

CONNECTICUT HIGHER EDUCATION TRUST

DIRECT PLAN

Financial Statements

Including

Supplemental Information

June 30, 2015



**CONNECTICUT HIGHER EDUCATION TRUST
DIRECT PLAN
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June 30, 2015**

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Independent Auditor's Report

To Management of TIAA-CREF Tuition Financing, Inc.:

We have audited the accompanying basic financial statements of the Connecticut Higher Education Trust - Direct Plan (the "Direct Plan"), which comprise the Statement of Fiduciary Net Position as of June 30, 2015 and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Direct Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Direct Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Higher Education Trust - Direct Plan, at June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 4 through 6 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting

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for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Direct Plan's basic financial statements. The accompanying supplemental information of the Statements of Fiduciary Net Position on pages 15 through 19, Statements of Changes in Fiduciary Net Position on pages 20 through 25 and Financial Highlights on pages 26 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 on our consideration of the Direct Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Direct Plan's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

August 28, 2015

**CONNECTICUT HIGHER EDUCATION TRUST
DIRECT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

As Plan manager of the Connecticut Higher Education Trust – Direct Plan (the "Direct Plan"), TIAA-CREF Tuition Financing, Inc. ("TFI") offers readers of the Direct Plan's financial statements this discussion and analysis of the financial performance for the fiscal year ended June 30, 2015. Readers should consider the information presented in this section in conjunction with the Direct Plan's financial statements and notes to financial statements. The Direct Plan is comprised of 14 investment options (the "Options") in which account owners ("Account Owners") may invest.

Financial Highlights

During the year ended June 30, 2015, the Options within the Direct Plan posted returns as follows:

<u>Conservative Managed Allocation Option</u>		<u>Aggressive Managed Allocation Option</u>	
Ages 0-3	1.47%	Ages 0-3	1.80%
Ages 4-7	1.30	Ages 4-7	1.68
Ages 8-11	1.03	Ages 8-11	1.58
Ages 12-14	0.92	Ages 12-14	1.57
Ages 15-17	0.70	Ages 15-17	1.37
Ages 18 & Over	0.37	Ages 18 & Over	1.07
 <u>Moderate Managed Allocation Option</u>		 <u>Multi-Fund Investment Options</u>	
Ages 0-3	1.76%	Global Equity Index Option	0.70%
Ages 4-7	1.40	Global Tactical Asset Allocation Option*†	(0.50)
Ages 8-11	1.30	International Equity Index Option*†	1.00
Ages 12-14	1.29	Active Global Equity Option	3.45
Ages 15-17	1.03	U.S. Equity Index Option*†	0.10
Ages 18 & Over	0.79	High Equity Balanced Option	1.16
		Active Fixed-Income Option	0.33
		Social Choice Option	3.17
		Index Fixed-Income Option	1.61
		Money Market Option	0.00
		Principal Plus Interest Option	1.46

* The Option commenced operations on April 1, 2015.

† The percentages shown for this period are not annualized.

The Direct Plan received \$94.9 million in net contributions from Account Owners during the year ended June 30, 2015.

The Direct Plan earned \$51.7 million from investment income and paid out \$3.3 million for operating expenses during the year ended June 30, 2015.

Overview of the Financial Statements

The Direct Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

This report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are composed of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements that explain some of the information in the financial statements and provide more detailed information.

The Statement of Fiduciary Net Position presents information on the Direct Plan's assets and liabilities, with the difference between the two reported as net position as of June 30, 2015. This statement, along with all of the Direct Plan's financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Direct Plan is finalized; subsequent subscriptions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Direct Plan's assets changed during the most recent fiscal period. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The Notes to Financial Statements provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report presents the operating results and financial status of the Direct Plan, which the State of Connecticut reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net position – The following are condensed Statements of Fiduciary Net Position as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investments	\$ 2,416,132,720	\$ 2,292,644,898
Cash	1,638	141,942
Receivables	2,614,117	3,447,945
Total Assets	<u>2,418,748,475</u>	<u>2,296,234,785</u>
Payables	3,196,774	4,121,969
Total Liabilities	<u>3,196,774</u>	<u>4,121,969</u>
Total Net Position	<u>\$ 2,415,551,701</u>	<u>\$ 2,292,112,816</u>

Net position represents total contributions from Account Owners, plus the net increases (decreases) from operations, less withdrawals and expenses.

Investments are approximately 100% of total net position, and consist of the Options, each of which invests in varying percentages in multiple TIAA-CREF Funds and/or other third-party mutual funds, or a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the Connecticut Higher Education Trust. Receivables consist of securities sold, contributions, and accrued income. Liabilities consist mainly of payables for securities purchased, withdrawals, and accrued expenses.

Changes in net position – The following are condensed Statements of Changes in Fiduciary Net Position for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Additions:		
Subscriptions	\$ 850,917,928	\$ 766,188,733
Investment income	51,671,896	42,035,649
Net increase in fair value of investments	—	211,218,421
Total Additions	<u>902,589,824</u>	<u>1,019,442,803</u>
Deductions:		
Redemptions	(756,035,841)	(665,586,621)
Direct Plan manager fee, net	(3,107,581)	(2,829,316)
Administrative fee, net	(207,175)	(184,807)
Net decrease in fair value of investments	(19,800,342)	—
Total Deductions	<u>(779,150,939)</u>	<u>(668,600,744)</u>
Changes in Net Position	<u>123,438,885</u>	<u>350,842,059</u>
Net position - beginning of year	<u>2,292,112,816</u>	<u>1,941,270,757</u>
Net position - end of year	<u>\$ 2,415,551,701</u>	<u>\$ 2,292,112,816</u>

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

ASSETS

Cash	\$ 1,638
Investments, at value (Cost: \$2,072,767,913)	2,416,132,720
Dividends and interest receivable	1,100,062
Receivable for securities transactions	378,170
Receivable for Direct Plan units sold	1,135,885
TOTAL ASSETS	<u>2,418,748,475</u>

LIABILITIES

Overdraft payable	42,713
Accrued Direct Plan manager fee	547,519
Accrued administrative fee	36,504
Payable for securities transactions	1,545,095
Payable for Direct Plan units redeemed	1,024,943
TOTAL LIABILITIES	<u>3,196,774</u>

NET POSITION

Held in trust for Account Owners in the Direct Plan	<u>\$ 2,415,551,701</u>
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See notes to financial statements

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

ADDITIONS

Subscriptions \$ 850,917,928

Investment income:

Interest 3,267,772

Dividends 48,404,124

Total investment income 51,671,896

Total additions 902,589,824

DEDUCTIONS

Redemptions (756,035,841)

Direct Plan manager fee, net (3,107,581)

Administrative fee, net (207,175)

Net increase (decrease) in fair value of investments (19,800,342)

Total deductions (779,150,939)

Changes in net position 123,438,885

Net position – beginning of year 2,292,112,816

Net position – end of year \$ 2,415,551,701

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The Connecticut Higher Education Trust - Direct Plan (the "Direct Plan") is designed to help people save for the costs of higher education. The Direct Plan is administered by the Treasurer of the State of Connecticut, as the trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to establish, develop, implement and maintain the Direct Plan and to make and enter into contracts to service the Direct Plan. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned, direct subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a management agreement ("Management Agreement") under which TFI serves as Direct Plan manager. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code ("Code"). Investment options (the "Options" or individually "Option"), allocations and fees, as approved by the Trustee, are described in the current Disclosure Booklet for the Direct Plan.

