



OFFICE OF
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DENISE L. NAPIER

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NAPIER RE-OPENS STATE'S HIGHER EDUCATION SAVINGS PROGRAM WITH NEW INVESTMENT MANAGER, LOWER FEES AND REDUCED MINIMUM INVESTMENT

TREASURER'S ACTIONS STRENGTHEN PROGRAM, INCREASE ACCESSIBILITY FOR FAMILIES SAVING MONEY FOR COLLEGE

(Hartford) – Fulfilling a goal of making the state's higher education savings program more accessible, less expensive and highly professional, State Treasurer Denise L. Nappier today re-opened the Connecticut Higher Education Trust (CHET) program to new accounts after a three-month hiatus.

The college savings program began accepting contributions today with a new investment manager in place, management fees cut in half, the minimum necessary to open an account slashed from \$500 to \$25, and without an annual fee -- which has been eliminated completely.

"Our goal from day one was to offer Connecticut families a premier investment program for higher education," Nappier said. "Higher education is more important and more expensive than it has ever been before and we appreciate that one's ability to pay for college tomorrow depends on the quality of the investment program begun today. That's why these changes to CHET are so important for Connecticut families and children."

The new CHET program was unveiled at a news conference held at the Capitol Child Development Center in Hartford and attended by the state's higher education commissioner, area college finance officials and legislators, underscoring the widespread support for the changes in the college savings program.

The new investment manager and administrator for the CHET program is TIAA-CREF Tuition Financing Inc. (TFI). The company is a subsidiary of TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund), one of the nation's leading non-profit financial services organizations, with over 80 years of experience in long-term investing. The premier pension system for people employed in education and research in the United States, TIAA-CREF is a well-respected Wall Street investor, currently managing over \$290 billion in assets.

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The CHET program was authorized by the Connecticut General Assembly in 1997 and began in 1998. The program is a Trust designed to offer investors a tax-advantaged way to save and invest for college education.

Connecticut residents pay no federal taxes on the earnings on their CHET account until they withdraw money for higher education expenses. The earnings are then federally taxed at the student's rate, which is generally much lower than the rate of the individual that opened the account. Earnings are exempt from state income tax. There are currently 6,500 accounts totaling just over \$47 million.

Nappier highlighted some of the fee reductions and reduced minimum contributions in the newly revised CHET program:

- Effective January 1, 2000 the annual account fee, previously \$15, has been eliminated.
- Account owners will now pay a lower annual fee to cover the cost of investment management and administrative services – 0.79 percent of account value, as compared with the previous 1.55 percent.
- All new accounts can be opened with a substantially lower minimum amount – just \$25, compared with the previous \$500.
- If their employer offers payroll deduction, individuals can contribute just \$15 per account per pay period.

“Overall, the fees charged to account owners by the CHET program have been cut by more than half, moving from among the highest in the country to among the lowest,” Nappier said. “We have transformed CHET into a higher education savings plan that is affordable for all income levels.”

To illustrate the impact of the changes, Nappier said “the average CHET account currently has about \$7,000. With this new fee structure, the current average account holder will realize a 55% reduction in fees, from \$123.50 to \$55.30 per year.”

Contributions to CHET are allocated by TIAA-CREF among a mix of its stock, bond and money market institutional mutual funds. Specific percentage allocations are based on the age of the beneficiary and are re-balanced regularly as the child approaches college age. Newborn and younger children will have a higher proportion of their investment account allocated to stock funds to take advantage of the potential for greater long-term returns compared with bonds. As the child grows older, the asset allocation progressively shifts toward more conservative bond and money market investments for added safety in the years closer to college.

Nappier announced in September that she would be replacing the previous administrative manager, Collegiate Capital, due to concerns about the firms' ability to handle certain aspects of the program and ensure its future growth as an investment

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vehicle for Connecticut families. The selection of TIAA-CREF was announced in December. New accounts were not accepted while the transition from Collegiate to TIAA-CREF was developed and new program materials and disclosure documents were completed during the past 12 weeks. Existing account owners had their account assets moved to TIAA-CREF mutual fund investments, effective today.

“Our aim is to offer Connecticut residents a quality investment option to provide for higher education,” Nappier said. “We are most impressed with the solid experience and track record of TFI, and we are confident that they will provide outstanding services for CHET account holders, now and in the future. CHET is now on a solid foundation, with a company with vast investment experience that is well-managed and well capitalized. This is a CHET program that every resident of Connecticut can be proud of,” Nappier said.

Nappier noted that additional account-holder services will be added in the coming months, and a finance education initiative for Connecticut families will be developed jointly between the Treasurer’s Office and TIAA-CREF. The Treasurer is also advocating a tax credit for contributions to CHET accounts, and recently urged the Connecticut legislature to adopt the credit to “provide another important inducement and an additional level of support for Connecticut families to begin saving money for college expenses.”

Nappier said that information about CHET program can be obtained either by calling the toll-free telephone line, at **1-888-799-CHET**, or by visiting the new CHET web site at www.aboutchet.com.