Retirement & College Savings – Advisor Plan, Fidelity Investments
Donna Susi, Fidelity Marketing Relationship Manager
Elise Randazzo, Fidelity Investments
Daniel Terio, Fidelity Investments
Finola McGuire, Fidelity Investments
Andrea Feirstein, AKF Consulting

Call to Order

Treasurer Erick Russell called the meeting to order at 10:04am. He greeted the members virtually and welcomed them to the meeting. Treasurer Russell delivered welcoming remarks that highlighted the activity of the office in 2024. He also provided brief introduction to our new team member, Anastasia Rotheroe, who took over investment oversight for the CHET program.

Adoption of Minutes

Treasurer Russell made a request to entertain a motion to approve the minutes from the prior meeting on December 6, 2023, as amended to reflect a correction to meeting attendance. A motion was made by Rep. Currey to approve the minutes, seconded by Rep. McCarty. The minutes were adopted unanimously.

Presentation by Fidelity Investments, Meketa Consulting: Programmatic Update and Investment Performance Review

William Duryea provided an introduction and overview, followed by a market update that included an overview of current market trends and overall landscape. Rep. Horn inquired about how they were looking at the increased likelihood for inflation to increase once again as the result of certain federal policies. Mr. Duryea responded that there have been marked changes in expectations both for inflation and interest rates as a result of policies discussed on the campaign trail by the incoming administration. Several of the proposals have the potential to be inflationary – tariffs, mass deportation, and tax cuts. Related to interest rates, previously there was expected to be as many as ten interest rate cuts through 2025. Now, that expectation has been lowered to three to four cuts. This is, however, speculation and not certain. Mr. Torre raised previous questions related to whether there were benchmark comparisons for each of the asset classes. Mr. Duryea explained that he was presenting information as to performance of indexes in the broader market, but that Fidelity will present information on their performance against relative benchmarks. Rep. Horn asked if the pass-fail chart presented, relating to the watch list Meketa uses for funds, was weighted by the percentage of the overall portfolio to which Mr. Duryea responded it was not but it comes in to play in discussions. Further they discussed the process by which funds on the watch list are removed from the portfolio and the timeline related to that. There are regular updates to the office related to the watch list, including quarterly reports, and the timeline is typically twelve to eighteen months by which time if improvement is not seen that a discussion is had about removing the funds from the portfolio.

The presentation was then turned over to Fidelity, where Finola McGuire provided an overview of their glide path, investment strategy, and recent performance. Rep. Cheeseman asked about the overweight of exposure to European and emerging markets to which Ms. McGuire explained that they believe they have a high potential runway for gains over the next five-year horizon.

Jared Newman provided an overview of the programmatic side of CHET, reporting on constituent services, and programs including Baby Scholars and the Dream Big! Competition. Rep. Cheeseman asked about the call time – a small number of seconds – associated with constituent calls and whether those are going directly to a human or an automated service which Mr. Newman confirmed was directly to a human. She then inquired about how the Baby Scholars and Dream Big! Competition were funded. Mr. Newman explained Baby Scholars is funded through fees which Dream Big! is part of the contract between the state

and Fidelity that is paid for by Fidelity. Ron Hazel then provided an overview of the CHET Advisor program. Rep. Cheeseman inquired about why certain states have such high numbers of assets, which Mr. Hazel explained was the result of a number of factors but states like Virginia in particular were much older programs so have a larger number of assets. Mr. Newman returned to presenting and was asked how we are getting the word out about these programs, particularly to parts of the state like hers that don't have as many accounts open. Mr. Newman and Kevin Alvarez explained that they are specifically targeting municipalities where they're seeing far lower levels of uptick in account openings and trying to message more effectively to them. Mr. Alvarez explained that the state is reviewing information to see if the efforts to reach a broader audience are working or if other strategies need to be pursued.

Presentation by AKF Consulting: The 529 Market Landscape

Andrea Feirstein, AKF Consulting, presented an overview of the 529 Savings Market, Trends and Developments, and commented on the 2024 Morningstar Rating. The Morningstar rating for CHET Direct was upgraded to Silver for the first time, in part as a result of the upgrade in the "parent" pillar of the rating which is the state's oversight. CHET Advisor retained its previous rating but saw the same upgrade to the parent pillar. Rep. Cheeseman inquired about states that offer tax credits versus tax deductions for contributions to 529 accounts, to which Ms. Feirstein said she would get those details to her.

Adjournment

Treasurer Russell made a request to entertain a motion to adjourn the meeting. A motion was made by Rep. Horn to adjourn the meeting, seconded by Rep. Cheeseman.

The meeting was adjourned at 11:54 AM.