The assets in the Principal Plus Interest Option are allocated to a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), an affiliate of TFI, to the Trust, as policyholder. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the "Funds").

Prior to March 31, 2015, the Global Equity Index Option was named the Equity Index Option, the Active Global Equity Option was named the Active Equity Option, and the High Equity Balanced Option was named the High Equity Option.

The Global Tactical Asset Allocation Option, the International Equity Index Option, and the U.S. Equity Index Option commenced operations on April 1, 2015.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Direct Plan.

Investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying mutual funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

Income tax: No provision for federal income tax has been made. The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner ("Account Owner") in the Options are represented by Direct Plan units. Subscriptions and redemptions are recorded upon receipt of Account Owner's instructions in good order, based on the next determined net position value per unit ("Unit Value"). Unit Values for each Option are determined at the close of business of the New York Stock Exchange. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of the report. There are no distributions of net investment gains or net investment income to the Option's Account Owners or beneficiaries.

Subscriptions and redemptions: Subscriptions on the Statement of Changes in Fiduciary Net Position include any contributions to the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any withdrawals from the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets.

New accounting pronouncement: In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (the "Statement"). The Statement provides guidance for enhanced disclosures about fair value measurements. The Statement is effective for financial statements for periods beginning after June 15, 2015. The Direct Plan has early adopted this new guidance beginning with the June 30, 2015 financial statements. Adoption of the Statement did require additional notes disclosure around fair value measurement.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Valuation of Investments

Certain investments are valued at fair value utilizing various valuation methods. GASB establishes a hierarchy that prioritizes market inputs to fair valuation methods. The three levels of inputs are:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Direct Plan’s own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Direct Plan’s major categories of investments follows:

Investments in registered investment companies: These investments are valued at their published net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

Funding Agreement: The Life Funding Agreement, to which the Principal Plus Interest Option allocates assets, is considered a nonparticipating interest-earning investment contract and is accounted for at cost. Because the Funding Agreement is valued at cost, it is not included in the fair value hierarchy.

As of June 30, 2015, 100% of the value of mutual fund investments in the Direct Plan were valued based on Level 1 inputs.

Note 3 – Direct Plan Fees

Each Option (with the exception of the Principal Plus Interest Option) pays TFI a Direct Plan manager fee of 0.15% of the average daily net assets of the Option. The Direct Plan manager fee is subject to reductions if total assets in the Direct Plan reach certain levels. In addition, Advisors is paid investment management fees on the underlying investments in the Funds.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)

The Principal Plus Interest Option does not pay a Direct Plan manager fee or an administrative fee to the Trustee. TIAA-CREF Life, the issuer of the funding agreement in which this Option invests and an affiliate of TFI, makes payments to TFI.

For its services administering the Direct Plan, each Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an administrative fee at an annual rate of 0.01% of the average daily net assets of the Option. The fee is deposited in the Direct Plan Administrative Account and then used to pay certain Direct Plan administrative expenses. The assets held in the administrative account with the Trustee were \$693,023 and \$710,638 at June 30, 2015 and 2014, respectively.

Effective August 1, 2011, TFI and the Trustee have agreed to voluntarily waive the Money Market Option's Direct Plan manager fee and administrative fee, respectively, in an attempt to maintain at least a 0.00% return for the Option. TFI and the Trustee may discontinue the waiver at any time without notice. For the year ended June 30, 2015, TFI waived \$36,432 of the Plan manager fee and the Trustee waived \$2,429 of the administrative fee.

Note 4 – Investments

Cash deposits: All cash deposits at June 30, 2015 were covered by federal depository insurance coverage.

Investments: As of June 30, 2015, net unrealized appreciation (depreciation) of portfolio investments was \$343,364,807 consisting of gross unrealized appreciation of \$357,267,533 and gross unrealized depreciation of \$(13,902,726).

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)

At June 30, 2015, the Direct Plan’s investments consist of the following:

	<u>Units</u>		<u>Cost</u>		<u>Value</u>
TIAA-CREF Funds (Institutional Class):					
Bond Index Fund	24,378,126	\$	256,265,932	\$	262,796,202
Emerging Markets Equity Index Fund	2,371,227		24,062,048		24,067,958
Equity Index Fund	26,645,406		229,827,982		421,263,869
Growth & Income Fund	589,055		6,551,538		7,374,972
High-Yield Fund	466,434		4,556,875		4,566,392
Inflation-Linked Bond Fund	11,777,996		124,953,755		133,798,037
International Equity Index Fund	23,729,873		378,070,021		440,901,031
Mid-Cap Growth Fund	582,671		9,703,654		12,999,393
Mid-Cap Value Fund	556,954		9,322,514		13,634,229
Money Market Fund	80,862,214		80,862,214		80,862,214
Real Estate Securities Fund	5,167,337		52,438,945		74,357,985
S&P 500 Index Fund	4,347,320		55,214,757		101,422,971
Short-Term Bond Fund	12,444,277		129,142,044		128,798,265
Social Choice Equity Fund	1,906,168		26,015,301		31,852,073
Non-Proprietary Funds:					
BlackRock Strategic Income Opportunities Fund (Institutional Class)	22,178,665		226,595,425		223,560,936
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	3,559,828		70,600,644		68,669,082
GE Institutional Small-Cap Equity Fund (Institutional Investment Class)	816,937		12,421,294		15,799,569
GMO Benchmark – Free Allocation Series Fund (Class III)	111,398		1,171,463		1,148,512
GMO International Equity Allocation Series Fund (R6 Class)	566,096		5,996,027		5,853,431
Harding Loevner International Equity Portfolio (Institutional Class)	519,401		9,614,426		9,598,529
MetWest Total Return Bond Fund (Institutional Class)	1,072,344		11,804,260		11,592,035
T. Rowe Price Institutional Large-Cap Growth Fund (Institutional Class)	123,516		2,779,807		3,609,145
T. Rowe Price Institutional Large-Cap Value Fund (Institutional Class)	164,081		3,373,608		3,340,686
Templeton Global Bond Fund (Advisor Class)	8,319,141		108,734,891		101,576,716
TIAA-CREF Life Insurance Company:					
Funding Agreement	15,239,923		232,688,488		232,688,488
			<u>\$ 2,072,767,913</u>		<u>\$ 2,416,132,720</u>

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Direct Plan’s Options are uninsured and unregistered and are held by a custodian in the Direct Plan’s name.

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure, the Direct Plan deposits and investments may not be returned. An Account Owner has an investment in an Option and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that Option may be allocated. Because of this ownership structure, the custodial credit risk is mitigated.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (concluded)

Investment policy: The Direct Plan does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Direct Plan's Options are managed based on specific investment objectives and strategies which are disclosed in the current Direct Plan Disclosure Booklet.

Credit risk: The underlying mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The underlying mutual funds do not carry a formal credit quality rating. The underlying Funding Agreement is a guaranteed insurance product issued by TIAA-CREF Life. TIAA-CREF Life had a Standard & Poor's credit rating of AA+ at June 30, 2015.

