

**Connecticut Higher Education Trust (“CHET”) Advisory Committee  
Minutes of the Annual Meeting  
December 5, 2013, 1:30 pm**

**Members Present:**

Scott Ciecko (representing Jane Ciarleglio, Executive Director, Office of Higher Education)  
Senator Antonietta Boucher, Ranking Member, Education Committee  
Representative Betty Boukus (representing Representative Patricia Widlitz, House Chair,  
Finance, Revenue & Bonding Committee)  
Lisa Lew Deluca (representing James Blake, Executive Vice President of Finance &  
Administration, Southern Connecticut State University)  
Representative Andrew Fleischmann, House Chair, Education Committee  
Senator John Fonfara, Senate Chair, Finance, Revenue & Bonding Committee  
Lisa Hammersley (representing Senator Scott Frantz, Ranking Member, Finance, Revenue &  
Bonding Committee)  
Kerry Kelley (representing Benjamin Barnes, Secretary, Office of Policy & Management  
Julie Savino, Dean of Student Financial Assistance, Sacred Heart University  
Chair Christine Shaw, Deputy Treasurer, Office of the State Treasurer (representing  
State Treasurer Denise L. Nappier)  
Patrick Torre, Vice President of Finance, University of New Haven

**Members Absent:**

Representative Marilyn Giuliano, Ranking Member, Education Committee  
Margaret A. Malaspina, Director of Financial Aid, Capital Community College  
Senator Andrea L. Stillman, Senate Chair, Education Committee  
Representative Sean Williams, Ranking Member, Finance, Revenue & Bonding Committee

**Others Present:**

Kerry Alexander, Senior Director, TIAA-CREF Tuition Financing, Inc.  
David Barrett, Communications Director, Office of the State Treasurer  
Pamela Bartol, Assistant Investment Officer, Office of the State Treasurer  
Francis Byrd, Assistant Treasurer, Office of the State Treasurer  
Jeffrey Cohan, Assistant Vice President and Director, 529 Plans, The Hartford Funds  
Joanne Dombrosky, Principal Investment Officer for Fixed Income, Office of the State Treasurer  
Glenn Friedman, Manager, Asset Allocation and Investment, TIAA-CREF  
Kwame Gibbs, IT, Office of the State Treasurer  
Laura Jordan, Executive Assistant, Office of the State Treasurer  
Bernard Kavalier, Express Strategies  
Christopher Lynch, Senior Director, TIAA-CREF  
Elizabeth McLaughlin, Program Marketing Manager, TIAA-CREF Tuition Financing, Inc.  
Edwin Milhallo, President of Tuition Financing, TIAA-CREF Tuition Financing, Inc.  
Michael Myers, Assistant Director, 529 Plans, The Hartford Funds  
Lydia Neals, Secretary, Office of the State Treasurer  
Claire Shaughnessy, CFA, Partner, Hewitt EnnisKnupp, Inc.

### **Call to Order**

At 1:38 p.m., in her capacity as Chair, Deputy Treasurer Christine Shaw called the meeting to order.

### **Welcoming Remarks and Introductions**

Ms. Shaw announced that State Treasurer Denise L. Nappier could not attend the meeting due to a conflict in her schedule. Ms. Shaw then provided opening remarks.

Ms. Shaw began by highlighting the tremendous year of growth for the CHET program and significant milestones: the plan surpassed \$2 billion in assets and 100,000 account holders, compared to the 4,000 accounts with \$18.5 million in assets in 1999 when Treasurer Nappier took office. She added that nearly \$717 million in qualified withdrawals covered the college costs for 24,100 students in Connecticut and abroad.

Ms. Shaw commented on the launch of CHET Advance Scholarship in the fall of 2013. She noted that 200 randomly selected high school seniors will each receive a \$2,500 scholarship toward their college expenses, many of whom attended an awards ceremony in October with their families, teachers and counselors. She added that the Treasury was planning Phase II of the scholarship program for the spring of 2014, which will add a merit-based component.

Next, Ms. Shaw called for a motion to accept the minutes of the meeting of December 6, 2012 meeting. On motion made by Julie Savino, seconded by Kerry Kelly, the motion passed.

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

Ms. Shaw introduced Kerry Alexander, Senior Director of TIAA-CREF Tuition Financing, Inc. (“TIAA-CREF TFI”). Mr. Alexander began by introducing Edwin Mihallo, President; Glenn Friedman, Manager of Asset Allocation and Investment; and Elizabeth McLaughlin, Program Marketing Manager; as part of Connecticut’s dedicated 529 investment team.

Next, Mr. Alexander stated that Morningstar gave CHET its Bronze rating, which is assigned to the top half of state-sponsored plans. He explained that Morningstar is an independent investment research firm that monitors college savings plans across the country, and it annually rates 529 plans on a five –tier scale running from Gold to Negative.

