



**OFFICE OF
STATE TREASURER
DENISE L. NAPIER**

NEWS

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CONNECTICUT'S 529 COLLEGE SAVINGS PROGRAM TOPS \$250 MILLION IN ASSETS, SURPASSES 30,000 ACCOUNTS

Interest in CHET College Savings Program Grows with Reduction in Fees, New On-line Enrollment, More Payroll Deduction Offered by Businesses

Connecticut's 529 college savings program, for the first time in its history, has topped \$250 million in assets and 30,000 accounts, and has been highlighted by The New York Times as one of the "best performers" among state 529 college savings programs across the country. State Treasurer Denise L. Nappier, in addition to reporting the milestones, noted that the number of Connecticut employers offering CHET payroll deduction for employees has grown dramatically during 2002, and program fees have been reduced, helping to spur the program's growth.

"Our goal is to offer Connecticut families a premier investment program for higher education, and encourage people to save for college," Nappier said. "We are very pleased by the response, because the ultimate beneficiaries are Connecticut's children. We will continue to do everything we can to keep CHET as one of the top programs in the country."

There are now approximately 31,000 CHET accounts, an increase of nearly 70% since the beginning of the year and more than 371% since March 2000 when

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Treasurer Nappier revamped the State's college savings program, making it more affordable, accessible and flexible for Connecticut families, and bringing on the TIAA-CREF organization, the largest manager of college savings plans, to manage the state program.

As the year's end approaches, total assets in CHET are about \$252.7 million. A year ago, on December 31, 2001, CHET had 18,323 accounts and \$137 million in assets under management.

A recent (December 1, 2002) New York Times review of 529 funds, using age-based funds for a child currently age 5, determined CHET as among the "best performers" during 2002. Previously, an independent analysis of state college savings programs featured in USA Today rated CHET as one of the top programs in the country, the Wall Street Journal identified CHET as a "best performer" and MONEY magazine recommended CHET for Connecticut residents.

CHET is a higher education savings program authorized by the Connecticut General Assembly, and known as a Section 529 plan, after a section of the U.S. tax code. CHET, managed for the State Treasurer's Office by TIAA-CREF Tuition Financing, Inc., is designed to offer investors a tax-advantaged* way to save and invest for higher education. Funds may be used to pay for qualified higher education expenses (tuition fees, books, room and board, supplies and equipment required for college enrollment) at any eligible institution in the United States and even some overseas. When used for qualified higher education expenses, earnings are exempt from state and federal income taxes.

FEES REDUCED, INVESTMENT OPTIONS FLOURISH

The introduction of two new investment options and a recent reduction in fees have helped make CHET an attractive college savings vehicle for Connecticut families.

In recent months, the fee charged account owners -- which had been reduced in 2000 when other accompanying account charges were eliminated by Nappier -- has now been reduced again, by about 10%, to the lowest level in the programs history and among the lowest in the country. The fee charge had been .79

percent since March 2000 and has currently been reduced to a range of .69 to .71 percent. In addition, CHET has no sales charges, and no charges to open an account – a key difference with many other state 529 funds.

“One of the distinctions of CHET is the low fees, as well as the significant tax advantages and the range of investment options to accommodate different risk tolerances,” Napper said.

During 2001, CHET added two new investment options, offering a more aggressive and more conservative investment strategy to its existing age-based investment strategy. The new options provide Connecticut families saving for future college expenses additional flexibility to choose investment vehicles which meet their particular needs, as well as their individual tolerance for investment risk. Each of the options has a different investment objective: one is designed to achieve returns that are at least equal to the increase in the cost of higher education with a changing portfolio mix depending upon the age of the child; another is designed for those with a higher tolerance for risk and based largely on equity market performance; the third, more conservative option, is designed to preserve principal and furnish a return by providing a minimum rate of interest with the potential for additional interest.

Napper said the two new investment options have proven popular with investors seeking a balanced portfolio as part of their college savings plan. Currently, 15% of CHET accounts are in the principal plus interest option, 13% in the high equity and 72% in the age-based option, which had been the only investment option offered until 2001. During the year, however, contributions into the accounts into the three investment options have been 25%, 21% and 54%, respectively.