Interest rate risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At June 30, 2015, the average maturities for the underlying fixed income mutual funds are as follows:

<u>Investment</u>	<u>Value</u>	<u>Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$ 262,796,202	7.41 years
High-Yield Fund	4,566,392	6.86 years
Inflation-Linked Bond Fund	133,798,037	8.30 years
Short-Term Bond Fund	128,798,265	2.54 years
Non-Proprietary Funds:		
Blackrock Strategic Income Opportunities Fund (Institutional Class)	223,560,936	4.81 years
MetWest Total Return Bond Fund (Institutional Class)	11,592,035	8.11 years
Templeton Global Bond Fund (Advisor Class)	101,576,716	2.36 years

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. The Direct Plan does not have any direct investment in foreign securities. Certain Direct Plan Options allocate assets to underlying mutual funds that are exposed to foreign currency risk. At June 30, 2015, the value of investments in underlying mutual funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 24,067,958
International Equity Index Fund	440,901,031
Money Market Fund	80,862,214
Non-Proprietary Funds:	
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	68,669,082
GMO Benchmark-Free Allocation Series Fund (Class III)	1,148,512
GMO International Equity Allocation Series Fund (R6 Class)	5,853,431
Harding Loevner International Equity Portfolio (Institutional Class)	9,598,529
Templeton Global Bond Fund (Advisor Class)	101,576,716

SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Connecticut Higher Education Trust – Direct Plan (“Direct Plan”). It shows financial information relating to the investment options, which are included in the Direct Plan during the year ended June 30, 2015.