Mr. Alexander then introduced Glenn Friedman for the financial overview of the plan. Mr. Friedman discussed CHET’s eleven investment options that are available to clients which include, Moderate Managed Allocation; Aggressive Managed Allocation; Conservative Managed Allocation; High Equity Option; Equity Index Option; Social Choice Equity; Active Fixed–Income; Money Market Option; Principal Plus Interest Option; Active Equity Option; and Index Fixed–Income Option. He commented on CHET’s performance and noted that its conservative managed allocation outperformed its benchmark for all measured time periods since inception.

Senator Boucher asked about the Social Choice Equity option, and expressed her opinion that such funds tend to underperform. Discussion ensued about the drivers of the underperformance of such funds, and the exclusion of some companies such as Apple. Senator Boucher requested more information about the components of the customized benchmarks utilized by TIAA-CREF. Senator Boucher also asked about the number of accounts rolled over to other 529 plans. Mr. Alexander explained there is small percentage of rollovers, of which some have gone to The Hartford, which they do not consider a competitor since it likewise offers a CHET product. For the third quarter of 2013 , sixty (60) accounts rolled over to The Hartford and fifteen (15) rolled over to New York. Mr. Alexander then turned the meeting over to Beth McLaughlin to discuss TIAA-CREF's marketing of CHET.

Ms. McLaughlin spoke about CHET's holistic marketing approach which is implemented throughout the year. She commented on the marketing channels and tactics that were used, CHET's public relations and advertising campaign timing, and the targeted audience. Ms. McLaughlin highlighted CHET's marketing through television, radio, digital media, print, direct marketing and Facebook. She spoke about CHET's major campaigns and promotions, such as the CHET Dream Big Competition and school backpack donations.

Senator Fonfara asked about targeted outreach to the Hispanic Community. Ms. McLaughlin responded that TIAA-CREF had hired Ethnic Marketing Solutions (EMS) to build brand recognition and to recruit Latinos into the plan. She added that all of CHET's marketing materials were translated into Spanish, and a bilingual field consultant was hired.

Representative Boukus asked whether TIAA-CREF presented to small groups such as PTOs. Ms. McLaughlin explained that they did and mentioned that a field representative attends such meetings on an ongoing basis.

Senator Boucher asked whether CHET was marketed in doctors' offices and to parents of newborns. Ms. McLaughlin noted a new alliance with the Connecticut Pediatric Association and the Office of Early Childhood to promote CHET. She also announced that beginning in 2014, TIAA-CREF would be offering a sweepstakes for families in maternity wards.

#### Presentation by The Hartford Funds

Ms. Shaw introduced Jeff Cohan, Vice President of 529 Programs at The Hartford Funds, and asked him to provide an overview of the CHET Advisor Sold program.

Mr. Cohan began by introducing Michael Meyers, Assistant Director of 529 Programs, and commented on The Hartford's team that supported the 529 Advisor Sold program. Next, Mr. Cohan provided highlights on the program, which was launched in October 2010. He presented the plan overview and spoke about the investment options and the three share classes available for investment. He explained the 17 investment options, including one age based option, 5 static portfolios, and 11 individual portfolios. The static portfolios are: Aggressive Growth; Growth; Balanced; Conservative; and a Checks & Balances Portfolio. The 11 individual portfolios are: SmallCap Growth; International Opportunities; Growth Opportunities; Capital Appreciation; MidCap; Dividend & Growth; Equity Income; Global Real Assets; Inflation Plus; Total Return Bond; and Money Market 529 Portfolio.

He further explained that the Advisor sold plan has three investment classes: A, C and E. Class A has an upfront sales charge; Class C has no upfront sales charge but has a contingent deferred sales charge for withdrawals made within one year of deposit; and Class E, only available to certain groups associated with Hartford Life, has no sales charge or deferred sales charge.

Mr. Cohan also spoke about The Hartford's CHET Advisor Sales and Marketing program, and noted that its partnering firms focused on marketing CHET's 529 programs at different times within the year. He highlighted CHET's top 20 selling broker dealers, including: LPL Financial; People's Securities; Edward Jones; Merrill Lynch; UBS Financial Services; and Morgan Stanley, among others.

Mr. Cohan commented on the marketing strategy for 2014, and stated that it included initiatives to increase expectations with financial advisors. There are approximately 5,000 advisors in Connecticut; roughly 2,300 have sold CHET Advisor.

### **Comments**

Deputy Treasurer Shaw thanked the members of the Advisory Committee and the General Assembly in particular for its support of CHET and the tax deduction for Connecticut taxpayers. She then opened the floor for comments.

Representative Boukus commented that CHET was a great program and commended Treasurer Nappier for making CHET affordable (only \$25 to open an account). She asked if CHET was marketed around the holidays. Ms. McLaughlin discussed TIAA-CREF's Gifting Campaign and the e-gifting option where family and friends can contribute to a CHET account through a secure website in just a few clicks.

Ms. Shaw announced the date for the 2014 CHET Annual Advisory Meeting: December 4, 2014.

### **Adjournment**

With no further comments or questions, Ms. Shaw called for a motion to adjourn.

At 3:10 p.m., on a motion made by Representative Fleischmann and seconded by Patrick Torre, the CHET Advisory Committee meeting adjourned.