

## **Meeting Minutes from the December 6, 2023 Connecticut Higher Education Trust (CHET) Advisory Committee Annual Meeting**

**Wednesday, December 6, 2023, 9:30 A.M. – 11:00 A.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 Senator Henri Martin, Ranking Member, Finance, Revenue and Bonding Committee  
State Representative Holly Cheeseman, Ranking Member, Finance, Revenue and Bonding Committee  
State Representative Kathleen M. McCarty, Ranking Member, Education Committee  
Timothy D. Larson, Executive Director, Office of Higher Education  
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 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

### **Others Present**

Peter Gajowiak, Senior Investment Officer, Office of the Treasurer  
Frank Molina, Director of Corporate Governance, Office of the Treasurer  
Kevin Alvarez, Deputy Chief of Staff and Policy 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  
Stephanie Bartoldus, Fidelity Marketing Relationship Manager  
Elise Randazzo, Fidelity Investments  
Daniel Terio, Fidelity Investments  
Andrea Feirstein, AKF Consulting

### **Call to Order**

Treasurer Erick Russell called the meeting to order at 9:35am. He greeted the members virtually and welcomed them to the meeting. Treasurer Russell delivered welcoming remarks that highlighted the activity of the office in 2023. He also provided brief introduction to our new investment consultant, Meketa, and new Office of the Treasurer team member, Frank Molina.

### **Adoption of Minutes**

Treasurer Russell made a request to entertain a motion to approve the minutes from the prior meeting on December 7, 2022. A motion was made by Holly Williams to approve the minutes, seconded by Tim Larson. The minutes were approved by majority vote. There was one abstention from Kerry Kelley.

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

Kay Ceserani provided an introduction and overview, followed by a market update from William Duryea. They presented information on Meketa, who was brought on as investment consultant following a competitive bidding process earlier this year, and then gave an overview of current market trends and overall landscape.

The presentation was then turned over to Fidelity, where Elise Randazzo provided an overview of their glide path, investment strategy, and background on the firm's latest use of technology to help inform their strategy. Rep. Cheeseman inquired as to how often they change their glide path and what informs that. Ms. Randazzo explained that the glide path does not regularly change, but there have been four adjustments to the glide path in the last decade for various reasons. Mr. Larson asked how many accounts there are and what the total assets are in those accounts. Kevin Alvarez provided the information that there are 163,161 active Direct Plan accounts and 33,564 Active Plan accounts. Direct Plan assets are \$4.14B, Advisor Plan assets are \$837M. Rep. Horn inquired as to the process of reallocation of funds, particularly the reasons that drive fund reallocation. She and Ms. Randazzo had a conversation about the continual reallocation across advisor plans, and the way it is adjusted across direct plans but while the asset allocation strategies may be adjusted the glide path still limits risk exposure over time regardless of the asset allocation strategy being adjusted. There was further discussion of the evaluation of performance and how that interacts with manager selection. A final question was asked by Rep. Horn about an earlier reference to AI, which was used in an evaluation of market conditions back to 1926 by Fidelity. Ms. Randazzo explained the use of technology in various aspects of their business, but specific to the reference to AI was its role in their evaluation of market conditions to inform their strategy.

Ron Hazel then presented recent developments with the 529 program, particularly an increase in accounts and an explanation about account assets across the four quarters of a year. He particularly explained that Q3 typically sees a decrease in account assets as it coincides with the time of year that individuals are accessing funds for higher education. Overall, there has been a strong performance and a strong uptick in accounts opened. Jared Newman then presented an executive summary of developments for the program and made mention of the Dream Big! Program and Baby Scholars program. Rep. McCarty asked about our marketing strategy and if that has helped drive the increase in accounts opened. Mr. Hazel confirmed it had and was one factor, along with market conditions currently being favorable to opening these accounts. Mr. Larson inquired as to how the Dream Big! Competition was funded. Mr. Newman responded that it is funded by Fidelity. Mr. Larson followed up to inquire about whether or not we're seeing the number of applications we would hope for. Mr. Newman responded that yes we're happy with number of responses but always would like to see that number increase.

### **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 2023 Morningstar Rating. The Morningstar rating remained stable on both Direct and Advisor plans, but the “people” pillar of evaluation increased. Mr. Larson asked if CHET funds could be used for occupational certifications. Ms. Feirstein said that they likely would have to be a recognized licensed apprenticeship program, and that’s a regulation at the federal level. He said that his office oversees a large number of occupational certification programs, and it would be helpful if a change to that rule was made. Senator Martin asked about the calculation of federal aid through FAFSA, and how there is a fear that you’ll be penalized by having money in a 529 account. Mr. Newman and Mr. Hazel explained that 529 assets count towards parent assets in the FAFSA, and rather than counting as 20 percent of the asset calculation for FAFSA it is only 5.6 percent. Ms. Feirstein and Mr. McDowell mentioned that an updated FAFSA will be out soon, and 529 accounts held by a grandparent will not count towards assets under the FAFSA. Ms. Williams suggested to Treasurer Russell that while increased efforts around financial literacy are undertaken in the state, including information about the CHET program would be beneficial.

### **Adjournment**

Treasurer Russell made a request to entertain a motion to adjourn the meeting. A motion was made by Senator Martin to adjourn the meeting, seconded by Rep. McCarty.

The meeting was adjourned at 11:16 AM.