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 747,243	\$ 1,236,302	\$ 1,546,320	\$ 1,316,885	\$ 1,850,695	\$ 1,568,012	\$ 8,265,457
Equity Index Fund	1,705,097	1,468,120	978,428	728,890	674,504	—	5,555,039
Inflation-Linked Bond Fund	366,545	680,338	866,014	745,808	1,087,464	909,756	4,655,925
International Equity Index Fund	1,265,596	1,155,536	777,448	533,296	461,709	—	4,193,585
Money Market Fund	—	—	—	359,497	1,284,416	2,050,188	3,694,101
Real Estate Securities Fund	366,407	330,820	225,698	158,186	132,902	—	1,214,013
Short-Term Bond Fund	—	—	—	901,931	3,146,791	4,896,713	8,945,435
SUBTOTAL	<u>4,450,888</u>	<u>4,871,116</u>	<u>4,393,908</u>	<u>4,744,493</u>	<u>8,638,481</u>	<u>9,424,669</u>	<u>36,523,555</u>
Non-Proprietary Funds:							
Blackrock Strategic Income Opportunities Fund	735,280	1,240,427	1,553,566	1,322,985	1,871,400	1,507,886	8,231,544
DFA Emerging Markets Core Equity Portfolio	259,197	259,413	170,515	113,219	100,556	—	902,900
Templeton Global Bond Fund	302,730	538,282	687,352	597,157	870,523	721,509	3,717,553
SUBTOTAL	<u>1,297,207</u>	<u>2,038,122</u>	<u>2,411,433</u>	<u>2,033,361</u>	<u>2,842,479</u>	<u>2,229,395</u>	<u>12,851,997</u>
TOTAL INVESTMENTS	<u>5,748,095</u>	<u>6,909,238</u>	<u>6,805,341</u>	<u>6,777,854</u>	<u>11,480,960</u>	<u>11,654,064</u>	<u>49,375,552</u>
Dividends and interest receivable	2,877	4,377	5,637	6,111	12,021	10,999	42,022
Receivable from Direct Plan units sold	3,592	2,062	1,606	3,267	7,995	41,187	59,709
TOTAL ASSETS	<u>5,754,564</u>	<u>6,915,677</u>	<u>6,812,584</u>	<u>6,787,232</u>	<u>11,500,976</u>	<u>11,706,250</u>	<u>49,477,283</u>
LIABILITIES							
Accrued Direct Plan manager fee	1,568	1,674	1,697	1,706	3,149	2,497	12,291
Accrued administrative fee	105	112	113	114	210	167	821
Payable for securities transactions	5,974	6,439	7,243	9,378	20,016	39,195	88,245
Payable for Direct Plan units redeemed	495	—	—	—	—	14,807	15,302
TOTAL LIABILITIES	<u>8,142</u>	<u>8,225</u>	<u>9,053</u>	<u>11,198</u>	<u>23,375</u>	<u>56,666</u>	<u>116,659</u>
NET POSITION	<u>\$ 5,746,422</u>	<u>\$ 6,907,452</u>	<u>\$ 6,803,531</u>	<u>\$ 6,776,034</u>	<u>\$ 11,477,601</u>	<u>\$ 11,649,584</u>	<u>\$ 49,360,624</u>
UNITS OUTSTANDING	<u>415,276</u>	<u>520,978</u>	<u>535,109</u>	<u>563,887</u>	<u>1,003,718</u>	<u>1,080,416</u>	
NET POSITION VALUE PER UNIT	<u>\$ 13.84</u>	<u>\$ 13.26</u>	<u>\$ 12.71</u>	<u>\$ 12.02</u>	<u>\$ 11.44</u>	<u>\$ 10.78</u>	
INVESTMENTS AT COST	<u>\$ 4,954,605</u>	<u>\$ 6,479,537</u>	<u>\$ 6,499,672</u>	<u>\$ 6,497,173</u>	<u>\$ 11,306,672</u>	<u>\$ 11,690,494</u>	<u>\$ 47,428,153</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,885,671	\$ 11,552,661	\$ 34,453,182	\$ 47,758,982	\$ 47,640,006	\$ 27,922,687	\$ 171,213,189
Equity Index Fund	10,939,279	32,635,376	51,905,558	50,076,348	42,281,784	25,557,069	213,395,414
Inflation-Linked Bond Fund	615,149	6,842,311	17,279,667	25,164,785	26,472,032	17,031,448	93,405,392
International Equity Index Fund	8,550,443	25,371,908	42,314,307	36,195,780	33,911,026	18,985,989	165,329,453
Money Market Fund	—	—	—	—	16,586,960	31,999,666	48,586,626
Real Estate Securities Fund	2,701,424	6,081,757	11,503,519	11,467,409	10,563,641	6,371,192	48,688,942
Short-Term Bond Fund	—	—	—	—	41,581,838	73,746,741	115,328,579
SUBTOTAL	<u>24,691,966</u>	<u>82,484,013</u>	<u>157,456,233</u>	<u>170,663,304</u>	<u>219,037,287</u>	<u>201,614,792</u>	<u>855,947,595</u>
Non-Proprietary Funds:							
Blackrock Strategic Income Opportunities Fund	1,898,807	11,380,670	34,628,288	47,980,222	47,859,089	28,004,576	171,751,652
DFA Emerging Markets Core Equity Portfolio	1,596,519	3,333,684	6,333,420	6,427,025	6,319,395	3,871,559	27,881,602
Templeton Global Bond Fund	781,511	4,323,137	13,705,160	19,904,370	20,795,463	13,021,982	72,531,623
SUBTOTAL	<u>4,276,837</u>	<u>19,037,491</u>	<u>54,666,868</u>	<u>74,311,617</u>	<u>74,973,947</u>	<u>44,898,117</u>	<u>272,164,877</u>
TOTAL INVESTMENTS	<u>28,968,803</u>	<u>101,521,504</u>	<u>212,123,101</u>	<u>244,974,921</u>	<u>294,011,234</u>	<u>246,512,909</u>	<u>1,128,112,472</u>
Cash	—	10	355	—	—	—	365
Dividends and interest receivable	7,532	43,307	131,193	177,698	232,079	189,875	781,684
Receivable from securities transactions	—	—	—	—	—	226,135	226,135
Receivable from Direct Plan units sold	22,649	66,827	68,993	60,527	76,389	130,401	425,786
TOTAL ASSETS	<u>28,998,984</u>	<u>101,631,648</u>	<u>212,323,642</u>	<u>245,213,146</u>	<u>294,319,702</u>	<u>247,059,320</u>	<u>1,129,546,442</u>
LIABILITIES							
Overdraft payable	—	—	—	192	402	9,505	10,099
Accrued Direct Plan manager fee	8,120	26,871	56,547	63,399	74,359	57,035	286,331
Accrued administrative fee	542	1,792	3,770	4,227	4,957	3,802	19,090
Payable for securities transactions	28,397	73,372	200,440	222,576	268,669	189,875	983,329
Payable for Direct Plan units redeemed	1,783	36,761	95	13,149	38,597	345,730	436,115
TOTAL LIABILITIES	<u>38,842</u>	<u>138,796</u>	<u>260,852</u>	<u>303,543</u>	<u>386,984</u>	<u>605,947</u>	<u>1,734,964</u>
NET POSITION	<u>\$ 28,960,142</u>	<u>\$ 101,492,852</u>	<u>\$ 212,062,790</u>	<u>\$ 244,909,603</u>	<u>\$ 293,932,718</u>	<u>\$ 246,453,373</u>	<u>\$ 1,127,811,478</u>
UNITS OUTSTANDING	<u>1,388,350</u>	<u>5,600,400</u>	<u>11,347,850</u>	<u>13,016,490</u>	<u>16,668,961</u>	<u>14,804,604</u>	
NET POSITION VALUE PER UNIT	<u>\$ 20.86</u>	<u>\$ 18.12</u>	<u>\$ 18.69</u>	<u>\$ 18.82</u>	<u>\$ 17.63</u>	<u>\$ 16.65</u>	
INVESTMENTS AT COST	<u>\$ 18,141,744</u>	<u>\$ 74,021,850</u>	<u>\$ 171,004,685</u>	<u>\$ 209,206,801</u>	<u>\$ 264,851,121</u>	<u>\$ 228,701,788</u>	<u>\$ 965,927,989</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ —	\$ 4,076,259	\$ 8,159,552	\$ 7,924,515	\$ 7,615,563	\$ 3,994,652	\$ 31,770,541
Equity Index Fund	14,090,317	33,416,601	27,982,227	17,908,068	11,251,960	4,202,063	108,851,236
Inflation-Linked Bond Fund	—	2,080,394	4,312,832	4,200,738	4,317,749	2,385,711	17,297,424
International Equity Index Fund	10,432,117	24,875,641	21,005,073	12,879,713	8,394,462	3,049,753	80,636,759
Money Market Fund	—	—	—	—	—	1,787,145	1,787,145
Real Estate Securities Fund	2,748,922	7,670,864	6,367,173	4,059,224	2,648,912	959,935	24,455,030
Short-Term Bond Fund	—	—	—	—	—	4,524,251	4,524,251
SUBTOTAL	<u>27,271,356</u>	<u>72,119,759</u>	<u>67,826,857</u>	<u>46,972,258</u>	<u>34,228,646</u>	<u>20,903,510</u>	<u>269,322,386</u>
Non-Proprietary Funds:							
Blackrock Strategic Income Opportunities Fund	—	4,087,604	8,199,506	7,958,880	7,676,741	3,996,877	31,919,608
DFA Emerging Markets Core Equity Portfolio	2,580,061	5,819,899	4,207,184	2,607,825	1,731,482	676,766	17,623,217
Templeton Global Bond Fund	—	1,272,496	3,311,261	3,298,105	3,156,132	1,786,398	12,824,392
SUBTOTAL	<u>2,580,061</u>	<u>11,179,999</u>	<u>15,717,951</u>	<u>13,864,810</u>	<u>12,564,355</u>	<u>6,460,041</u>	<u>62,367,217</u>
TOTAL INVESTMENTS	<u>29,851,417</u>	<u>83,299,758</u>	<u>83,544,808</u>	<u>60,837,068</u>	<u>46,793,001</u>	<u>27,363,551</u>	<u>331,689,603</u>
Cash	—	75	—	—	—	—	75
Dividends and interest receivable	—	14,993	30,075	28,450	27,083	19,411	120,012
Receivable from securities transactions	—	—	—	8,376	—	2,431	10,807
Receivable from Direct Plan units sold	38,726	35,050	22,678	21,874	20,884	43,276	182,488
TOTAL ASSETS	<u>29,890,143</u>	<u>83,349,876</u>	<u>83,597,561</u>	<u>60,895,768</u>	<u>46,840,968</u>	<u>27,428,669</u>	<u>332,002,985</u>
LIABILITIES							
Overdraft payable	—	—	—	180	—	—	180
Accrued Direct Plan manager fee	8,231	21,417	21,429	15,108	11,445	6,353	83,983
Accrued administrative fee	549	1,428	1,429	1,007	763	424	5,600
Payable for securities transactions	29,035	48,100	52,753	28,450	46,109	19,411	223,858
Payable for Direct Plan units redeemed	9,691	1,993	—	30,000	1,608	45,707	88,999
TOTAL LIABILITIES	<u>47,506</u>	<u>72,938</u>	<u>75,611</u>	<u>74,745</u>	<u>59,925</u>	<u>71,895</u>	<u>402,620</u>
NET POSITION	<u>\$ 29,842,637</u>	<u>\$ 83,276,938</u>	<u>\$ 83,521,950</u>	<u>\$ 60,821,023</u>	<u>\$ 46,781,043</u>	<u>\$ 27,356,774</u>	<u>\$ 331,600,365</u>
UNITS OUTSTANDING	<u>2,111,990</u>	<u>5,984,289</u>	<u>5,902,647</u>	<u>4,268,565</u>	<u>3,325,110</u>	<u>2,077,778</u>	
NET POSITION VALUE PER UNIT	<u>\$ 14.13</u>	<u>\$ 13.92</u>	<u>\$ 14.15</u>	<u>\$ 14.25</u>	<u>\$ 14.07</u>	<u>\$ 13.17</u>	
INVESTMENTS AT COST	<u>\$ 18,966,263</u>	<u>\$ 66,713,071</u>	<u>\$ 71,227,763</u>	<u>\$ 53,346,428</u>	<u>\$ 41,878,768</u>	<u>\$ 25,813,830</u>	<u>\$ 277,946,123</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015**