ON-LINE ENROLLMENT RECEIVES STRONG RESPONSE

On-line enrollment, which became available on the CHET web site, www.aboutchet.com, in May 2002, is the latest in a series of improvements that Treasurer Napper has made during her administration and is proving to be quite popular. Since it became available, more than a quarter of new enrollment

have been done on-line, and during the month of December, nearly 40% of CHET accounts have been opened by individuals using the CHET web site.

On-line enrollment permits individuals to open CHET accounts by following step-by-step prompts on the CHET web site, including an option for authorizing electronic transfer of payments. Use of the web site eliminates, for those who prefer it, the need for traditional paperwork to open accounts. Access to on-line enrollment is easy, and providing the required account information usually takes about 10 minutes to complete.

Online Account Access also allows individuals to check their account balance, make additional contributions and perform account service transactions online 24 hours a day, seven days a week.

“As more financial business is conducted on the web, we have found this to be an attractive option for families interested in saving for college. We will continue to enhance our web-based services, both for current and prospective CHET account owners,” Nappier said.

MORE CONNECTICUT EMPLOYERS OFFER PAYROLL DEDUCTION

The number of Connecticut employers offering payroll deduction to their employees for CHET contributions continues to increase, providing a valuable employee benefit and an easy way for state residents to regularly add to their CHET college savings accounts. During the year, the number of businesses offering payroll deduction to employees increased 58%. Among the notable companies that began to offer payroll deduction during the year were Yale University, Pitney Bowes, Duracell and Quest Diagnostic. A total of 324 companies now offer payroll deduction, up from 213 at the end of 2001.

“Even at a time of increasing competition among the various 529 plans on the market, the CHET program continues to be well received by Connecticut businesses interested in offering their employees a convenient way to save for college education costs,” Nappier said. “We will continue to work with Connecticut businesses to make payroll deduction available to more residents throughout our state.”

STRICTER FEDERAL OVERSIGHT ON MARKETING OF PROGRAMS

Nappier also noted that with virtually every state in the nation now offering 529 college savings programs, and many of them being marketed across state boundaries, federal regulators are imposing greater disclosure requirements on the programs to help safeguard consumers. Securities firms and banks that market 529 college savings plans and other forms of municipal fund securities must comply with the fair practice and other rules of the Municipal Securities Rulemaking Board (MSRB). The MSRB was established in 1975 by Congress to develop rules regulating securities firms and banks involved in underwriting, trading and selling municipal securities.

On December 17, the MSRB introduced a new section of its web site devoted to 529 college savings plans. The web site provides a broad range of educational information helpful to investors, securities firms, banks and others interested in the 529 college savings plans. Areas of the web site include product information, firm qualification requirements, securities regulation, information for investors, and links to other resources. The MSRB web site is www.msrb.org and the 529 section of the web site is <http://ww1.msrb.org/msrb1/mfs/mfs529csp.asp>

CHET INFORMATION AVAILABLE ON THE WEB, OR TOLL-FREE

Nappier stressed that not just parents, but also grandparents, other relatives and friends can open CHET accounts, and there is no limit on the number of accounts that can be opened for a child. Different accounts can employ different investment strategies. Information about the CHET program can be obtained either by calling the toll-free telephone line, at 1-888-799-CHET (2438), or by visiting the CHET web site at www.aboutchet.com.

**If you are not a Connecticut resident or if you have taxable income in another state, consider whether the other state offers a 529 plan with favorable state income tax or other benefits not available if you invest in CHET. Some information in this press release was compiled by The New York Times, USA Today, The Wall Street Journal, and Money Magazine. The program Disclosure Booklet should be read carefully before opening an account. The State of Connecticut, its agencies, TIAA-CREF Tuition Financing, Inc., Teachers Insurance and Annuity Association of America and its affiliates do not insure any account or guarantee its principal or investment return. Account values will fluctuate based upon a number of factors, including general financial market conditions. Investments are made through Teachers Personal Investors Services, Inc., as distributor.*

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