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
ASSETS						
Investments, at value:						
TIAA-CREF Funds (Institutional Class):						
Bond Index Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 39,914,642
Emerging Markets Equity Index Fund	24,067,958	—	—	—	—	—
Equity Index Fund	86,562,240	—	—	—	6,899,940	—
Growth & Income Fund	—	—	—	7,374,972	—	—
High-Yield Fund	—	—	—	—	—	—
Inflation-Linked Bond Fund	—	—	—	—	—	10,308,614
International Equity Index Fund	90,349,601	—	1,586,737	—	—	98,804,896
Mid-Cap Growth Fund	—	—	—	519,955	—	12,479,438
Mid-Cap Value Fund	—	—	—	517,155	—	13,117,074
Money Market Fund	—	—	—	—	—	—
S&P 500 Index Fund	—	—	—	—	—	101,422,971
Social Choice Equity Fund	—	—	—	—	—	—
SUBTOTAL	<u>200,979,799</u>	<u>—</u>	<u>1,586,737</u>	<u>8,412,082</u>	<u>6,899,940</u>	<u>276,047,635</u>
Non-Proprietary Funds:						
Blackrock Strategic Income Opportunities Fund	—	—	—	—	—	—
DFA Emerging Markets Core Equity Portfolio	—	—	—	—	—	22,261,363
GE Institutional Small-Cap Equity Fund	—	—	—	1,373,324	—	14,426,245
GMO Benchmark-Free Allocation Series Fund R6	—	1,148,512	—	—	—	—
GMO International Equity Allocation Fund	—	—	—	5,853,431	—	—
Harding Loevner International Equity Portfolio	—	—	—	9,598,529	—	—
MetWest Total Return Bond Fund	—	—	—	—	—	—
T. Rowe Price Inst. Large-Cap Growth Fund	—	—	—	3,609,145	—	—
T. Rowe Price Inst. Large-Cap Value Fund	—	—	—	3,340,686	—	—
Templeton Global Bond Fund	—	—	—	—	—	6,115,144
SUBTOTAL	<u>—</u>	<u>1,148,512</u>	<u>—</u>	<u>23,775,115</u>	<u>—</u>	<u>42,802,752</u>
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	—	—
TOTAL INVESTMENTS	<u>200,979,799</u>	<u>1,148,512</u>	<u>1,586,737</u>	<u>32,187,197</u>	<u>6,899,940</u>	<u>318,850,387</u>
Cash	—	—	—	6	—	—
Dividends and interest receivable	—	—	—	—	—	73,282
Receivable from securities transactions	—	—	—	—	—	—
Receivable from Direct Plan units sold	89,433	674	7,015	13,910	57,689	97,922
TOTAL ASSETS	<u>201,069,232</u>	<u>1,149,186</u>	<u>1,593,752</u>	<u>32,201,113</u>	<u>6,957,629</u>	<u>319,021,591</u>
LIABILITIES						
Overdraft payable	17,347	—	—	—	—	15,087
Accrued Direct Plan manager fee	51,482	263	331	8,135	1,340	81,707
Accrued administrative fee	3,432	18	22	542	89	5,447
Payable for securities transactions	4,064	674	7,015	13,910	57,689	73,355
Payable for Direct Plan units redeemed	68,022	—	—	—	—	82,762
TOTAL LIABILITIES	<u>144,347</u>	<u>955</u>	<u>7,368</u>	<u>22,587</u>	<u>59,118</u>	<u>258,358</u>
NET POSITION	<u>\$ 200,924,885</u>	<u>\$ 1,148,231</u>	<u>\$ 1,586,384</u>	<u>\$ 32,178,526</u>	<u>\$ 6,898,511</u>	<u>\$ 318,763,233</u>
UNITS OUTSTANDING	<u>12,681,341</u>	<u>115,413</u>	<u>157,009</u>	<u>2,144,081</u>	<u>689,130</u>	<u>16,638,388</u>
NET POSITION VALUE PER UNIT	<u>\$ 15.84</u>	<u>\$ 9.95</u>	<u>\$ 10.10</u>	<u>\$ 15.01</u>	<u>\$ 10.01</u>	<u>\$ 19.16</u>
INVESTMENTS AT COST	<u>\$ 153,565,962</u>	<u>\$ 1,171,463</u>	<u>\$ 1,632,061</u>	<u>\$ 30,535,490</u>	<u>\$ 6,990,131</u>	<u>\$ 248,033,775</u>

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ —	\$ —	\$ 11,632,373	\$ —	\$ —	\$ 51,547,015
—	—	—	—	—	24,067,958
—	—	—	—	—	93,462,180
—	—	—	—	—	7,374,972
4,566,392	—	—	—	—	4,566,392
8,130,682	—	—	—	—	18,439,296
—	—	—	—	—	190,741,234
—	—	—	—	—	12,999,393
—	—	—	—	—	13,634,229
—	—	—	26,794,342	—	26,794,342
—	—	—	—	—	101,422,971
—	31,852,073	—	—	—	31,852,073
<u>12,697,074</u>	<u>31,852,073</u>	<u>11,632,373</u>	<u>26,794,342</u>	<u>—</u>	<u>576,902,055</u>
11,658,132	—	—	—	—	11,658,132
—	—	—	—	—	22,261,363
—	—	—	—	—	15,799,569
—	—	—	—	—	1,148,512
—	—	—	—	—	5,853,431
—	—	—	—	—	9,598,529
11,592,035	—	—	—	—	11,592,035
—	—	—	—	—	3,609,145
—	—	—	—	—	3,340,686
6,388,004	—	—	—	—	12,503,148
<u>29,638,171</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>97,364,550</u>
—	—	—	—	232,688,488	232,688,488
<u>42,335,245</u>	<u>31,852,073</u>	<u>11,632,373</u>	<u>26,794,342</u>	<u>232,688,488</u>	<u>906,955,093</u>
162	1,030	—	—	—	1,198
61,562	—	21,500	—	—	156,344
—	—	—	24,884	116,344	141,228
28,709	14,609	2,530	7,492	147,919	467,902
<u>42,425,678</u>	<u>31,867,712</u>	<u>11,656,403</u>	<u>26,826,718</u>	<u>232,952,751</u>	<u>907,721,765</u>
—	—	—	—	—	32,434
10,665	8,062	2,929	—	—	164,914
711	537	195	—	—	10,993
63,390	7,536	22,030	—	—	249,663
27,031	8,073	2,000	32,376	264,263	484,527
<u>101,797</u>	<u>24,208</u>	<u>27,154</u>	<u>32,376</u>	<u>264,263</u>	<u>942,531</u>
<u>\$ 42,323,881</u>	<u>\$ 31,843,504</u>	<u>\$ 11,629,249</u>	<u>\$ 26,794,342</u>	<u>\$ 232,688,488</u>	<u>\$ 906,779,234</u>
2,742,232	1,880,560	1,026,405	2,645,268	15,239,923	
<u>\$ 15.43</u>	<u>\$ 16.93</u>	<u>\$ 11.33</u>	<u>\$ 10.13</u>	<u>\$ 15.27</u>	
<u>\$ 42,475,827</u>	<u>\$ 26,015,301</u>	<u>\$ 11,562,808</u>	<u>\$ 26,794,342</u>	<u>\$ 232,688,488</u>	<u>\$ 781,465,648</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
ADDITIONS							
Subscriptions	\$ 3,051,665	\$ 4,331,072	\$ 4,075,522	\$ 4,073,913	\$ 7,749,301	\$ 8,892,011	\$ 32,173,484
Increase from investment operations:							
Dividends from underlying funds	143,895	131,603	144,508	137,005	203,237	123,825	884,073
Realized gain distributions from underlying funds	19,965	14,583	13,190	11,678	13,366	5,258	78,040
Net realized gain on investments in underlying fund shares	4,489	—	—	11,768	—	7,574	23,831
Net increase from investment operations	<u>168,349</u>	<u>146,186</u>	<u>157,698</u>	<u>160,451</u>	<u>216,603</u>	<u>136,657</u>	<u>985,944</u>
TOTAL ADDITIONS	<u>\$ 3,220,014</u>	<u>\$ 4,477,258</u>	<u>\$ 4,233,220</u>	<u>\$ 4,234,364</u>	<u>\$ 7,965,904</u>	<u>\$ 9,028,668</u>	<u>\$ 33,159,428</u>
DEDUCTIONS							
Redemptions	\$ 2,811,997	\$ 2,078,669	\$ 1,982,769	\$ 2,730,208	\$ 5,438,820	\$ 4,500,505	\$ 19,542,968
Expenses:							
Direct Plan manager fee	8,819	8,370	8,634	9,195	16,133	11,703	62,854
State administrative fee	588	558	576	613	1,076	780	4,191
Total expenses	<u>9,407</u>	<u>8,928</u>	<u>9,210</u>	<u>9,808</u>	<u>17,209</u>	<u>12,483</u>	<u>67,045</u>
Net unrealized depreciation on underlying fund shares	51,551	74,008	91,544	93,561	113,160	103,397	527,221
Net realized loss on investments in underlying fund shares	—	1,052	1,261	—	19,199	—	21,512
TOTAL DEDUCTIONS	<u>\$ 2,872,955</u>	<u>\$ 2,162,657</u>	<u>\$ 2,084,784</u>	<u>\$ 2,833,577</u>	<u>\$ 5,588,388</u>	<u>\$ 4,616,385</u>	<u>\$ 20,158,746</u>
NET POSITION							
Net increase (decrease) in fiduciary net position	347,059	2,314,601	2,148,436	1,400,787	2,377,516	4,412,283	13,000,682
Beginning of year	<u>5,399,363</u>	<u>4,592,851</u>	<u>4,655,095</u>	<u>5,375,247</u>	<u>9,100,085</u>	<u>7,237,301</u>	<u>36,359,942</u>
End of year	<u>\$ 5,746,422</u>	<u>\$ 6,907,452</u>	<u>\$ 6,803,531</u>	<u>\$ 6,776,034</u>	<u>\$ 11,477,601</u>	<u>\$ 11,649,584</u>	<u>\$ 49,360,624</u>
UNITS							
Sold	222,344	327,188	321,299	339,475	677,585	824,482	2,712,373
Redeemed	<u>(202,921)</u>	<u>(156,953)</u>	<u>(156,115)</u>	<u>(226,945)</u>	<u>(474,828)</u>	<u>(417,959)</u>	<u>(1,635,721)</u>
NET INCREASE (DECREASE)	<u>19,423</u>	<u>170,235</u>	<u>165,184</u>	<u>112,530</u>	<u>202,757</u>	<u>406,523</u>	<u>1,076,652</u>

Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ADDITIONS							
Subscriptions	\$ 14,605,030	\$ 34,953,441	\$ 70,819,795	\$ 99,728,241	\$ 126,797,875	\$ 120,757,322	\$ 467,661,704
Increase from investment operations:							
Dividends from underlying funds	808,910	2,661,128	5,533,956	6,304,986	6,224,260	3,800,230	25,333,470
Realized gain distributions from underlying funds	143,329	377,077	680,458	696,824	643,279	359,979	2,900,946
Net realized gain on investments in underlying fund shares	1,851,943	3,455,879	3,552,655	2,788,764	2,261,967	581,372	14,492,580
Net increase from investment operations	<u>2,804,182</u>	<u>6,494,084</u>	<u>9,767,069</u>	<u>9,790,574</u>	<u>9,129,506</u>	<u>4,741,581</u>	<u>42,726,996</u>
TOTAL ADDITIONS	<u>\$ 17,409,212</u>	<u>\$ 41,447,525</u>	<u>\$ 80,586,864</u>	<u>\$ 109,518,815</u>	<u>\$ 135,927,381</u>	<u>\$ 125,498,903</u>	<u>\$ 510,388,700</u>
DEDUCTIONS							
Redemptions	\$ 19,258,114	\$ 47,138,465	\$ 82,918,827	\$ 109,265,266	\$ 111,179,223	\$ 95,986,621	\$ 465,746,516
Expenses:							
Direct Plan manager fee	48,640	161,924	333,318	379,743	425,068	316,790	1,665,483
State administrative fee	3,243	10,795	22,221	25,316	28,338	21,119	111,032
Total expenses	<u>51,883</u>	<u>172,719</u>	<u>355,539</u>	<u>405,059</u>	<u>453,406</u>	<u>337,909</u>	<u>1,776,515</u>
Net unrealized depreciation on underlying fund shares	2,016,792	4,713,823	6,345,842	5,999,018	5,732,808	3,156,014	27,964,297
TOTAL DEDUCTIONS	<u>\$ 21,326,789</u>	<u>\$ 52,025,007</u>	<u>\$ 89,620,208</u>	<u>\$ 115,669,343</u>	<u>\$ 117,365,437</u>	<u>\$ 99,480,544</u>	<u>\$ 495,487,328</u>
NET POSITION							
Net increase (decrease) in fiduciary net position	(3,917,577)	(10,577,482)	(9,033,344)	(6,150,528)	18,561,944	26,018,359	14,901,372
Beginning of year	<u>32,877,719</u>	<u>112,070,334</u>	<u>221,096,134</u>	<u>251,060,131</u>	<u>275,370,774</u>	<u>220,435,014</u>	<u>1,112,910,106</u>
End of year	<u>\$ 28,960,142</u>	<u>\$ 101,492,852</u>	<u>\$ 212,062,790</u>	<u>\$ 244,909,603</u>	<u>\$ 293,932,718</u>	<u>\$ 246,453,373</u>	<u>\$ 1,127,811,478</u>
UNITS							
Sold	707,305	1,936,297	3,799,654	5,304,291	7,188,944	7,256,823	26,193,314
Redeemed	<u>(923,092)</u>	<u>(2,606,109)</u>	<u>(4,434,323)</u>	<u>(5,799,095)</u>	<u>(6,303,507)</u>	<u>(5,797,901)</u>	<u>(25,864,027)</u>
NET INCREASE (DECREASE)	<u>(215,787)</u>	<u>(669,812)</u>	<u>(634,669)</u>	<u>(494,804)</u>	<u>885,437</u>	<u>1,458,922</u>	<u>329,287</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

**Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option**

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
ADDITIONS							
Subscriptions	\$ 15,598,681	\$ 29,759,781	\$ 38,003,294	\$ 30,744,264	\$ 24,266,421	\$ 17,507,357	\$ 155,879,798
Increase from investment operations:							
Dividends from underlying funds	709,719	1,903,973	1,756,641	1,278,193	976,192	452,645	7,077,363
Realized gain distributions from underlying funds	137,625	345,106	274,211	181,115	120,459	46,373	1,104,889
Net realized gain on investments in underlying fund shares	169,340	—	44,267	82,009	111,344	13,011	419,971
Net increase from investment operations	<u>1,016,684</u>	<u>2,249,079</u>	<u>2,075,119</u>	<u>1,541,317</u>	<u>1,207,995</u>	<u>512,029</u>	<u>8,602,223</u>
TOTAL ADDITIONS	<u>\$ 16,615,365</u>	<u>\$ 32,008,860</u>	<u>\$ 40,078,413</u>	<u>\$ 32,285,581</u>	<u>\$ 25,474,416</u>	<u>\$ 18,019,386</u>	<u>\$ 164,482,021</u>
DEDUCTIONS							
Redemptions	\$ 14,299,830	\$ 22,481,365	\$ 20,619,821	\$ 17,903,827	\$ 15,814,664	\$ 10,682,333	\$ 101,801,840
Expenses:							
Direct Plan manager fee	44,743	119,445	111,512	80,139	61,765	32,653	450,257
State administrative fee	2,983	7,963	7,434	5,343	4,118	2,177	30,018
Total expenses	<u>47,726</u>	<u>127,408</u>	<u>118,946</u>	<u>85,482</u>	<u>65,883</u>	<u>34,830</u>	<u>480,275</u>
Net unrealized depreciation on underlying fund shares	270,724	608,720	774,397	664,974	620,880	328,789	3,268,484
Net realized loss on investments in underlying fund shares	—	124,514	—	—	—	—	124,514
TOTAL DEDUCTIONS	<u>\$ 14,618,280</u>	<u>\$ 23,342,007</u>	<u>\$ 21,513,164</u>	<u>\$ 18,654,283</u>	<u>\$ 16,501,427</u>	<u>\$ 11,045,952</u>	<u>\$ 105,675,113</u>
NET POSITION							
Net increase (decrease) in fiduciary net position	1,997,085	8,666,853	18,565,249	13,631,298	8,972,989	6,973,434	58,806,908
Beginning of year	<u>27,845,552</u>	<u>74,610,085</u>	<u>64,956,701</u>	<u>47,189,725</u>	<u>37,808,054</u>	<u>20,383,340</u>	<u>272,793,457</u>
End of year	<u>\$ 29,842,637</u>	<u>\$ 83,276,938</u>	<u>\$ 83,521,950</u>	<u>\$ 60,821,023</u>	<u>\$ 46,781,043</u>	<u>\$ 27,356,774</u>	<u>\$ 331,600,365</u>
UNITS							
Sold	1,118,229	2,146,585	2,689,694	2,156,408	1,722,953	1,329,853	11,163,722
Redeemed	<u>(1,012,114)</u>	<u>(1,611,366)</u>	<u>(1,451,175)</u>	<u>(1,251,749)</u>	<u>(1,122,515)</u>	<u>(815,885)</u>	<u>(7,264,804)</u>
NET INCREASE (DECREASE)	<u>106,115</u>	<u>535,219</u>	<u>1,238,519</u>	<u>904,659</u>	<u>600,438</u>	<u>513,968</u>	<u>3,898,918</u>

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**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD OR YEAR ENDED JUNE 30, 2015**

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option*	International Equity Index Option*	Active Global Equity Option	U.S. Equity Index Option*	High Equity Balanced Option
ADDITIONS						
Subscriptions	\$ 37,974,428	\$ 1,172,505	\$ 1,648,048	\$ 11,336,603	\$ 7,063,111	\$ 36,638,533
Increase from investment operations:						
Interest	—	—	—	—	—	—
Dividends from underlying funds	4,947,905	—	—	1,101,343	—	7,237,159
Realized gain distributions from underlying funds	590,489	—	—	1,076,927	—	3,820,926
Net unrealized appreciation on underlying fund shares	—	—	—	—	—	—
Net realized gain on investments in underlying fund shares	—	—	—	534,326	—	3,162,366
Net increase from investment operations	5,538,394	—	—	2,712,596	—	14,220,451
TOTAL ADDITIONS	\$ 43,512,822	\$ 1,172,505	\$ 1,648,048	\$ 14,049,199	\$ 7,063,111	\$ 50,858,984
DEDUCTIONS						
Redemptions	\$ 27,451,727	\$ 989	\$ 15,688	\$ 3,946,128	\$ 72,597	\$ 46,747,063
Expenses:						
Direct Plan manager fee	289,869	313	388	40,391	1,587	476,462
State administrative fee	19,325	21	26	2,693	106	31,764
Total expenses	309,194	334	414	43,084	1,693	508,226
Less: Fee waived by Direct Plan Manager	—	—	—	—	—	—
Less: State fee waiver	—	—	—	—	—	—
Net expenses	309,194	334	414	43,084	1,693	508,226
Net unrealized depreciation on underlying fund shares	3,367,973	22,951	45,324	1,739,664	90,191	10,160,762
Net realized loss on investments in underlying fund shares	47,186	—	238	—	119	—
TOTAL DEDUCTIONS	\$ 31,176,080	\$ 24,274	\$ 61,664	\$ 5,728,876	\$ 164,600	\$ 57,416,051
NET POSITION						
Net increase (decrease) in fiduciary net position	12,336,742	1,148,231	1,586,384	8,320,323	6,898,511	(6,557,067)
Beginning of year	188,588,143	—	—	23,858,203	—	325,320,300
End of year	\$ 200,924,885	1,148,231	1,586,384	\$ 32,178,526	6,898,511	\$ 318,763,233
UNITS						
Sold	2,447,200	115,511	158,512	774,908	696,337	1,940,718
Redeemed	(1,757,012)	(99)	(1,503)	(275,458)	(7,207)	(2,474,415)
NET INCREASE (DECREASE)	690,188	115,412	157,009	499,450	689,130	(533,697)

*The Option commenced operations on April 1, 2015.

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ 8,665,080	\$ 11,060,067	\$ 5,117,597	\$ 13,771,900	\$ 60,755,070	\$ 195,202,942
—	—	—	—	3,267,772	3,267,772
1,228,840	369,920	224,051	—	—	15,109,218
245,216	294,808	8,245	—	—	6,036,611
—	187,653	—	—	—	187,653
1,303,345	—	—	—	—	5,000,037
<u>2,777,401</u>	<u>852,381</u>	<u>232,296</u>	<u>—</u>	<u>3,267,772</u>	<u>29,601,291</u>
<u>\$ 11,442,481</u>	<u>\$ 11,912,448</u>	<u>\$ 5,349,893</u>	<u>\$ 13,771,900</u>	<u>\$ 64,022,842</u>	<u>\$ 224,804,233</u>
\$ 9,284,800	\$ 2,961,871	\$ 2,710,063	\$ 10,406,235	\$ 65,347,356	\$ 168,944,517
62,821	41,696	15,460	36,432	—	965,419
4,188	2,780	1,031	2,429	—	64,363
<u>67,009</u>	<u>44,476</u>	<u>16,491</u>	<u>38,861</u>	<u>—</u>	<u>1,029,782</u>
—	—	—	(36,432)	—	(36,432)
—	—	—	(2,429)	—	(2,429)
<u>67,009</u>	<u>44,476</u>	<u>16,491</u>	<u>—</u>	<u>—</u>	<u>990,921</u>
2,576,617	—	72,873	—	—	18,076,355
—	5,726	9,248	—	—	62,517
<u>\$ 11,928,426</u>	<u>\$ 3,012,073</u>	<u>\$ 2,808,675</u>	<u>\$ 10,406,235</u>	<u>\$ 65,347,356</u>	<u>\$ 188,074,310</u>
(485,945)	8,900,375	2,541,218	3,365,665	(1,324,514)	36,729,923
<u>42,809,826</u>	<u>22,943,129</u>	<u>9,088,031</u>	<u>23,428,677</u>	<u>234,013,002</u>	<u>870,049,311</u>
<u>\$ 42,323,881</u>	<u>\$ 31,843,504</u>	<u>\$ 11,629,249</u>	<u>\$ 26,794,342</u>	<u>\$ 232,688,488</u>	<u>\$ 906,779,234</u>
561,274	655,915	450,474	1,359,518	4,007,851	13,168,218
<u>(602,693)</u>	<u>(173,675)</u>	<u>(239,386)</u>	<u>(1,027,269)</u>	<u>(4,316,852)</u>	<u>(10,875,569)</u>
<u>(41,419)</u>	<u>482,240</u>	<u>211,088</u>	<u>332,249</u>	<u>(309,001)</u>	<u>2,292,649</u>

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2015**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 13.64	\$ 13.09	\$ 12.58	\$ 11.91	\$ 11.36	\$ 10.74
Gain (loss) from investment operations:						
Net investment income(a)	0.31	0.29	0.30	0.25	0.20	0.15
Net realized and unrealized loss on investments	<u>(0.11)</u>	<u>(0.12)</u>	<u>(0.17)</u>	<u>(0.14)</u>	<u>(0.12)</u>	<u>(0.11)</u>
Total gain from investment operations	<u>0.20</u>	<u>0.17</u>	<u>0.13</u>	<u>0.11</u>	<u>0.08</u>	<u>0.04</u>
Net position value, end of year	<u>\$ 13.84</u>	<u>\$ 13.26</u>	<u>\$ 12.71</u>	<u>\$ 12.02</u>	<u>\$ 11.44</u>	<u>\$ 10.78</u>
 TOTAL RETURN	 <u>1.47%</u>	 <u>1.30%</u>	 <u>1.03%</u>	 <u>0.92%</u>	 <u>0.70%</u>	 <u>0.37%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 5,746	\$ 6,907	\$ 6,804	\$ 6,776	\$ 11,478	\$ 11,650
Ratio of expenses to average net position(b)	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%
Ratio of net investment income to average net position	2.29%	2.20%	2.35%	2.07%	1.73%	1.43%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 20.50	\$ 17.87	\$ 18.45	\$ 18.58	\$ 17.45	\$ 16.52
Gain (loss) from investment operations:						
Net investment income(a)	0.48	0.42	0.43	0.44	0.36	0.27
Net realized and unrealized loss on investments	<u>(0.12)</u>	<u>(0.17)</u>	<u>(0.19)</u>	<u>(0.20)</u>	<u>(0.18)</u>	<u>(0.14)</u>
Total gain from investment operations	<u>0.36</u>	<u>0.25</u>	<u>0.24</u>	<u>0.24</u>	<u>0.18</u>	<u>0.13</u>
Net position value, end of year	<u>\$ 20.86</u>	<u>\$ 18.12</u>	<u>\$ 18.69</u>	<u>\$ 18.82</u>	<u>\$ 17.63</u>	<u>\$ 16.65</u>
TOTAL RETURN	<u>1.76%</u>	<u>1.40%</u>	<u>1.30%</u>	<u>1.29%</u>	<u>1.03%</u>	<u>0.79%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 28,960	\$ 101,493	\$ 212,063	\$ 244,910	\$ 293,933	\$ 246,453
Ratio of expenses to average net position(b)	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%
Ratio of net investment income to average net position	2.33%	2.31%	2.33%	2.33%	2.04%	1.64%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2015**

**Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 13.88	\$ 13.69	\$ 13.93	\$ 14.03	\$ 13.88	\$ 13.03
Gain (loss) from investment operations:						
Net investment income(a)	0.31	0.31	0.31	0.32	0.31	0.25
Net realized and unrealized loss on investments	<u>(0.06)</u>	<u>(0.08)</u>	<u>(0.09)</u>	<u>(0.10)</u>	<u>(0.12)</u>	<u>(0.11)</u>
Total gain from investment operations	<u>0.25</u>	<u>0.23</u>	<u>0.22</u>	<u>0.22</u>	<u>0.19</u>	<u>0.14</u>
Net position value, end of year	<u>\$ 14.13</u>	<u>\$ 13.92</u>	<u>\$ 14.15</u>	<u>\$ 14.25</u>	<u>\$ 14.07</u>	<u>\$ 13.17</u>
 TOTAL RETURN	 <u>1.80%</u>	 <u>1.68%</u>	 <u>1.58%</u>	 <u>1.57%</u>	 <u>1.37%</u>	 <u>1.07%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 29,843	\$ 83,277	\$ 83,522	\$ 60,821	\$ 46,781	\$ 27,357
Ratio of expenses to average net position(b)	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%
Ratio of net investment income to average net position	2.22%	2.23%	2.20%	2.23%	2.21%	1.92%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

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**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE PERIOD OR YEAR ENDED JUNE 30, 2015**

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option*	International Equity Index Option*	Active Global Equity Option	U.S. Equity Index Option*	High Equity Balanced Option	Active Fixed-Income Option	Social Choice Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR								
Net position value, beginning of period or year	\$ 15.73	\$ 10.00	\$ 10.00	\$ 14.51	\$ 10.00	\$ 18.94	\$ 15.38	\$ 16.41
Gain (loss) from investment operations:								
Net investment income(a)	0.38	(0.00)(e)	(0.00)(e)	0.58	(0.00)(e)	0.40	0.43	0.20
Net realized and unrealized loss on investments	(0.27)	(0.05)	0.10	(0.08)	0.01	(0.18)	(0.38)	0.32
Total gain from investment operations	0.11	(0.05)	0.10	0.50	0.01	0.22	0.05	0.52
Net position value, end of period or year	<u>\$ 15.84</u>	<u>\$ 9.95</u>	<u>\$ 10.10</u>	<u>\$ 15.01</u>	<u>\$ 10.01</u>	<u>\$ 19.16</u>	<u>\$ 15.43</u>	<u>\$ 16.93</u>
TOTAL RETURN	<u>0.70%</u>	<u>(0.50)%(c)</u>	<u>1.00 %(c)</u>	<u>3.45%</u>	<u>0.10%(c)</u>	<u>1.16%</u>	<u>0.33%</u>	<u>3.17%</u>
RATIOS AND SUPPLEMENTAL DATA								
Net position at end of period or year (in thousands)	\$ 200,925	\$ 1,148	\$ 1,586	\$ 32,179	\$ 6,899	\$ 318,763	\$ 42,324	\$ 31,844
Ratio of expenses to average net position before expense waiver (b)	0.16%	0.16%(d)	0.16%(d)	0.16%	0.16%(d)	0.16%	0.16%	0.16%
Ratio of expenses to average net position after expense waiver (b)	0.16%	0.16%(d)	0.16%(d)	0.16%	0.16%(d)	0.16%	0.16%	0.16%
Ratio of net investment income to average net position	2.40%	(0.16)%(d)	(0.16)%(d)	3.93%	(0.16)%(d)	2.12%	2.77%	1.17%

* The Option commenced operations on April 1, 2015.

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

(c) The percentages shown for this period are not annualized.

(d) The percentages shown for this period are annualized.

(e) Amount represents less than \$0.01 per share.

Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option
\$ 11.15	\$ 10.13	\$ 15.05
0.23	—	0.22
(0.05)	—	—
0.18	—	0.22
<u>\$ 11.33</u>	<u>\$ 10.13</u>	<u>\$ 15.27</u>
<u>1.61%</u>	<u>0.00%</u>	<u>1.46%</u>

\$ 11,629	\$ 26,794	\$ 232,688
0.16%	0.16%	—%
0.16%	0.00%	—%
2.01%	0.00%	1.44%



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To Management of TIAA-CREF Tuition Financing, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Connecticut Higher Education Trust - Direct Plan (the “Direct Plan”), which comprise the Statement of Fiduciary Net Position as of June 30, 2015, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Direct Plan’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Direct Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Direct Plan’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Direct Plan’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Direct Plan’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Direct Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Direct Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

August 28, 2015